

# DEFENSE WORKING CAPITAL FUND

DEFENSE-WIDE  
FISCAL YEAR (FY) FY 2017  
BUDGET ESTIMATES

OPERATING AND CAPITAL BUDGETS



FEBRUARY 2016  
CONGRESSIONAL DATA

**DEFENSE-WIDE WORKING CAPITAL FUND  
FISCAL YEAR (FY) 2017 BUDGET ESTIMATES  
FEBRUARY 2016**

**DEFENSE-WIDE SUMMARY**

The Defense-Wide Working Capital Fund (DWWCF) consists of six activity groups. The Defense Logistics Agency (DLA) operates three of these activity groups, the Defense Information Systems Agency (DISA) operates two activity groups, and the Defense Finance and Accounting Service (DFAS) operates one activity group.

The DFAS was formed in January 1991 from the Military Services finance and accounting functions. The mission of the DFAS is to lead the Department of Defense (DoD) in finance and accounting by ensuring the delivery of efficient, exceptional quality pay and financial information.

The DISA was reorganized in 1991 from the former Defense Communications Agency. The mission of the DISA is to engineer and provide command and control capabilities and enterprise infrastructure to continuously operate and assure a global net-centric enterprise in direct support to joint warfighters, National level leaders, and other mission and coalition partners across the full spectrum of operations.

The DLA, formed in the early 1960s, operates the Supply Chain Management (SCM), Energy Management (EM), and Document Services activity groups. The DLA SCM manages the materiel from initial acquisition, to storage and distribution, and then finally reutilization or disposal. The DLA Energy Management provides comprehensive worldwide energy solutions for the military services and other authorized customers. The DLA Document Services provides time sensitive, competitively priced, and high quality printing and digital services. The mission of the DLA is to provide effective and efficient worldwide support to warfighters and our other customers.

**DEFENSE-WIDE WORKING CAPITAL FUND CASH**

The table below displays the actual DWWCF cash balance at the end of FY 2015 and estimated year end balances for FY 2016 and FY 2017. The plan projects an increase of \$828.1 million in cash from the beginning of FY 2015 through FY 2017.

| <b>Dollars in Millions</b>       | <b><u>FY 2015</u></b> | <b><u>FY 2016</u></b> | <b><u>FY 2017</u></b> |
|----------------------------------|-----------------------|-----------------------|-----------------------|
| <b>Cash, Beginning of Period</b> | <b>\$1,635.7</b>      | <b>\$3,878.3</b>      | <b>\$3,217.2</b>      |
| Disbursements                    | \$43,250.1            | \$42,130.8            | \$42,347.1            |
| Collections                      | \$46,567.7            | \$42,375.3            | \$41,453.9            |
| <u>Net Outlays</u>               | -\$3,317.6            | -\$244.5              | \$893.2               |
| <u>Direct Appropriation</u>      |                       |                       |                       |
| FY 2015 Received                 | \$44.3                |                       |                       |
| FY 2016 Received                 |                       | \$45.1                |                       |
| FY 2017 Requested                |                       |                       | \$46.0                |
| <u>Overseas Appropriation</u>    |                       |                       |                       |
| FY 2015 Received                 | \$86.4                |                       |                       |
| FY 2016 Received                 |                       | \$86.3                |                       |
| FY 2017 Requested                |                       |                       | \$93.8                |
| <u>Transfers</u>                 | -\$1,205.7            | -\$1,037.0            | \$0.0                 |
| <b>Cash, End of Period</b>       | <b>\$3,878.3</b>      | <b>\$3,217.2</b>      | <b>\$2,463.8</b>      |
| Lower Operating Range            |                       | \$1,261               | \$1,255               |
| Upper Operating Range            |                       | \$2,780               | \$2,458               |

**FY 2015 Cash:** The DWWCF Cash balance increased \$2,242.6 million primarily due to Net Outlays of -\$3,317.6 million; partially offset by Transfers out of \$1,205.7 million. The transfers were from DLA EM to the Military Services and to various Defense Agencies. The Net Outlays were primarily due to lower fuel costs for DLA EM (gain of \$3,675.3 million). The DLA SCM activity outlayed \$622.2 million due to a decline in the DLA Distribution Processing Workload for the Military Services. The DWWCF received \$130.7 million in appropriated funding which included \$44.3 million in direct appropriations for Reutilization, Transfer, and Disposal (RTD) costs and \$86.4 million in supplemental appropriations for Overseas Contingency Operations (OCO). The \$86.4 million consists of \$47.0 million to DLA EM for Fuel Transportation/Terminal Operations and Fuel Combat Losses and \$39.4 million to DLA SCM for continuing operations at the six established DLA Disposition Services' sites (two in Afghanistan, one in Bahrain, one in United Arab Emirates, one in Kuwait, and one in Qatar). The FY 2015 ending cash balance was \$3,878.3 million.

**FY 2016 Cash:** The DWWCF projects a cash loss of \$661.1 million due to a Transfer out of \$1,037.0 million for excess cash balances; partially offset by a \$244.5 million gain from net outlays and appropriated funding (\$131.4 million). The \$244.5 million gain from net outlays is due to DLA EM activity (-\$1,322.9 million), partially offset by a projected loss in the DLA SCM activity (\$1,101.6 million). Projected Net Outlays for the DLA SCM are due to:

- (1) lower sales based on forecasted lower demand
- (2) decline in the DLA Distribution Processing Workload for the Military Services
- (3) audit sustainment contracts
- (4) disbursing for materiel with a long financial lead time for which obligations were made in a prior fiscal year

The DLA EM net outlays are due to lower than budgeted refined product costs in the first quarter. DLA EM collections are based on the composite FY 2016 standard fuel price. The DWWCF received \$45.1 million in direct appropriations for RTD costs and \$86.3 million in OCO funding. Of the \$86.3 million, the DLA EM received \$47.0 million for Fuel Transportation/Terminal Operations and Combat Fuel Losses and the DLA SCM received \$39.3 million primarily for the DLA Disposition Services (to support the scheduled drawdown of the Operations Freedom's Sentinel mission in Afghanistan and the Satellite Communications Services (SATCOM) for all activities in Southwest Asia (SWA)). The FY 2016 ending cash balance is projected to be \$3,217.2 million.

**FY 2017 Cash:** The DWWCF expects to outlay \$893.2 million due to projected losses in the DLA SCM activity (\$843.1 million) and the DLA EM activity (\$106.4 million). Projected Net Outlays for the DLA SCM are due to:

- (1) lower sales projections and associated collections caused by a decreasing customer Operations Tempo
- (2) audit sustainment contracts
- (3) disbursing for materiel with a long financial lead time for which obligations were made in a prior fiscal year

This submission requests \$46.0 million in direct appropriations for RTD costs and \$93.8 million in OCO funding. Of the \$93.8 million requested for OCO, the DLA EM is requesting \$70.0 million primarily for fuel-related services provided by the NATO Support and Procurement Agency (NSPA) and the DLA SCM is requesting \$23.8 million primarily for the DLA Disposition Services (to support the scheduled

drawdown of the Operations Freedom's Sentinel mission in Afghanistan and the Satellite Communications Services (SATCOM) for all activities in Southwest Asia (SWA)). The FY 2017 ending cash balance is projected to be \$2,463.8 million.

DEFENSE-WIDE WORKING CAPITAL FUND - TOTAL  
SOURCE OF NEW ORDERS AND REVENUE  
FISCAL YEAR (FY) 2017 BUDGET ESTIMATES  
FEBRUARY 2016  
(Dollars in Millions)

|                                           | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|-------------------------------------------|----------------|----------------|----------------|
| 1. New Orders:                            |                |                |                |
| a. Orders from DoD Components             |                |                |                |
| Army                                      | 6,701.1        | 6,205.2        | 6,200.5        |
| Operations & Maintenance                  | 5,306.4        | 4,827.7        | 4,872.8        |
| Research Development Testing & Evaluation | 57.3           | 41.2           | 38.5           |
| Procurement                               | 127.9          | 161.7          | 133.6          |
| Military Construction                     | 9.9            | 7.4            | 6.8            |
| Family Housing                            | 2.0            | 1.6            | 1.5            |
| Military Personnel                        | 1,141.4        | 1,095.9        | 1,070.3        |
| Other                                     | 56.2           | 69.7           | 77.0           |
| Navy                                      | 7,139.3        | 6,595.7        | 5,996.3        |
| Operations & Maintenance                  | 6,028.7        | 5,471.9        | 4,899.2        |
| Research Development Testing & Evaluation | 222.4          | 248.1          | 249.9          |
| Procurement                               | 415.5          | 414.2          | 395.5          |
| Military Construction                     | 21.9           | 18.6           | 19.1           |
| Family Housing                            | 0.9            | 0.8            | 0.8            |
| Military Personnel                        | 441.1          | 425.7          | 416.0          |
| Other                                     | 8.8            | 16.4           | 15.8           |
| Air Force                                 | 9,132.0        | 8,182.3        | 7,542.9        |
| Operations & Maintenance                  | 7,714.9        | 6,784.7        | 6,127.0        |
| Research Development Testing & Evaluation | 367.1          | 347.6          | 344.9          |
| Procurement                               | 383.7          | 380.2          | 387.8          |
| Military Construction                     | 101.8          | 101.5          | 103.3          |
| Family Housing                            | 379.5          | 376.4          | 384.0          |
| Military Personnel                        | 149.1          | 147.3          | 148.1          |
| Other                                     | 35.9           | 44.6           | 47.8           |
| Marine Corps                              | 705.0          | 784.5          | 721.0          |
| Operations & Maintenance                  | 511.4          | 597.3          | 538.2          |
| Research Development Testing & Evaluation | 0.0            | 0.0            | 0.0            |
| Procurement                               | 9.6            | 9.8            | 9.3            |
| Military Construction                     | 0.0            | 0.0            | 0.0            |
| Family Housing                            | 0.0            | 0.0            | 0.0            |
| Military Personnel                        | 184.0          | 177.4          | 173.5          |
| Other                                     | 0.0            | 32.1           | 33.0           |
| Defense-Wide                              | 4,353.2        | 4,682.6        | 4,847.6        |
| Operations & Maintenance                  | 1,926.6        | 2,293.7        | 2,501.0        |
| Research Development Testing & Evaluation | 106.1          | 127.2          | 126.1          |
| Procurement                               | 19.3           | 30.0           | 28.9           |
| Military Construction                     | 0.0            | 0.0            | 0.0            |
| Family Housing                            | 0.0            | 0.0            | 0.0            |
| Military Personnel                        | 0.0            | 0.0            | 0.0            |
| Other                                     | 2,301.2        | 2,231.7        | 2,191.6        |

|                                                  |                 |                 |                 |
|--------------------------------------------------|-----------------|-----------------|-----------------|
| Other                                            | 220.3           | 239.6           | 342.7           |
| Operations & Maintenance                         | 183.1           | 202.0           | 302.4           |
| Research Development Testing & Evaluation        | 33.3            | 37.6            | 40.3            |
| Procurement                                      | 3.9             | 0.0             | 0.0             |
| Military Construction                            | 0.0             | 0.0             | 0.0             |
| Family Housing                                   | 0.0             | 0.0             | 0.0             |
| Military Personnel                               | 0.0             | 0.0             | 0.0             |
| Other                                            | 0.0             | 0.0             | 0.0             |
| <b>Total New Orders</b>                          | <b>28,250.9</b> | <b>26,722.0</b> | <b>25,684.0</b> |
| Operations & Maintenance                         | 21,671.1        | 20,177.3        | 19,240.6        |
| Research Development Testing & Evaluation        | 786.2           | 801.7           | 799.7           |
| Procurement                                      | 959.9           | 995.9           | 955.1           |
| Military Construction                            | 133.6           | 127.5           | 129.2           |
| Family Housing                                   | 382.4           | 378.8           | 386.3           |
| Military Personnel                               | 1,915.6         | 1,846.3         | 1,807.9         |
| Other                                            | 2,402.1         | 2,394.5         | 2,365.2         |
| <b>b. Orders from Other Fund Activity Groups</b> | <b>16,902.6</b> | <b>14,444.4</b> | <b>14,144.0</b> |
| Army                                             | 3,278.0         | 2,739.4         | 2,740.5         |
| Navy                                             | 3,727.8         | 3,291.5         | 3,183.0         |
| Air Force                                        | 8,547.3         | 6,998.9         | 6,812.8         |
| Marine Corp                                      | 1.5             | 1.6             | 1.5             |
| Defense-Wide                                     | 1,348.0         | 1,413.0         | 1,406.2         |
| <b>c. Total DoD</b>                              | <b>45,153.5</b> | <b>41,166.4</b> | <b>39,828.0</b> |
| <b>d. Other Orders:</b>                          | <b>2,651.3</b>  | <b>3,147.4</b>  | <b>2,997.8</b>  |
| Trust Fund                                       | 1.1             | 2.1             | 2.1             |
| Federal Agencies                                 | 543.5           | 1,019.9         | 969.1           |
| Non Federal Agencies                             | 284.1           | 604.0           | 574.9           |
| Exchange Activities                              | 0.0             | 0.0             | 0.0             |
| Foreign Military Sales                           | 1,822.6         | 1,521.4         | 1,451.7         |
| <b>2. Carry-In Orders</b>                        | <b>3,396.0</b>  | <b>3,621.4</b>  | <b>3,570.3</b>  |
| <b>3. Total Gross Orders</b>                     | <b>51,200.8</b> | <b>47,935.2</b> | <b>46,396.1</b> |
| <b>4. Carry-Out Orders</b>                       | <b>-3,542.8</b> | <b>-3,529.5</b> | <b>-3,465.6</b> |
| <b>5. Gross Sales</b>                            | <b>47,658.0</b> | <b>44,405.7</b> | <b>42,930.5</b> |
| Disposition Services - Sales Proceeds            | 126.5           | 150.1           | 146.7           |
| <b>6. Credits &amp; Allowances</b>               | <b>-538.7</b>   | <b>-948.7</b>   | <b>-834.1</b>   |
| <b>7. Net Sales</b>                              | <b>47,245.8</b> | <b>43,607.1</b> | <b>42,243.1</b> |
| <b>8. Reimbursable Sales</b>                     | <b>693.3</b>    | <b>975.8</b>    | <b>1,111.9</b>  |
| <b>9. Total Revenue</b>                          | <b>47,939.1</b> | <b>44,582.9</b> | <b>43,355.0</b> |

**DEFENSE-WIDE WORKING CAPITAL FUND  
SUMMARY  
FISCAL YEAR (FY) 2017 BUDGET ESTIMATE  
REVENUE AND EXPENSES  
FEBRUARY 2016  
(Dollars in Millions)**

|                                                          | <u>FY 2015</u>  | <u>FY 2016</u>  | <u>FY 2017</u>  |
|----------------------------------------------------------|-----------------|-----------------|-----------------|
| <b>Revenue:</b>                                          |                 |                 |                 |
| Gross Sales                                              | 45,461.8        | 42,074.5        | 40,359.0        |
| Operations                                               | 45,298.3        | 41,958.2        | 40,215.6        |
| Capital Surcharge                                        | (6.7)           | (29.8)          | (8.4)           |
| Depreciation excluding Major Construction                | 170.2           | 146.1           | 151.8           |
| Major Construction Depreciation                          | 0.0             | 0.0             | 0.0             |
| ADPE & Telecommunications Equipment                      | 0.0             | 0.0             | 0.0             |
| Other Income                                             | 1,781.8         | 2,174.4         | 2,545.3         |
| Refunds/Discounts (-)                                    | (538.7)         | (948.7)         | (834.1)         |
| <b>Total Income</b>                                      | <b>46,704.9</b> | <b>43,300.2</b> | <b>42,070.2</b> |
| <b>Expenses:</b>                                         |                 |                 |                 |
| Cost of Materiel Sold from Inventory                     | 29,535.1        | 25,218.7        | 25,361.9        |
| Materiel-Related                                         | 0.0             | 0.0             | 0.0             |
| Salaries and Wages:                                      |                 |                 |                 |
| Military Personnel Compensation & Benefits               | 68.3            | 66.1            | 62.1            |
| Civilian Personnel Compensation & Benefits               | 3,670.7         | 3,933.3         | 3,875.9         |
| Travel & Transportation of Personnel                     | 59.2            | 58.1            | 57.3            |
| Materials & Supplies (For Internal Oper) Equipment       | 112.6           | 101.3           | 105.8           |
| Equipment                                                | 130.2           | 99.4            | 103.8           |
| Other Purchases from Revolving Funds                     | 516.2           | 914.7           | 1,020.1         |
| Transportation of Things                                 | 871.8           | 820.9           | 859.1           |
| Inventory Maintenance                                    | 47.8            | 176.0           | 88.0            |
| Depreciation - Capital                                   | 342.5           | 348.0           | 303.4           |
| Printing & Reproduction                                  | 84.9            | 98.4            | 100.8           |
| Advisory and Assistance Services                         | 75.0            | 127.6           | 164.8           |
| Rent, Communication, Utilities, & Misc.                  | 1,966.7         | 2,088.1         | 2,032.1         |
| Other Purchased Services                                 | 8,157.0         | 8,290.6         | 8,370.5         |
| <b>Total Expenses</b>                                    | <b>45,638.0</b> | <b>42,341.2</b> | <b>42,505.6</b> |
| <b>Operating Result</b>                                  | <b>1,066.9</b>  | <b>959.0</b>    | <b>(435.4)</b>  |
| Less Capital Surcharge Reservation                       | 6.7             | 29.9            | 8.4             |
| Plus Passthroughs or Other Approp Affecting NOR          | 0.0             | 0.0             | 0.0             |
| Other Adjustments Affecting NOR                          | (1,105.3)       | (879.4)         | 150.5           |
| <b>Net Operating Result (NOR)</b>                        | <b>(31.7)</b>   | <b>109.5</b>    | <b>(276.5)</b>  |
| Prior Year Adjustments                                   | 0.0             | 0.0             | 0.0             |
| Other Changes Affecting AOR                              | 5.0             | (94.8)          | (55.6)          |
| Prior Year AOR                                           | 722.1           | 466.0           | 370.7           |
| <b>Accumulated Operating Result (AOR)</b>                | <b>695.4</b>    | <b>480.7</b>    | <b>38.6</b>     |
| Non-Recoverable Adjustments Impacting AOR                | (229.1)         | (110.2)         | (105.9)         |
| <b>Accumulated Operating Results for Budget Purposes</b> | <b>466.3</b>    | <b>370.5</b>    | <b>(67.3)</b>   |



# Defense Finance and Accounting Service



Fiscal Year (FY) 2017 Budget Estimates  
Defense Working Capital Fund (DWCF)  
President's Budget Submission  
January 2016

# DEFENSE FINANCE AND ACCOUNTING SERVICE

## OVERVIEW

As the world's largest finance and accounting operation, the Defense Finance and Accounting Service (DFAS) leads the DoD in finance and accounting, ensuring the delivery of efficient, exceptional quality pay and financial information.

The DFAS pays all DoD military and civilian personnel, military retirees and annuitants, as well as major DoD contractors and vendors. The DFAS also provides various business operations support services to federal customers outside the DoD. Since its inception in 1991, the DFAS has consolidated more than 300 installation-level offices into nine DFAS sites and reduced the number of systems in use from 330 to 109.

The DFAS is a working capital fund, obtaining funding by charging its customers for the services it provides rather than through direct appropriations. The DFAS sets annual rates based upon anticipated workload, estimated costs, and prior year gains or losses.

The DFAS works in partnership with defense agencies, military services, and combatant commands to provide timely business information to key decision-makers. Focusing on the finance and accounting needs of the military services, the DFAS allows the warfighter to better concentrate on their mission. The DFAS is committed to performing timely finance and accounting services at the lowest cost, with a high degree of accuracy by utilizing electronic processes wherever possible. The DFAS provides a diverse set of accounting, finance, and technical services to customers.

Commercial Pay Services: The DFAS processes customer invoices in an efficient, accurate, and timely manner. During FY 2015, the DFAS processed 11.8 million commercial invoices while reducing costs through increased use of electronic commerce (for example: electronic receipt of contracts, invoices and receiving reports). This, along with other process improvements, resulted in reduced cycle-time, fewer errors, and less rework, freeing up DFAS and customer resources to support the warfighter.

The DFAS continues to work with Commercial Pay customers to transition to the Targeted Business System Environment (TBSE) with Defense Enterprise Accounting and Management System (DEAMS) for the United States Air Force (USAF), General Fund Enterprise Business System (GFEBS) for the Army, Navy Enterprise Resource Planning (NERP) for the Navy, and Defense Agencies Initiative (DAI) for the Defense Agencies. Additionally, the DFAS continues to work with customers to seamlessly transition workload out of legacy systems approaching sunset dates.

Military/Civilian Pay Services: During FY 2015, the DFAS processed over 135 million pay transactions, disbursed over \$477 billion to over 6.3 million customers, and managed more than \$834 billion in the Military Retirement and Health Benefits Funds. The DFAS continuously enhances value to customers by finding innovative ways to improve service and reduce costs. For example, military and civilian customers can access payroll information anywhere a secure internet connection is available. In addition, customers can enter time and attendance, process travel claims, expedite payment of claims, and receive electronic leave and earnings statements and W-2s online. Transitioning to an electronic environment resulted in more efficient processes, broader and faster availability of information, more functionality, and increased hands-on control for our customers.

Accounting Operations Services: The DFAS accounted for 1,367 active DoD appropriations while maintaining 190.6 million general ledger accounts. Accounting Operations provides responsive and professional financial management, accounting, analysis, and consultation services with a consistent focus on helping the DoD become audit ready.

Audit Readiness Services: The DFAS continues to support the Department's goal of achieving full audit readiness for all DoD financial statements by 2017. As a result, the DFAS is pursuing an aggressive hiring strategy in FY 2016 to ensure the proper personnel are in place to continue the surge toward audit readiness and bring the Department into a state of audit steadiness.

Information Technology (I&T) Services: Information and Technology is critical to the DFAS mission. The constantly changing technological environment requires continuous management focus on I&T planning, development and maintenance of systems, and daily infrastructure operations. The DFAS technology services include planning and developing architectures; designing, building, operating, and maintaining essential telecommunications and computing infrastructure; as well as system development, maintenance, and customer support. The DFAS I&T directorate takes the lead in advising and implementing the DFAS strategy to leverage evolving technology that enables a framework of continuous improvement.

## **Budget Assumptions and Efficiencies**

The DFAS aligned its budget assumptions and based its estimates on business events required to meet customer workload forecasts. As a working capital fund, the DFAS may adapt its execution plan in response to subsequent changes in customer requirements.

The DFAS shaped the FY 2017 budget with a focus on providing quality service to customers at the lowest possible cost while maintaining sufficient resources to support ongoing operations and capital investment. The DFAS budget incorporates the following assumptions, efficiencies, and strategies.

- Leveraging efficiencies and increases in operational productivity to meet new workload demands at the lowest cost to the customer.
- Ensuring the highest level of quality and customer service by analyzing and evaluating operational performance against maturing metrics and benchmarks.
- Supporting customer audit assertion and audit execution by providing client liaison support, educational programs, system upgrades, and contracting and accounting support as part of a dedicated audit readiness infrastructure.
- Generating long-term cost savings and continuity of quality by in-sourcing mission-related functions when beneficial.
- Increasing cost efficiencies by consolidating servers, reducing database sizes, strategically managing hardware replacement schedules, and in-sourcing expertise.
- Effectively managing a shifting portfolio of legacy systems to include system retirements, delays in sunset dates, and system transitions.
- Increasing support for I&T infrastructure, audit readiness, Information Security, Federal Information System Controls Audit Manual (FISCAM), and the Risk Management Framework in order to meet Federal and DoD requirements.
- Continuing to identify areas of opportunity to reduce costs by going paperless in day to day operations.
- Targeting areas of opportunity to reduce overhead driven by headquarters functions, where possible, to ensure that the DFAS cost structure remains as responsive as possible to customer requirements.
- Increasing partnership opportunities with customers to ensure the DFAS has timely resources to support ongoing operations and capital investment plans.

## Budget Summary

The following tables provide the DFAS estimates for revenue, cost, and personnel levels.

### Revenue and Expenses

|                                                                   | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|-------------------------------------------------------------------|----------------|----------------|----------------|
| Revenue                                                           | \$1,354.1      | \$1,412.4      | \$1,404.1      |
| Cost of Operations                                                | \$1,295.4      | \$1,370.9      | \$1,385.6      |
| Operating Results                                                 | \$58.7         | \$41.5         | \$18.4         |
| Adjustment for Unfunded Depreciation on<br>non-DFAS acquired PP&E | \$15.3         | \$11.3         | \$11.2         |
| <b>Recoverable Net Operating Results (NOR)</b>                    | <b>\$74.0</b>  | <b>\$52.8</b>  | <b>\$29.6</b>  |
| Accumulated Operating Results (AOR) - Beginning                   | (\$11.6)       | \$62.4         | \$52.8         |
| Adjustments for Non-recoverable/Deferred AOR                      | \$0.0          | (\$62.4)       | (\$82.4)       |
| <b>Recoverable AOR - Ending</b>                                   | <b>\$62.4</b>  | <b>\$52.8</b>  | <b>\$0.0</b>   |

The DFAS set its FY 2017 rates to provide sufficient cash and resources to support ongoing operations. The rate structure has been adjusted to rebuild the DFAS cash corpus that was consumed by previous year losses and AOR returns. As a result, the DFAS intends to make its positive AOR non-recoverable through FY 2017. Decisions on future AOR adjustments will be re-evaluated each year based on operating results and cash position.

### Personnel

|                       | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|-----------------------|----------------|----------------|----------------|
| Civilian FTEs         | 10,869         | 11,361         | 11,482         |
| Foreign National FTEs | 197            | 199            | 199            |
| Civilian End Strength | 11,133         | 11,434         | 11,520         |
| Military End Strength | 29             | 29             | 24             |

## **Capital Investment Program**

(Dollars in Millions)

|                       | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|-----------------------|----------------|----------------|----------------|
| Total Obligations     | \$21.6         | \$33.8         | \$39.5         |
| Total Capital Outlays | \$27.4         | \$27.5         | \$37.2         |

### **ADPE and Telecommunications Equipment**

The FY 2017 budget includes projects supporting Enterprise Local Area Network (ELAN), teleservices, and security to continue to provide enhanced functionality to assist DFAS in meeting Federal and DoD mandates. FY 2017 includes the continued implementation of the Federal Data Center Consolidation Initiative (FDCCI) which has partially shifted from FY16. The FDCCI requires the DFAS to move all its systems and applications out of DFAS data centers and move them to a Defense Information Systems Agency (DISA) environment.

### **Software Development**

The FY 2017 program includes continued development of the eBiz ERP which will enhance budget formulation, compliance, and contracting functionality for DFAS. The Software Development program also supports the ongoing reduction of legacy systems, audit readiness, the OSD Strategic Management Plan, and development of an agency wall-to-wall funds balance with treasury. Additionally, a workflow enhancement to the Electronic Document Management (EDM) system will increase efficiency and decrease manual input and processing time.

FY 2016 capital investments show an increase from the 2016 President's Budget due to modernization requirements needed to reduce the number of legacy systems and to address audit readiness requirements. There is also an emerging requirement for DFAS Portal which will provide a replacement for the current system that reaches end-of-life on December 31, 2016. FY 2015 software costs were driven by the implementation of Standard Financial Information Structure/Standard Line of Accounting (SFIS/SLOA) efforts as well as initial development of the eBiz ERP.

### **Minor Construction**

The Minor Construction projects scheduled for FY 2017 are conservation projects in Columbus, OH, involving building envelope and HVAC improvements. A building envelope is the physical separator between the conditioned and unconditioned environment of a building. In FY 2016, DFAS plans improvements to its air handler controls and HVAC system at Columbus, in addition to the creation of a second independent Sensitive Compartmental Information Facility (SCIF) to support sensitive audit readiness activities. FY 2015 included implementation of a mass notification project in Rome, NY.

**Fiscal Year (FY) 2017 Budget Estimates  
Changes in the Costs of Operation  
Defense Finance and Accounting Service  
January 2016  
(\$ in Millions)**

|                                                  |                  |
|--------------------------------------------------|------------------|
| <b>FY 2015 Actual</b>                            | <b>\$1,295.4</b> |
| Pricing Adjustment:                              |                  |
| FY 2015 Civilian Pay Raise                       | \$9.3            |
| Annualization Prior Year Pay Raise               | 2.4              |
| Inflation Adjustment                             | 5.6              |
| Program Changes:                                 |                  |
| Military Personnel Compensation                  | 0.6              |
| Civilian Personnel Compensation                  | 41.8             |
| Travel & Transportation of Personnel             | 0.9              |
| Material & Supplies                              | 0.9              |
| Other Purchases from Revolving Funds             | (7.0)            |
| Transportation of Things                         | 0.2              |
| Depreciation                                     | (3.2)            |
| Printing & Reproduction                          | 0.1              |
| Advisory & Assistance Services                   | 5.9              |
| Rent, Communication, Utilities and Misc. Charges | 1.3              |
| Other Purchased Service                          | 16.8             |
| <b>FY 2016 PB 2016:</b>                          | <b>\$1,370.9</b> |
| Pricing Adjustment:                              |                  |
| FY 2016 Civilian Pay Raise                       | \$12.1           |
| Annualization Prior Year Pay Raise               | 2.5              |
| Inflation Adjustment                             | 6.6              |
| Program Changes:                                 |                  |
| Military Personnel Compensation                  | (0.3)            |
| Civilian Personnel Compensation                  | 8.3              |
| Travel & Transportation of Personnel             | (0.2)            |
| Material & Supplies                              | (0.3)            |
| Other Purchases from Revolving Funds             | 3.5              |
| Transportation of Things                         | 0.0              |
| Depreciation                                     | (5.2)            |
| Printing & Reproduction                          | 0.6              |
| Advisory & Assistance Services                   | (3.1)            |
| Rent, Communication, Utilities and Misc. Charges | 0.4              |
| Other Purchased Service                          | (10.2)           |
| <b>FY2017 PB 2017 Estimate:</b>                  | <b>\$1,385.6</b> |

**Fiscal Year (FY) 2017 Budget Estimates  
 Defense Finance and Accounting Service  
 Activity Capital Purchase Justification  
 January 2016  
 (Dollars in Millions)**

|             |                                        | FY 2015  |                | FY 2016  |                | FY 2017  |                |
|-------------|----------------------------------------|----------|----------------|----------|----------------|----------|----------------|
| Line Number | Item Description                       | Quantity | Total Cost     | Quantity | Total Cost     | Quantity | Total Cost     |
| 1           | Non-ADPE Equipment                     |          | \$ -           |          | \$ -           |          | \$ -           |
| 2           | ADPE & Telecom Equip                   |          |                |          |                |          |                |
| 2a          | - Computer Hardware (Production)       |          | \$ -           |          | \$ 0.3         |          | \$ 1.8         |
| 2b          | - Computer Hardware (Network)          |          | \$ 3.0         |          | \$ 12.6        |          | \$ 6.9         |
| 2c          | - Computer Software (Operating System) |          | \$ -           |          | \$ -           |          | \$ -           |
| 2d          | - Telecommunications                   |          | \$ 1.4         |          | \$ 2.8         |          | \$ 7.8         |
| 2e          | - Other Support Equipment              |          | \$ -           |          | \$ -           |          | \$ -           |
| 3           | Software Development                   |          |                |          |                |          |                |
| 3a          | - Internally Developed                 |          | \$ 13.1        |          | \$ 8.9         |          | \$ 19.1        |
| 3b          | - Externally Developed                 |          | \$ 3.0         |          | \$ 5.8         |          | \$ 3.1         |
| 4           | Minor Construction Capabilities        |          |                |          |                |          |                |
| 4a          | - Replacement                          |          | \$ -           |          | \$ -           |          | \$ -           |
| 4b          | - New Construction                     |          | \$ 1.0         |          | \$ 3.5         |          | \$ 0.8         |
| 4c          | - Environmental                        |          | \$ -           |          | \$ -           |          | \$ -           |
|             | <b>TOTAL OBLIGATIONS</b>               |          | <b>\$ 21.6</b> |          | <b>\$ 33.8</b> |          | <b>\$ 39.5</b> |
|             | <b>Total Capital Outlays</b>           |          | <b>\$ 27.4</b> |          | <b>\$ 27.5</b> |          | <b>\$ 37.2</b> |
|             | <b>Total Depreciation Expense</b>      |          | <b>\$ 44.2</b> |          | <b>\$ 41.7</b> |          | <b>\$ 37.3</b> |



**Fiscal Year (FY) 2017 Budget Estimates  
 Defense Finance and Accounting Service  
 Capital Purchase Justification  
 ADPE Telecom  
 January 2016**

|                                                                                                         |                                                                                                                 |                  |                   |                 |                  |                   |                                          |                  |                   |
|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|------------------|-------------------|-----------------|------------------|-------------------|------------------------------------------|------------------|-------------------|
| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                           | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                                           |                  |                   |                 |                  |                   |                                          |                  |                   |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016 | <b>C. Line No and Item Description</b><br>2 - ADPE and Telecom Equipment<br>2a - Computer Hardware (Production) |                  |                   |                 |                  |                   | <b>D. Activity Identification</b><br>DCC |                  |                   |
| <b>Element of Cost</b>                                                                                  | <b>FY 2015</b>                                                                                                  |                  |                   | <b>FY 2016</b>  |                  |                   | <b>FY 2017</b>                           |                  |                   |
|                                                                                                         | <b>Quantity</b>                                                                                                 | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b> | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b>                          | <b>Unit Cost</b> | <b>Total Cost</b> |
| A. Data Center Consolidation (DCC)                                                                      |                                                                                                                 |                  | \$ -              |                 |                  | \$ 250            |                                          |                  | \$ 1,750          |

**Narrative Justification:**  
 A. The Federal Data Center Consolidation Initiative (FDCCI) requires Defense Finance and Accounting Service (DFAS) to move all its systems and applications out of DFAS data centers and move them to a Defense Information Systems Agency (DISA) environment. DISA is the only viable choice at this time as commercial providers are not yet authorized to hold Department of Defense (DoD) sensitive data. DFAS needs to create a system to provide common security controls for over 300 DFAS applications. This system is necessary for DFAS to utilize the most effective approach to re-hosting all its applications. FY17 and FY16 funds are for the DISA production costs for hardware/software for implementation.

|                                                                                                         |                                                                                                              |                  |                   |                 |                  |                   |                                              |                  |                   |
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| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                           | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                                        |                  |                   |                 |                  |                   |                                              |                  |                   |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016 | <b>C. Line No and Item Description</b><br>2 - ADPE and Telecom Equipment<br>2b - Computer Hardware (Network) |                  |                   |                 |                  |                   | <b>D. Activity Identification</b><br>A. ELAN |                  |                   |
| <b>Element of Cost</b>                                                                                  | <b>FY 2015</b>                                                                                               |                  |                   | <b>FY 2016</b>  |                  |                   | <b>FY 2017</b>                               |                  |                   |
|                                                                                                         | <b>Quantity</b>                                                                                              | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b> | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b>                              | <b>Unit Cost</b> | <b>Total Cost</b> |
| A. Enterprise Local Area Network (ELAN)                                                                 |                                                                                                              |                  | \$ 2,718          |                 |                  | \$ 9,019          |                                              |                  | \$ 5,250          |

**Narrative Justification:**  
 A. ELAN is the primary backbone computing infrastructure for the Agency. Major services include network connectivity, messaging and fax services, collaboration capabilities, remote connectivity, network storage, and application hosting environments to enable DFAS Lines of Business to accomplish their respective missions. FY17 and FY16 funds will allow sustainment efforts to ensure that the various services offered by the infrastructure are kept in compliance. This includes equipment replacement scheduled for vendor end-of-service life, upgrades for compatibility, addressing security requirements and satisfying DoD mandates.

|                                                                                                         |                                                                                                              |                  |                   |                 |                  |                   |                                                  |                  |                   |
|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|------------------|-------------------|-----------------|------------------|-------------------|--------------------------------------------------|------------------|-------------------|
| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                           | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                                        |                  |                   |                 |                  |                   |                                                  |                  |                   |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016 | <b>C. Line No and Item Description</b><br>2 - ADPE and Telecom Equipment<br>2b - Computer Hardware (Network) |                  |                   |                 |                  |                   | <b>D. Activity Identification</b><br>B. Security |                  |                   |
| <b>Element of Cost</b>                                                                                  | <b>FY 2015</b>                                                                                               |                  |                   | <b>FY 2016</b>  |                  |                   | <b>FY 2017</b>                                   |                  |                   |
|                                                                                                         | <b>Quantity</b>                                                                                              | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b> | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b>                                  | <b>Unit Cost</b> | <b>Total Cost</b> |
| B. Security                                                                                             |                                                                                                              |                  | \$ 311            |                 |                  | \$ 2,950          |                                                  |                  | \$ 1,688          |

**Narrative Justification:**  
 B. The Security program consists of the Vulnerability Assessment Team (VAT) and Computer Network Defense Service Provider (CNDSPP) team. The VAT assesses all Defense Finance and Accounting Service (DFAS) networks, identifying any security weaknesses and recommending actions to minimize or eliminate them to ensure DFAS is kept safe. The CNDSPP team performs services such as vulnerability scanning, incident analysis and reporting, external intrusion attempt monitoring and response, secure configuration compliance and implementation of Department of Defense (DoD) US Cyber Command initiatives. FY 17 Funds will ensure that the various services offered by the security infrastructure are kept in compliance. This means replacement equipment scheduled for vendor end-of-service life, upgrades for compatibility, addressing security requirements, satisfying DoD mandates. FY16 funds will allow for the enhancements of the current security infrastructure sustainment to ensure that the various services are kept in compliance. FY16 also includes carryover funds from the previous fiscal year for the LAN sustainment procurement.

**Fiscal Year (FY) 2017 Budget Estimates  
 Defense Finance and Accounting Service  
 Capital Purchase Justification  
 ADPE Telecom  
 January 2016**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                              |                  |                   |                 |                  |                   |                                                                             |                  |                   |
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| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                                        |                  |                   |                 |                  |                   |                                                                             |                  |                   |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>C. Line No and Item Description</b><br>2 - ADPE and Telecom Equipment<br>2b - Computer Hardware (Network) |                  |                   |                 |                  |                   | <b>D. Activity Identification</b><br>C. Universe of Transactions (UoT) - SA |                  |                   |
| <b>Element of Cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>FY 2015</b>                                                                                               |                  |                   | <b>FY 2016</b>  |                  |                   | <b>FY 2017</b>                                                              |                  |                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Quantity</b>                                                                                              | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b> | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b>                                                             | <b>Unit Cost</b> | <b>Total Cost</b> |
| C. Universe of Transactions (UoT) - Sensitive Activity (SA)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                              |                  | \$ -              |                 |                  | \$ 665            |                                                                             |                  | \$ -              |
| <b>Narrative Justification:</b><br>C. The Universe of Transaction initiative was undertaken to address an Audit Readiness "Deal Breaker" requirement to provide a repository of all TI97 transactions. These records would enable the TI97 Agencies to have their detail transaction records to be reconciled to DDRS Unadjusted Trial Balance. Due to the aggregation of all the Department of Defense data in a single repository at the document number (along with other detailed attributes) it was recognized by USDI (Under Secretary of Defense Intelligence) that the data requires additional security requirements. Those measures include a Secure solution for the repository. Additional measures requiring DISA support and requirements from the SA community are necessary to meet the guidance provided by USDI. FY16 costs are for the hardware/software DISA production costs needed for implementation of the secure environment. |                                                                                                              |                  |                   |                 |                  |                   |                                                                             |                  |                   |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                     |                  |                   |                 |                  |                   |                                                                         |                  |                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|------------------|-------------------|-----------------|------------------|-------------------|-------------------------------------------------------------------------|------------------|-------------------|
| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                               |                  |                   |                 |                  |                   |                                                                         |                  |                   |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>C. Line No and Item Description</b><br>2 - ADPE and Telecom Equipment<br>2d - Telecommunications |                  |                   |                 |                  |                   | <b>D. Activity Identification</b><br>A. Unified Communications (UNCOMM) |                  |                   |
| <b>Element of Cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>FY 2015</b>                                                                                      |                  |                   | <b>FY 2016</b>  |                  |                   | <b>FY 2017</b>                                                          |                  |                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Quantity</b>                                                                                     | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b> | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b>                                                         | <b>Unit Cost</b> | <b>Total Cost</b> |
| A. Unified Communications (UNCOMM)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                     |                  | \$ 1,421          |                 |                  | \$ 2,750          |                                                                         |                  | \$ 7,800          |
| <b>Narrative Justification:</b><br>A. UNCOMM provides management, operation and strategy for teleservices initiatives which is a combination of Telephony, Video Teleconferencing capability, and Call Center functionality. FY17 will upgrade/migrate the Columbus and Indianapolis Private Branch Exchange (PBX) to the standard Avaya hardware as well as allow for a technical refresh of Video Teleconference (VTC) equipment. FY16 funds a replacement of VTC hardware and software that will be reaching end-of-service life as well as enhancing the enterprise configuration for the Customer Care Center by providing centrally managed Call Center applications. |                                                                                                     |                  |                   |                 |                  |                   |                                                                         |                  |                   |

**Fiscal Year (FY) 2017 Budget Estimates  
 Defense Finance and Accounting Service  
 Capital Purchase Justification  
 Software  
 January 2016**

|                                                                                                         |                                                                                                |                  |                   |                 |                  |                   |                                              |                  |                   |
|---------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------|-------------------|-----------------|------------------|-------------------|----------------------------------------------|------------------|-------------------|
| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                           | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                          |                  |                   |                 |                  |                   |                                              |                  |                   |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016 | <b>C. Line No and Item Description</b><br>3- Software Development<br>3a - Internally Developed |                  |                   |                 |                  |                   | <b>D. Activity Identification</b><br>A. eBiz |                  |                   |
| <b>Element of Cost</b>                                                                                  | <b>FY 2015</b>                                                                                 |                  |                   | <b>FY 2016</b>  |                  |                   | <b>FY 2017</b>                               |                  |                   |
|                                                                                                         | <b>Quantity</b>                                                                                | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b> | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b>                              | <b>Unit Cost</b> | <b>Total Cost</b> |
| A. Electronic Business (eBIZ)                                                                           |                                                                                                |                  | \$ 3,565          |                 |                  | \$ -              |                                              |                  | \$ 8,540          |

**Narrative Justification:**  
 A. eBIZ is a commercial-off-the-shelf (COTS) web-based application providing DFAS with enterprise financial management and resource planning capability. The system includes functionality for timekeeping, US standard general ledger, accounts payable, purchasing, workcounts, cost allocation and reimbursable billing. The system interfaces to DFAS/DoD systems. FY17 funds will allow an upgrade to the eBIZ system to incorporate new functionality for the entitlements and contract writing modules to elevate it to an Enterprise Resource Plan (ERP) for DFAS.

|                                                                                                         |                                                                                                |                  |                   |                 |                  |                   |                                               |                  |                   |
|---------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------|-------------------|-----------------|------------------|-------------------|-----------------------------------------------|------------------|-------------------|
| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                           | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                          |                  |                   |                 |                  |                   |                                               |                  |                   |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016 | <b>C. Line No and Item Description</b><br>3- Software Development<br>3a - Internally Developed |                  |                   |                 |                  |                   | <b>D. Activity Identification</b><br>B. CFBWT |                  |                   |
| <b>Element of Cost</b>                                                                                  | <b>FY 2015</b>                                                                                 |                  |                   | <b>FY 2016</b>  |                  |                   | <b>FY 2017</b>                                |                  |                   |
|                                                                                                         | <b>Quantity</b>                                                                                | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b> | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b>                               | <b>Unit Cost</b> | <b>Total Cost</b> |
| B. Consolidated Fund Balance with Treasury (CFBWT)                                                      |                                                                                                |                  | \$ -              |                 |                  | \$ -              |                                               |                  | \$ 2,500          |

**Narrative Justification:**  
 B. CFBWT is a new effort extension of current Funds Balance with Treasury (FBWT) projects to integrate into an Agency Wall to Wall Funds Balance with Treasury (FBWT). The project aligns with the agency goal to reduce number of systems and duplication as it would consolidate software operations/sustainment for four systems. FY17 funds are required to develop a comprehensive integrated FBWT product providing economies in operation from consolidation of multiple existing systems.

|                                                                                                         |                                                                                                |                  |                   |                 |                  |                   |                                                                            |                  |                   |
|---------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------|-------------------|-----------------|------------------|-------------------|----------------------------------------------------------------------------|------------------|-------------------|
| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                           | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                          |                  |                   |                 |                  |                   |                                                                            |                  |                   |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016 | <b>C. Line No and Item Description</b><br>3- Software Development<br>3a - Internally Developed |                  |                   |                 |                  |                   | <b>D. Activity Identification</b><br>C. DCAS; D. DDRS; F. DCD/DCW; O. BEIS |                  |                   |
| <b>Element of Cost</b>                                                                                  | <b>FY 2015</b>                                                                                 |                  |                   | <b>FY 2016</b>  |                  |                   | <b>FY 2017</b>                                                             |                  |                   |
|                                                                                                         | <b>Quantity</b>                                                                                | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b> | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b>                                                            | <b>Unit Cost</b> | <b>Total Cost</b> |
| C. Defense Cash Accountability System (DCAS)                                                            |                                                                                                |                  | \$ -              |                 |                  | \$ -              |                                                                            |                  | \$ 2,492          |
| D. Defense Departmental Reporting System (DDRS)                                                         |                                                                                                |                  | \$ -              |                 |                  | \$ -              |                                                                            |                  | \$ 2,000          |
| F. DFAS Corporate Database/DFAS Corporate Warehouse (DCD/DCW)                                           |                                                                                                |                  | \$ -              |                 |                  | \$ -              |                                                                            |                  | \$ 1,000          |
| M. BEIS                                                                                                 |                                                                                                |                  | \$ 2,502          |                 |                  | \$ -              |                                                                            |                  | \$ -              |

**Narrative Justification:**  
 C. DCAS is an automated tool that yields increased processing efficiency and improved reporting/analysis of Department of Defense (DoD) cash transactions. FY17 funds will reduce the number of interfaces using the Global Exchange (GEX) transaction broker. Supports changes resulting from audit findings/recommendation and prepares for financial statement audits in support of the Office of the Secretary of Defense (OSD) Strategic Management Plan.  
 D. DDRS produces the monthly Budgetary Execution reports as well as the Audited Financial Statements. FY17 funds for the DDRS project will develop capability to support implementation of Treasury Daily Cash Reporting. DCAS will interface with DDRS daily. DDRS will convert transaction records into general ledgers and categorize as unsupported, undistributed, in transit as well as provide screens and other tools to facilitate research and reconciliation by the user. These funds will redesign DDRS to eliminate parsing routines, streamline interface processes and develop stronger controls. Support changes resulting from audit findings/recommendation and prepare for financial statement audits in support of the OSD Strategic Management Plan.  
 F. DCD/DCW provides financial management capabilities that are used by all of the Military Services, Defense Agencies, and the Under Secretary of Defense (Comptroller). FY17 funds for DCD/DCW project will develop a repository in support of Cash Accountability and Traceability implementation of end-to-end processes. Provide a warehouse capability to store a universe of expenditure transactions and develop business intelligence tools and metrics spanning cross application activity. Support other changes resulting from OSD(C) implementation of the Functional Financial Management Strategy.  
 M. The BEIS system provides Defense Agency customers with near real-time access to financial transactions from various source accounting systems in a standardized format with transaction-level postings to the U.S. Standard General Ledger. BEIS performs a data transformation of legacy lines of accounting to standard fiscal code and also consolidates and summarizes the accounting data to provide query and analysis capabilities for Defense Agency customers. The BEIS suite of systems includes Defense Corporate Database/Defense Corporate Warehouse (DCD/DCW); Defense Departmental Reporting System (DDRS) and Defense Cash Accountability System (DCAS). Funds are required in FY17 for all three BEIS systems(DCAS, DDRS, and DCD/DCW). Beginning in FY16, all ownership transferred to DFAS.

**Fiscal Year (FY) 2017 Budget Estimates  
 Defense Finance and Accounting Service  
 Capital Purchase Justification  
 Software  
 January 2016**

|                                                                                                         |  |  |  |                                                                                                |                  |                   |                                                                  |                  |                   |                 |                  |                   |
|---------------------------------------------------------------------------------------------------------|--|--|--|------------------------------------------------------------------------------------------------|------------------|-------------------|------------------------------------------------------------------|------------------|-------------------|-----------------|------------------|-------------------|
| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                           |  |  |  | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                          |                  |                   |                                                                  |                  |                   |                 |                  |                   |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016 |  |  |  | <b>C. Line No and Item Description</b><br>3- Software Development<br>3a - Internally Developed |                  |                   | <b>D. Activity Identification</b><br>E,O. Reduced Legacy Systems |                  |                   |                 |                  |                   |
| <b>Element of Cost</b>                                                                                  |  |  |  | <b>FY 2015</b>                                                                                 |                  |                   | <b>FY 2016</b>                                                   |                  |                   | <b>FY 2017</b>  |                  |                   |
|                                                                                                         |  |  |  | <b>Quantity</b>                                                                                | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b>                                                  | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b> | <b>Unit Cost</b> | <b>Total Cost</b> |
| E. Reduced Legacy Systems (RLS) - Defense Cash Accountability System (DCAS)                             |  |  |  |                                                                                                |                  | \$ -              |                                                                  |                  | \$ 5,117          |                 | \$ 1,552         |                   |
| J. Reduced Legacy Systems (RLS) - Deployable Disbursing System (DDS)                                    |  |  |  |                                                                                                |                  | \$ -              |                                                                  |                  | \$ 292            |                 | \$ -             |                   |

**Narrative Justification:**

E. RLS is an agency initiative to continue providing world class service to our customers, while reducing the number of DFAS-owned systems. DCAS is an automated tool that yields increased processing efficiency and improved reporting/analysis of Department of Defense (DoD) cash transactions. It is designed to support both daily reporting in support of Government Wide Accounting (GWA) for those disbursements made by Department of Defense (DoD) as well as direct to treasury disbursing activities on behalf of the Enterprise Resource Planning (ERPs). FY17 &16 funding will support the agency's RLS initiative by subsuming the functionality for Suspense/Aging Monitoring Systems (SAMS), Contract Reconciliation System (CRS), International Balance of Payments (IBOP), and Check Recertification (RECERT) will be subsumed into DCAS. This effort will also include an initiative to retire Deposit In Transit (DIT) application and subsume that functionality into DCAS.

J. RLS is an agency initiative to continue providing world class service to our customers, while reducing the number of DFAS-owned systems. DDS is the tactical disbursing solution for the Standard Disbursing Initiative (SDI) providing automated disbursing support to the nation's warfighter. FY16 funding will support the agency's RLS initiative by subsuming the functionality for Standard Negotiable Items Processing System (SNIPS) and Consolidated Return Items Stop Payment System (CRISPS) into DDS.

These investments in critical systems support the agency's efforts to reduce the number of legacy systems and their associated costs.

|                                                                                                         |  |  |  |                                                                                                |                  |                   |                                             |                  |                   |                 |                  |                   |
|---------------------------------------------------------------------------------------------------------|--|--|--|------------------------------------------------------------------------------------------------|------------------|-------------------|---------------------------------------------|------------------|-------------------|-----------------|------------------|-------------------|
| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                           |  |  |  | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                          |                  |                   |                                             |                  |                   |                 |                  |                   |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016 |  |  |  | <b>C. Line No and Item Description</b><br>3- Software Development<br>3a - Internally Developed |                  |                   | <b>D. Activity Identification</b><br>G. DDS |                  |                   |                 |                  |                   |
| <b>Element of Cost</b>                                                                                  |  |  |  | <b>FY 2015</b>                                                                                 |                  |                   | <b>FY 2016</b>                              |                  |                   | <b>FY 2017</b>  |                  |                   |
|                                                                                                         |  |  |  | <b>Quantity</b>                                                                                | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b>                             | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b> | <b>Unit Cost</b> | <b>Total Cost</b> |
| G. Deployable Disbursing System (DDS)                                                                   |  |  |  |                                                                                                |                  | \$ 395            |                                             |                  | \$ 250            |                 | \$ 750           |                   |

**Narrative Justification:**

G. DDS is the tactical disbursing solution for the Standard Disbursing Initiative (SDI) providing automated disbursing support to the nation's warfighter. DDS supports operations in fluid and remote operations where connectivity is not always possible. It's also used in peacetime disbursing operations in overseas environments enhancing the readiness posture of the military services. FY17 and FY16 funds will development new processes, interfaces or enhance current processes to met the ever changing Treasury requirements.

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| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                           |  |  |  | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                          |                  |                   |                                                                  |                  |                   |                 |                  |                   |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016 |  |  |  | <b>C. Line No and Item Description</b><br>3- Software Development<br>3b - Internally Developed |                  |                   | <b>D. Activity Identification</b><br>H. Universe of Transactions |                  |                   |                 |                  |                   |
| <b>Element of Cost</b>                                                                                  |  |  |  | <b>FY 2015</b>                                                                                 |                  |                   | <b>FY 2016</b>                                                   |                  |                   | <b>FY 2017</b>  |                  |                   |
|                                                                                                         |  |  |  | <b>Quantity</b>                                                                                | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b>                                                  | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b> | <b>Unit Cost</b> | <b>Total Cost</b> |
| H. Universe of Transactions (UoT) - Sensitive Activity (SA)                                             |  |  |  |                                                                                                |                  | \$ -              |                                                                  |                  | \$ 2,800          |                 | \$ 300           |                   |

**Narrative Justification:**

H. The Universe of Transaction initiative was undertaken to address an Audit Readiness "Deal Breaker" requirement to provide a repository of all T197 transactions. These records would enable the T197 Agencies to have their detail transaction records to be reconciled to DDRS Unadjusted Trial Balance. Due to the aggregation of all the Department of Defense data in a single repository at the document number (along with other detailed attributes) it was recognized by USDI (Under Secretary of Defense Intelligence) that the data requires additional security requirements. Those measures include a Secure solution for the repository. Additional measures requiring DISA support and requirements from the SA community are necessary to meet the guidance provided by USDI. FY17 and FY16 costs are for development costs for the secure environment.

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| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                           |  |  |  | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                          |                  |                   |                                                 |                  |                   |                 |                  |                   |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016 |  |  |  | <b>C. Line No and Item Description</b><br>3- Software Development<br>3a - Internally Developed |                  |                   | <b>D. Activity Identification</b><br>M. DJMS-AC |                  |                   |                 |                  |                   |
| <b>Element of Cost</b>                                                                                  |  |  |  | <b>FY 2015</b>                                                                                 |                  |                   | <b>FY 2016</b>                                  |                  |                   | <b>FY 2017</b>  |                  |                   |
|                                                                                                         |  |  |  | <b>Quantity</b>                                                                                | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b>                                 | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b> | <b>Unit Cost</b> | <b>Total Cost</b> |
| I. Defense Joint Military System - Active Component (DJMS-AC)                                           |  |  |  |                                                                                                |                  | \$ -              |                                                 |                  | \$ 482            |                 | \$ -             |                   |

**Narrative Justification:**

I. DJMS-AC ensures accurate and timely military pay and allowances to active component military members. The FY16 funds will be used to comply with the January 1, 2012 legislation that was passed to modify the Imminent Danger Pay (IDP)/Hostile Fire Pay (HFP) entitlements process. HFP is to remain as a monthly entitlement and Imminent Danger Pay (IDP) from a monthly entitlement to a prorated monthly entitlement (Public Law 112-81, section 616).

**Fiscal Year (FY) 2017 Budget Estimates  
 Defense Finance and Accounting Service  
 Capital Purchase Justification  
 Software  
 January 2016**

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| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                          |           |            |          |           |            |                                               |           |            |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>C. Line No and Item Description</b><br>3- Software Development<br>3b - Externally Developed |           |            |          |           |            | <b>D. Activity Identification</b><br>A. SABRS |           |            |
| <b>Element of Cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | FY 2015                                                                                        |           |            | FY 2016  |           |            | FY 2017                                       |           |            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Quantity                                                                                       | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost | Quantity                                      | Unit Cost | Total Cost |
| A. Standard Accounting Budgeting and Reporting System (SABRS)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                |           | \$ -       |          |           | \$ 2,600   |                                               |           | \$ 2,600   |
| <b>Narrative Justification:</b><br>A. The Standard Accounting Budgeting and Reporting System (SABRS) mission is to support accounting, budget execution, and reporting for all general funds authorized within the Marine Corps and some Navy Commands, standardize accounting processes, comply with applicable Federal Financial Management Requirements (FFMRs), satisfy requirements of the Federal Financial Managers' Improvement Act (FFMIA) of 1996, Chief Financial Officers (CFO) Act of 1990, and Government Management Reform Act (GMRA) of 1994. The SABRS customer base includes all Marine Corps components, DFAS and some Navy components. SABRS is the single general fund accounting system used by the Marine Corps and Navy. FY17 funds are required as part of the "Standard Accounting and Reporting System (STARS) to SABRS development project which will move Navy general fund accounting to SABRS. SABRS will replace STARS for point forward accounting or the Department of the Navy general funds. In FY16 funds are required for CDA support to cover system change requests to update and modify current interface partners with increase of additional transactions for the remaining Navy Major Commands from the Navy STARS coming into SABRS. Additional functional changes needed are upgrading of systems tables, user access tables, producing additional online report inquires, adding new LOA's for the remaining Navy Major Commands as well as program management, change management, and system analysis support during FY16 and FY17. |                                                                                                |           |            |          |           |            |                                               |           |            |

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| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                          |           |            |          |           |            |                                                |           |            |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>C. Line No and Item Description</b><br>3- Software Development<br>3b - Externally Developed |           |            |          |           |            | <b>D. Activity Identification</b><br>C. PORTAL |           |            |
| <b>Element of Cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | FY 2015                                                                                        |           |            | FY 2016  |           |            | FY 2017                                        |           |            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Quantity                                                                                       | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost | Quantity                                       | Unit Cost | Total Cost |
| C. DFAS Portal (PORTAL)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                |           |            |          |           | \$ 1,800   |                                                |           | \$ -       |
| <b>Narrative Justification:</b><br>C. The enterprise portal is the Defense Finance and Accounting Services' (DFAS) integrated environment to access information, conduct business, and manage operations. The purpose of the portal is to present an image of one, unified DFAS, serve as a single source of trusted information, provide one gateway to information necessary to complete the mission regardless of role or location, and improve overall awareness of DFAS activities. FY 2016 will provide a replacement for the current DFAS ePortal with Microsoft (MS) SharePoint-2013-Standard based DFAS Portal. The underlying system that runs the current ePortal reaches end-of-life on December 31, 2016, and must be replaced. Significant intangible benefits resulting from the investment include ease of use and improved collaboration as a result of the features and functionality associated with SharePoint. |                                                                                                |           |            |          |           |            |                                                |           |            |

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| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates                          |           |            |          |           |            |                                                                       |           |            |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>C. Line No and Item Description</b><br>3- Software Development<br>3b - Externally Developed |           |            |          |           |            | <b>D. Activity Identification</b><br>Other Software Under \$1,000,000 |           |            |
| <b>Element of Cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | FY 2015                                                                                        |           |            | FY 2016  |           |            | FY 2017                                                               |           |            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Quantity                                                                                       | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost | Quantity                                                              | Unit Cost | Total Cost |
| B. Wide Area Work Flow (WAWF)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                |           | \$ -       |          |           | \$ 215     |                                                                       |           | \$ 500     |
| D. Standard Accounting and Reporting System (STARS)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                |           | \$ -       |          |           | \$ 854     |                                                                       |           | \$ -       |
| E. Electronic Document Management (EDM)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                |           | \$ -       |          |           | \$ 300     |                                                                       |           | \$ -       |
| <b>Narrative Justification:</b><br>B. WAWF is a secure web-based system for electronic invoicing, receipt, and acceptance. WAWF allows vendors to submit and track invoices and receipt/acceptance documents over the web and allows government personnel to process those invoices in a real-time, paperless environment. FY17 funding will support and fund DFAS engineering change proposals (ECPs) previously submitted but not deployed as well as additional ECPs as requested by DFAS partners (i.e. Accounts Payable). These changes support increasing electronic commerce (EC) for the Military Services and Defense Agencies. FY16 funds will support future software releases and ECPs to continue to enhance the current capabilities of the system.<br><br>D. STARS is a general fund accounting and reporting system used by Department of Navy (DoN) Commands. STARS is a fully integrated system combining financial management services, which includes funds distribution, accounting, reporting, and statistical information using batch and online automated data retrieval capabilities. FY16 funds will provide contractor support to develop an automation tool that will improve audit trails and eliminate manual interventions. Scope of work entails creation of on-line screens to be used by DFAS and Navy field level to correct labor transactions that have invalid information and have posted to the suspense tables. All types of labor must be able to process utilizing the on-line screens. For interface process tracking, the transmissions will still be received, but upon receipt and before validations, transmission information (partner, file name, number of transactions, total dollar value, etc.) will be stored and displayed on a daily report. As STARS receives transmissions varying in frequency depending on partner (multiple times daily, daily, weekly, monthly), interface receipt will be stored as transmissions occur and the daily report generated will represent the activity that occurred for that 24 hour period. From an operational perspective, the report is planned to be used for tracking incoming record counts and amounts, be available to all users, including partner systems<br><br>E. EDM reduces dependence on paper through conversion of thousands of paper documents to an electronic format that can be accessed from a desktop workstation. EDM is used to support of payment entitlement processing within the Commercial Pay Business Line. FY16 funds will be used for a Workflow solution. Contract Pay users currently rely on manual workarounds to process new and changing workload. Development of this solution will have Contract Pay workflows aligned with the mission and will reduce DFAS technicians' reliance upon workaround processes. It will also strengthen DFAS' audit posture through increased use of systemic solutions. |                                                                                                |           |            |          |           |            |                                                                       |           |            |

**Fiscal Year (FY) 2017 Budget Estimates  
 Defense Finance and Accounting Service  
 Capital Purchase Justification  
 Minor Construction  
 January 2016**

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| <b>ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION</b><br>(\$ in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>A. Budget Submission</b><br>Fiscal Year (FY) 2017 Budget Estimates         |                  |                   |                 |                  |                   |                                   |                  |                   |
| <b>B. Component/Business Area/Date</b><br>Defense Finance and Accounting Service (DFAS)<br>January 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>C. Line No and Item Description</b><br>4 - Minor Construction Capabilities |                  |                   |                 |                  |                   | <b>D. Activity Identification</b> |                  |                   |
| <b>Element of Cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>FY 2015</b>                                                                |                  |                   | <b>FY 2016</b>  |                  |                   | <b>FY 2017</b>                    |                  |                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Quantity</b>                                                               | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b> | <b>Unit Cost</b> | <b>Total Cost</b> | <b>Quantity</b>                   | <b>Unit Cost</b> | <b>Total Cost</b> |
| 4b - New Construction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                               |                  |                   |                 |                  |                   |                                   |                  |                   |
| A. Columbus                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                               |                  | \$ -              |                 |                  | \$ 1,920          |                                   |                  | \$ 825            |
| B. Indianapolis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                               |                  | \$ 131            |                 |                  | \$ 818            |                                   |                  | \$ -              |
| C. Limestone                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                               |                  | \$ 337            |                 |                  | \$ 730            |                                   |                  | \$ -              |
| D. Rome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                               |                  | \$ 574            |                 |                  | \$ -              |                                   |                  | \$ -              |
| <b>Total New Construction</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                               |                  | <b>\$ 1,042</b>   |                 |                  | <b>\$ 3,468</b>   |                                   |                  | <b>\$ 825</b>     |
| <b>Narrative Justification:</b><br><br><p>A. In response to the FY14 Energy Audit, performed by Mason &amp; Hanger, A Day &amp; Zimmerman Co., Columbus projects in FY17 include two energy conservation projects: Building Envelope and Heating, Ventilating, and Air Conditioning (HVAC) Zoning. The Building Envelope will provide wind screen to eliminate the air movement below the work space and add/increase R-value of insulation in the wall cavities, columns, and windows. The HVAC Zoning project will provide variable air volume dampers, additional zones to HVAC systems, and perimeter heating.</p> <p>FY16 include Air Handler Controls Improvement, Installation of Systems Application Solutions (SAS) Card Swipes and HVAC Improvements. The Air Handler Controls Improvement project will replace network control modules, Defense Distribution Center (DDC) controllers and head end control equipment for 30 air handler control cabinets. The Installation of SAS Card Swipes will be for the first floor doors and elevators to prohibit unescorted visitors from accessing upper floors. The HVAC Improvements will include installation of HVAC pre-heaters, relocation of diffusers and/or additional of diffusers where necessary to disperse the air flow more evenly, and providing localized digital controls to identified problem areas.</p> <p>B. The Indianapolis project in FY16 is for the creation of a second independent Sensitive Compartmented Information Facility (SCIF). The current SCIF is at maximum capacity. This second SCIF will also house additional Defense Finance and Accounting (DFAS) employees hired to meet current and expanding audit requirements for various sensitive customers and provide space for external auditors to sit while supporting their audit contracts.</p> <p>C. The Limestone project in FY16 is for an Unified Facilities Compliant (UFC) Mailroom Hardened Wall and Heating, Ventilating, and Air Conditioning (HVAC) System. In order to become compliant with UFC requirements, a hardened wall will be installed enclosing the mailroom within the warehouse and a first floor support structure to support the second floor mailroom to protect employees outside the mailroom from potential blasts.</p> <p>D. For MINCON-Rome, Carryover is included for execution in FY16 for completion of the Mass Notification System.</p> <p>No Minor Construction projects exceed the current Military Construction threshold.</p> |                                                                               |                  |                   |                 |                  |                   |                                   |                  |                   |

**Fiscal Year (FY) 2017 Budget Estimates  
 Defense Finance and Accounting Service  
 Capital Budget Execution  
 January 2016  
 (Dollars in Millions)**

| Major Category       | Initial Request  | Current Proj Cost | Approved Change    | Explanation                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------|------------------|-------------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>FY 2015</b>       |                  |                   |                    |                                                                                                                                                                                                                                                                                                                                                                                 |
| ADPE and Telecom     | \$ 20.602        | \$ 4.449          | \$ (16.153)        | Decrease due to reprioritization of ELAN, Teleservices to higher priority requirements as well as revised security requirements resulting in lower cost and myPay efforts moving to fee-for-service which will be funded in operating.                                                                                                                                          |
| Software Development | \$ 11.718        | \$ 16.105         | \$ 4.387           | Increase due to continued efforts for SFIS/SLOA compliancy of various systems and implementation of the eBiz ERP, DJMS-RC, offset by the reprioritization of projects budgeted for in the FY15 PB and an out of cycle of request for OnePay. Note - an additional \$4.2M of funds were carried over from prior years into FY15 that executed over the \$32.68M budgeted amount. |
| Minor Construction   | \$ 0.360         | \$ 1.042          | \$ 0.682           | Increase for the Rome Mass Notification project slipping to FY15 based on proper execution of the contract as well as the design costs for an identified need of a new SCIF in Indianapolis.                                                                                                                                                                                    |
| <b>Total FY 2015</b> | <b>\$ 32.680</b> | <b>\$ 21.596</b>  | <b>\$ (11.084)</b> |                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>FY 2016</b>       |                  |                   |                    |                                                                                                                                                                                                                                                                                                                                                                                 |
| ADPE and Telecom     | \$ 13.200        | \$ 15.634         | \$ 2.434           | Increase for Data Center Consolidation and Universe of Transactions- Sensitive Activities.                                                                                                                                                                                                                                                                                      |
| Software Development | \$ 9.383         | \$ 14.710         | \$ 5.327           | Increase due to emerging requirements for the Reduced Legacy System and Universe of Transaction. This also includes an increase due to emerging requirement for ePortal (\$1.8M) and EDM Workflow enhancement.                                                                                                                                                                  |
| Minor Construction   | \$ 2.870         | \$ 3.468          | \$ 0.598           | Increase due to building of a second independent Sensitive Compartmented Information Facility (SCIF) in Indianapolis and an increase in funds needed to complete the energy conservation projects in Columbus.                                                                                                                                                                  |
| <b>Total FY 2016</b> | <b>\$ 25.453</b> | <b>\$ 33.812</b>  | <b>\$ 8.359</b>    |                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>FY 2017</b>       |                  |                   |                    |                                                                                                                                                                                                                                                                                                                                                                                 |
| ADPE and Telecom     | \$ 16.488        | \$ 16.488         | \$ -               |                                                                                                                                                                                                                                                                                                                                                                                 |
| Software Development | \$ 22.234        | \$ 22.234         | \$ -               |                                                                                                                                                                                                                                                                                                                                                                                 |
| Minor Construction   | \$ 0.825         | \$ 0.825          | \$ -               |                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Total FY 2017</b> | <b>\$ 39.547</b> | <b>\$ 39.547</b>  | <b>\$ -</b>        |                                                                                                                                                                                                                                                                                                                                                                                 |

**Fiscal Year (FY) 2017 Budget Estimates  
Sources of New Orders and Revenue  
Defense Finance and Accounting Service  
January 2016**

| 1. New Orders                  |    |                |                                                             | FY2015         | FY 2016        | FY 2017        |
|--------------------------------|----|----------------|-------------------------------------------------------------|----------------|----------------|----------------|
| a. Orders from DoD Components: |    |                |                                                             |                |                |                |
| APPN                           |    | Client         | Customer                                                    |                |                |                |
| <b>Total Capital</b>           | DW | Defense Agency | Defense Finance and Accounting Service                      | <b>5.8</b>     | <b>9.1</b>     | <b>14.4</b>    |
| <b>Total Family Housing</b>    |    | Army           | Army Family Housing                                         | <b>0.2</b>     | <b>0.8</b>     | <b>0.5</b>     |
| O&M                            |    | Air Force      | Core Work                                                   | 265.1          | 262.2          | 267.5          |
| O&M                            |    | Army           | Core Work                                                   | 495.3          | 517.2          | 516.2          |
| O&M                            |    | Marine Corps   | Core Work                                                   | 47.0           | 50.1           | 47.5           |
| O&M                            |    | Navy           | Core Work                                                   | 217.8          | 227.9          | 213.1          |
| O&M                            | DW | Defense Agency | Business Transformation Agency                              | 0.4            | 0.0            | 0.1            |
| O&M                            | DW | Defense Agency | US Court of Appeals for the Armed Forces                    | 0.1            | 0.0            | 0.1            |
| O&M                            | DW | Defense Agency | Chemical Biological Defense Program                         | 0.0            | 0.0            | 0.0            |
| O&M                            | DW | Defense Agency | Defense Acquisition University                              | 0.7            | 0.9            | 1.0            |
| O&M                            | DW | Defense Agency | Defense Contract Audit Agency                               | 4.3            | 4.6            | 5.3            |
| O&M                            | DW | Defense Agency | Defense Contract Management Activity                        | 6.9            | 6.5            | 6.7            |
| O&M                            | DW | Defense Agency | Defense Health Program                                      | 32.1           | 35.9           | 34.1           |
| O&M                            | DW | Defense Agency | Defense Human Resources Activity                            | 2.4            | 2.5            | 2.3            |
| O&M                            | DW | Defense Agency | Defense Intelligence Agency                                 | 0.6            | 1.2            | 0.8            |
| O&M                            | DW | Defense Agency | Defense Information Systems Agency                          | 10.5           | 11.7           | 12.4           |
| O&M                            | DW | Defense Agency | Defense Logistics Agency                                    | 4.9            | 6.2            | 4.3            |
| O&M                            | DW | Defense Agency | Defense Legal Services Agency                               | 0.3            | 0.3            | 0.2            |
| O&M                            | DW | Defense Agency | Defense Media Activity                                      | 1.0            | 1.2            | 1.4            |
| O&M                            | DW | Defense Agency | Department of Defense Prisoner of War/Missing In Action Off | 0.3            | 0.3            | 0.4            |
| O&M                            | DW | Defense Agency | Department of Defense Comptroller                           | 0.0            | 1.4            | 0.0            |
| O&M                            | DW | Defense Agency | Department of Defense Education Activity                    | 6.9            | 8.9            | 7.6            |
| O&M                            | DW | Defense Agency | Department of Defense Inspector General                     | 2.1            | 3.6            | 3.0            |
| O&M                            | DW | Defense Agency | Defense Security Cooperation Agency                         | 1.7            | 1.4            | 1.6            |
| O&M                            | DW | Defense Agency | Defense Security Service                                    | 1.8            | 1.1            | 1.6            |
| O&M                            | DW | Defense Agency | Defense Threat Reduction Agency                             | 2.5            | 2.4            | 3.2            |
| O&M                            | DW | Defense Agency | Defense Technology Security Administration                  | 0.1            | 0.4            | 0.5            |
| O&M                            | DW | Defense Agency | Joint Chief of Staff, Office                                | 0.6            | 0.9            | 0.9            |
| O&M                            | DW | Defense Agency | Military Housing Privatization Initiative                   | 0.7            | 0.6            | 0.7            |
| O&M                            | DW | Defense Agency | National Defense University                                 | 0.4            | 0.7            | 0.6            |
| O&M                            | DW | Defense Agency | National Geospatial-Intelligence Agency                     | 3.5            | 3.6            | 2.8            |
| O&M                            | DW | Defense Agency | National Security Agency                                    | 1.4            | 1.5            | 1.7            |
| O&M                            | DW | Defense Agency | Office of Economic Adjustment                               | 0.2            | 0.4            | 0.5            |
| O&M                            | DW | Defense Agency | Pentagon Force Protection Agency                            | 0.2            | 0.3            | 0.3            |
| O&M                            | DW | Defense Agency | Department of Defense, Office of                            | 0.0            | 0.0            | 0.0            |
| O&M                            | DW | Defense Agency | Special Operations Command                                  | 0.0            | 0.0            | 0.0            |
| O&M                            | DW | Defense Agency | Washington Headquarters Service                             | 4.9            | 4.4            | 5.3            |
| <b>Total O&amp;M</b>           |    |                |                                                             | <b>1,116.8</b> | <b>1,160.1</b> | <b>1,143.6</b> |
| RDT&E                          |    | Army           | Army                                                        | 0.0            | 0.0            | 0.0            |
| RDT&E                          |    | Navy           | Navy                                                        | 1.9            | 1.8            | 1.8            |
| RDT&E                          |    | Air Force      | Air Force                                                   | 0.0            | 0.0            | 0.0            |
| RDT&E                          | DW | Defense Agency | Business Transformation Agency                              | 0.0            | 0.0            | 0.0            |
| RDT&E                          | DW | Defense Agency | Chemical Biological Defense Program                         | 1.1            | 0.9            | 0.7            |
| RDT&E                          | DW | Defense Agency | Center for Countermeasures                                  | 0.1            | 0.1            | 0.1            |
| RDT&E                          | DW | Defense Agency | Defense Advanced Research Projects Agency                   | 2.9            | 3.0            | 2.9            |
| RDT&E                          | DW | Defense Agency | Defense Logistics Agency                                    | 0.1            | 0.0            | 0.0            |
| RDT&E                          | DW | Defense Agency | Defense Technical Information Center                        | 3.0            | 3.2            | 3.3            |
| RDT&E                          | DW | Defense Agency | Missile Defense Agency                                      | 4.1            | 4.7            | 4.1            |
| RDT&E                          | DW | Defense Agency | Washington Headquarters Service                             | 0.0            | 0.0            | 0.0            |
| <b>Total RDT&amp;E</b>         |    |                |                                                             | <b>13.3</b>    | <b>13.8</b>    | <b>12.9</b>    |



**Fiscal Year (FY) 2017 Budget Estimates  
Sources of New Orders and Revenue  
Defense Finance and Accounting Service  
January 2016**

|                                                        |    |                                   |                                            | FY2015         | FY 2016        | FY 2017        |
|--------------------------------------------------------|----|-----------------------------------|--------------------------------------------|----------------|----------------|----------------|
| <b>FMS</b>                                             | DW | Defense Agency                    | Defense Security Cooperation Agency        | 22.4           | 26.4           | 24.6           |
| <b>Total FMS</b>                                       |    |                                   |                                            | <b>22.4</b>    | <b>26.4</b>    | <b>24.6</b>    |
| <b>a. Total Orders from DoD Components:</b>            |    |                                   |                                            | <b>1,158.5</b> | <b>1,210.3</b> | <b>1,195.9</b> |
| <b>b. Orders from Other Fund Activity Groups</b>       |    |                                   |                                            |                |                |                |
| <b>APPN</b>                                            |    | <b>Client</b>                     | <b>Customer</b>                            |                |                |                |
| WCF                                                    |    | Air Force                         |                                            | 7.1            | 7.5            | 8.4            |
| WCF                                                    |    | Army                              |                                            | 11.2           | 10.7           | 10.3           |
| WCF                                                    |    | Marine Corps                      |                                            | 1.5            | 1.6            | 1.5            |
| WCF                                                    |    | Navy                              |                                            | 36.8           | 40.0           | 38.5           |
| WCF                                                    | DW | Defense Agency                    | Defense Commissary Agency                  | 16.5           | 17.4           | 16.6           |
| WCF                                                    | DW | Defense Agency                    | Defense Information Systems Agency-DITCO   | 8.9            | 10.6           | 9.7            |
| WCF                                                    | DW | Defense Agency                    | Defense Logistics Agency                   | 60.4           | 60.3           | 59.2           |
| WCF                                                    | DW | Defense Agency                    | Military Traffic Management Command        | 2.2            | 2.3            | 2.1            |
| WCF                                                    | DW | Defense Agency                    | TRANSCOM                                   | 7.5            | 8.5            | 8.3            |
| WCF                                                    | DW | Defense Agency                    | Defense Technical Information Center       | 0.0            | 0.0            | 0.0            |
| WCF                                                    | DW | Defense Agency                    | Defense Technology Security Administration | 0.3            | 0.0            | 0.1            |
| WCF                                                    | DW | Defense Agency                    | Washington Headquarters Service            | 0.0            | 0.0            | 0.0            |
| WCF                                                    | DW | Defense Agency                    | Pentagon Force Protection Agency           | 0.0            | 0.0            | 0.0            |
| <b>b. Total Orders from Other Fund Activity Groups</b> |    |                                   |                                            | <b>152.4</b>   | <b>158.8</b>   | <b>154.8</b>   |
| <b>c. Total DoD</b>                                    |    |                                   |                                            | <b>1,310.8</b> | <b>1,369.1</b> | <b>1,350.6</b> |
| <b>d. Other Orders</b>                                 |    |                                   |                                            |                |                |                |
|                                                        |    | US Dept of Treasury               | US Dept of Treasury                        | 0.8            | 0.0            | 0.9            |
|                                                        |    | US Dept of Veteran Affairs        | US Dept of Veteran Affairs                 | 30.5           | 35.5           | 36.7           |
|                                                        |    | US Dept of Energy                 | US Dept of Energy                          | 0.9            | 1.2            | 1.1            |
|                                                        |    | US Dept of Health Human Services  | US Dept of Health Human Services           | 6.9            | 0.1            | 8.3            |
|                                                        |    | US Corps of Engineers             | US Corps of Engineers                      | 3.2            | 4.0            | 3.5            |
|                                                        |    | Department of Homeland Security   | Department of Homeland Security            | 0.0            | 0.1            | 0.0            |
|                                                        |    | Director of National Intelligence | Director of National Intelligence          | 0.6            | 1.9            | 2.0            |
|                                                        |    | Environmental Protection Agency   | Environmental Protection Agency            | 0.0            | 0.0            | 0.0            |
|                                                        |    | US Coast Guard                    | US Coast Guard                             | 0.1            | 0.0            | 0.1            |
|                                                        |    | Executive Office of the President | Executive Office of the President          | 0.1            | 0.2            | 0.2            |
|                                                        |    | Broadcast Board of Govenors       | Broadcast Board of Govenors                | 0.1            | 0.2            | 0.2            |
|                                                        |    | Foreign Military Sales            | Foreign Military Sales                     | 0.0            | 0.0            | 0.0            |
|                                                        |    | Commercial (Citi, EDS, etc)       | Commercial                                 | 0.0            | 0.1            | 0.6            |
| <b>d. Total Other Orders</b>                           |    |                                   |                                            | <b>43.2</b>    | <b>43.3</b>    | <b>53.4</b>    |
| <b>1. Total New Orders</b>                             |    |                                   |                                            | <b>1,354.1</b> | <b>1,412.4</b> | <b>1,404.1</b> |
| <b>2. Carry-In Orders</b>                              |    |                                   |                                            | <b>0.0</b>     | <b>0.0</b>     | <b>0.0</b>     |
| <b>3. Total Gross Orders</b>                           |    |                                   |                                            | <b>1,354.1</b> | <b>1,412.4</b> | <b>1,404.1</b> |
| <b>4. Carry-Out Orders</b>                             |    |                                   |                                            | <b>0.0</b>     | <b>0.0</b>     | <b>0.0</b>     |
| <b>5. Gross Sales</b>                                  |    |                                   |                                            | <b>1,354.1</b> | <b>1,412.4</b> | <b>1,404.1</b> |
| <b>6. Credit</b>                                       |    |                                   |                                            | <b>0.0</b>     | <b>0.0</b>     | <b>0.0</b>     |
| <b>7. Net Sales</b>                                    |    |                                   |                                            | <b>1,354.1</b> | <b>1,412.4</b> | <b>1,404.1</b> |

**Fiscal Year (FY) 2017 Budget Estimates  
Revenue and Expenses  
Defense Finance and Accounting Service  
January 2016  
(\$ in Millions)**

|                                                 | FY2015           | FY2016           | FY2017           |
|-------------------------------------------------|------------------|------------------|------------------|
| <b>Revenue</b>                                  |                  |                  |                  |
| Gross Sales                                     |                  |                  |                  |
| Operations                                      | \$1,325.2        | \$1,382.0        | \$1,378.2        |
| Depreciation                                    | \$28.9           | \$30.4           | \$26.1           |
| Other Income                                    | \$0.0            | \$0.0            | \$0.0            |
| Refunds/Discounts (-)                           | \$0.0            | \$0.0            | \$0.0            |
| <b>Total Income:</b>                            | <b>\$1,354.1</b> | <b>\$1,412.4</b> | <b>\$1,404.1</b> |
| <b>Costs</b>                                    |                  |                  |                  |
| Salaries and Wages:                             |                  |                  |                  |
| Military Personnel Compensation & Benefits      | \$1.5            | \$2.1            | \$1.8            |
| Civilian Personnel Compensation & Benefits      | \$947.9          | \$1,001.4        | \$1,024.3        |
| Travel & Transportation of Personnel            | \$4.2            | \$5.2            | \$5.0            |
| Materials & Supplies (Internal Operations)      | \$1.4            | \$2.3            | \$2.0            |
| Other Purchases from Revolving Funds            | \$117.4          | \$112.3          | \$117.8          |
| Transportation of Things                        | \$0.4            | \$0.6            | \$0.7            |
| Depreciation - Capital                          | \$44.2           | \$41.7           | \$37.3           |
| Printing & Reproduction                         | \$4.5            | \$4.7            | \$5.4            |
| Advisory & Assistance Services                  | \$16.8           | \$23.0           | \$20.3           |
| Rent, Communications, Utilities & Misc. Charges | \$34.4           | \$36.3           | \$37.3           |
| Other Purchased Services                        | \$122.6          | \$141.3          | \$133.7          |
| <b>Total Expenses:</b>                          | <b>\$1,295.4</b> | <b>\$1,370.9</b> | <b>\$1,385.6</b> |
| <b>Operating Result</b>                         | <b>\$58.7</b>    | <b>\$41.5</b>    | <b>\$18.4</b>    |
| Depreciation, Non-DWCF Acquired PP&E            | \$15.3           | \$11.3           | \$11.2           |
| Adjustments to NOR                              | \$0.0            | \$0.0            | \$0.0            |
| <b>Net Operating Result</b>                     | <b>\$74.0</b>    | <b>\$52.8</b>    | <b>\$29.6</b>    |
| PY AOR                                          | (\$11.6)         | \$62.4           | \$52.8           |
| Non-recoverable/Deferred AOR Adjustment         | \$0.0            | (\$62.4)         | (\$82.4)         |
| <b>Accumulated Operating Results</b>            | <b>\$62.4</b>    | <b>\$52.8</b>    | <b>\$0.0</b>     |

**DEFENSE INFORMATION SYSTEMS AGENCY  
FISCAL YEAR (FY) 2017  
BUDGET ESTIMATES**



**DEFENSE WORKING CAPITAL FUND  
INFORMATION SERVICES**

**February 2016**

**DEPARTMENT OF DEFENSE  
DEFENSE INFORMATION SYSTEMS AGENCY  
Defense Working Capital Fund**

**Information Services Activity Group: Overview**

**FISCAL YEAR (FY) 2017 BUDGET ESTIMATES**

The Defense Information Systems Agency (DISA) is a combat support agency responsible for planning, engineering, acquiring, fielding, and supporting global net-centric solutions to serve the needs of the President, Vice President, the Secretary of Defense, and other Department of Defense (DoD) Components. Its goal is to enable information dominance and support the warfighters and those who support them.

**Defense Information Systems Agency  
Information Services Activity Group  
Key Budget Data**

| (\$ in millions)                               | FY 2015*  | FY 2016   | FY 2017   |
|------------------------------------------------|-----------|-----------|-----------|
| Revenue                                        | \$7,168.6 | \$7,590.6 | \$7,667.2 |
| Cost                                           | \$7,063.8 | \$7,544.7 | \$7,603.9 |
| Net Operating Result                           | \$104.8   | \$45.9    | \$63.3    |
| Prior Year Accumulated Operating Results (AOR) | \$231.2   | \$106.9   | \$42.6    |
| Ending AOR                                     | \$335.9   | \$152.8   | \$105.9   |
| Retained AOR                                   | \$229.1   | \$110.2   | \$105.9   |
| Total Retained AOR**                           | \$229.1   | \$339.3   | \$445.1   |
| AOR for Budget Purposes                        | \$106.9   | \$42.6    | \$0.0     |
| Capital Budget                                 | \$63.5    | \$91.9    | \$46.8    |
| Civilian Work Years                            | 3,248     | 3,382     | 3,094     |
| Military End Strength                          | 90        | 75        | 26        |

\*The table above provides a summary of the financial accounts and personnel levels reflected in this budget request for the Information Services activity group. FY 2015 data are actual results.

\*\*Retention of AOR through FY 2017 in order to generate sufficient cash balances.

Please note data in all tables may not add due to rounding.

The DoD Joint Information Environment (JIE) is designed to create an enterprise information environment that optimizes use of the DoD IT assets, converging communications, computing, and enterprise services into a single joint platform that can be leveraged for all Department missions. These efforts improve mission effectiveness, reduce total cost of ownership, reduce the attack surface of our networks, and enable DISA's mission partners to more efficiently access the information resources of the enterprise to perform their missions from any authorized IT device anywhere in the world. The DISA continues its efforts towards realization of an

integrated Department-wide implementation of the JIE through development, integration, and synchronization of JIE technical plans, programs and capabilities.

The DISA is uniquely positioned to provide the kind of streamlined, rationalized enterprise solutions the Department is looking for to effect IT transformation. The DISA owns/operates enterprise and cloud-capable Defense Enterprise Computing Centers (DECCs), the world-wide Defense Information Systems Network (DISN), and the Defense IT Contracting Organization (DITCO). The DECCs routinely see workload increases – this trend will increase as major new initiatives begin to fully impact the Department. As part of the Department’s transition to the Joint Information Environment (JIE), eight of DISA’s DECCs have been identified as Continental United States (CONUS) Core Data Centers (CDCs), and Defense Enterprise Email (DEE) has been identified as a DoD Enterprise Service. The DISA also anticipates continuation of partnerships with other federal agencies. The DoD/VA Integrated Electronic Health Record (iEHR) agreement to host all medical records in the DECCs and the requirement for DoD to provide Public Key Infrastructure (PKI) services to other federal agencies on a reimbursable basis are examples. We continue to move forward on several new initiatives, including: enterprise email for Army, Joint Staff, and others; deploying and sustaining Joint Regional Security Stacks (JRSS) to fundamentally change the way the DoD secures and protects its information networks; and operating a Joint Enterprise License Agreement (JELA) line of business with a low fee of 0.5 percent.

The DISA operates the Information Services Activity Group within the Defense-Wide Working Capital Fund (DWCF). DISA DWCF consists of two components, the **Computing Services (CS)** and the **Telecommunications Services/Enterprise Acquisition Services (TS/EAS) Groups**. As our business areas continue to evolve, they are interdependent cost centers of an integrated technical architecture. As a result, this legacy division of the Information Services Activity Group is moving toward full integration into a single business entity pending replacement of legacy systems. For rate setting purposes, the DISA assesses profit/loss factors at the agency level.

This budget proposes significant savings and efficiencies that will allow for reduced costs across the Department. By incorporating these efficiencies and prior year operating results, DISA is able to offer Enterprise and IT services at a reduced rate while still addressing increasing demand for services and generating sufficient cash reserves in the fund. This budget also includes a restructuring of the cost recovery model for DISN services. The current DISN Subscription Services (DSS) cost recovery model has become outdated as technology and network architecture have changed over time. While the intent of the current model was to simplify customer billings for a shared, global network, the simplicity does not adequately establish a connection between a customer’s consumption and their bill. The revised cost recovery model is designed to address this issue by unbundling end-user services from DISN infrastructure services and allocating cost based on consumption. Access circuit capacity will be used as a proxy for measuring consumption of network infrastructure services. Once the DISA has fully transitioned the DISN backbone to Multiprotocol Label Switching (MPLS) technology, this allocation methodology will be reviewed to determine if it is more appropriate to use the actual customer usage data MPLS provides as the basis for future allocations.

### Rate Changes for Major Programs

|                                                           | <b>FY 2017<br/>Rate/Fee</b> | <b>Percent<br/>Change</b> |
|-----------------------------------------------------------|-----------------------------|---------------------------|
| DISN Infrastructure & End-User Services*                  | -                           | N/A                       |
| Standard Contracting Fee                                  | 2.50%                       | 0.00%                     |
| Joint Enterprise License Agreement (JELA) Contracting Fee | 0.50%                       | 0.00%                     |
| JELA Decentralized Ordering Fee                           | 0.25%                       | 0.00%                     |
| Computing Services Composite Change                       | -                           | -10.00%                   |

\*FY 2017 is the initial year of implementation of the DISN Infrastructure and End-User Services rate methodology; therefore, no rate change is available.

**DEPARTMENT OF DEFENSE**  
**DEFENSE INFORMATION SYSTEMS AGENCY**  
**Defense Working Capital Fund**  
**Computing Services**

**FISCAL YEAR (FY) 2017 BUDGET ESTIMATES**

The Computing Services business area operates the Defense Enterprise Computing Centers (DECCs), which provide mainframe and server processing operations, data storage, production support, technical services, and end-user assistance for command and control, combat support, and enterprise service applications across the Department of Defense (DoD).

The DoD CIO is leading efforts within the Department to consolidate data centers and foster adoption of cloud computing—both of which directly impact Computing Services. At the forefront of these initiatives is the Department’s push towards the Joint Information Environment (JIE) and the designation of DISA DECCs as Core Data Centers (CDCs). CDCs are the backbone of the JIE and are highly capable, highly resilient data centers providing standardized hosting and storage services to the enterprise within the Single Security Architecture currently being implemented. CDCs also enable a significant reduction in the total number of DoD data centers by serving as consolidation points for computing and storage services currently hosted across hundreds of component facilities.

DISA continues to experience workload growth at the DECCs as missions previously hosted by DoD components migrate to DISA. This budget reflects conservative estimates of workload growth combined with aggressive cost savings measures to achieve a 10 percent aggregate rate reduction in FY 2017. DISA is able to achieve significant cost savings through efficiency initiatives, such as:

- Increased staffing ratio targets/ reductions in application support hosting and database administration positions
- Savings from the Capacity Service contracts
- Consolidation of the Service Support Environment (SSE) help desk
- Reductions to overhead labor
- Implementation of a 20-year depreciation schedule for facilities projects
- Implementation of site closures at DECC Warner Robbins and DECC Pacific

The subsequent chart provides a summary of the major financial accounts and personnel levels in this submission. DISA proposes maintaining an accumulated operating result of -\$28.6 million at the end of FY 2017, which will be offset by profits in the Telecommunications Services/Enterprise Acquisition Services business area. Additional details on operating cost and rates are discussed in later sections.

**Computing Services  
Key Budget Data**

| (\$ in millions)                               | FY 2015* | FY 2016  | FY 2017  |
|------------------------------------------------|----------|----------|----------|
| Revenue                                        | \$966.8  | \$992.2  | \$975.4  |
| Cost                                           | \$977.8  | \$985.2  | \$965.9  |
| Net Operating Result                           | (\$10.9) | \$7.0    | \$9.5    |
| Prior Year Accumulated Operating Results (AOR) | (\$34.1) | (\$45.1) | (\$38.0) |
| Total AOR                                      | (\$45.1) | (\$38.0) | (\$28.6) |
| Retained AOR                                   | \$0.0    | \$0.0    | \$0.0    |
| AOR for Budget Purposes                        | (\$45.1) | (\$38.0) | (\$28.6) |
| Capital Budget                                 | \$38.8   | \$46.5   | \$39.8   |
| Civilian Work years                            | 1,863    | 1,897    | 1,876    |
| Military End Strength                          | 7        | 6        | 5        |

\*Fiscal Year 2015 data are actual results.

**Overview**

Currently, there are ten DECCs: eight in the continental United States (CONUS) and two outside the continental United States (OCONUS). A Theater Enterprise Computing Center (TECC) was also established in 2009 in Southwest Asia. The computing facilities continue to be highly accessible and secure data processing centers with dual high-capacity Defense Information Systems Network connectivity and organic defense in-depth, resulting in a secure and robust computing infrastructure. They feature automated systems management to control computing resources and to gain economies of scale. Additionally, Computing Services provides “assured computing,” whereby all mission-critical data is continuously available to customers.

The Computing Centers employ highly skilled and experienced teams of government and contractor personnel to manage hardware and software applications encompassing a broad spectrum of computing, storage, and communications technologies. The facilities have been designed and are managed to provide secure, available, and interoperable environments for both classified and unclassified processing under military control. Collectively these facilities provide a robust enterprise computing environment to over four million users through:

- 22 mainframes
- Almost 14,000 servers
- Approximately 64,000 terabytes of storage
- Approximately 368,000 square feet of raised floor
- Survivable connectivity to the Defense Information Systems Network core

The subsequent table displays their locations. All CONUS DECCs have been designated as Core Data Centers as part of the JIE.



| <b>DECC Locations</b>                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------|
| Mechanicsburg, PA<br>Montgomery, AL<br>Oklahoma City, OK<br>Ogden, UT<br>Columbus, OH<br>San Antonio, TX<br>St. Louis, MO<br>Warner Robins, GA |
| OCONUS Pacific<br>OCONUS Europe<br>OCONUS Bahrain (TECC)                                                                                       |

The Computing Services business area provides information processing for the entire gamut of combat support functions, such as transportation, logistics, maintenance, munitions, engineering, acquisition, finance, medical, and military personnel readiness. The applications hosted on the mainframes and servers enable the DoD components to:

- Provide for the command and control of operating forces
- Ensure weapon systems availability through management and control of maintenance and supply
- Ensure global force mobility through management and maintenance of the airlift and tanker fleets
- Provide sustainment through resupply and reorder capabilities
- Provide operating forces with information on the location, movement, status, and identity of units, personnel, equipment and supplies
- Manage the information for the medical environment and patient care
- Support DoD business, contracting, financial, payroll and eBusiness applications

Following guidance from the DoD CIO, DISA plans to evolve the existing data centers' capabilities to establish the primary foundation for DoD's Core Data Centers under the JIE. This budget submission includes alignment of the DECC footprint to the core and regional data center strategy outlined in the DoD Information Technology Enterprise Services Roadmap (ITESR) initial implementation plan. Each of the DISA data centers will meet the standards outlined in the ITESR to include facilities/physical attributes, delivery of enterprise services, security/information assurance attributes, standardized operations/performance, and formation of an Enterprise "Cloud" through an integrated data center infrastructure management capability.

## **Highlights**

This submission includes the closure of two DECCs in FY 2017. The depreciation costs at these sites are treated as non-recoverable and the site closures are projected to provide savings of roughly \$20 million per year.

Computing Services provides a variety of enterprise infrastructure services that continue to move the Department's data processing toward more centralized and standardized solutions. The Enterprise infrastructure enables a collaborative environment and trusted information sharing end-to-end that can adapt to rapidly changing conditions with the goal of *protected data* on *protected networks*. DoD Enterprise Email, DoD Enterprise Portal Service, Global Content Delivery Service, and milCloud are capabilities that align with this strategic vision and leverage the power of the DECCs on the Department of Defense Information Network. These services are discussed in further detail below:

***DoD Enterprise Email (DEE)*** has officially been designated by DoD CIO as the enterprise email capability for the Department. DEE provides enterprise email capability to the end user at any location globally in a secure manner. DEE is constructed to support the deployment of email capability for 4.5 million users and a global address list (GAL) scaled to support 10 million objects (e.g., DoD common access card (CAC) personas and non-person entities (NPEs)). Using a modular design, DISA has the ability to grow capacity as required.

In addition to providing the Basic/Business offering for those users requiring up to 4GBs of storage, DISA has established a Premium offering for accounts requiring up to 10GBs of storage, an Executive offering for accounts requiring up to 30GBs of storage, and a Platinum Executive offering for accounts requiring up to 50GBs of storage.

Additionally, optional capabilities such as journaling and mobile device support are available to customers at an additional charge. Journaling is a service that permanently saves each message that a specified user sends or receives and may be required for some flag officers, high ranking appointees and Senior Executive Service members. Customers will be charged based on the number of gigabytes of storage used. Furthermore, DISA is offering a service to provide mobile support to customers billed on a per device basis. This service supports legacy BlackBerry devices and has now been enhanced to also support the new BlackBerry 10 (i.e. BBZ10) smart-phone capability.

***DoD Enterprise Portal Service (DEPS)*** is a Software as a Service (SaaS) offering that provides a flexible, web-based collaboration capability to the DoD enterprise. DEPS administrators create site collections and provide DoD Components the ability to independently create and manage their organization, community and mission-focused sites. DEPS supports multiple authentication mechanisms to include Common Access Cards (CAC), Hard Token, and Personal Identity Verification (PIV).

Subscribing organizations brand their sites and manage their content in order to satisfy mission requirements. Mission partners with Client Access Licenses (CALs) will have the platform to include a suite of MS Office Web applications—the Web browser versions of Word,

PowerPoint, Excel and OneNote. DEPS provides location and device-independent access to documents and preserves the user interface across end user devices.

Dedicated environments are offered for Medium through Extra Large storage environments, with the ability to support user capacity from 50,000 users, up to 200,000 users. Additionally, customizable site structures and content configurations are available.

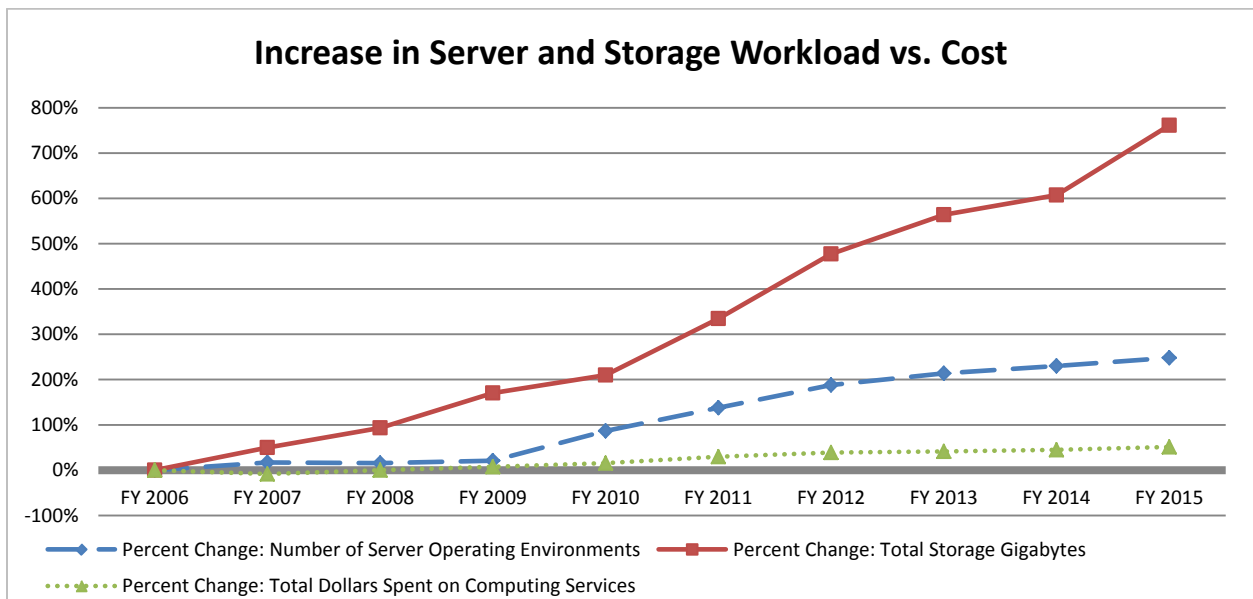
Beginning FY 2017, DISA will no longer provide DEPS service on a rate basis. Instead, the service will be provided on a direct reimbursable basis to support current mission partners who want to continue using the web-based collaboration tool.

***Global Content Delivery Service (GCDS)*** has been designated as the DoD enterprise solution for distributed content caching by the DoD CIO. GCDS provides the capability to bring web content and applications closer to the end-user, minimizing download times and increasing connection speeds by forward-staging information across the Defense Information Systems Network (DISN). The service currently covers 85 regions and is in 12 countries around the world. In certain cases, GCDS hardware is hosted at Defense Enterprise Computing Centers, but is also hosted in bases, camps, and stations around the world. In FY 2016, the sustainment costs of the service are included in the DISN subscription share price, as the network performance gains that GCDS is able to deliver benefit DISN customers. Beginning FY 2017, GCDS services are priced and sold on a per unit basis to give mission partners more flexibility in the services they order. Customers requiring customization of their GCDS environment work with DISA Computing Services and are charged on a reimbursable basis for implementation costs, including consulting and advanced engineering services.

The DISA's ***milCloud*** service is a Joint Information Environment (JIE) cloud-services product portfolio featuring an integrated suite of capabilities designed to drive agility in the development, deployment, and maintenance of secure DoD applications. MilCloud is an Infrastructure as a Service (IaaS) solution that leverages a combination of mature Commercial off the Shelf (COTS) and government developed technology to deliver cloud services tailored to the needs of DoD. It features a shared, virtualized computing infrastructure environment known as a Virtual Data Center (VDC). Consumption of computing resources within the VDC is enabled via a self-service, on-demand web-based management interface. Within a VDC, resources can be configured and managed by the mission partner with a high degree of flexibility and self-service control, or resources can be configured automatically by the milCloud orchestrator. Other benefits include economies of scale through resource pooling, reduced spending on excess idle and redundant computing infrastructure, and fewer DISA interactions necessary to provision resources.

## Computing Services Trends: Increasing Workload and Efficiency

As shown in the subsequent table, demand for DISA's server and storage computing services has grown significantly since FY 2006. Since that year, the number of customer driven server operating environments (OEs) has increased by 248 percent, and total storage gigabytes have increased by 761 percent. Over the same timeframe, the cost to deliver all computing services has increased by only 48 percent. In short, customers are demanding considerably more services and are at the same time benefiting from DISA's unique ability to leverage robust computing capacity at the DECCs.



## MAJOR CHANGES BETWEEN FISCAL YEARS

### Computing Services Cost of Operations

| (\$ in millions)                                            | FY 2015   | FY 2016   | FY 2017  |
|-------------------------------------------------------------|-----------|-----------|----------|
| FY 2016 President's Budget                                  | \$1,099.3 | \$1,097.2 | -        |
| FY 2017 Current Estimates                                   | \$977.8   | \$985.2   | \$965.9  |
| Change FY 2016 President's Budget to Current Estimate       | (\$121.5) | (\$112.0) | -        |
| Change FY 2016 Current Estimate to FY 2017 Current Estimate | -         | -         | (\$19.3) |

\*Fiscal Year 2015 current estimates are actual results.

#### *FY 2016 President's Budget Submission to FY 2016 Current Estimate*

Computing Services' FY 2016 cost of operations decreases by a net of -\$112.0 million from the FY 2016 President's Budget.

Of the decrease, -\$24.4 million is due to the award of the new GCDS contract, -\$11.3 million is due to savings associated with award of the Storage Capacity Services contract, -\$8.2 million is due to the reduction of tech refresh costs on the Processor Capacity Services contract, and -\$1.7 million is due to various efficiencies on the Tech Support contract. Revised requirements on the Facilities Tiered Infrastructure Maintenance contract and savings on the Statement on Standards for Attestation Engagements (SSAE16) contract also decrease costs by -\$3.9 million and -\$1.2 million, respectively. Reduced manpower levels due to an Agency-wide initiative to restructure the workforce, reduced overhead labor, and the abolishment of positions due to the VERA/VSIP offerings decrease costs by -\$11.8 million. Additional reductions in training, overtime, travel, and discretionary spending decrease costs by -\$0.7 million. Costs are further reduced by -\$2.9 million due to the SSE help desk consolidation, -\$0.4 million due to reductions on the Communication Capacity Service contract, -\$0.2 million due to the discontinuation of the Gartner subscription, and -\$2.3 million in decommissioned hardware supporting the Army Publishing Directorate. This submission also includes reduced depreciation expenses of -\$8.2 million as DISA implements a 20-year depreciation schedule for facilities projects. Lastly, estimates of customer demand have been revised downward, resulting in a decrease of -\$31.2 million for DoD Enterprise Email, -\$22.4 million for milCloud, -\$10.8 million for DoD Enterprise Portal Services, and -\$10.4 million for Enterprise Resource Planning Project (ERP) converged solutions. Other miscellaneous items account for the final -\$0.3 million decrease.

These savings and workload reductions are partially offset by cost increases totaling +\$40.3 million. Of this amount, +\$20.9 million is due to efficiencies in security, production overhead, and increased staffing ratio for system administration application hosting being delayed. In addition, costs increase by +\$10.7 million due to an updated staffing ratio model to support the Server 24x7 workload requirements, +\$0.5 million for a one-time legal fee for the Storage Capacity Services contract, +\$2.4 million for a one-time settlement payment, +\$5.0 million due

to efficiencies not realized as previously planned on the Unisys Capacity Services contract, and +\$0.7 million in increased requirements for ATAAPS.

***FY 2016 Current Estimate to FY 2017 Current Estimate***

The cost of operations from FY 2016 to FY 2017 is expected to decrease by a net of -\$19.3 million.

Included in this change are total savings of -\$56.8 million. These savings are made up of the following: -\$7.5 million in management efficiency initiatives implemented across the DECCs, including increased staffing ratio targets which lead to reductions for application hosting and database administration hosting; -\$6.4 million reduction in overhead labor; -\$7.7 million due to the closure of the two DECCs, which is partially offset by transition costs; -\$1.7 million due to the SSE service desk consolidation; -\$1.1 million in training, travel, overtime, and discretionary spending reductions; -\$27.7 million in savings on the Storage Capacity Services contract; -\$2.4 million due to a one-time settlement payment in FY 2016; -\$0.5 million due to a one-time legal fee for the Storage Capacity Services contract in FY 2016; -\$0.8 million decrease in facilities projects; -\$0.6 million due to the reduction of the DISN Subscription Service; -\$0.3 million in Field Security Office (FSO) certification and accreditation savings; and a -\$0.1 million reduction in customer demand for DoD Enterprise Portal Services.

These savings are partially offset by cost increases totaling \$37.4 million. Of this amount, +\$17.1 million is due to inflation, +\$0.2 million is due to a slight increase for the Unisys Capacity contract, +\$0.5 million is due to a new requirement to support an internal financial database system, +\$0.5 million in depreciation expenses due to the completion of capital projects, +\$1.5 million increase to the GCDS contract, and +\$6.7 million due to an increase of civilian labor as a result of a full year of appropriate staffing levels. Additionally, parallel processing and tech refresh during the transition to the new Processor Capacity Services contract increases costs by +\$4.3 million, and parallel processing during the transition to the new Communication Capacity Services contract increases costs by +\$3.2 million. Finally, an increase of +\$1.0 million is due to increased anticipated workload for milCloud, +\$1.2 million due to an increase in software maintenance requirements for IBM customers, and +\$1.2 million increase in requirements for ATAAPS. Other miscellaneous items account for the final +\$1.2 million increase.

## Capital Investment Program Summary: Computing Services

| (\$ in millions)                                            | FY 2015*      | FY 2016       | FY 2017       |
|-------------------------------------------------------------|---------------|---------------|---------------|
| Equipment                                                   | \$33.4        | \$39.0        | \$31.0        |
| ADPE and Telecom                                            | \$0.0         | \$0.5         | \$1.5         |
| Software                                                    | \$5.0         | \$5.0         | \$5.5         |
| Minor Construction                                          | \$0.4         | \$2.0         | \$1.8         |
| <b>Total Program Authority</b>                              | <b>\$38.8</b> | <b>\$46.5</b> | <b>\$39.8</b> |
| FY 2016 President's Budget                                  | \$49.6        | \$47.8        |               |
| Change FY 2016 President's Budget to Current Estimates      | (\$10.8)      | (\$1.3)       | -             |
| Change FY 2016 Current Estimate to FY 2017 Current Estimate | -             | -             | (\$6.7)       |

\*FY 2015 data are actual obligations.

### ***FY 2016 President's Budget to FY 2016 Current Estimates:***

There is a net decrease of -\$1.3 million from the FY 2016 President's Budget. Of this, there is a decrease of -\$4.0 million in Non-ADPE Equipment due to a delay in beginning Tier III projects and a decrease of -\$2.5 million in ADPE Telecom Equipment Capabilities due to the removal of an Enterprise Unified Communications Program (IP Phone project). These decreases are partially offset by an increase of +\$5.2 million in facilities projects for the Columbus Gaseous Fire System and Montgomery Chiller Piping and Tank projects.

### ***FY 2016 Current Estimate to FY 2017 Current Estimate:***

There is a -\$6.7 million net decrease in capital requirements from FY 2016 to FY 2017 primarily due to a decrease in equipment purchases for replacement and facility improvement projects and the completion of minor construction projects.

## Civilian Personnel

| (\$ in millions)               | FY 2015* | FY 2016 | FY 2017 |
|--------------------------------|----------|---------|---------|
| Civilian End Strength          | 1,803    | 1,907   | 1,890   |
| Civilian Full Time Equivalents | 1,863    | 1,897   | 1,876   |
| Civilian Labor Cost            | \$239.6  | \$230.6 | \$229.4 |

\*Fiscal Year 2015 data are actual results.

End strength (ES) and full-time equivalents (FTEs) are reduced in FY 2015 due to the Agency-wide initiative to restructure the workforce that delayed staffing. Due to this delay, hiring actions to support customer-funded workload are reflected in FY 2016 civilian manpower levels resulting in a net increase of 34 FTEs and a net increase of 104 billets from FY 2015 to FY 2016.

Civilian manpower decreases by a net of 21 FTEs and 17 billets in FY 2017. This is due to the closure of two DECCs. The decreases in positions are partially offset as Computing Services reaches appropriate staffing levels to support customer funded requirements.

### **Military Personnel**

| <b>(\$ in millions)</b> | <b>FY 2015*</b> | <b>FY 2016</b> | <b>FY 2017</b> |
|-------------------------|-----------------|----------------|----------------|
| Military End Strength   | 7               | 6              | 5              |
| Military Labor Costs    | \$0.9           | \$0.9          | \$0.8          |

\*Fiscal Year 2015 data are actual results.

This submission represents the three year average fill rate for Computing Services in accordance with DoD financial policy.

### **Performance Measures**

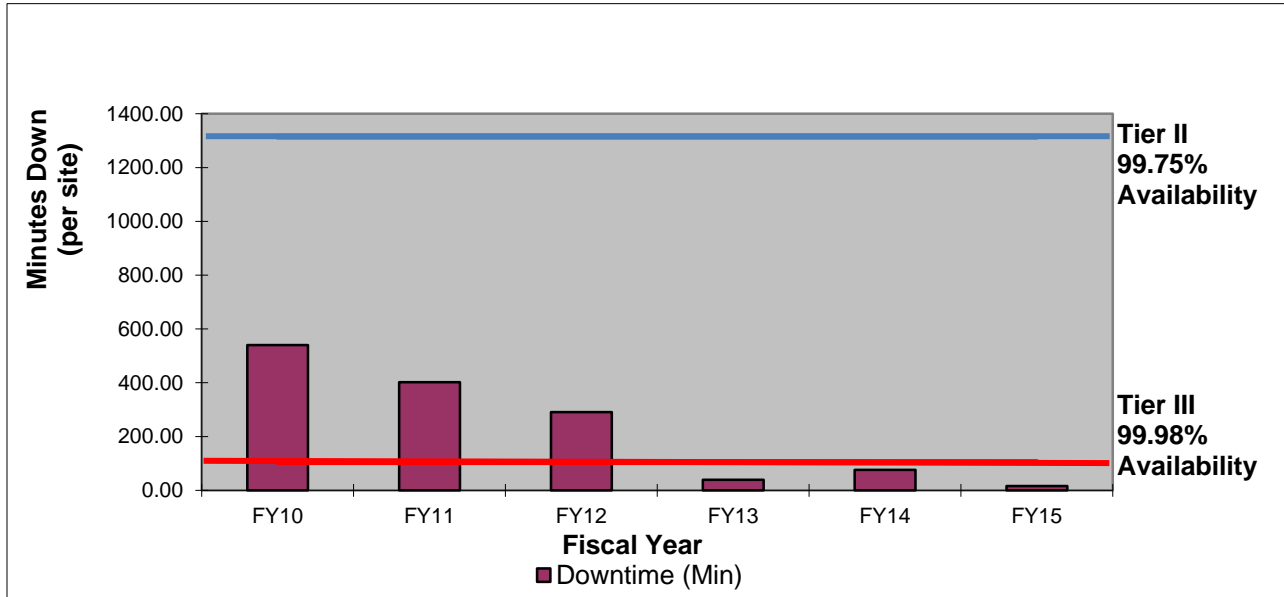
DISA’s information services play a key role in supporting the Department’s operating forces. As a result, DISA is held to high performance standards. In many cases, performance measures are detailed in Service Level Agreements (SLAs) with individual customers that exceed the general performance measures discussed in the remainder of this section.

#### **Computing Services Performance Measures**

The two metrics depicted in the subsequent tables reflect the availability of critical applications in the Defense Enterprise Computing Centers. The first metric, “Core Data Center Availability,” expressed as a percentage of availability, represents application availability from the end user’s perspective and includes all outages or downtime regardless of root cause or problem ownership. Tier II requires achieving 99.75% availability, which results in about 1,315 minutes of downtime per year. Tier III, the standard for all DoD-designated Core Data Centers, requires achieving 99.98% availability, which results in about 105 minutes of downtime per year. A continuing series of electrical and mechanical investments in the DISA DECC facilities since 2008 have resulted in a steady decline in facility downtime. The second metric, “Capacity Service Contract Equipment Availability” represents DISA’s equipment availability by technology, i.e., how well DISA is executing its responsibilities exclusive of factors outside the agency’s control such as last mile communications issues, base power outages or the like. The *Threshold* refers to system uptime and capacity availability for intended use; this is the level required by contract. The *Objective* is the value agreed on by the vendor and the government to be an ideal target, and *Actual* is reported by the vendor monthly.



### Core Data Center Availability



### Capacity Service Contract Equipment Availability

| Technology             | Threshold | Objective | Actual  |
|------------------------|-----------|-----------|---------|
| IBM Systemz Mainframe  | 99.95%    | 99.99%    | 100%    |
| Unisys Mainframe       | 99.95%    | 99.99%    | 99.999% |
| P Series Server        | 99.95%    | 99.99%    | 100%    |
| SPARC Server           | 99.95%    | 99.99%    | 100%    |
| x-86 Server            | 99.95%    | 99.99%    | 99.999% |
| Itanium                | 99.95%    | >99.95%   | 99.994% |
| Storage                | 99.95%    | >99.95%   | 99.999% |
| Communications Devices | 99.95%    | >99.95%   | 99.98%  |

## Computing Services FY 2017 Rates

Beginning in FY 2017, costs for IBM and Unisys services are recovered on a reimbursable basis, vice on a rate-based basis as is done today. In addition, storage and server rates are restructured in FY 2017 to better align DISA's service offerings with the new capacity services contract vehicle. Also, DEE Executive and DEE Platinum Executive offerings are added to the enterprise email capability. Finally, the DEPS services will be offered on a reimbursable basis beginning in FY 2017.

This submission includes a composite -10.0 percent rate decrease in FY 2017. DISA Computing Services' budget has two basic methods of cost recovery: stabilized fixed rates and direct reimbursement of actual cost. The charts below show the rates by category:

### Mainframe and Storage Rates

| IBM Mainframe Rates                                        | FY 2016    | FY2017   |
|------------------------------------------------------------|------------|----------|
| CPU Usage (per Hour)                                       | \$423.8944 | -        |
| IBM LINUX (per Hour)                                       | \$29.1112  | -        |
| IBM ZIIP CPU (per Hour)                                    | \$389.7015 | -        |
| Unisys Mainframe Rates                                     | FY 2016    | FY2017   |
| SUPS (per Hour)                                            | \$14.5389  | -        |
| Unisys Storage (MB/Day)                                    | \$0.0175   | -        |
| Storage Rates                                              | FY 2016    | FY2017   |
| IBM Storage (MB/Day)                                       | \$0.0003   | -        |
| IBM Long Term Storage (MB/Day)                             | \$0.0002   | -        |
| Server Basic Local Service (GB/Month) [Basic Local/Remote] | \$0.9660   | -        |
| Server Operational Local (GB/Month) [Local Failover]       | \$0.5074   | -        |
| Server Basic Remote Service (GB/Month) [Shared COOP]       | \$0.4775   | -        |
| Server Operational Remote (GB/Month)                       | \$1.2025   | -        |
| Server Tier 2 Basic Local Service (GB/Month)               | \$0.6456   | -        |
| Enterprise Storage Disk Capacity RAID 5 (GB/Month)         | -          | \$0.6969 |
| Enterprise Storage Disk Capacity RAID 1 (GB/Month)         | -          | \$1.1504 |
| Tier 2 Storage Disk Capacity RAID 5 (GB/Month)             | -          | \$0.3812 |
| Shared COOP Service Fee (GB/Month)                         | -          | \$0.5804 |
| 30 Day Retained Backup Service Fee (GB/Month)              | -          | \$0.3902 |
| Replication to Dedicated Storage Service Fee (GB/Month)    | -          | \$1.3095 |

## Server Rates

| Server Rates (Monthly)                                           | FY 2016  | FY2017  |
|------------------------------------------------------------------|----------|---------|
| Server Basic - Level 1 (Processing Unit/Month)                   | \$417    | -       |
| Server Basic - Level 2 (OE/Month)                                | \$1,240  | -       |
| Server Basic - Level 3 (OE/Month)                                | \$2,147  | -       |
| Server Basic - Level 4 (OE/Month)                                | \$2,869  | -       |
| Server Basic - Level 5 (OE/Month)                                | \$3,165  | -       |
| Server Basic - Level 6 (OE/Month)                                | \$8,234  | -       |
| Server Basic - Virtual (Processing Unit/Month)                   | -        | \$371   |
| Server Basic - Class 1 Physical (OE/Month)                       | -        | \$2,104 |
| Server Basic - Class 2 Physical (OE/Month)                       | -        | \$2,812 |
| Server Basic - Class 3 Physical (OE/Month)                       | -        | \$3,102 |
| Hardware Services Level 1 Non X86 (Processing Unit/Month)        | \$276    | -       |
| Hardware Services Level 2 Non-X86 (OE/Month)                     | \$998    | -       |
| Hardware Services Level 3 Non-X86 (OE/Month)                     | \$1,644  | -       |
| Hardware Services Level 4 Non-X86 (OE/Month)                     | \$3,294  | -       |
| Hardware Services Level 5 Non-X86 (OE/Month)                     | \$8,453  | -       |
| Hardware Services Level 6 Non-X86 (OE/Month)                     | \$20,219 | -       |
| Hardware Services Level 1 X86 (Processing Unit/Month)            | \$81     | -       |
| Hardware Services Level 3 X86 (OE/Month)                         | \$359    | -       |
| Hardware Services Level 4 X86 (OE/Month)                         | \$599    | -       |
| Hardware Services Level 5 X86 (OE/Month)                         | \$3,710  | -       |
| Hardware Services - SPARC LDOM Processor (Processing Unit/Month) | -        | \$248   |
| Hardware Service - Class 1 Physical SPARC (OE/Month)             | -        | \$1,644 |
| Hardware Service - Class 2 Physical SPARC (OE/Month)             | -        | \$3,294 |
| Hardware Service - Class 3 Physical SPARC (OE/Month)             | -        | \$8,453 |
| Hardware Service - Class 1 Physical Itanium (OE/Month)           | -        | \$2,959 |
| Hardware Service - Class 2 Physical Itanium (OE/Month)           | -        | \$4,043 |
| Hardware Service - Class 3 Physical Itanium (OE/Month)           | -        | \$9,973 |
| Hardware Service - x86 VOE Processor (Processing Unit/Month)     | -        | \$73    |
| Hardware Service - Class 1 Physical x86 (OE/Month)               | -        | \$359   |
| Hardware Service - Class 2 Physical x86 (OE/Month)               | -        | \$599   |
| Hardware Service - Class 3 Physical x86 (OE/Month)               | -        | \$3,710 |
| Hardware Service - SPARC Virtual Memory (GB/Month)               | -        | \$4.05  |
| Hardware Service -x86 Virtual Memory (GB/Month)                  | -        | \$2.62  |
| Database Software Level 2 (OE/Month)                             | \$599    | -       |
| Database Software Level 3 (OE/Month)                             | \$2,590  | -       |

**Server (continued), milCloud and Enterprise Services rates**

| <b>Server Rates (Monthly)</b>                                          | <b>FY 2016</b> | <b>FY2017</b> |
|------------------------------------------------------------------------|----------------|---------------|
| Database Software Level 4 (OE/Month)                                   | \$5,620        | -             |
| Database Software Level 5 (OE/Month)                                   | \$7,564        | -             |
| Database Software Level 6 (OE/Month)                                   | \$16,393       | -             |
| Oracle Database Software - Virtual Itanium (Processing Unit/Month)     | -              | \$445         |
| Oracle Database Software - Class 1 Itanium (OE/Month)                  | -              | \$5,368       |
| Oracle Database Software - Class 2 Itanium (OE/Month)                  | -              | \$10,726      |
| Oracle Database Software - Class 3 Itanium (OE/Month)                  | -              | \$16,088      |
| Oracle Database Software - Virtual x86 & SPARC (Processing Unit/Month) | -              | \$223         |
| Oracle Database Software - Class 1 x86 & SPARC (OE/Month)              | -              | \$2,682       |
| Oracle Database Software - Class 2 x86 & SPARC (OE/Month)              | -              | \$5,358       |
| Oracle Database Software - Class 3 x86 & SPARC (OE/Month)              | -              | \$8,044       |
| Application Support (OE/Month)                                         | \$1,032        | \$929         |
| Database Administration (OE/Month)                                     | \$1,729        | \$1,556       |
| <b>milCloud Rates</b>                                                  | <b>FY 2016</b> | <b>FY2017</b> |
| **milCloud - Base Unit (Unit/Month)                                    | \$111.86       | \$106.27      |
| **milCloud - Base Storage (GB/Month)                                   | \$0.46         | \$0.44        |
| **milCloud - Implementation (GB/Month)                                 | \$195.00       | \$195.00      |
| **milCloud - Backup Storage (GB/Month)                                 | \$0.31         | \$0.28        |
| **milCloud - Memory (2GB/Month)                                        | \$24.00        | \$21.60       |
| **milCloud Plus (Processing Unit/Month)                                | \$278          | \$247         |
| <b>Enterprise Services Rates</b>                                       | <b>FY 2016</b> | <b>FY2017</b> |
| ATAAPS (per Account/Year)                                              | \$11.21        | \$10.37       |
| **DEPS Medium Shared (per Account/Month)                               | \$5.75         | -             |
| **DEPS Small Shared SIPR (User/Month)                                  | \$14.67        | -             |
| **DEPS Small Dedicated (Environment/Year)                              | \$1,062,334    | -             |
| **DEPS Medium Dedicated (Environment/Year)                             | \$2,260,679    | -             |
| **DEPS Large Dedicated (Environment/Year)                              | \$3,729,712    | -             |
| **DEPS XLarge Dedicated (Environment/Year)                             | \$6,047,679    | -             |
| DoD Enterprise Email Mobile Device (per Device/Year)                   | \$32.45        | \$32.45       |
| DoD Enterprise Email Journaling (per GB/Year)                          | \$4.71         | \$4.71        |
| DoD Enterprise Email Basic/Business (per Account/Year)                 | \$38.71        | \$38.71       |
| **DoD Enterprise Email Premium (per Account/Year)                      | \$150.42       | \$128.47      |
| **DoD Enterprise Email Executive (per Account/Year)                    | \$270.76       | \$231.24      |
| **DoD Enterprise Email Platinum Executive (per Account/Year)           | \$401.12       | \$342.57      |

\*\*These services remain unstabilized in FY16 and FY17 and may be updated in execution to recover actual costs .

**Changes in the Costs of Operations**  
**Defense Information Systems Agency**  
**COMPUTING SERVICES**  
**February 2016**  
(Dollars in Millions)

|         |                                                                                                                                                                                     |                  |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| FY 2015 | Actual                                                                                                                                                                              | <b>977.750</b>   |
| FY 2016 | Estimate in FY 2016 President's Budget                                                                                                                                              | <b>1,097.217</b> |
|         | <i>Savings:</i>                                                                                                                                                                     |                  |
|         | Savings associated with the Service Support Environment/Helpdesk consolidation                                                                                                      | (2.868)          |
|         | Efficiencies in security, production overhead, and increased staffing ratio for system administration and application hosting will not be realized at the levels previously planned | 20.916           |
|         | Reduction of manpower levels due to an agency wide hiring freeze, reduction in overhead labor, and the abolishment of positions due to the VERA/VSIP offerings                      | (11.793)         |
|         | Award of new Global Content Delivery Service (GCDS) contract and reduced costs for dual operations                                                                                  | (24.379)         |
|         | Savings associated with the award of the new Storage Capacity Services contract                                                                                                     | (11.276)         |
|         | Tech refresh cost reductions on the Processor Capacity Services contract                                                                                                            | (8.231)          |
|         | Revised requirements on the Facilities Tiered Infrastructure Maintenance contract                                                                                                   | (3.943)          |
|         | Statement on Standards for Attestation Engagement (SSAE16) contract reduction to support the cyber compliance readiness service                                                     | (1.200)          |
|         | Communications Capacity Services contract reduction                                                                                                                                 | (0.354)          |
|         | Gartner annual subscription no longer a requirement                                                                                                                                 | (0.244)          |
|         | Tech support contract efficiencies                                                                                                                                                  | (1.670)          |
|         | Training, overtime, and discretionary spending reductions                                                                                                                           | (0.505)          |
|         | Travel reduction                                                                                                                                                                    | (0.233)          |
|         | <i>Program Changes:</i>                                                                                                                                                             |                  |
|         | Decrease in depreciation expenses as a result of moving to a 20 year depreciation schedule for facilities                                                                           | (8.155)          |
|         | One-time legal fee for Storage Capacity Service contract                                                                                                                            | 0.500            |
|         | One-time settlement payment for legal claim                                                                                                                                         | 2.431            |
|         | Efficiencies associated with the Unisys Capacity Services contract will not be realized at the level previously planned                                                             | 5.039            |
|         | Updated staffing ratio model for Server 24X7 to support workload requirements                                                                                                       | 10.725           |
|         | <i>Workload Changes:</i>                                                                                                                                                            |                  |
|         | Reduced workload estimates for DoD Enterprise Email                                                                                                                                 | (31.218)         |
|         | Reduced workload estimates for milCloud                                                                                                                                             | (22.438)         |
|         | Reduced workload estimates for DoD Enterprise Portal Service                                                                                                                        | (10.844)         |
|         | Re-estimation of customer adoption of Enterprise Resource Planning Project converged solutions                                                                                      | (10.381)         |
|         | Decommission hardware to support the Army Publishing Directorate                                                                                                                    | (2.300)          |
|         | Increased requirements for ATAAPS to support customer workload                                                                                                                      | 0.699            |
|         | <i>Miscellaneous</i>                                                                                                                                                                | (0.316)          |
| FY 2016 | Current Estimate                                                                                                                                                                    | <b>985.179</b>   |

**Changes in the Costs of Operations**  
**Defense Information Systems Agency**  
**COMPUTING SERVICES**  
**February 2016**  
(Dollars in Millions)

|         |                                                                                                                           |                |
|---------|---------------------------------------------------------------------------------------------------------------------------|----------------|
| FY 2016 | Current Estimate                                                                                                          | <b>985.179</b> |
|         | <i>Pricing Adjustments:</i>                                                                                               |                |
|         | Non-Labor Inflation                                                                                                       | 12.484         |
|         | Civilian/Military Pay Raise                                                                                               | 2.745          |
|         | Annualization of Civilian/Military Pay Raise                                                                              | 0.748          |
|         | <i>Management-efficiency initiatives:</i>                                                                                 |                |
|         | BPSR recommended site closures, partially offset by transition costs                                                      | (7.720)        |
|         | Increased staffing ratio targets for application support hosting and database administration hosting                      | (7.462)        |
|         | Savings associated with the Service Support Environment/Helpdesk consolidation                                            | (1.687)        |
|         | Overhead labor reduction                                                                                                  | (6.421)        |
|         | Travel reductions                                                                                                         | (0.901)        |
|         | Training, overtime, and discretionary spending reductions                                                                 | (0.201)        |
|         | <i>Program Changes:</i>                                                                                                   |                |
|         | Savings associated with the award of the new Storage Capacity Services contract                                           | (27.709)       |
|         | One-time settlement payment for legal claim in FY 2016                                                                    | (2.431)        |
|         | One-time legal fee for Storage Capacity Service contract in FY 2016                                                       | (0.500)        |
|         | Decrease in facilities projects                                                                                           | (0.830)        |
|         | Reduction of the DISN Subscription Service                                                                                | (0.605)        |
|         | FSO Certification and Accreditation                                                                                       | (0.295)        |
|         | Slight increase to the Unisys Capacity contract                                                                           | 0.155          |
|         | New requirement to support an internal financial database                                                                 | 0.467          |
|         | Increase in depreciation expenses due to completion of capital projects                                                   | 0.538          |
|         | Global Content Delivery Service (GCDS) dual operations as the service completes its phased transition to the new contract | 1.536          |
|         | Parallel processing during the transition to the new Communication Capacity Services contract                             | 3.242          |
|         | Parallel processing and tech refresh during the transition to the Processor Capacity Services contract                    | 4.286          |
|         | Increase in civilian labor as a result of a full year of appropriate staffing levels                                      | 6.732          |
|         | <i>Workload Changes:</i>                                                                                                  |                |
|         | Slight reduction of workload estimates for DoD Enterprise Portal Service                                                  | (0.049)        |
|         | Increased workload estimates for milCloud                                                                                 | 0.964          |
|         | Increased reimbursable software maintenance requirements for IBM customers                                                | 1.211          |
|         | Increased requirements for ATAAPS to support customer workload                                                            | 1.235          |
|         | <i>Miscellaneous</i>                                                                                                      | 1.235          |
| FY 2017 | Current Estimate                                                                                                          | <b>965.945</b> |

**Activity Group Capital Investment Summary**  
**Defense Information Systems Agency**  
**PE54 COMPUTING SERVICES**  
**February 2016**  
**(Dollars in Millions)**

|                                                  | FY 2015 Quantity | FY 2015 Total Cost | FY 2016 Quantity | FY 2016 Total Cost | FY 2017 Quantity | FY 2017 Total Cost |
|--------------------------------------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|
| <b>Non-ADPE Equipment</b>                        | <b>9.000</b>     | <b>\$33.373</b>    | <b>10.000</b>    | <b>\$38.950</b>    | <b>7.000</b>     | <b>\$31.000</b>    |
| Facilities Equipment                             | 9.000            | \$33.373           | 10.000           | \$38.950           | 7.000            | \$31.000           |
| <b>ADPE &amp; Telecom Equipment Capabilities</b> | <b>0.000</b>     | <b>\$0.000</b>     | <b>1.000</b>     | <b>\$0.500</b>     | <b>1.000</b>     | <b>\$1.500</b>     |
| Communications                                   | 0.000            | \$0.000            | 1.000            | \$0.500            | 1.000            | \$1.500            |
| <b>Software Development</b>                      | <b>6.000</b>     | <b>\$5.013</b>     | <b>2.000</b>     | <b>\$5.000</b>     | <b>4.000</b>     | <b>\$5.500</b>     |
| CS Software Development                          | 6.000            | \$5.013            | 2.000            | \$5.000            | 4.000            | \$5.500            |
| <b>Minor Construction Capabilities</b>           | <b>1.000</b>     | <b>\$0.447</b>     | <b>5.000</b>     | <b>\$2.000</b>     | <b>3.000</b>     | <b>\$1.775</b>     |
| Minor Construction - Facilities                  | 1.000            | \$0.447            | 5.000            | \$2.000            | 3.000            | \$1.775            |
| <b>Total</b>                                     | <b>16.000</b>    | <b>\$38.833</b>    | <b>18.000</b>    | <b>\$46.450</b>    | <b>15.000</b>    | <b>\$39.775</b>    |
| <b>Total Depreciation Expense</b>                |                  | <b>\$18.320</b>    |                  | <b>\$20.578</b>    |                  | <b>\$21.116</b>    |
| <b>Total Capital Outlays</b>                     |                  | <b>\$27.227</b>    |                  | <b>\$41.610</b>    |                  | <b>\$46.905</b>    |

**Capital Investment Justification**  
**Defense Information Systems Agency**  
**PE54 COMPUTING SERVICES**  
**February 2016**  
**(Dollars in Thousands)**

| <b>Computing Services: Capital Investment Justification</b>                           |                                                               |                      |                       |                                    |                      |                                      | <b>A. Fiscal Year 2017</b>     |                      |                       |
|---------------------------------------------------------------------------------------|---------------------------------------------------------------|----------------------|-----------------------|------------------------------------|----------------------|--------------------------------------|--------------------------------|----------------------|-----------------------|
| (\$ in Thousands)                                                                     |                                                               |                      |                       |                                    |                      |                                      |                                |                      |                       |
| <b>B. Computing Services / February 2016</b>                                          |                                                               |                      |                       | <b>C. CE0300 Non-ADP Equipment</b> |                      |                                      | <b>D. Facilities Equipment</b> |                      |                       |
| Element of Cost                                                                       | FY 2015<br>Quantity                                           | FY 2015<br>Unit Cost | FY 2015<br>Total Cost | FY 2016<br>Quantity                | FY 2016<br>Unit Cost | FY 2016<br>Total Cost                | FY 2017<br>Quantity            | FY 2017<br>Unit Cost | FY 2017<br>Total Cost |
| <b>Facility Equipment</b>                                                             | 8.00                                                          | 4,037.50             | 32,300.00             | 10.00                              | 3,895.00             | 38,950.00                            | 6.00                           | 5,166.67             | 31,000.00             |
| <b>Total</b>                                                                          | 8.00                                                          | 4,037.50             | 32,300.00             | 10.00                              | 3,895.00             | 38,950.00                            | 6.00                           | 5,166.67             | 31,000.00             |
| <b>Narrative Justification</b>                                                        |                                                               |                      |                       |                                    |                      |                                      |                                |                      |                       |
| <b>Description and Purpose:</b>                                                       |                                                               |                      |                       |                                    |                      |                                      |                                |                      |                       |
| The following table shows the planned Computing Services facility equipment projects: |                                                               |                      |                       |                                    |                      |                                      |                                |                      |                       |
| Site                                                                                  | FY 2016                                                       |                      |                       |                                    |                      | FY 2017                              |                                |                      |                       |
| DECC Mechanicsburg                                                                    | Mechanical Capacity Upgrade                                   |                      |                       |                                    |                      | CRAC/PDU Upgrade                     |                                |                      |                       |
| DECC Montgomery                                                                       | Chiller Piping Redundancy & Tank Upgrade                      |                      |                       |                                    |                      | CRAC/PDU Upgrade                     |                                |                      |                       |
| DECC Ogden                                                                            | Generator Upgrade Design                                      |                      |                       |                                    |                      | Generator System Upgrade<br>CRAC/PDU |                                |                      |                       |
| DECC Oklahoma City                                                                    | UPS Expansion                                                 |                      |                       |                                    |                      |                                      |                                |                      |                       |
| DECC Columbus                                                                         | Generator/UPS/Gear Upgrade<br>CRAC/PDU<br>Gaseous Fire System |                      |                       |                                    |                      |                                      |                                |                      |                       |
| DECC St Louis                                                                         | UPS Module Upgrade                                            |                      |                       |                                    |                      | CRAC/PDU                             |                                |                      |                       |



**Capital Investment Justification  
 Defense Information Systems Agency  
 PE54 COMPUTING SERVICES  
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|                         |                             |                                    |
|-------------------------|-----------------------------|------------------------------------|
| DECC San Antonio        | Electrical Capacity Upgrade |                                    |
| DECC Warner<br>Robbins* | CRAC/PDU                    |                                    |
| DECC PAC*               |                             | Building Automation System Upgrade |

Mechanical Capacity and Chiller Piping Redundancy Design are for the purpose of increasing cooling system capabilities associated with increased workload

High Density Computer Room Air Handler (CRAC) and Power Distribution Unit (PDU) are to increase cooling capacity, reliability and redundancy necessary due to increased workload.

Upgrade/Replacement of Generators as well as Uninterrupted Power Source (UPS) Expansion/Upgrade is required to support additional redundancy and future workload growth.

Gaseous Fire Suppression System is to install a gaseous suppression system to supplement the existing traditional fire suppression system.

Electrical Capacity Upgrade is to provide the latest technology for energy savings, efficiencies, and increase capacity and redundancy to support existing and future critical missions.

Building automation system upgrades are necessary in order to adequately monitor and control the building environment.

Note- Columbus Gaseous Fire and Montgomery Chiller & Tank moved from FY15 due to program delays/slips

\*Capital requirements for Warner Robbins and PAC remain in place pending official decision on closure and potential restoral costs to transition DECC's to the required specifications of original site owners.

**Capital Investment Justification**  
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**Current Deficiency and/or Problem:**

The computing centers require cyclical upgrades to their infrastructure and plant equipment. These upgrades are necessary to ensure reliability, security and redundancy to support customer workload.

**Impact:**

If these system and infrastructure investments/requirements are not funded, safety hazards and mission failure may result. Age-related infrastructure and equipment deficiencies can result in unplanned datacenter downtime. Additionally, DISA's ability to provide redundancy to enable 24x7 operations for customers will be jeopardized, resulting in a negative impact on DISA's operational capability, efficiency, and ability to support customers.

**Energy Savings:**

Existing UPS units are older less efficient units and have Power Factor (PF) ratings of .8. The newer UPS units are designed to be more efficient and have a PF of .9 or better. This savings allows for a 10% savings on power capacity and more efficient UPS units and electrical distribution saves of up to 3% of the data center energy consumption. Older generator systems burn larger amounts of fuel than newer more efficient units. Fuel savings from the system change outs are estimated between 5%-10% with an additional 10% saving possible from new paralleling gear that only runs the number of generators required to operate safely vice all full out at all times they are running. Building Automation Systems that are installed allow for the proper tracking of energy use and control of major equipment to optimize their running configurations.

**Capital Investment Justification  
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|                                                             |                             |                              |                                              |                             |                              |                               |                             |                              |                               |
|-------------------------------------------------------------|-----------------------------|------------------------------|----------------------------------------------|-----------------------------|------------------------------|-------------------------------|-----------------------------|------------------------------|-------------------------------|
| <b>Computing Services: Capital Investment Justification</b> |                             |                              |                                              |                             |                              |                               | <b>A. Fiscal Year 2017</b>  |                              |                               |
| (\$ in Thousands)                                           |                             |                              |                                              |                             |                              |                               |                             |                              |                               |
| <b>B. Computing Services / February 2016</b>                |                             |                              | <b>C. CE0400 ADPE and Telecommunications</b> |                             |                              |                               | <b>D. Communications</b>    |                              |                               |
| <b>Element of Cost</b>                                      | <b>FY 2015<br/>Quantity</b> | <b>FY 2015<br/>Unit Cost</b> | <b>FY 2015<br/>Total Cost</b>                | <b>FY 2016<br/>Quantity</b> | <b>FY 2016<br/>Unit Cost</b> | <b>FY 2016<br/>Total Cost</b> | <b>FY 2017<br/>Quantity</b> | <b>FY 2017<br/>Unit Cost</b> | <b>FY 2017<br/>Total Cost</b> |
| <b>Communications</b>                                       | 1.00                        | 500.00                       | 500.00                                       | 1.00                        | 500.00                       | 500.00                        | 1.00                        | 1,500.00                     | 1,500.00                      |
| <b>Total</b>                                                | 1.00                        | 500.00                       | 500.00                                       | 1.00                        | 500.00                       | 500.00                        | 1.00                        | 1,500.00                     | 1,500.00                      |

**Narrative Justification**

**Description and Purpose:**

DECC communication infrastructure is a hierarchical layered network, including Core Layer, Aggregation Layer, and Access Layer. This infrastructure consists of routers, switches, firewalls, Virtual Private Network (VPN) devices, and load-balancing/content services equipment. A portion of these infrastructure communication assets are government owned. To address potential project upgrades on government-owned communication equipment, a small amount of Capital funding is required. DISA may be required to upgrade communication devices (e.g., perimeter firewalls, routers) to support the continued success of enterprise service initiatives. These upgrades would address the communications infrastructure that provides access to the production, test/development and Out-of-Band (OOB) networks.

**Current Deficiency and/or Problem:**

Ever-growing communication capacity requirements at each layer of the DECC enterprise network must be met by either upgrading network assets, or by acquiring new devices. The Communication as a Service contract is planned to address most of general communication device requirements, especially new (tech refresh) devices. However, any existing communication device that was acquired and owned by DISA and retains a technical or financial life will require an upgrade and is deemed outside the scope of the capacity contract approach (i.e., the contract is a capacity (lease) vehicle and upgrades to government-owned equipment would not meet contract terms and agreements.) This request for the Capital funding would provide funds in order to upgrade the existing Capital equipment until a time when it can be tech-refreshed using the Communication as a Service contract.

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**Impact:**

If DISA is unable to procure and install these devices or upgrade network assets, we will not be able to support new customer requirements. Some examples of these requirements include increased port capacity requirements across each layer of DECC infrastructure, additional network bandwidth capacity, support of Continuity of Operations (COOP) infrastructures, support of Test and Development environments, requirements for acceptable levels of situational awareness, and better network security posture across DECC enterprise network.

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|                                                             |                             |                              |                                       |                             |                              |                                |                             |                              |                               |
|-------------------------------------------------------------|-----------------------------|------------------------------|---------------------------------------|-----------------------------|------------------------------|--------------------------------|-----------------------------|------------------------------|-------------------------------|
| <b>Computing Services: Capital Investment Justification</b> |                             |                              |                                       |                             |                              | <b>A. Fiscal Year 2017</b>     |                             |                              |                               |
| (\$ in Thousands)                                           |                             |                              |                                       |                             |                              |                                |                             |                              |                               |
| <b>B. Computing Services / February 2016</b>                |                             |                              | <b>C. CV0200 Software Development</b> |                             |                              | <b>D. Software Development</b> |                             |                              |                               |
| <b>Element of Cost</b>                                      | <b>FY 2015<br/>Quantity</b> | <b>FY 2015<br/>Unit Cost</b> | <b>FY 2015<br/>Total Cost</b>         | <b>FY 2016<br/>Quantity</b> | <b>FY 2016<br/>Unit Cost</b> | <b>FY 2016<br/>Total Cost</b>  | <b>FY 2017<br/>Quantity</b> | <b>FY 2017<br/>Unit Cost</b> | <b>FY 2017<br/>Total Cost</b> |
| <b>Software Development</b>                                 | 5.00                        | 2,020.00                     | 10,100.00                             | 1.00                        | 5,000.00                     | 5,000.00                       | 3.00                        | 1,833.33                     | 5,500.00                      |
| <b>Total</b>                                                | 5.00                        | 2,020.00                     | 10,100.00                             | 1.00                        | 5,000.00                     | 5,000.00                       | 3.00                        | 1,833.33                     | 5,500.00                      |

**Narrative Justification**

**Description and Purpose:**

The DISA Computing Services’ mission, as an enterprise computing service provider, is to deliver world-class service at the lowest possible cost that satisfies mission objectives. To accomplish this, we require funding to ensure that the services provided to support customers’ missions are met through processes and systems which provide availability, capacity, continuity and security of the existing systems. Additionally, systems are required to track customer information and ensure service level agreements (SLAs) are met. DISA operates a variety of geographically dispersed mainframes and computing systems which require funding to support the enterprise environment. As technology changes, Standard Operating Environment (SOE) projects require software investments to sustain the most efficient processing environment for the customer at the lowest possible cost.

Included in FY 2016 is Information Technology Service Management (ITSM) software which will be purchased directly from the vendors, resulting in savings by eliminating the service contract costs. Included in FY 2017 is Capacity Management Modeling (CMM) expansion to support capacity management modeling functionality for Enterprise Email, milCloud and System Center Operations Manager (SCOM) Structured Query Language (SQL) database which supports Enterprise Email and Enterprise SharePoint projects which are critical applications for the Enterprise. Also included is Hewlett Packard’s Network Automation (HPNA)/Hewlett Packard’s Operations Orchestrator (HPOO). Purchasing these licenses outright will lower the cost of the future communications gear purchases off the new Communications as a Service recompetes (CSCII) contract. Also included is the acquisition of additional IBM Netcool Omnibus Event Management System (EMS) Tier Resource Value Unit Tools, which will provide the capability and licenses required to send monitoring tool events to DISA’s existing Netcool Omnibus installation in the production, pre-production and SIPR environments. These additional licenses will enable event data generated by the monitoring tool events to be passed to DISA’s enterprise event correlation layer, which is Netcool Omnibus. The events would be correlated and then displayed via DISA’s

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enterprise event viewing layer for use by the Enterprise Services service desks. This will enable operators to manage events from multiple elements across the enterprise from a single tool for productivity and enhanced up-time purposes.

**Current Deficiency and/or Problem:**

Existing software systems risk security vulnerability and may be inadequate to provide the proper assurance of availability and capacity to support the customers' mission requirements. Therefore, DISA must invest in new software to more efficiently host systems that provide a highly available, secure and robust computing environment and allow for timely and accurate customer billing. Based on the technical evaluation and the implementation cost, new products will be selected to meet organizational needs. Technical evaluations on mainframe and distributed software products will be conducted throughout the enterprise to avoid functionally equivalent software and the associated duplicative costs. For projects that were previously provided software as a service, DISA will cut costs by purchasing the software and existing enhancements to the software and running it in-house with a Government and/or contractor team.

**Impact:**

Without these investments DISA will not be able to effectively operate and manage the diverse and increasing number of systems. There is an increased risk that Service Level Agreements will not be met due to downtime of systems, performance degradation, and lack of proactive means of measuring and correcting system capacity and availability problems. The volume of operating environments coming into the computing centers cannot be managed without enterprise system tools and could result in an inability to accurately monitor, report, and review service performance.

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| <b>Computing Services: Capital Investment Justification</b><br>(\$ in Thousands) |                     |                      |                                                  |                     |                      |                       | <b>A. Fiscal Year 2017</b>                |                      |                       |
|----------------------------------------------------------------------------------|---------------------|----------------------|--------------------------------------------------|---------------------|----------------------|-----------------------|-------------------------------------------|----------------------|-----------------------|
| <b>B. Computing Services / February 2016</b>                                     |                     |                      | <b>C. CE0200 Minor Construction - Facilities</b> |                     |                      |                       | <b>D. Minor Construction - Facilities</b> |                      |                       |
| Element of Cost                                                                  | FY 2015<br>Quantity | FY 2015<br>Unit Cost | FY 2015<br>Total Cost                            | FY 2016<br>Quantity | FY 2016<br>Unit Cost | FY 2016<br>Total Cost | FY 2017<br>Quantity                       | FY 2017<br>Unit Cost | FY 2017<br>Total Cost |
| <b>Minor Construction</b>                                                        | 2.00                | 750.00               | 1,500.00                                         | 4.00                | 500.00               | 2,000.00              | 2.00                                      | 887.50               | 1,775.00              |
| <b>Total</b>                                                                     | 2.00                | 750.00               | 1,500.00                                         | 4.00                | 500.00               | 2,000.00              | 2.00                                      | 887.50               | 1,775.00              |

**Narrative Justification**

**Description and Purpose:**

The following facility enhancements are planned in FY 2016 and FY 2017:

| Site               | FY 2016                       | FY 2017                  |
|--------------------|-------------------------------|--------------------------|
| DECC Mechanicsburg | Mechanical Electrical Upgrade | Transformer Upgrade      |
| DECC Ogden         | Air Handling Unit/Chiller     | Generator System Upgrade |
| DECC Columbus      | Electrical Capacity Upgrade   |                          |
| DECC San Antonio   | Electrical Capacity Upgrade   |                          |

Minor construction activity is primarily needed in conjunction with equipment purchase projects.

Mechanical Electrical Upgrade will provide redundant utility feeds, transformers, and electrical distribution equipment for the sites' mechanical equipment/systems and bring the site into compliance with facility standards.

Air Handling/Chiller will allow the removal of non-critical administrative load off of the chilled water distribution system supporting the mission-critical data centers. This will afford the existing chilled water system additional capacity for the critical load.

**Capital Investment Justification**  
**Defense Information Systems Agency**  
**PE54 COMPUTING SERVICES**  
**February 2016**  
**(Dollars in Thousands)**

Electrical Capacity Upgrades are to provide the latest technology for energy savings, efficiencies, and increase capacity and redundancy to support existing and future critical missions.

Transformer Upgrade is to provide redundancy and the capacity needed to provide for future workload growth

Generator System Upgrade is to expand the current generator plant to provide redundancy and the capacity needed to provide for future workload growth

**Current Deficiency and/or Problem:**

Various facilities are in need of upgrades and renovations in order to meet current standards and support new workload.

**Impact:**

If these projects are not funded, age-related infrastructure and equipment deficiencies could result in unexpected system failures, placing site personnel at risk and potentially resulting in unnecessary datacenter downtime. DISA's ability to provide a reliable and safe 24/7/365 operational capability may also be jeopardized.



**Capital Budget Execution  
Defense Information Systems Agency  
PE54 COMPUTING SERVICES  
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| <u>Fiscal Year</u> | <u>Major Category</u>                        | <u>Initial Request</u> | <u>Current Proj. Cost</u> | <u>Approved Change</u> | <u>Explanation</u>                                                                                                                           |
|--------------------|----------------------------------------------|------------------------|---------------------------|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>FY 2015</b>     |                                              |                        |                           |                        |                                                                                                                                              |
|                    | Equipment except ADPE and Telecommunications | 37.500                 | 33.373                    | (4.127)                | Funding for the Columbus Gaseous Fire System and the Montgomery Chiller Piping Redundancy and Tank moved to FY16 due to delays in execution. |
|                    | Equipment - ADPE and Telecommunications      | 0.500                  | 0.000                     | (0.500)                | Reserves not needed                                                                                                                          |
|                    | Software Development                         | 10.100                 | 5.013                     | (5.087)                | Cancellation of multiple projects                                                                                                            |
|                    | Minor Construction                           | 1.500                  | 0.447                     | (1.053)                | Project cancellation                                                                                                                         |
|                    | <b>TOTAL FY 2015</b>                         | <b>49.600</b>          | <b>38.833</b>             | <b>(10.767)</b>        |                                                                                                                                              |
| <b>FY 2016</b>     |                                              |                        |                           |                        |                                                                                                                                              |
|                    | Equipment except ADPE and Telecommunications | 38.250                 | 38.950                    | 0.700                  | Move 2 projects from FY15 to FY16 due to program delays.                                                                                     |
|                    | Equipment - ADPE and Telecommunications      | 2.500                  | 0.500                     | (2.000)                | Decrease due to removal of IP Phone project.                                                                                                 |
|                    | Software Development                         | 5.000                  | 5.000                     | 0.000                  |                                                                                                                                              |
|                    | Minor Construction                           | 2.000                  | 2.000                     | 0.000                  |                                                                                                                                              |
|                    | <b>TOTAL FY 2016</b>                         | <b>47.750</b>          | <b>46.450</b>             | <b>(1.300)</b>         |                                                                                                                                              |
| <b>FY 2017</b>     |                                              |                        |                           |                        |                                                                                                                                              |
|                    | Equipment except ADPE and Telecommunications | 31.000                 | 31.000                    | 0.000                  |                                                                                                                                              |
|                    | Equipment - ADPE and Telecommunications      | 1.500                  | 1.500                     | 0.000                  |                                                                                                                                              |
|                    | Software Development                         | 5.500                  | 5.500                     | 0.000                  |                                                                                                                                              |
|                    | Minor Construction                           | 1.775                  | 1.775                     | 0.000                  |                                                                                                                                              |
|                    | <b>TOTAL FY 2017</b>                         | <b>39.775</b>          | <b>39.775</b>             | <b>0.000</b>           |                                                                                                                                              |

**Source of New Orders and Revenue**  
**Defense Information Systems Agency**  
**PE54 COMPUTING SERVICES**  
**February 2016**  
**(Dollars in Millions)**

|                                       | 2015             | 2016             | 2017             |
|---------------------------------------|------------------|------------------|------------------|
| <b>1. New Orders</b>                  |                  |                  |                  |
| <b>a. ORDERS FROM DoD COMPONENTS</b>  | <b>\$484.687</b> | <b>\$487.483</b> | <b>\$481.487</b> |
| <b>ARMY APPROPRIATED</b>              | <b>\$109.755</b> | <b>\$123.743</b> | <b>\$119.446</b> |
| Army O&M                              | \$109.209        | \$123.343        | \$119.081        |
| Army RDT&E                            | \$0.380          | \$0.400          | \$0.365          |
| Army Procurement                      | \$0.166          | \$0.000          | \$0.000          |
| Army MILCON                           | \$0.000          | \$0.000          | \$0.000          |
| Army BRAC                             | \$0.000          | \$0.000          | \$0.000          |
| <b>NAVY APPROPRIATED</b>              | <b>\$20.246</b>  | <b>\$16.945</b>  | <b>\$17.434</b>  |
| Navy O&M                              | \$19.834         | \$16.621         | \$17.127         |
| Navy RDT&E                            | \$0.412          | \$0.324          | \$0.307          |
| Navy Procurement                      | \$0.000          | \$0.000          | \$0.000          |
| Navy MILCON                           | \$0.000          | \$0.000          | \$0.000          |
| Navy BRAC                             | \$0.000          | \$0.000          | \$0.000          |
| <b>MARINE CORPS APPROPRIATED</b>      | <b>\$31.833</b>  | <b>\$32.139</b>  | <b>\$32.983</b>  |
| Marine Corps O&M                      | \$31.833         | \$32.139         | \$32.983         |
| Marine Corps RDT&E                    | \$0.000          | \$0.000          | \$0.000          |
| Marine Corps Procurement              | \$0.000          | \$0.000          | \$0.000          |
| Marine Corps MILCON                   | \$0.000          | \$0.000          | \$0.000          |
| Marine Corps BRAC                     | \$0.000          | \$0.000          | \$0.000          |
| <b>AIR FORCE APPROPRIATED</b>         | <b>\$111.328</b> | <b>\$111.496</b> | <b>\$114.045</b> |
| AF O&M                                | \$101.812        | \$101.526        | \$103.313        |
| AF RDT&E                              | \$9.516          | \$9.970          | \$10.732         |
| AF Procurement                        | \$0.000          | \$0.000          | \$0.000          |
| AF MILCON                             | \$0.000          | \$0.000          | \$0.000          |
| AF BRAC                               | \$0.000          | \$0.000          | \$0.000          |
| <b>DISA APPROPRIATED</b>              | <b>\$86.830</b>  | <b>\$96.501</b>  | <b>\$93.344</b>  |
| DISA O&M                              | \$86.161         | \$96.364         | \$93.224         |
| DISA RDT&E                            | \$0.457          | \$0.137          | \$0.120          |
| DISA Procurement                      | \$0.212          | \$0.000          | \$0.000          |
| DISA MILCON                           | \$0.000          | \$0.000          | \$0.000          |
| DISA BRAC                             | \$0.000          | \$0.000          | \$0.000          |
| <b>DEFENSE WIDE APPROPRIATED</b>      | <b>\$35.503</b>  | <b>\$34.486</b>  | <b>\$30.855</b>  |
| Defense Wide Appropriated O&M         | \$35.146         | \$34.366         | \$30.741         |
| Defense Wide Appropriated RDT&E       | \$0.354          | \$0.117          | \$0.111          |
| Defense Wide Appropriated Procurement | \$0.003          | \$0.003          | \$0.003          |
| Defense Wide Appropriated MILCON      | \$0.000          | \$0.000          | \$0.000          |
| Defense Wide Appropriated BRAC        | \$0.000          | \$0.000          | \$0.000          |
| <b>OTHER DoD APPROPRIATED</b>         | <b>\$89.192</b>  | <b>\$72.173</b>  | <b>\$73.380</b>  |

**Source of New Orders and Revenue**  
**Defense Information Systems Agency**  
**PE54 COMPUTING SERVICES**  
**February 2016**  
**(Dollars in Millions)**

|                                                  | 2015             | 2016             | 2017             |
|--------------------------------------------------|------------------|------------------|------------------|
| Other DoD Appropriated O&M                       | \$80.394         | \$70.931         | \$72.456         |
| Other DoD Appropriated RDT&E                     | \$4.906          | \$1.242          | \$0.924          |
| Other DoD Appropriated Procurement               | \$3.892          | \$0.000          | \$0.000          |
| Other DoD Appropriated MILCON                    | \$0.000          | \$0.000          | \$0.000          |
| Other DoD Appropriated BRAC                      | \$0.000          | \$0.000          | \$0.000          |
| <b>b. ORDERS FROM DWCF/REVOLVING FUNDS</b>       | <b>\$476.184</b> | <b>\$498.950</b> | <b>\$488.744</b> |
| <b>ARMY - WCF</b>                                | <b>\$0.432</b>   | <b>\$0.459</b>   | <b>\$0.456</b>   |
| Army Industrial Operations                       | \$0.432          | \$0.459          | \$0.456          |
| <b>NAVY - WCF</b>                                | <b>\$25.062</b>  | <b>\$30.289</b>  | <b>\$27.121</b>  |
| Navy Depot Maintenance                           | \$3.901          | \$4.463          | \$3.813          |
| Navy Base Support                                | \$0.000          | \$0.000          | \$0.000          |
| Navy Supply Management                           | \$12.655         | \$15.943         | \$14.427         |
| Marine Corps Supply                              | \$0.000          | \$0.000          | \$0.000          |
| Marine Corps Depot Maintenance WCF               | \$0.117          | \$0.090          | \$0.097          |
| Other Navy Activity Groups                       | \$8.389          | \$9.793          | \$8.784          |
| <b>AIR FORCE - WCF</b>                           | <b>\$34.653</b>  | <b>\$34.691</b>  | <b>\$35.642</b>  |
| Consolidated Sustainment Activity Group (CSAG)   | \$13.154         | \$13.691         | \$14.769         |
| US Transportation Command (TRANSCOM)             | \$21.499         | \$21.000         | \$20.873         |
| <b>DEFENSE WIDE WCF</b>                          | <b>\$415.110</b> | <b>\$432.510</b> | <b>\$424.520</b> |
| DISA Telecomm Svcs/Ent Acquisition Svcs (TS/EAS) | \$107.418        | \$126.717        | \$119.140        |
| DISA Computing Services (CSD)                    | \$0.000          | \$0.000          | \$0.000          |
| Defense Finance and Accounting Service (DFAS)    | \$98.014         | \$99.831         | \$107.384        |
| DLA Energy Management                            | \$0.000          | \$0.000          | \$0.000          |
| DLA Defense Automated Printing Services (DAPS)   | \$2.660          | \$2.459          | \$2.848          |
| DLA Supply Chain Management                      | \$207.018        | \$203.503        | \$195.148        |
| <b>DEFENSE COMMISSARY AGENCY (DECA)</b>          | <b>\$0.001</b>   | <b>\$0.001</b>   | <b>\$0.001</b>   |
| DECA Commissary Operations                       | \$0.001          | \$0.001          | \$0.001          |
| DECA Commissary Resale                           | \$0.000          | \$0.000          | \$0.000          |
| <b>Other - Working Capital</b>                   | <b>\$0.926</b>   | <b>\$1.000</b>   | <b>\$1.004</b>   |
| <b>OTHER REVOLVING FUNDS</b>                     | <b>\$0.000</b>   | <b>\$0.000</b>   | <b>\$0.000</b>   |
| Corps of Engineers                               | \$0.000          | \$0.000          | \$0.000          |
| National Defense Stockpile Transaction Fund      | \$0.000          | \$0.000          | \$0.000          |
| Pentagon Reservation Maintenance Revolving Fund  | \$0.000          | \$0.000          | \$0.000          |
| PRMRF/BMF                                        | \$0.000          | \$0.000          | \$0.000          |
| <b>c. TOTAL DoD ORDERS</b>                       | <b>\$960.871</b> | <b>\$986.433</b> | <b>\$970.231</b> |
| <b>d. OTHER ORDERS</b>                           | <b>\$5.970</b>   | <b>\$5.776</b>   | <b>\$5.167</b>   |

**Source of New Orders and Revenue  
Defense Information Systems Agency  
PE54 COMPUTING SERVICES  
February 2016  
(Dollars in Millions)**

|                              | 2015             | 2016             | 2017             |
|------------------------------|------------------|------------------|------------------|
| OTHER FEDERAL AGENCIES       | \$5.970          | \$5.776          | \$5.167          |
| TRUST FUNDS                  | \$0.000          | \$0.000          | \$0.000          |
| FOREIGN MILITARY SALES       | \$0.000          | \$0.000          | \$0.000          |
|                              |                  |                  |                  |
| <b>TOTAL NEW ORDERS</b>      | <b>\$966.841</b> | <b>\$992.209</b> | <b>\$975.398</b> |
|                              |                  |                  |                  |
| <b>2. Carry In Orders</b>    | <b>\$0.000</b>   | <b>\$0.000</b>   | <b>\$0.000</b>   |
|                              |                  |                  |                  |
| <b>3. TOTAL GROSS ORDERS</b> | <b>\$966.841</b> | <b>\$992.209</b> | <b>\$975.398</b> |

**Revenue and Expenses**  
**Defense Information Systems Agency**  
**PE54 COMPUTING SERVICES**  
**February 2016**  
**(Dollars in Millions)**

|                                                | 2015       | 2016       | 2017       |
|------------------------------------------------|------------|------------|------------|
| <b>Revenue</b>                                 |            |            |            |
| Gross Sales                                    | \$966.841  | \$992.209  | \$975.398  |
| Operations                                     | \$948.522  | \$971.632  | \$954.283  |
| Capital Surcharge                              | \$0.000    | \$0.000    | \$0.000    |
| Depreciation                                   | \$18.319   | \$20.577   | \$21.115   |
| Other Income                                   | \$0.000    | \$0.000    | \$0.000    |
| Refunds/Discounts (-)                          | \$0.000    | \$0.000    | \$0.000    |
| Total Income:                                  | \$966.841  | \$992.209  | \$975.398  |
| <b>Costs</b>                                   |            |            |            |
| Cost of Material Sold from Inventory           | \$0.000    | \$0.000    | \$0.000    |
| Salaries and Wages:                            | \$240.557  | \$231.459  | \$230.154  |
| Military Personnel Compensation & Benefits     | \$0.917    | \$0.907    | \$0.779    |
| Civilian Personnel Compensation & Benefits     | \$239.640  | \$230.552  | \$229.375  |
| Travel & Transportation of Personnel           | \$1.586    | \$1.988    | \$1.663    |
| Materials & Supplies (For internal Operations) | \$0.642    | \$0.765    | \$0.747    |
| Equipment                                      | \$0.000    | \$0.000    | \$0.000    |
| Other Purchases from Revolving Funds           | \$21.042   | \$25.063   | \$23.235   |
| Transportation of Things                       | \$0.155    | \$0.091    | \$0.093    |
| Depreciation - Capital                         | \$18.319   | \$20.577   | \$21.115   |
| Printing and Reproduction                      | \$0.009    | \$0.018    | \$0.018    |
| Advisory and Assistance Services               | \$0.000    | \$0.000    | \$0.000    |
| Rent, Comm, Utilities, & Misc. Charges         | 264.472    | 284.056    | 279.611    |
| Other Purchased Services                       | \$430.968  | \$421.162  | \$409.309  |
| <b>Total Costs</b>                             | \$977.750  | \$985.179  | \$965.945  |
| <b>Operating Results</b>                       | (10.909)   | 7.030      | 9.453      |
| Less Capital Surcharge Reservation             | \$0.000    | \$0.000    | \$0.000    |
| Less Recover Other                             | \$0.000    | \$0.000    | \$0.000    |
| + Passthrough or Other App. Affecting NOR      |            |            |            |
| - Passthrough or Other App. not Affecting NOR  |            |            |            |
| Other Adjustments Affecting NOR                | \$0.000    | \$0.000    | \$0.000    |
| <b>Net Operating Results</b>                   | (\$10.909) | \$7.030    | \$9.453    |
| Prior Year AOR                                 | (\$34.142) | (\$45.051) | (\$38.021) |
| Other Changes Affecting AOR                    | \$0.000    | \$0.000    | \$0.000    |
| Total AOR                                      | (\$45.051) | (\$38.021) | (\$28.568) |
| Retained AOR                                   | \$0.000    | \$0.000    | \$0.000    |
| Cumulative Retained AOR                        | \$0.000    | \$0.000    | \$0.000    |
| AOR for Budget Purposes                        | (\$45.051) | (\$38.021) | (\$28.568) |

**DEPARTMENT OF DEFENSE**  
**DEFENSE INFORMATION SYSTEMS AGENCY**  
**Defense Working Capital Fund**  
**Telecommunications Services/Enterprise Acquisition Services (TS/EAS)**

**FISCAL YEAR (FY) 2017 BUDGET ESTIMATES**

The *Telecommunications Services* component of the *Information Services Activity Group* provides a set of high quality, reliable, survivable, and secure telecommunications services to meet the Department's command and control requirements. The major component of *Telecommunications Services* is the Defense Information System Network (DISN), a critical component of the Department of Defense Information Network (DoDIN) that provides the Warfighter with essential access to timely, secure, and operationally relevant information to ensure the success of military operations. The DISN is a collection of robust, interrelated telecommunications networks that provide assured, secure, and interoperable connectivity for the Department of Defense, coalition partners, national senior leaders, combatant commands, and other federal agencies. Specifically, the DISN provides dynamic routing of voice, data, text, imagery (both still and full motion), and bandwidth services. The robustness of this telecommunications infrastructure has been demonstrated by DISA's repeated ability to meet terrestrial and satellite surge requirements in Southwest Asia while supporting disaster relief and recovery efforts throughout the world. Overall, the DISN provides a lower customer price through bulk quantity purchases, economies of scale and reengineering of current communication services.

Since FY 2006, DISN services have been offered through two primary cost recovery approaches: the DISN Subscription Services (DSS) and DISN Reimbursable Services. Under the DSS, DISN services are bundled together in pre-defined packages and sold to mission partners on a subscription basis. DISN Reimbursable Services are sold individually on a per unit cost reimbursable basis. This budget includes a new cost recovery methodology beginning FY 2017 in which DISN Subscription Services are unbundled and transitioned to a consumption-based model that provides mission partners increased control over the services they receive and more appropriately aligns resources with mission partner requirements. The updated cost recovery model is discussed in more detail on subsequent pages.

The *Enterprise Acquisition Services* component is the Department's ideal source for procurement of best-value and commercially competitive information technology. Enterprise Acquisition Services provides contracting services for information technology and telecommunications acquisitions from the commercial sector and provides contracting support to the DISN programs, as well as to other DISA, DoD, and authorized non-Defense customers. These contracting services are provided through the DISA's Defense Information Technology Contracting Organization (DITCO) and include acquisition planning, procurement, tariff surveillance, cost and price analyses, and contract administration.

**Telecommunications Services/Enterprise Acquisition Services (TS/EAS)  
Key Budget Data**

| (\$ in millions)                               | FY 2015*  | FY 2016   | FY 2017   |
|------------------------------------------------|-----------|-----------|-----------|
| Revenue                                        | \$6,201.7 | \$6,598.4 | \$6,691.8 |
| Cost                                           | \$6,086.0 | \$6,559.5 | \$6,638.0 |
| Net Operating Result                           | \$115.7   | \$38.9    | \$53.8    |
| Prior Year Accumulated Operating Results (AOR) | \$265.3   | \$151.9   | \$80.6    |
| Total AOR                                      | \$381.0   | \$190.8   | \$134.4   |
| Retained AOR                                   | \$229.1   | \$110.2   | \$105.9   |
| Total Retained AOR                             | \$229.1   | \$339.3   | \$445.1   |
| AOR for Budget Purposes                        | \$151.9   | \$80.6    | \$28.6    |
| Capital Budget                                 | \$24.7    | \$45.4    | \$7.0     |
| Civilian Work years                            | 1,385     | 1,485     | 1,218     |
| Military End Strength                          | 83        | 69        | 21        |

\*Fiscal Year 2015 data are actual results.

The table above provides a summary of the major financial accounts and personnel levels in this budget request. All data are best estimates of anticipated customer workload, the resulting Defense Working Capital Fund (DWCF) costs, and profit/loss. While the DISA projects positive accumulated operating results through FY 2017 within the Telecommunications Services/Enterprise Acquisition Services business area, this budget retains these profits in order to maintain sufficient cash balances.

## Telecommunications Services Program Structure

The table below illustrates DISA’s telecommunication service offerings and the major cost centers that support those offerings, including the updated layout of DISN services under the new cost center allocation:

| DISN Program Element         | Program Function                                           | Program Sub-Function                                                | Product Offering/Description                                    |
|------------------------------|------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------|
| DISN INFRASTRUCTURE SERVICES | Transport                                                  | Bandwidth Management                                                | Access<br>Backbone                                              |
|                              |                                                            | Maintenance                                                         |                                                                 |
|                              |                                                            | Core Sustaining Activities                                          | Warehousing                                                     |
|                              |                                                            |                                                                     | Minor Equipment                                                 |
|                              |                                                            |                                                                     | Installation                                                    |
|                              |                                                            |                                                                     | Other Sustaining Activities                                     |
|                              |                                                            | IP Data Systems                                                     |                                                                 |
|                              | Transport Support                                          |                                                                     |                                                                 |
|                              | Real Time Services                                         | Voice                                                               | IP Voice                                                        |
|                              | Cyber Protection                                           | Cyber Protection Activities                                         | Enterprise Cross Domain Services                                |
|                              |                                                            |                                                                     | Network Operations of Enterprise Infrastructure                 |
|                              |                                                            |                                                                     | Network Hardening                                               |
|                              |                                                            |                                                                     | PKI and Directories                                             |
|                              |                                                            |                                                                     | Secure Configuration Management                                 |
|                              | Joint Regional Security Stacks (JRSS)                      |                                                                     |                                                                 |
| Security and Assurance       | Network Security Monitoring                                |                                                                     |                                                                 |
| Centralized Services         | Engineering and Logistics Management                       |                                                                     |                                                                 |
|                              | IT Services Management Support                             |                                                                     |                                                                 |
|                              | Operational Support Services (OSS)                         |                                                                     |                                                                 |
|                              | Network Support Services (NSS)                             |                                                                     |                                                                 |
| DISN END-USER SERVICES       | Transport                                                  | Bandwidth Management                                                | Global Content Delivery Service (GCDS)                          |
|                              | Real Time Services                                         | Voice                                                               | Defense Switched Network (DSN)                                  |
|                              |                                                            | Video                                                               | Global Video Services (GVS)                                     |
| OTHER TELECOM SERVICES       | Satellite Services                                         | Commercial Satellite Services (COMSAT)                              | Fix Satellite Services (FSS)<br>Mobile Satellite Services (MSS) |
|                              |                                                            | Enhanced Mobile Satellite Services (EMSS)                           |                                                                 |
|                              | Voice Services                                             | Joint Hawaii Information Transfer System (JHITS)                    |                                                                 |
|                              |                                                            | Pacific Enterprise Services - Hawaii (PES-HI)                       |                                                                 |
|                              | Other Services                                             | Organizational Messaging                                            |                                                                 |
|                              |                                                            | Mobility                                                            |                                                                 |
|                              |                                                            | DoD COOP Integrated Network (DCIN)                                  |                                                                 |
|                              |                                                            | Cross Domain Services (CDS)                                         |                                                                 |
|                              |                                                            | Circuit Integration Support                                         |                                                                 |
|                              |                                                            | Reimbursable legacy technologies (e.g., ATM and ISDN)               |                                                                 |
|                              | Customer Funded Projects (CFP)                             |                                                                     |                                                                 |
|                              | Cyber Protection                                           | SIPRNet FED DMZ                                                     |                                                                 |
|                              |                                                            | Public Key Infrastructure (PKI) (service to other Federal Agencies) |                                                                 |
| Security and Assurance       | Cyberspace Defense Service Provider (CDSP) and IA Analysis |                                                                     |                                                                 |



## **DISN Services**

This section describes the new DISN cost recovery model in which current DISN Subscription Services are unbundled and defined as either DISN Infrastructure Services or DISN end-user services. This change is predicated on technology and architecture changes and mission partner preference for a more consumption-based model of recovery where they have greater ability to influence their bill. Details of the revised cost recovery model for current DISN Subscription Services are discussed below.

### **Background:**

The current DISN Subscription Services (DSS) cost recovery model has become outdated as technology and network architecture have changed over time. Under the current model, customers are assigned a share of DISN costs based on two factors: the amount and complexity of DISN services delivered to a site and the amount of bandwidth provisioned to the same location. While the intent of this approach was to simplify customer billings for a shared, global network, the simplicity does not adequately establish a connection between a customer's consumption and their bill. In addition, the largest consumer of bandwidth at a DISN site is assigned the full bill for that site, regardless of tenant usage. In some cases, this has allowed tenants to increase service levels without incurring any additional costs (the higher bill is paid by the subscription owner). The current model does not meet mission partner desire for more control over their bills and the services they receive—the new model unbundles the current DISN Subscription Services offerings into DISN Infrastructure Services (DISN IS) and DISN end-user services and addresses both of these concerns.

### **DISN Infrastructure Services (DISN IS):**

As discussed above, the revised cost recovery model is designed to allocate costs to mission partners based on consumption. However, the tools to measure consumption, by mission partner and in real-time, do not exist on the network today. As a result, the revised model uses access circuit capacity as a proxy for measuring consumption. There are two types of access circuits in today's environment; customer funded access circuits leased from industry, and access circuits between two DSS sites that customers request directly but DISA funds. Both types of circuits form the basis for the allocation of customer bills under DISN IS. The circuits and associated capacity are pulled from the World-Wide Online System (WWOLS) database, which is transparent and accessible by all DoD components. Once the data is aggregated, each customer is assigned a share of the DISN IS bill based on their percent of the total capacity across all customers. The DISA will analyze consumption (as measured by access circuit capacity) quarterly and use the average of the previous four quarters to set future DISN IS allocations.

The new rate model does not count Multi-Protocol Label Switching (MPLS) connections and associated capacity as part of the allocation methodology. These connections are intentionally omitted to incentivize rapid adoption of the new technology across the Department. Once the DISA has fully transitioned the DISN backbone to MPLS technology, this allocation methodology will be reviewed to determine if it is more appropriate to use the actual customer usage data MPLS provides as the basis for future allocations.

DISN Infrastructure Services cost elements are described below:

**Transport Services** provide a robust worldwide capability to transmit voice, video, data and message traffic for the Combatant Commanders, Military Departments and Defense Agencies. Transport Services provide the information transport for other services described subsequently, as well as for specialized services. Transport Services are also responsible for the sustainment of transport and IP equipment (both Secure Internet Protocol Router Network (SIPR) and Non-classified Internet Protocol Router Network (NIPR)) at the DISN Service Delivery Nodes (SDN), management of communications backbone capacity of the DISN, and repair operations on all DISN equipment to ensure operability. This budget includes migration from the Joint Hawaii Information Transfer System, a legacy Time Division Multiplexing (TDM) technology, to the IP-based Pacific Enterprise Services – Hawaii (PES-HI) through leveraging of existing DISN infrastructure and contract vehicles. Support of this transition includes installation of a Multi-Service Provision Platform (MSPP) at the ten DISN SDN sites in Hawaii.

Despite ongoing network expansion, decreased costs for transport services are planned due to continued efforts to eliminate and/or optimize legacy systems such as TDM and Promina. Efforts to achieve these cost reductions are largely predicated on the Department's ability to achieve the transition on schedule as currently planned.

**IP Voice Services** provide reliable, secure and sensitive but unclassified, high-quality voice and voice messaging services over internet protocol (IP). This also includes gateway costs for the DoD Enterprise Classified Travel Kit (DECTK) which provides combatant commanders and other high-profile users with remote access, via the Internet, to Enterprise Classified Voice over Internet Protocol (ECVoIP) and SIPRNet data services. Costs for the DECTK gateway had previously been proposed to be recovered on a reimbursable basis beginning FY 2016, but it has been determined that the gateway costs are an extension of existing DISN infrastructure capabilities rather than a new service offering.

**Cyber Protection** activities support the DISN by designing and deploying proactive protections, deploying attack detection, and performing information assurance operations to ensure that adequate security is provided for information collected, processed, transmitted, stored, or disseminated on the Department of Defense Information Network (DODIN). These efforts include tasks associated with affording protection to telecommunications, information systems, and information technology that process sensitive and classified data as well as efforts to ensure the confidentiality, authenticity, integrity, and availability of the information and the systems. This budget includes efforts to streamline and consolidate information assurance contracts in order to deliver savings to DISN customers while maintaining high levels of network security.

**Joint Regional Security Stacks (JRSS)** are a suite of equipment that perform firewall functions, intrusion detection and prevention, enterprise management, virtual routing and forwarding (VRF), and provide a host of network security capabilities. By deploying JRSS, security of the network is centralized into regional architectures instead of locally distributed architectures at each military base, post, camp, or station. This allows

information traversing DoD networks to be continuously monitored to ensure response time as well as throughput and performance standards. Sustainment of the Joint Regional Security Stacks (JRSS) is funded as part of the DISN infrastructure services beginning in FY 2016. Prior to FY 2016, JRSS costs were recovered on a reimbursable basis from Army and Air Force.

***Security and Assurance Services*** enhance the security and availability of the DODIN by ensuring adherence to Information Assurance and Network Operations policies. This includes network security monitoring and oversight of sensors installed on the DISN backbone.

***Engineering and Logistics Management*** provide architecture, systems engineering and end-to-end analytical support for the DISN and its customers, resolving high priority technical issues affecting end-to-end interoperability and performance across the DISN. Additionally, these functions provide customer service request fulfillment, manage DISN and telecommunication systems release activities, and oversee worldwide deployment for all corresponding services.

***IT Services Management Support*** provides analysis of request management and systems capabilities required for mission partners to discover, order, and track telecommunications products and services.

***Operational Support Services*** provide the tools necessary to automate the operations, administration, maintenance, and provisioning/engineering activities for the DISN. These same tools give network managers/monitors the capability to “see” the network in real-time, a critical capability necessary to resolve crises and other network events.

***Network Services Support*** provides centralized support services across the DISN programs and organizations. It is a collective group that provides: resource/financial management support, contract acquisition support, mission management and operational metrics support, and manpower and workforce management support.

**DISN end-user Services:**

These services have been removed from the previously bundled DISN Subscription Services (DSS) cost recovery model. Costs for end user services will now be recovered on a reimbursable basis via per unit pricing.

***Global Content Delivery Service (GCDS)*** is an enterprise web content delivery service across the Department’s unclassified, classified and coalition network. The GCDS is currently undergoing transition to the Universal Content Delivery Service (UCDS), designed to serve as a unified platform that can accelerate and secure all of the content it delivers.

***Defense Switched Network (DSN)*** is an unclassified legacy voice service. This budget reflects the DoD’s overarching technical strategy and directive to implement technology replacement of legacy systems with IP-converged services. Direct cost reimbursement incentivizes customers to migrate off legacy technologies.

**Global Video Services (GVS)** provide a full suite of on-demand, high-quality assured video conference capabilities to interact visually within the NIRNet and SIPRNet. The GVS supports DoD subscribers, warfighters in the field and coalition partners worldwide.

This budget also moves several functions from the DWCF to the General Fund (GF) based on the operational capabilities of these functions being more appropriately aligned with GF Operations and Maintenance (O&M). These functions are described subsequently and include the **Joint Worldwide Intelligence Communications System (JWICS)**, **DISA Network Operations Centers**, **Interoperability/IP Enabling**, **Connection Approval**, **Defense Red Switched Network (DRSN)**, and a portion of **Security and Assurance Support (Command Cyber Readiness Inspections)**.

**Joint Worldwide Intelligence Communications System (JWICS)** is a Top Secret/Sensitive Compartmented Information (TS/SCI) high-speed multimedia communication service between SCI users designed to support the intelligence community through the Defense Intelligence Agency (DIA) Regional Support Centers (RSCs).

**DISA Network Operations Centers** include civilians and associated operating costs providing oversight and support to the contracting workforce responsible for monitoring and reacting to real-time network traffic and events. The centers are located in the Continental United States, Southwest Asia, Pacific, and Europe and are staffed 24 hours per day, 365 days per year. Transferring these civilians and associated funds to the General Fund standardizes the DISA Network Operations Center funding profile across DISA.

**Interoperability and IP Enabling:** The interoperability cost center ensures that hardware and software acquired from multiple sources function with like products. IP enabling provides management and registration of all IP number resources for the DOD and is recognized as the DoD agent for IP number management with external Internet Governance organizations.

**Connection Approval** is responsible for approving secure interoperable connections in support of the operating forces and mission partners for applications, information systems, and networks authorized to operate on the enterprise infrastructure.

**Defense Red Switched Network (DRSN)** is a global, secure voice service providing the President, Secretary of Defense, Joint Chiefs of Staff, combatant commanders, and selected agencies with command and control secure voice and voice-conferencing capabilities up to the TS/SCI level.

**Command Cyber Readiness Inspections (CCRIs)** are formal inspections evaluating a site's compliance with mandated information assurance and computer defense policies and directives through a rigorous process of validating configuration standards.

Cost details for the new DISN rate model are provided in the subsequent table:

| (\$ in millions)                                   | FY 2015*         | FY 2016          | FY 2017          |
|----------------------------------------------------|------------------|------------------|------------------|
| <b>DISN Infrastructure Services</b>                | <b>\$1,029.8</b> | <b>\$1,023.4</b> | <b>\$937.3</b>   |
| Transport                                          | \$546.5          | \$468.8          | \$423.9          |
| IP Voice Services                                  | \$0.0            | \$8.6            | \$8.9            |
| Cyber Protection (includes Security & Assurance)   | \$212.6          | \$208.8          | \$188.5          |
| Joint Regional Security Stacks (JRSS)**            | \$16.3           | \$61.9           | \$72.0           |
| Engineering and Logistics Management               | \$24.5           | \$18.5           | \$19.8           |
| IT Services Management Support                     | \$4.5            | \$5.7            | \$4.8            |
| Operational Support Services                       | \$161.0          | \$169.8          | \$154.3          |
| Network Services Support                           | \$63.6           | \$69.2           | \$64.0           |
| DISA CONUS Fit-Out of MILCON Project               | \$0.7            | \$12.0           | \$1.0            |
| <b>DISN End-User Services</b>                      | <b>\$102.4</b>   | <b>\$105.1</b>   | <b>\$90.7</b>    |
| Global Content Delivery Service (GCDS)             | \$30.0           | \$49.0           | \$39.2           |
| Defense Switched Network (DSN)                     | \$21.1           | \$17.1           | \$16.3           |
| Global Video Services (GVS)                        | \$51.3           | \$39.0           | \$35.3           |
| <b>Services Transferred to DISA O&amp;M, DW</b>    | <b>\$124.4</b>   | <b>\$122.0</b>   | <b>\$0.0</b>     |
| Joint Worldwide Intelligence Communications System | \$33.9           | \$35.9           | \$0.0            |
| DISA Network Operations Centers                    | \$31.2           | \$32.7           | \$0.0            |
| Interoperability and IP Enabling                   | \$17.5           | \$14.2           | \$0.0            |
| Connection Approval                                | \$14.5           | \$13.2           | \$0.0            |
| Defense Red Switched Network (DRSN)                | \$17.2           | \$14.9           | \$0.0            |
| Command Cyber Readiness Inspections                | \$10.3           | \$11.2           | \$0.0            |
| <b>Total DISN Costs</b>                            | <b>\$1,256.6</b> | <b>\$1,250.6</b> | <b>\$1,028.0</b> |

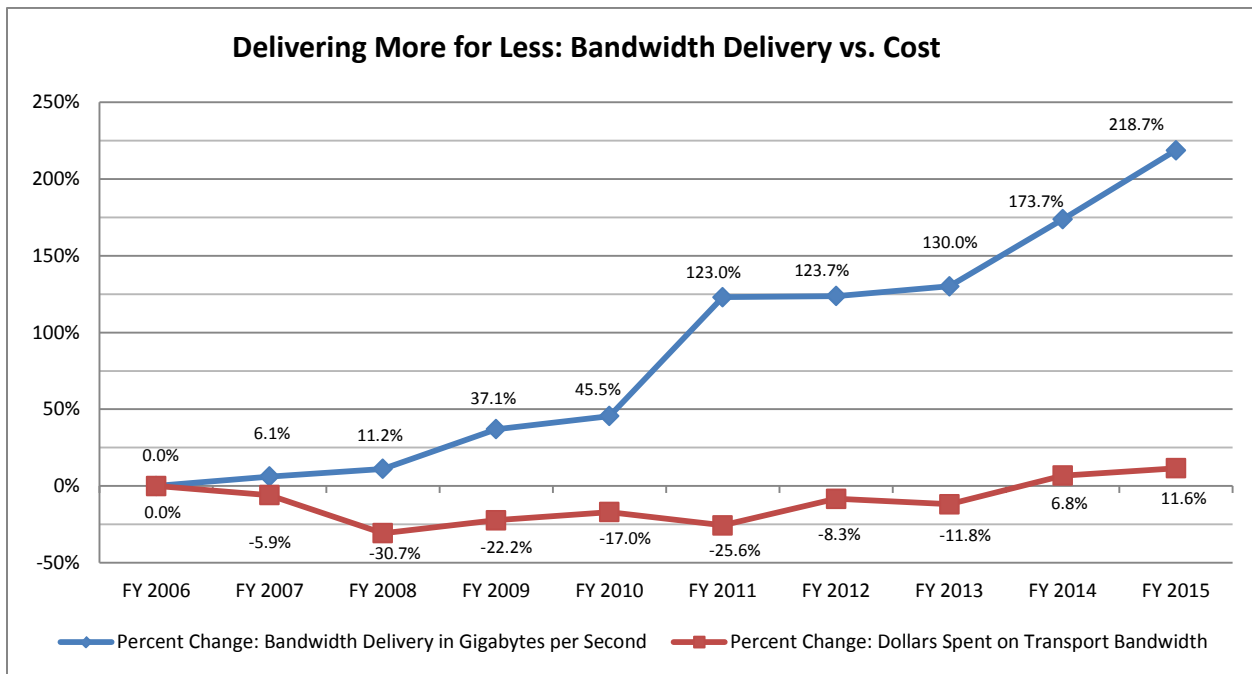
\*Fiscal Year 2015 data are actual results.

\*\*JRSS cost in FY 2015 represents non-recoverable depreciation associated with equipment transferred from Army to DISA. JRSS is funded on a reimbursable basis by Army and Air Force prior to FY 2016.

## TS/EAS Trends: Increased Customer Demand for Network Services

Customer demand has increased consistently since the current DSS cost recovery model was implemented, and DISA projects continued growth. The current model provides little appetite suppression since changes in customer demand for bandwidth do not necessarily lead to changes in a customer's bill. However, the new cost recovery model will allow customers greater ability to influence their bills based on their level of consumption. The updated model will allow for a more concise trend analysis whereby access circuit analysis will determine usage by customer. In addition, circuit analysis will occur quarterly, providing a more accurate reflection of customer usage for each budget cycle, and in turn, allowing customers to adjust their usage to impact their bill.

In spite of this continuing upward trend in demand, DISA has delivered bandwidth with minimal cost increases to mission partners, as shown in the subsequent chart:



As shown in the previous chart, since FY 2006, DISA has increased transport bandwidth delivery capacity almost 218.7 percent to meet customer demand. The increase is driven by internet traffic, DoD Enterprise Services, full motion video collaboration, and Intelligence, Surveillance and Reconnaissance (ISR) requirements. Over the same timeframe, transport costs associated with the physical connections between sites such as management, software, maintenance and installation has increased by only 11.6 percent. Additionally, DISA has been able to keep these costs stable without any degradation in service. The DISN continues to meet or exceed network performance goals for circuit availability and latency, two key performance metrics.

## DISN Reimbursable Programs

In addition to the DISN services previously discussed, DISA offers other reimbursable telecommunications services, as shown in the table below, and described in the following section:

| (\$ in millions)                                              | FY 2015*       | FY 2016        | FY 2017        |
|---------------------------------------------------------------|----------------|----------------|----------------|
| Commercial Satellite Services (FSS and MSS)                   | \$443.6        | \$502.0        | \$516.0        |
| Enhanced Mobile Satellite Services (Iridium)                  | \$110.6        | \$136.2        | \$141.9        |
| Customer-unique Projects                                      | \$96.4         | \$69.3         | \$40.9         |
| Joint Hawaii Information Transfer System                      | \$19.1         | \$17.2         | \$0.0          |
| Pacific Enterprise Services – Hawaii (PES-HI)                 | \$0.0          | \$1.6          | \$14.2         |
| Organizational Messaging                                      | \$20.0         | \$20.2         | \$19.3         |
| Mobility                                                      | \$1.8          | \$6.0          | \$6.1          |
| Public Key Infrastructure - Service to Other Federal Agencies | \$3.6          | \$4.0          | \$3.5          |
| Security and Assurance Services                               | \$31.1         | \$34.3         | \$32.1         |
| Defense Continuity of Operations Integrated Network           | \$6.3          | \$3.1          | \$3.2          |
| Cross Domain Services                                         | \$7.0          | \$9.1          | \$9.9          |
| Joint Regional Security Stacks (JRSS)**                       | \$47.0         | \$0.0          | \$0.0          |
| SIPRNet FED DMZ                                               | \$0.0          | \$0.0          | \$1.3          |
| Other Reimbursable Services                                   | \$4.4          | \$6.8          | \$6.0          |
| <b>Total DISN Reimbursable Costs</b>                          | <b>\$790.9</b> | <b>\$809.8</b> | <b>\$794.4</b> |

\*Fiscal Year 2015 data are actual results.

\*\*JRSS funded as part of DISN infrastructure beginning in FY 2016.

*Commercial Satellite Communications (COMSATCOM)* services include global and regional access to commercial satellite communications for voice, data, imagery, broadcast, and teleconferencing networks in secure and non-secure modes. This includes both fixed satellite services (FSS) and mobile satellite services (MSS).

*Enhanced Mobile Satellite Service (EMSS)* is a global mobile satellite communications system that provides secure voice, data, paging, and messaging communications capabilities to DoD, non-DoD, and foreign subscribers as needed. This program also offers the Distributed Tactical Communications System, comprised of push-to-talk voice and data services that leverage the Iridium constellation to provide a handheld, over the horizon, beyond-line-of-sight, tactical communications solution for U.S. troops in remote locations, enabling a user to communicate with multiple users at the same time. Cost increases in FY 2017 are primarily attributable to increased depreciation costs for capital projects, as well as the planned increase for EMSS's multi-year Airtime contract, awarded in FY 2014.

*Customer-Unique Projects* are initiated when DoD components request special network assistance as their missions change and/or expand. These actions are executed on a 100 percent customer reimbursable basis.

The ***Joint Hawaii Information Transfer System (JHITS)*** provides voice, video, and data services to military bases in the state of Hawaii.

***Pacific Enterprise Services – Hawaii (PES-HI)*** is a follow-on service to the JHITS which will sunset in August 2016. PES-HI is an IP-based converged network that will utilize much of the existing DISN infrastructure and contract vehicles, leading to reduced costs for DISN customers. The PES-HI reimbursable service reflects the dedicated provisioning and transmission services within and between the military installations in Hawaii. Those cost that are inherent to the expansion of DISN service delivery nodes and backbone are reflected in the DISN Infrastructure Services submission.

***Organizational Messaging*** provides secure and guaranteed exchange of messages between DoD and non-DoD organizations, Allies, and the intelligence community (IC). In FY 2014, this service was modified to provide only mission critical messaging traffic in support of the national security. Support will continue for automated message handling systems by using legacy national gateway centers as infrastructure. This significantly simplifies the DoD Messaging architecture, provides essential capabilities for the NC3 community, and continues interoperability with Allies, the IC, and non-DoD organizations.

***DoD Mobility*** supports both unclassified and classified mobile communications using multiple types of devices. The DISA provides the commercial carrier gateway for both 3G and 4G network traffic, hosted at DISA DECCs, to facilitate moving the commercial carrier traffic through the DISN to access user email, DoD web sites, a DoD application store, and other DoD-specific applications. Sustainment costs driven by customer-specific requirements, i.e. Mobile Device Management hardware, Mobile Application Store, software licenses, and 24x7 operational support are recovered on a reimbursable basis through the DWCF.

***PKI as a Service to other Federal Agencies*** allows Federal entities to utilize DoD's PKI infrastructure for user authentication. The service provides access credentials to support identity authentication, data integrity, and communications privacy on Secret level networks. The DISA is the National Security System (NSS) Common Service Provider (CSP), and provides PKI service to requesting agencies on a reimbursable basis.

***Security and Assurance Services*** enhance the security and availability of the DODIN by ensuring adherence to Information Assurance and Network Operations policies. Certain services are provided as stand-alone offerings, while others are bundled. Examples of services requiring direct reimbursement include the certification of systems, Cyberspace Defense Service Provider (CDSP) inspections, IA readiness reviews, and malware analysis.

The ***Defense Continuity of Operations Integrated Network (DCIN)*** is a classified Pentagon network utilized by senior DoD leadership. Network costs remain stable in FY 2016 and FY 2017.



***Cross Domain Services (CDS)*** are responsible for enhancing security and availability of the Department of Defense Information Network (DODIN) by ensuring adherence to Information Assurance and NetOps policies governing transfer of information between domains. Services offered on a cost reimbursable basis include Enterprise Hosted Structured File Transfer and Enterprise Hosted Web Service functions. Services related to Enterprise Cross Domain Email and Enterprise Cross Domain File Sharing are included as part of the DISN Infrastructure Services.

The ***SECRET Internet Protocol Router Network Federal Demilitarized Zone (SIPRNet FED DMZ)*** capability utilizes a federal DMZ to support capabilities for sharing information with coalition partners and United States government agencies. FED DMZ increases attack detection and decreases the probability of adversarial attack success by providing access control and filtering capabilities. Due to the limited customer base for FED DMZ, this program will be removed from the DISN Infrastructure Services in FY 2017 and charged directly to those customers utilizing the service. FY 2017 costs are projected to be \$1.3 million.

***Asynchronous Transfer Mode (ATM) and Integrated Services Digital Network (ISDN)*** have been declared obsolete; therefore, customers will be billed on a direct reimbursable basis for any new ATM/ISDN-related requests for service. This will place the added cost of sustaining these legacy technologies directly on the customers who elect to continue using them. This approach is designed to incentivize mission partners to move to new technologies and away from more costly legacy services.

### **Enterprise Acquisition Services**

The primary mission of the Enterprise Acquisition Services (EAS) component is to meet Department of Defense (DoD) and authorized non-defense customers' requirements for telecommunications and information technology (IT) products and services from the worldwide commercial sector through flexible, innovative, and responsive acquisition actions. The mission also includes acquisition planning, procurement, tariff surveillance, cost and price analyses, and contract administration. The Enterprise Acquisition Services component encompasses a variety of support services to meet information technology contract requirements and provides contract support to all DISN subscription services. This budget submission reflects slower than anticipated growth in IT Contracts in FY 2016, primarily due to the slower adoption of Joint Enterprise Licensing Agreements. Additional Joint Enterprise Licensing Agreement workload, however, is a significant driver of the projected increase in FY 2017 pass-through contract volume.

The following table shows the value of the contracts projected for each fiscal year by service/agency.

| <b>(\$ in Millions)</b>                | <b>FY 2015*</b>  | <b>FY 2016</b>   | <b>FY 2017</b>   |
|----------------------------------------|------------------|------------------|------------------|
| Army                                   | \$952.1          | \$929.7          | \$981.4          |
| Navy                                   | \$306.8          | \$323.9          | \$336.3          |
| Air Force                              | \$479.2          | \$528.7          | \$576.0          |
| Defense Agencies                       | \$2,056.5        | \$2,443.5        | \$2,621.9        |
| Other DOD                              | \$46.8           | \$107.1          | \$133.8          |
| Other Federal and Non-Federal Agencies | \$57.4           | \$44.7           | \$41.0           |
| <b>Total Gross Orders</b>              | <b>\$3,898.8</b> | <b>\$4,377.5</b> | <b>\$4,690.5</b> |

\*Fiscal Year 2015 data are actual results.

**Contracting Services** mission is accomplished by DISA's Defense Information Technology Contracting Organization (DITCO), which provides contracting services for the Defense Information System Network (DISN), Computing Services, and a wide range of other DoD programs that require information technology contracting and contract management services. The DITCO also establishes large contract vehicles available to the DoD for essential IT services such as cyber security, information assurance, joint enterprise license agreements, engineering, hardware, equipment, software integration and support, DISN access, and Non-DISN telecommunications circuits. Non-DISN telecommunications circuits and systems are ordered on an individual basis and are fully reimbursed by customers. In addition, the Enterprise Acquisition Services component encompasses a variety of support services to meet information technology contract requirements and provides contract support to all DISN subscription services.

**Joint Enterprise License Agreements** provide economies of scale to the DoD when purchasing software licenses. The DISA has assumed a large business volume with relatively small contracting costs, which allows DISA to offer this service at a rate lower than the standard DITCO fee-for-service. Customers will be charged a 0.5 percent rate for utilizing these agreements. This budget reflects slower adoption of this service in FY 2016; however, demand is anticipated to increase in FY 2017.

**Operating costs** of \$127.0 million in FY 2017 fund the civilian salaries, accounting support—including large-scale invoice processing—and contracting and financial support systems to execute the IT and telecommunications contracting activities described above. In addition, the operating cost will also fund the sustainment of a new cost accounting system for TS/EAS. The new accounting system will provide additional cost granularity, improve business processes and provide the capability to produce a single set of financial statements for the Information Services Activity Group. All operating costs are recovered via fees charged to customers. For standard contracting services, the fee remains at 2.5 percent in FY 2017.

**MAJOR CHANGES BETWEEN FISCAL YEAR ESTIMATES  
Telecommunications Services/Enterprise Acquisition Services (TS/EAS)  
Cost of Operations**

| (\$ in millions)                                            | FY 2015*  | FY 2016     | FY 2017   |
|-------------------------------------------------------------|-----------|-------------|-----------|
| FY 2016 President's Budget                                  | \$7,084.8 | \$7,623.5   | -         |
| FY 2017 Current Estimates                                   | \$6,086.0 | \$6,559.5   | \$6,638.0 |
| Change FY 2016 President's Budget to Current Estimate       | -         | (\$1,064.0) | -         |
| Change FY 2016 Current Estimate to FY 2017 Current Estimate | -         | -           | \$78.4    |

\*Fiscal Year 2015 data are actual results.

**FY 2016 President's Budget Submission to FY 2016 Current Estimates**

Total cost of sales for the *Telecommunications Services* and *Enterprise Acquisition Services* components decreases by -\$1,064.0 million from the FY 2016 President's Budget and is comprised of the following:

Cost for *DISN Subscription Services* increase by +\$56.7 million. This is primarily driven by the inclusion of \$61.9 million in sustainment costs for Joint Regional Security Stacks (JRSS) – previously only revenue but not the operating costs associated with JRSS was included, so this is a technical adjustment. Other cost increases for DISN subscription services include: expanded requirements for Tier I and Tier II network operations (+\$12.1 million); increased maintenance contract costs supporting repair operations on DISN equipment (+\$7.7 million); increased support costs for resource management, contracts and acquisition, and other mission support functions (+\$3.1 million); added costs for the fit-out of the new DISA CONUS network operations building due to a delay in executing FY 2015 requirements (+\$2.3 million); temporary dual operations while expanding bandwidth capacity in Southwest Asia (SWA) (+\$2.0 million); and increased DISN network security requirements (+\$0.8 million).

These increases are partially offset by efficiency initiatives within DISN subscription services, including: the early termination of the legacy video services contract (-\$8.9 million); improved pricing on a new contract for the enterprise content caching service, Global Content Delivery Service (GCDS) (-\$8.3 million); elimination of legacy time-division multiplexing (TDM) switches supporting voice capabilities (-\$5.4 million); reduced labor costs due to an agency-wide initiative to restructure the workforce (-\$3.7 million); decreases in contract costs supporting the connection approval process (-\$3.7 million); savings from the consolidation of IP network support contracts (-\$3.0 million); and other miscellaneous cost adjustments (-\$0.2 million).

Cost for *DISN Reimbursable Services* decrease by a net total of -\$151.0 million. This is primarily driven by a reduction in anticipated direct reimbursable sustainment costs for the Joint Regional Security Stacks (JRSS) (-\$94.9 million). Other reductions include: re-estimation of customer workload for satellite services, mobility services, and cross domain solutions (-\$44.8 million); savings in reimbursable security and assurance services due to contract renegotiations (-\$7.7 million); reduced labor costs due to an agency-wide initiative to restructure

the workforce (-\$2.4 million); and a reduction in depreciation costs for Enhanced Mobile Satellite Services due to a delay in the execution of capital projects (-\$1.3 million).

Finally, cost estimates for DISA's *Enterprise Acquisition Services* decrease by a total of -\$969.6 million. This decrease is almost entirely driven by a re-estimation of demand for pass-through information technology and telecommunications contracting. Joint Enterprise License Agreements (JELAs) have been slower to materialize than projected, mainly due to longer than expected market research requirements and defense-wide budget reductions (-\$332.1 million). While this is a significant decrease from previous projections, it is expected that customers will increasingly leverage future JELAs to benefit from economies of scale gained from software consolidation. Demand for ENCORE II services has also decreased as the contract nears expiration (-\$78.6 million). ENCORE III is expected to be awarded in the first quarter of FY 2017. General information technology workload, such as hardware/software purchases and/or maintenance, technical support, and stand-alone IT contracts, is also reduced from previous estimates due to decreases in defense-wide budgets (-\$430.2 million). Non-DISN leased communications have been trending downward due to increased efficiencies and workload projections have been adjusted (-\$125.6 million). Additionally, operating costs for Enterprise Acquisition Services decrease due to reduced travel, contracted services, labor costs, and purchases from the Defense Enterprise Computing Centers and Defense Finance and Accounting Services revolving funds (-\$3.1 million).

#### **FY 2016 Current Estimate to FY 2017 Current Estimate**

Costs increase by +\$78.4 million from FY 2016 to FY 2017. Of this increase, +\$99.7 million is attributable to inflation and an additional +\$106.2 million is driven by programmatic changes. These increases are partially offset by the realignment of DWCF functions to DISA appropriated accounts, -\$127.4 million, as described subsequently:

Functional Transfers, -\$127.4 million, - 320 FTEs, -50 military end strength

1. *Joint Worldwide Intelligence Communications System (JWICS)*: -\$36.5 million, -0 FTEs
2. *DISA Network Operations Centers*: -\$36.6 million, -226 FTEs
3. *Interoperability and IP Enabling*: -\$14.4 million, -49 FTEs
4. *Connection Approval*: -\$13.4 million, -19 FTEs
5. *Defense Red Switched Network (DRSN)*: -\$15.1 million, -7 FTEs
6. *Command Cyber Readiness Inspections (CCRIs)*: -\$11.4 million, -19 FTEs

Beginning FY 2017, the *DISN Subscription Services* cost recovery is model replaced by *DISN Infrastructure Services* and *DISN End-User Services*. After functional transfers, costs for these services decrease by a net total of -\$105.8 million in FY 2017 which is driven by a number of savings initiatives, including: the transition to a new DISN backbone capacity contract, Global Network Services (GNS), and elimination of low speed TDM circuits (-\$21.5 million); savings in network operations and network management functions due to the retirement of legacy services and contract efficiencies (-\$15.1 million); improved pricing on a new transport maintenance contract and elimination of an incentive fee (-\$18.2 million); streamlining and de-scoping of contracts for information assurance tools (-\$11.0 million); reduction in encryption device purchases (-\$14.0 million); complete transition of the Global Content Delivery Service (GCDS) to the new Universal Content Delivery System (UCDS) contract and removal of costs

for temporary dual operations (-\$4.9 million); reduction in costs for support functions such as resource management, contracts and acquisition, and IT services management support (-\$9.0 million); IP convergence efficiencies (-\$5.5 million); and savings associated with rate reductions for computing services purchases (-\$6.5 million). Other programmatic reductions include completion of the fit-out of the new DISA CONUS network operations facility (-\$11.2 million). Also, this budget removes the SIPRNet Federal DMZ function from the DISN Infrastructure Service (-\$1.3 million). Instead, customers will be charged on a direct reimbursable basis for this service. Reductions are partially offset by an increase for sustainment of the Joint Management System tool supporting Joint Regional Security Stacks (JRSS) (+\$9.0 million) and increased labor costs for support functions, such as IT services management support, resource management, and engineering (+\$3.4 million).

After functional transfers, costs for ***DISN Reimbursable Services*** decrease by a net total of -\$25.1 million in FY 2017. Efficiency initiatives include savings from transitioning the legacy Joint Hawaii Information Transfer System (JHITS), which relies on point-to-point TDM circuits, to the IP-based Pacific Enterprise Services – Hawaii (PES-HI) (-\$4.9 million) and reduced maintenance, software, and engineering support costs for the Organizational Messaging National Gateway Center (-\$1.4 million). Customer workload estimates for commercial satellite services and customer-funded projects are also reduced (-\$24.2 million). These decreases are partially offset by increases associated with depreciation for Enhanced Mobile Satellite Services (EMSS) capital projects (+\$3.3 million), inclusion of the SIPRNet Federal DMZ as a reimbursable service (+\$1.3 million), and increased labor costs for satellite services support (+\$0.9 million).

Additionally, cost estimates for ***Enterprise Acquisition Services*** increase by \$237.1 million in FY 2017. This is primarily driven by increased projections for pass-through IT contracting workload, including Joint Enterprise Licensing Agreements (+\$284.7 million). Demand for non-DISN leased communications is expected to partially offset the increase in IT contracts by continuing a downward trend (-\$50.5 million). Finally, labor and other operating costs supporting customer contracting requirements are expected to increase (+\$2.9 million).

## Capital Investment Program Summary

| (\$ in millions)                                            | FY 2015*      | FY 2016       | FY 2017      |
|-------------------------------------------------------------|---------------|---------------|--------------|
| Equipment                                                   | \$6.3         | \$0.8         | \$0.0        |
| ADPE and Telecom                                            | \$13.4        | \$12.4        | \$7.0        |
| Software                                                    | \$5.0         | \$32.3        | \$0.0        |
| Minor Construction                                          | \$0.0         | \$0.0         | \$0.0        |
| <b>Total Program Authority</b>                              | <b>\$24.7</b> | <b>\$45.4</b> | <b>\$7.0</b> |
| FY 2016 President's Budget                                  | \$38.4        | \$1.0         | -            |
| Change FY 2016 President's Budget to Current Estimates      | -             | \$44.4        | -            |
| Change FY 2016 Current Estimate to FY 2017 Current Estimate | -             | -             | (\$38.4)     |

\*Fiscal Year 2015 data are actual obligations.

Note: DISN network investments are funded separately in DISA's Procurement, D-W account.

### **FY 2016 President's Budget to FY 2016 Current Estimates**

FY 2016 capital authority increases by \$44.4 million from the FY 2016 President's Budget. A major driver of the increase is the reprogramming of funding from FY 2015 to FY 2016 to provide secure handset system upgrades for Enhanced Mobile Satellite Services (EMSS) and to support the development of a new financial system. Other increases are due to additional requirements supporting the EMSS Gateway, the fit-out of the new DISA CONUS network operations facility, Distributed Tactical Communications System – Global Services (DTCS-GS), the EMSS Remote Earth Terminal (RET), and a traditional contract writing system. The EMSS Gateway project is to upgrade the primary interface between the EMSS satellite phones and the terrestrial telephone network, which has reached end-of-life and needs to be replaced in order to maintain operational capabilities. The CONUS Fit-Out project is for a Wireless Local Area Network (WLAN) which is needed throughout the new facility to enhance communication operations. The DTCS-GS project is to make the system more robust and improve reliability, capability, capacity, and availability. The EMSS RET project will increase the reliability and availability of the EMSS network. The traditional contract writing system will replace incongruous and unsupported legacy contracting applications with a modern end-to-end system.

### **FY 2016 Current Estimates to FY 2017 Current Estimates**

The FY 2017 capital authority request includes an upgrade to the EMSS terrestrial infrastructure in support of voice services. The project will upgrade/replace end-of-life critical components that will allow for continued operations of global unclassified and secure voice services.

### Civilian Manpower

| (\$ in millions)               | FY 2015* | FY 2016 | FY 2017 |
|--------------------------------|----------|---------|---------|
| Civilian End Strength          | 1,434    | 1,581   | 1,277   |
| Civilian Full Time Equivalents | 1,385    | 1,485   | 1,218   |
| Civilian Labor Cost            | \$178.6  | \$190.2 | \$158.6 |

\*Fiscal Year 2015 data are actual results.

Civilian manpower increases from FY 2015 to FY 2016 by 100 full time equivalents (FTEs) and is attributable to an increase in Telecommunications Services to fill vacant positions created through normal attrition during an Agency-wide initiative to restructure the workforce (+57) and an increase in security personnel at the new DISA CONUS building (+11). There is also an increase in the acquisition workforce to support new workload growth for Joint Enterprise License Agreements, Networx/Network Services 2020 (NS2020), ENCORE III and Telecommunication Services workload for Mobility, COMSATCOM, and Global Network Services and other contracting workload (+32).

Civilian manpower decreases by a net of 267 FTEs in FY 2017. As discussed previously, several DWCF functions have been realigned to DISA appropriated accounts, resulting in a decrease of 320 FTEs. This is partially offset by the annualization of FY 2016 hiring actions to fill vacancies across a number of telecommunications services and an increase in the acquisition workforce to support the increased workload for Joint Enterprise License Agreements, Networx/NS2020, ENCORE III and Telecommunication Services workload.

### Military Manpower

| (\$ in millions)      | FY 2015 | FY 2016 | FY 2017 |
|-----------------------|---------|---------|---------|
| Military End Strength | 83      | 69      | 21      |
| Military Labor Cost   | \$6.2   | \$4.8   | \$1.9   |

The decrease in military personnel is primarily due to the functional transfer of DISA Network Operations Centers from the DWCF to DISA appropriated accounts.

## Performance Measures

DISA plays a key role in supporting the warfighter and, as a result, is held to high performance standards. In many cases, performance measures are detailed in Service Level Agreements (SLAs) with individual customers that exceed the general performance measures discussed in the remainder of this section.

### Telecommunications Services Performance Measures

The Defense Information System Network (DISN) has operating metrics tied to the Department's strategic goals of information dominance. These operational metrics include the cycle time for delivery of data and satellite services as well as service performance objectives such as availability, quality of service, and security measures. Additionally, the Information Technology Enterprise Services Roadmap sets a DISN performance target of 99.997% operational availability at all Joint Staff-validated locations. The DISA is working to meet the intent of this guidance through the evolving Joint Information Environment architecture and by building out the network as necessary to provide a growing number of enterprise services. These categories of metrics have guided the development of the Telecommunication Services budget submission. Shown below are major performance and performance improvement measures:

| SERVICE OBJECTIVE                                                                                               | FY 2015 Actual     | FY 2016 Operational Goal       | FY 2017 Operational Goal       |
|-----------------------------------------------------------------------------------------------------------------|--------------------|--------------------------------|--------------------------------|
| Non-Secure Internet Protocol Router Network access circuit availability                                         | 99.63%             | 98.50%                         | 98.50%                         |
| Secure Internet Protocol Router Network latency (measurement of network delay) in the continental United States | 48.02 milliseconds | Not to exceed 100 milliseconds | Not to exceed 100 milliseconds |
| Defense Red-Switch Network switch availability*                                                                 | 99.17%             | 99.50%                         | 99.50%                         |

\*Difference between actual results and operational goal represents 6.8 hours of downtime.

### Enterprise Acquisition Services Performance Measures

The following performance measures apply for Enterprise Acquisition Services (EAS):

| SERVICE OBJECTIVE                                                      | FY 2015 Actual | FY 2016 Operational Goal** | FY 2017 Operational Goal** |
|------------------------------------------------------------------------|----------------|----------------------------|----------------------------|
| Percent of total eligible contract dollars competed*                   | 69.00%         | 78.30%                     | 78.30%                     |
| Percent of total eligible contract dollars awarded to small businesses | 31.00%         | 27.00%                     | 27.00%                     |

\*FY 2015 goal not met due to high dollar awards for proprietary sole source technology, such as the Microsoft Joint Enterprise License Agreement and Iridium Satellite Services.

\*\*FY 2016 and FY 2017 goals for percent of total eligible contract dollars competed are estimates based on the released FY 2015 goal. The goals have not yet been released by the Defense Procurement Acquisition Policy (DPAP).



## Rates

### **DISN Subscription Services Share Price**

Shown below are the financial data for DISN Subscription Services under the previous share price model. As discussed previously, this model has become obsolete and is being replaced by DISN Infrastructure Services and DISN End-User Services. Also, several functions have been realigned from the DWCF to DISA appropriated accounts. The chart below assumes status quo in FY 2017 and is included for year-to-year comparison purposes only. Costs under the new DISN Infrastructure Services and DISN End-User Services model are discussed in subsequent rate details.

| (\$ in millions)                 | FY 2015*  | FY 2016   | FY 2017** |
|----------------------------------|-----------|-----------|-----------|
| Revenue                          | \$1,340.4 | \$1,255.2 | \$1,167.4 |
| Cost                             | \$1,256.6 | \$1,250.6 | \$1,146.9 |
| Number of Sites                  | 339       | 337       | 339       |
| Number of Shares                 | 8,849     | 9,129     | 9,276     |
| Annual Price per Share           | \$151,579 | \$137,500 | \$125,849 |
| Unit Cost Per Share              | \$142,004 | \$136,988 | \$123,640 |
| Change in Annual Price per Share |           | -9.29%    | -8.47%    |

\*FY 2015 data are actual results.

\*\*FY 2017 data is for year-to-year comparison purposes only.

### **DISN Infrastructure Services**

As discussed previously, the revised DISN cost recovery model uses access circuit capacity as a proxy for measuring consumption. The subsequent table shows the revised allocations by customer using this methodology:

**DISN Infrastructure Services Customer Allocation:**

| <b>CUSTOMER</b>                             | <b>MB</b>        | <b>PERCENT</b>   | <b>FY 2017 BILL</b>  |
|---------------------------------------------|------------------|------------------|----------------------|
| Advanced Research Projects Agency           | 1,334            | 0.1154%          | \$1,105,264          |
| Canadian Forces Communication System        | 15               | 0.0013%          | \$12,624             |
| Defense Commissary Agency                   | 148              | 0.0128%          | \$122,562            |
| Defense Contract Audit Agency               | 202              | 0.0174%          | \$166,959            |
| Defense Contract Management Agency          | 316              | 0.0273%          | \$261,481            |
| Defense Finance and Accounting Service      | 3,448            | 0.2983%          | \$2,856,164          |
| Defense Logistics Agency                    | 19,487           | 1.6859%          | \$16,143,806         |
| Defense Media Activity                      | 2,014            | 0.1743%          | \$1,668,786          |
| Defense Security Service                    | 1,387            | 0.1200%          | \$1,148,920          |
| Defense Telephone Service                   | 3                | 0.0003%          | \$2,558              |
| Defense Threat Reduction Agency             | 4,659            | 0.4031%          | \$3,859,896          |
| Department of Commerce                      | 45               | 0.0039%          | \$37,280             |
| Department of Defense Education Agency      | 2                | 0.0001%          | \$1,279              |
| Department of Energy                        | 2                | 0.0001%          | \$1,279              |
| Department of Homeland Security             | 110              | 0.0095%          | \$91,248             |
| Department of Justice                       | 401              | 0.0347%          | \$331,806            |
| Department of State                         | 1,817            | 0.1572%          | \$1,504,941          |
| Department of the Interior                  | 96               | 0.0083%          | \$79,238             |
| Department of Transportation                | 2                | 0.0001%          | \$1,279              |
| Department of Treasury                      | 2                | 0.0001%          | \$1,279              |
| Defense Information Systems Agency          | 35,649           | 3.0841%          | \$29,532,630         |
| DOD Inspector General                       | 254              | 0.0220%          | \$210,422            |
| NATO                                        | 104              | 0.0090%          | \$86,031             |
| Drug Enforcement Agency                     | 3                | 0.0003%          | \$2,770              |
| FBI                                         | 91               | 0.0079%          | \$75,401             |
| Federal Aviation Administration             | 6                | 0.0005%          | \$5,219              |
| Joint Chiefs of Staff                       | 49,729           | 4.3022%          | \$41,197,103         |
| DHA/MHS                                     | 49,219           | 4.2582%          | \$40,775,099         |
| Missile Defense Agency                      | 2,236            | 0.1934%          | \$1,852,155          |
| National Aeronautics & Space Administration | 5                | 0.0004%          | \$3,837              |
| National Capitol Region                     | 102              | 0.0088%          | \$84,123             |
| Nuclear Regulatory Commission               | 2                | 0.0001%          | \$1,279              |
| Office of the Secretary of Defense          | 26,828           | 2.3210%          | \$22,225,566         |
| United States Air Force                     | 350,252          | 30.3016%         | \$290,160,799        |
| United States Army                          | 412,849          | 35.7172%         | \$342,018,773        |
| United States Coast Guard                   | 1,230            | 0.1064%          | \$1,018,794          |
| United States Navy                          | 172,693          | 14.9403%         | \$143,064,714        |
| United States Postal Service                | 8                | 0.0007%          | \$6,396              |
| United States Marine Corps                  | 19,139           | 1.6558%          | \$15,855,241         |
| <b>TOTAL</b>                                | <b>1,155,885</b> | <b>100.0000%</b> | <b>\$957,575,000</b> |

### **DISN End-User Services**

Several DISN end-user services have been unbundled from the infrastructure costs and are each priced separately, providing mission partners increased choice in the services they receive. These services include Global Video Services (GVS), the Defense Switched Network (DSN), and the Global Content Delivery Service (GCDS).

#### **Global Video Services (GVS)**

Pricing for GVS is based on the number of sites at which a customer requests services (i.e. conference rooms). The number of concurrent conferences is the largest cost driver due to higher licensing and hardware costs. Prices per site will be set annually and bills will be adjusted monthly based on changes in the number of conference rooms.

#### **Defense Switched Network (DSN)**

The DSN costs will be allocated to mission partners based on consumption, as measured by DSN access circuits. Allocations of DSN cost will be set annually with no changes during execution, and billings will be based on a monthly recurring charge (MRC).

#### **Global Content Delivery Service (GCDS)**

The GCDS pricing will be based on four categories of cost under the current contract:

1. Application Support – priced per Uniform Resource Locator (URL)
2. Storage – priced per terabyte (TB)
3. Streaming – priced as an annual subscription
4. Professional service/vendor support – allocated to the above offerings

Prices per URL, per TB, and per streaming application will be set annually and customers will be billed monthly based on actual usage.

### **Security and Assurance Services**

Security and Assurance Services are priced using four different methodologies based on the services a customer receives:

1. DISN Infrastructure Services (DISN IS) – costs for services that benefit the entire DISN network and user community are recovered via the DISN Infrastructure Services rate.
2. Rate-based – customers are charged a specific rate for the individual service received.
3. Direct Reimbursement – costs for services performed for a specific customer, such as information assurance analysis, are recovered on a direct-reimbursable basis.
4. Cyberspace Defense Service Provider Subscription – customers can choose to sign-up for a yearly subscription package that includes various types of testing and analysis as well as exercise support and training.

Additional detail is provided in the subsequent table:

| Service                                                                                          | Cost Recovery Mechanism                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Network Security Monitoring and Incident Reporting                                               | <b>DISN Infrastructure Services:</b> Costs for sensors that are placed directly on the DISN backbone will be recovered through the DISN IS rate. The monitoring of these sensors benefits the entire DISN community.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Command Cyber Readiness Inspections                                                              | <b>DISN Infrastructure Services:</b> As discussed previously, costs for CCRIIs are removed from the DISN IS model and transferred to DISA general fund accounts beginning FY 2017.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Computer Network Service Assessments                                                             | <b>Rate-based:</b> Customers will be charged these assessments on the technical and non-technical services of a cybersecurity service provider.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| System & Enclave Certification                                                                   | <b>Rate-based:</b> Customers will be charged based on the size (small, medium, large) of the enclave/system being certified.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Information Assurance (IA) Analysis                                                              | <b>Direct Reimbursement:</b> Customers can choose from a number of IA Analysis services offered, and will be charged the actual cost of providing the analysis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Cyberspace Defense Service Provider (CDSP) Subscription Services and Network Security Monitoring | <p><b>CDSP Subscription and Network Security Monitoring:</b> Each yearly subscription will include recurring year-long support for Malware Notification Protection, Subscriber Support and IA training, Information Operations Condition (INFOCON) Compliance, Information Assurance Vulnerability Management, Attack Sensing and Warning, Indications and Warning, Incident Reporting, Incident Response Analysis, and Incident Handling. CDSP subscriptions are charged per customer.</p> <p>Previously, costs for Network Security Monitoring were recovered by charging a single rate per sensor for all customers receiving CDSP services. Beginning FY 2016, customers are assigned a category (small, medium, large, and extra-large) based on key customer characteristics that drive levels of effort and charged a corresponding rate per sensor. This rate change will more appropriately align costs with customer requirements.</p> |

### **DoD Mobility**

The table below shows the monthly rate per device for DoD Mobility as an enterprise service. The rate recovers costs for enterprise-level mobile communications services, to include access to a DoD Mobile Application Store. The Mobility service is offered at two different security levels; unclassified and secret. Service at the top secret level is currently in the pilot phase and will not be available until FY 2017.

For unclassified services, customers are responsible for purchasing their own approved mobile devices and data/air time plans. Devices for classified use must be purchased through DISA.

| <b>DoD Mobility Rates</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b> |
|---------------------------|----------------|----------------|----------------|
| Unclassified Device       | \$7.36         | \$7.36         | TBD            |
| SIPR Device               | \$126.63       | \$126.63       | TBD            |
| Top Secret Device         | --             | --             | TBD            |

### **Cross Domain Services**

The table below shows the fee for new filter development, new customer pre/post deployment, and the rate per active filter for Cross Domain Services. The fees for new filter development and pre/post deployment are based on the cost to develop, certify and deploy new filters for Structured File Transfer and Web Service functions. Development is a one-time fee per new filter, and pre/post deployment is a one-time fee per each new customer. The monthly active filter rate recovers cross domain technology assessment, security policy enforcement, certification, accreditation and revalidation support, configuration management, help desk support, and life cycle replacement.

| <b>Cross Domain Rates</b>        | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b> |
|----------------------------------|----------------|----------------|----------------|
| Development/New Filter           | \$26,880       | \$27,418       | TBD            |
| Pre/Post Deployment/New Customer | \$143,136      | \$145,998      | TBD            |
| Basic Monthly Rate/Filter        | \$5,547        | \$5,809        | TBD            |

### **Commercial Satellite Communications Services**

DISA charges a standard rate for all Commercial Satellite Services procured on behalf of customers. The rate recovers program management costs associated with delivering both Fixed Satellite Services and Mobile Satellite Services.

| <b>Commercial Satellite Services Rates</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b> |
|--------------------------------------------|----------------|----------------|----------------|
| Standard Rate                              | 2.16%          | 2.16%          | TBD            |

### **DISN Legacy Technologies**

Beginning in FY 2016, customers are billed on a direct reimbursable basis for any new service requests related to Asynchronous Transfer Mode (ATM) and Integrated Services Digital Network (ISDN). The availability of Multi-Protocol Label Switching (MPLS) and Quality of Service (QoS) renders these services obsolete and generally no longer necessary for most DISN users.

### **Enterprise Acquisition Services Rate**

The standard fee-for-service contracting rate remains at 2.5 percent in FY 2017. The DISA has established a 0.5 percent rate for customers utilizing Joint Enterprise License Agreement contracts. DISA is able to provide the Department with economies of scale on these large, joint enterprise licensing contracts, one of the goals of the Department's IT efficiencies roadmap. A decentralized ordering fee of 0.25% has also been established for non-DoD components placing an order against the JELAs.

| <b>Contracting Rates</b>                    | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b> |
|---------------------------------------------|----------------|----------------|----------------|
| Standard Fee-for-Service                    | 2.50%          | 2.50%          | 2.50%          |
| Joint Enterprise License Agreements (JELAs) | 0.50%          | 0.50%          | 0.50%          |
| JELA Decentralized Ordering Fee             | 0.25%          | 0.25%          | 0.25%          |

**Changes in the Costs of Operations**  
**Defense Information Systems Agency**  
**TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES**  
**February 2016**  
**(Dollars in Millions)**

|                                                                                                                                                                                                                                          |  |                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------|
| FY 2015 Actual                                                                                                                                                                                                                           |  | \$6,086.043     |
| FY 2016 Estimate in FY 2016 President's Budget                                                                                                                                                                                           |  | \$7,623.457     |
| <br><i>Savings:</i>                                                                                                                                                                                                                      |  |                 |
| Reduction in DISN Video services due to early termination of the legacy DVS-G contract                                                                                                                                                   |  | (\$8.926)       |
| Improved pricing on a new contract for the enterprise content caching service, Global Content Delivery Service (GCDS)                                                                                                                    |  | (\$8.315)       |
| Reduced labor costs supporting Telecommunications Services and Enterprise Acquisition Services due to an Agency-wide initiative to restructure the workforce                                                                             |  | (\$6.588)       |
| Reduction in Security and Assurance Reimbursable Services due to savings from contract recompetes                                                                                                                                        |  | (\$7.667)       |
| Elimination of legacy Time-division Multiplexing (TDM) switches supporting DISN Voice services                                                                                                                                           |  | (\$5.405)       |
| Decrease in the DISN Connection Approval Program due to renegotiation of support contracts                                                                                                                                               |  | (\$3.656)       |
| Consolidation of DISN IP network support contracts                                                                                                                                                                                       |  | (\$2.952)       |
| Net decrease in operating costs for the Defense Information Technology Contracting Organization (DITCO) due to reduced travel, contracted services, and purchases from the DECC and DFAS revolving funds                                 |  | (\$2.572)       |
| <br><i>Program Changes:</i>                                                                                                                                                                                                              |  |                 |
| Increase in DISN Tier I and Tier II network operations support due to expanded network requirements                                                                                                                                      |  | \$12.120        |
| Increased costs for the DISN maintenance contract supporting repair operations on all DISN equipment                                                                                                                                     |  | \$7.667         |
| Increased contract support costs for resource management, contracts and acquisition, and other mission support functions                                                                                                                 |  | \$3.073         |
| Added costs for the fit-out of the new DISA CONUS Network Operations building due to a delay in executing FY 2015 requirements                                                                                                           |  | \$2.284         |
| Dual operations while expanding bandwidth capacity in Southwest Asia (SWA)                                                                                                                                                               |  | \$2.010         |
| Increase in DISN network security contract costs                                                                                                                                                                                         |  | \$0.797         |
| Decrease in workload estimates for customer IT contracting primarily due to reduced requirements for ENCORE II contracts, Enterprise Licensing Agreements, Test and Evaluation Mission Support Services and other reimbursable contracts |  | (\$840.897)     |
| Decrease in non-DISN telecom pass-through contracting workload                                                                                                                                                                           |  | (\$125.634)     |
| Re-estimation of customer workload for Satellite Services, Mobility, and Cross Domain Solutions                                                                                                                                          |  | (\$44.770)      |
| Reduction in the anticipated pass-through contract workload for the Joint Regional Security Stacks (JRSS) (sustainment costs included as a part of DISN infrastructure services)                                                         |  | (\$32.961)      |
| Reduction in depreciation costs for Enhanced Mobile Satellite Services due to a delay in the execution of capital projects                                                                                                               |  | (\$1.348)       |
| Other Miscellaneous                                                                                                                                                                                                                      |  | (\$0.211)       |
| <br>FY 2016 Current Estimate                                                                                                                                                                                                             |  | <br>\$6,559.506 |

**Changes in the Costs of Operations**  
**Defense Information Systems Agency**  
**TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES**  
**February 2016**  
**(Dollars in Millions)**

FY 2016 Current Estimate \$6,559.506

***Pricing Adjustments:***

|                                    |          |
|------------------------------------|----------|
| Non-labor Inflation                | \$96.768 |
| Civilian/Military Pay Raise        | \$2.318  |
| Annualization of Civ/Mil Pay Raise | \$0.634  |

***Transfer of DWCF Functions to DISA Operations & Maintenance, Defense-Wide:***

|                                                                                                      |            |
|------------------------------------------------------------------------------------------------------|------------|
| Joint Worldwide Intelligence Communications System (JWICS)                                           | (\$36.501) |
| DISA Network Operations Centers (including -226 full-time equivalents and -50 military end strength) | (\$36.601) |
| Interoperability and IP Enabling functions (including -49 full-time equivalents)                     | (\$14.366) |
| Connection Approval (including -19 full-time equivalents)                                            | (\$13.386) |
| Defense Red Switched Network (DRSN) (including -7 full-time equivalents)                             | (\$15.140) |
| Command Cyber Readiness Inspections (CCRIs) (including -19 full-time equivalents)                    | (\$11.441) |

***Savings:***

|                                                                                                                                                                                                                                                                                                                                                    |            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Efficiencies gained from the transition to a new DISN backbone capacity contract, Global Network Services (GNS), and elimination of Low Speed TDM circuits                                                                                                                                                                                         | (\$21.526) |
| Savings in DISN network operations and network management attributed to the retirement of legacy services and contract efficiencies                                                                                                                                                                                                                | (\$15.123) |
| Reduction in DISN transport maintenance due to a contract transition and elimination of an incentive fee                                                                                                                                                                                                                                           | (\$18.234) |
| Efficiencies from streamlining and reducing the scope of contracts for DISN information assurance tools such as Cross Domain Enterprise Services, Acropolis, Enterprise Collaborative Operational Sensor, and Web Content Filtering                                                                                                                | (\$11.049) |
| Decrease in DISN core sustaining activities primarily due to reduced encryption device purchases                                                                                                                                                                                                                                                   | (\$14.000) |
| Complete transition of the Global Content Delivery Service (GCDS) to the new Universal Content Delivery System (UCDS) contract and removal of costs for temporary dual operations                                                                                                                                                                  | (\$4.872)  |
| Reduction in costs for DISN resource management, contracts and acquisition, IT services management support, and other mission support services primarily due to contract consolidation                                                                                                                                                             | (\$9.041)  |
| Reductions in DISN Unclassified Voice Services and Video Services due to efficiencies achieved through IP convergence.                                                                                                                                                                                                                             | (\$5.518)  |
| Reduced DECC costs for DISN information assurance tools associated with rate reductions for computing services and the de-scoping of requirements                                                                                                                                                                                                  | (\$6.500)  |
| Savings from the transition of the legacy Joint Hawaii Information Transfer System (JHITS), which currently utilizes point-to-point TDM circuits, to the IP-based Pacific Enterprise Services - Hawaii (PES-HI) reimbursable service for dedicated provisioning and transmission services within and between the military installations in Hawaii. | (\$4.913)  |
| Reduced maintenance, software, and engineering support costs for the Organizational Messaging National Gateway Center                                                                                                                                                                                                                              | (\$1.417)  |



**Changes in the Costs of Operations**  
**Defense Information Systems Agency**  
**TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES**  
**February 2016**  
**(Dollars in Millions)**

|                                                                                                                                                                                                  |                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| <i>Program Changes:</i>                                                                                                                                                                          |                 |
| Increase in workload estimates for customer IT contracting primarily due to expected increases in Enterprise Licensing Agreements and ENCORE II contracts                                        | \$284.705       |
| Increased costs for sustainment of the Joint Management System tool supporting Joint Regional Security Stacks (JRSS)                                                                             | \$9.035         |
| Increased labor costs due to the filling of current vacancies supporting functions such as IT services management support, resource management, engineering, satellite services, and contracting | \$5.595         |
| Increased costs for Enhanced Mobile Satellite Services (EMSS) associated with depreciation of capital projects and an increase in pricing for the Airtime contract                               | \$3.264         |
| Reduction in pass-through contracting workload due to a downward trend in requirements for non-DISN leased communications                                                                        | (\$50.497)      |
| Re-estimation of customer workload for Commercial Satellite Services and Customer Funded Projects                                                                                                | (\$24.184)      |
| Reduced costs associated with completion of the DISA CONUS Fit-Out project                                                                                                                       | (\$11.162)      |
| Other Miscellaneous                                                                                                                                                                              | \$1.600         |
| <br>FY 2017 Estimate                                                                                                                                                                             | <br>\$6,637.953 |

**Activity Group Capital Investment Summary**  
**Defense Information Systems Agency**  
**TELECOMMUNICATION SERVICES AND ENTERPRISE ACQUISITION SERVICES**  
**February 2016**  
**(Dollars in Millions)**

|                                                  | FY 2015 Quantity | FY 2015 Total Cost | FY 2016 Quantity | FY 2016 Total Cost | FY 2017 Quantity | FY 2017 Total Cost |
|--------------------------------------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|
| <b>Non-ADPE Equipment</b>                        | <b>4.000</b>     | <b>\$6.309</b>     | <b>1.000</b>     | <b>\$0.768</b>     | <b>0.000</b>     | <b>\$0.000</b>     |
| <b>Replacement Equipment</b>                     | <b>4.000</b>     | <b>\$6.309</b>     | <b>1.000</b>     | <b>\$0.768</b>     | <b>0.000</b>     | <b>\$0.000</b>     |
| DISA CONUS FitOut                                | 4.000            | \$6.309            | 1.000            | \$0.768            | 0.000            | \$0.000            |
| <b>ADPE &amp; Telecom Equipment Capabilities</b> | <b>4.000</b>     | <b>\$13.371</b>    | <b>3.000</b>     | <b>\$12.400</b>    | <b>1.000</b>     | <b>\$7.000</b>     |
| <b>Other Support Equipment</b>                   | <b>4.000</b>     | <b>\$13.371</b>    | <b>3.000</b>     | <b>\$12.400</b>    | <b>1.000</b>     | <b>\$7.000</b>     |
| EMSS Remote Earth Terminal                       | 1.000            | \$8.571            | 1.000            | \$1.729            | 0.000            | \$0.000            |
| Secure Handset System Upgrade                    | 1.000            | \$4.800            | 1.000            | \$4.971            | 0.000            | \$0.000            |
| EMSS Gateway Transformation                      | 1.000            | \$0.000            | 1.000            | \$5.700            | 0.000            | \$0.000            |
| EMSS Secure Voice Upgrade                        | 0.000            | \$0.000            | 0.000            | \$0.000            | 1.000            | \$7.000            |
| <b>Software Development</b>                      | <b>2.000</b>     | <b>\$4.972</b>     | <b>3.000</b>     | <b>\$32.260</b>    | <b>0.000</b>     | <b>\$0.000</b>     |
| <b>Externally Developed</b>                      | <b>2.000</b>     | <b>\$4.972</b>     | <b>3.000</b>     | <b>\$32.260</b>    | <b>0.000</b>     | <b>\$0.000</b>     |
| DTCS Global Services                             | 1.000            | \$3.062            | 1.000            | \$5.000            | 0.000            | \$0.000            |
| New Financial System                             | 0.000            | \$0.000            | 1.000            | \$25.260           | 0.000            | \$0.000            |
| Traditional Contract Writing System              | 1.000            | \$1.910            | 1.000            | \$2.000            | 0.000            | \$0.000            |
| <b>Total</b>                                     | <b>11.000</b>    | <b>\$24.652</b>    | <b>7.000</b>     | <b>\$45.428</b>    | <b>1.000</b>     | <b>\$7.000</b>     |
| <b>Total Depreciation Expense</b>                |                  | <b>\$28.090</b>    |                  | <b>\$14.882</b>    |                  | <b>\$23.889</b>    |
| <b>Total Capital Outlays</b>                     |                  | <b>\$15.989</b>    |                  | <b>\$34.283</b>    |                  | <b>\$28.988</b>    |

**Capital Investment Justification**  
**Defense Information Systems Agency**  
**TELECOMMUNICATION SERVICES AND ENTERPRISE ACQUISITION SERVICES**  
**February 2016**  
**(Dollars in Thousands)**

| Telecommunication Services/Enterprise Acquisition Services:<br>Capital Investment Justification<br>(\$ in thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                     |                      |                       |                     |                      | A. Fiscal Year 2017                 |                     |                      |                       |
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| TS/EAS / February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | C. Non ADPE and Telecom - Equipment |                      |                       |                     |                      | D. DISA CONUS Facility Requirements |                     |                      |                       |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | FY 2015<br>Quantity                 | FY 2015<br>Unit Cost | FY 2015<br>Total Cost | FY 2016<br>Quantity | FY 2016<br>Unit Cost | FY 2016<br>Total Cost               | FY 2017<br>Quantity | FY 2017<br>Unit Cost | FY 2017<br>Total Cost |
| A/V Suites and Associated Equipment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 1.00                                | 3,400.00             | 3,337.00              | 0.00                | 0.00                 | 0.00                                | 0.00                | 0.00                 | 0.00                  |
| Security System                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 1.00                                | 1,800.00             | 1,845.00              | 0.00                | 0.00                 | 0.00                                | 0.00                | 0.00                 | 0.00                  |
| YLAN                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1.00                                | 1,127.02             | 1,127.00              | 0.00                | 0.00                 | 0.00                                | 0.00                | 0.00                 | 0.00                  |
| WLAN (Wireless Network)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 0.00                                | 0.00                 | 0.00                  | 1.00                | 768.00               | 768.00                              | 0.00                | 0.00                 | 0.00                  |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>3.00</b>                         | <b>2,103.00</b>      | <b>6,309.00</b>       | <b>1.00</b>         | <b>768.00</b>        | <b>768.00</b>                       | <b>0.00</b>         | <b>0.00</b>          | <b>0.00</b>           |
| <b>Narrative Justification:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                     |                      |                       |                     |                      |                                     |                     |                      |                       |
| The DISA CONUS mission at Scott AFB is spread between three geographically separated locations. The primary facility for network operations and engineering is located on base in building 3189. Circuit implementations are performed on an off-base leased facility in O'Fallon, IL. The dynamic growth of informational systems to support the global missions of the warfighter have rendered building 3189 an obsolete antiquated facility with a long list of facility deficiencies. A new facility was approved for construction in the FY 2013 MILCON budget for the DoD, and project VDYD597032 was awarded through the Corps of Engineers Louisville District in FY 2013. The project will require the integration of installed equipment to building infrastructure before DISA occupies the building, which is scheduled for completion in January 2016.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                     |                      |                       |                     |                      |                                     |                     |                      |                       |
| <b>Description and Purpose:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                     |                      |                       |                     |                      |                                     |                     |                      |                       |
| The purpose of the funds is to provide a security system, network encryptors, secure communications network, wireless network, and an audio-visual system with a wide array of display devices for the various conference and break rooms to support the new DISA CONUS (MILCON) Facility. The building has multiple areas that require special security requirements to meet classified material standards. These systems include a Video Surveillance System (VSS) and an Electronic Security System (ESS). These systems work in conjunction to provide a visual and physical intrusion detection system for the new facility. The audio-visual systems and displays will be used for meetings, conferences, personnel notifications and a variety of other mission needs. The facility also requires Inline Network Encryptors (INE) to meet the National Security Agency (NSA) requirements for High Assurance Internet Protocol Encryptor (HAiPE). These devices provide network communications security on Internet Protocol (IP) and Asynchronous Transfer Mode (ATM) networks for the individual user or for enclaves of users at the same security level. This facility also requires a Yellow Local Area Wireless Network (YLAN) and Wireless Local Area Network (WLAN). The YLAN installation is an independent solution connected to the DISA HQ domain to support the increase in requirements to support cyber warfare. The emergent requirement of Cyber Protection Teams (CPT) being reassigned to DISA CONUS requires significantly higher forms of secure communications and the installation of a YLAN system to support this new capability. The current solution is insufficient to provide the robust capability required. The WLAN is needed to support the installation of a wireless network throughout the new facility to enhance communication operations in the future and support mission of today. |                                     |                      |                       |                     |                      |                                     |                     |                      |                       |
| <b>Current Deficiency and/or Problem:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                     |                      |                       |                     |                      |                                     |                     |                      |                       |
| The new building cannot be occupied or function in its intended capacity without the necessary Fit-Out upgrades listed above.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                     |                      |                       |                     |                      |                                     |                     |                      |                       |
| <b>Impact:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                     |                      |                       |                     |                      |                                     |                     |                      |                       |
| DISA CONUS has evolved into a critical NetOps center, which currently monitors and manages 83% of the DISN bandwidth, 75% of DISN devices, 86% of customer services, and assures 100% of the NIPRNet. In mission scope and volume, DISA CONUS has become a unique and primary host for critical network operations support to National Leaders, Services and Agencies, eleven Combatant Commands, and DISA. The CONUS AOR span of control comprises 645 DISN nodes, 3,280 service locations, all inter-theater connectivity, 15 Network Operation Centers (NOCs), and OPCON of 4 non-collocated NOCs. Without this project, DISA risks losing command and control (C2) of critical elements of the DISA networks. Without this project, the new DISA CONUS facility would not be able to support sensitive spaces and would be vulnerable to outside intrusion.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                     |                      |                       |                     |                      |                                     |                     |                      |                       |

**Capital Investment Justification**  
**Defense Information Systems Agency**  
**TELECOMMUNICATION SERVICES AND ENTERPRISE ACQUISITION SERVICES**  
**February 2016**  
**(Dollars in Thousands)**

| <b>Telecommunication Services/Enterprise Acquisition Services:<br/>Capital Investment Justification</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                       |                              |                               |                             |                              | <b>A. Fiscal Year 2017</b>            |                             |                              |                               |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------------|-------------------------------|-----------------------------|------------------------------|---------------------------------------|-----------------------------|------------------------------|-------------------------------|--|
| (\$ in thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                       |                              |                               |                             |                              |                                       |                             |                              |                               |  |
| <b>B. TS/EAS / February 2016</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>C. ADPE and Telecommunications</b> |                              |                               |                             |                              | <b>D. EMSS Gateway Transformation</b> |                             |                              |                               |  |
| <b>Element of Cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>FY 2015<br/>Quantity</b>           | <b>FY 2015<br/>Unit Cost</b> | <b>FY 2015<br/>Total Cost</b> | <b>FY 2016<br/>Quantity</b> | <b>FY 2016<br/>Unit Cost</b> | <b>FY 2016<br/>Total Cost</b>         | <b>FY 2017<br/>Quantity</b> | <b>FY 2017<br/>Unit Cost</b> | <b>FY 2017<br/>Total Cost</b> |  |
| <b>EMSS Gateway Transformation</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0.00                                  | 0.00                         | 0.00                          | 1.00                        | 5,700.00                     | 5,700.00                              | 0.00                        | 0.00                         | 0.00                          |  |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>0.00</b>                           | <b>0.00</b>                  | <b>0.00</b>                   | <b>1.00</b>                 | <b>5,700.00</b>              | <b>5,700.00</b>                       | <b>0.00</b>                 | <b>0.00</b>                  | <b>0.00</b>                   |  |
| <b>Narrative Justification:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                       |                              |                               |                             |                              |                                       |                             |                              |                               |  |
| <p>This project is to support current operational status and allow the EMSS program to maintain capabilities in accordance with Iridium commercial baseline and DoD Gateway. Iridium Satellite LLC (ISLLC) has initiated an effort (Iridium NEXT) to replace their aging constellation and create a new architecture via a series of upgrades designed to maintain backward compatibility, prepare for subsequent upgrades, and be fully NEXT compliant. The EMSS Gateway Transformation projects are required to maintain compatibility between the commercial and DoD gateways.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                       |                              |                               |                             |                              |                                       |                             |                              |                               |  |
| <b>Description and Purpose:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                       |                              |                               |                             |                              |                                       |                             |                              |                               |  |
| <p>The purpose of the following requirements is to replace or upgrade aging critical components of the Enhanced Mobile Satellite Service (EMSS) Gateway. EMSS provides deployed Warfighters and Partnering Agencies global communications through enhancements to commercial Mobile Satellite Service (MSS) infrastructures. Services provided include voice, data, paging, and Short Burst Data. In order to ensure continued reliable service the EMSS Program Office has developed and is implementing a modernization program for the DOD EMSS Gateway. These modernization efforts include upgrades to keep the EMSS Gateway current with the Iridium Commercial Baseline as well as allow continued Information Assurance Vulnerability Alerts (IAVA) and Security Technical Implementation Guide (STIG) compliance. Some of these upgrades include the EMSS Notification Center (NC) which processes all Short Message Service (SMS) messages to and from Iridium Subscriber Units (ISUs), the Equipment Identity Register (EIR) which is a database of IMEI (International Mobile Equipment Identity) numbers of Iridium Subscriber Units, the Router Unstructured Digital Interface Communications System (RUDICS) system which enables circuit switched mobile originated (MO) and mobile terminated (MT) data calls for appropriately provisioned/equipped EMSS customers, the Network Management Build 3 which will address end-of-life components within the existing core network infrastructure, the Message Origination Center (MOC) Upgrade, which provides critical paging and voicemail services to EMSS customer, and an upgrade to the Gateway fuel tanks which are used to provide backup power and have reached end of life.</p> |                                       |                              |                               |                             |                              |                                       |                             |                              |                               |  |
| <b>Current Deficiency and/or Problem:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                       |                              |                               |                             |                              |                                       |                             |                              |                               |  |
| <p>The aging EMSS terrestrial architecture, infrastructure and equipment, which has been in service since the commencement of the program (1997), is becoming unsupported and beyond end of life. The current EMSS DoD Gateway was procured to interface with the current Iridium constellation, providing Enhanced Mobile Satellite Services to the DoD. As Iridium transitions their commercial service to utilize "Iridium NEXT" technology, their commercial gateway architecture is being upgraded. In order for EMSS to take advantage of existing Iridium technology as well the new capabilities that "Iridium NEXT" will provide, the EMSS Gateway modernization efforts must be realized to maintain technical parallel. This project continues the upgrades of the aging EMSS architecture, infrastructure and equipment. With the Iridium NEXT launch scheduled to begin in October 2015, and as Iridium transitions their commercial service to utilize "Iridium NEXT" technology, EMSS gateway architecture changes are required for DoD to take advantage of both existing and new Iridium capabilities. The EMSS gateway enhancements will ensure the government's continued ability to interface with the Iridium constellation and provide DoD enhanced mobile satellite services in the future.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                       |                              |                               |                             |                              |                                       |                             |                              |                               |  |
| <b>Impact:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                       |                              |                               |                             |                              |                                       |                             |                              |                               |  |
| <p>If the EMSS Gateway does not remain compatible with the Iridium commercial gateway, EMSS will not be able to interface with the Iridium constellation, provide current services, or access new services offered by Iridium NEXT. Without upgrades to the DoD Gateway infrastructure this vital Department of Defense resource will not be able to meet future communications needs.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       |                              |                               |                             |                              |                                       |                             |                              |                               |  |

**Capital Investment Justification**  
**Defense Information Systems Agency**  
**TELECOMMUNICATION SERVICES AND ENTERPRISE ACQUISITION SERVICES**  
**February 2016**  
**(Dollars in Thousands)**

| <b>Telecommunication Services/Enterprise Acquisition Services:<br/>Capital Investment Justification</b><br>(\$ in thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                       |                              |                               | <b>A. Fiscal Year 2017</b>  |                                              |                               |                             |                              |                               |  |
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| <b>B. TS/EAS / February 2016</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>C. ADPE and Telecommunications</b> |                              |                               |                             | <b>D. EMSS Gateway Voice Service Upgrade</b> |                               |                             |                              |                               |  |
| <b>Element of Cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>FY 2015<br/>Quantity</b>           | <b>FY 2015<br/>Unit Cost</b> | <b>FY 2015<br/>Total Cost</b> | <b>FY 2016<br/>Quantity</b> | <b>FY 2016<br/>Unit Cost</b>                 | <b>FY 2016<br/>Total Cost</b> | <b>FY 2017<br/>Quantity</b> | <b>FY 2017<br/>Unit Cost</b> | <b>FY 2017<br/>Total Cost</b> |  |
| <b>EMSS Gateway Voice Services</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 0.00                                  | 0.00                         | 0.00                          | 0.00                        | 0.00                                         | 0.00                          | 1.00                        | 7,000.00                     | 7,000.00                      |  |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>0.00</b>                           | <b>0.00</b>                  | <b>0.00</b>                   | <b>0.00</b>                 | <b>0.00</b>                                  | <b>0.00</b>                   | <b>1.00</b>                 | <b>7,000.00</b>              | <b>7,000.00</b>               |  |
| <b>Narrative Justification:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                       |                              |                               |                             |                                              |                               |                             |                              |                               |  |
| <p>The Enhanced Mobile Satellite Service (EMSS) provides deployed Warfighters and Partnering Agencies global communications through enhancements to commercial Mobile Satellite Service (MSS) infrastructures. Services provided include voice, data, paging, and Short Burst Data. In order to ensure continued reliable service, the EMSS Program Office has developed and is implementing a lifecycle replacement/End of Life (EOL) program for the DOD EMSS Gateway. The EMSS Program Office manages the efforts to replace/upgrade aging components, ensuring operational requirements are maintained and cyber security initiatives are met.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       |                              |                               |                             |                                              |                               |                             |                              |                               |  |
| <b>Description and Purpose:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                       |                              |                               |                             |                                              |                               |                             |                              |                               |  |
| <p>The current unclassified voice switch (AXE-810) and secure voice system (Red Interworking Function) are end of life components that need to be replaced in order to maintain operational capabilities. This will allow for both continued operations of global unclassified and secure voice services as well as future compatibility with Iridium "NEXT." The AXE-810 serves as the primary interface between the EMSS satellite phones and the terrestrial telephone network. It is also the interface to several mission critical systems within the gateway. Without these upgrades or replacements, EMSS critical systems will not be able to communicate with each other which will severely limit support to the warfighter. The secure voice services will also be rendered non-operational. As a further benefit, the upgrades will allow the gateway to maintain required Information Assurance Vulnerability Alerts/Security Technical Implementation Guide (IAVA/STIG) compliance.</p>                                                                                               |                                       |                              |                               |                             |                                              |                               |                             |                              |                               |  |
| <b>Current Deficiency and/or Problem:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                       |                              |                               |                             |                                              |                               |                             |                              |                               |  |
| <p>The aging EMSS terrestrial architecture, infrastructure and equipment, which have been in service since the commencement of the program, are becoming unsupportable and beyond end of life. The current EMSS DoD Gateway unclassified and secure voice services architecture is at end of life and in need of technological upgrade to continue providing enhanced mobile satellite voice services to the DoD. In order for EMSS to meet operational requirements, upgrades must be performed. The EMSS FY17 Capital requirement continues the upgrades of the aging EMSS architecture, infrastructure and equipment. With the Iridium NEXT launch scheduled to begin in April 2016, and as Iridium transitions their commercial service to utilize "Iridium NEXT" technology, EMSS gateway architecture changes are required for DoD to maintain operational capability and take advantage of the new capabilities that "Iridium NEXT" will provide. The EMSS gateway voice architecture enhancements will ensure the government's continued ability to meet user operational requirements.</p> |                                       |                              |                               |                             |                                              |                               |                             |                              |                               |  |
| <b>Impact:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                       |                              |                               |                             |                                              |                               |                             |                              |                               |  |
| <p>If the EMSS Gateway does not remain compatible with the Iridium commercial gateway, EMSS will not be able to interface with the Iridium constellation, provide current services, or access new services offered by Iridium NEXT. Without upgrades to the DoD Gateway infrastructure this vital Department of Defense resource will not be able to meet future communications needs.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                       |                              |                               |                             |                                              |                               |                             |                              |                               |  |

**Capital Investment Justification**  
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**(Dollars in Thousands)**

| <b>Telecommunication Services/Enterprise Acquisition Services:<br/>Capital Investment Justification</b><br>(\$ in thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                        |                              |                               |                             |                              | <b>A. Fiscal Year 2017</b>              |                             |                              |                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------|-------------------------------|-----------------------------|------------------------------|-----------------------------------------|-----------------------------|------------------------------|-------------------------------|
| <b>TS/EAS / February 2016</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>C. ADPE and Telecom - Equipment</b> |                              |                               |                             |                              | <b>D. Secure Handset System Upgrade</b> |                             |                              |                               |
| <b>Element of Cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>FY 2015<br/>Quantity</b>            | <b>FY 2015<br/>Unit Cost</b> | <b>FY 2015<br/>Total Cost</b> | <b>FY 2016<br/>Quantity</b> | <b>FY 2016<br/>Unit Cost</b> | <b>FY 2016<br/>Total Cost</b>           | <b>FY 2017<br/>Quantity</b> | <b>FY 2017<br/>Unit Cost</b> | <b>FY 2017<br/>Total Cost</b> |
| <b>Secure Handset System Upgrade</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 1.00                                   | 4,800.00                     | 4,800.00                      | 1.00                        | 4,971.00                     | 4,971.00                                | 0.00                        | 0.00                         | 0.00                          |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>1.00</b>                            | <b>4,800.00</b>              | <b>4,800.00</b>               | <b>1.00</b>                 | <b>4,971.00</b>              | <b>4,971.00</b>                         | <b>0.00</b>                 | <b>0.00</b>                  | <b>0.00</b>                   |
| <b>Narrative Justification:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                        |                              |                               |                             |                              |                                         |                             |                              |                               |
| This project is to support the replacement of the 9505A secure satellite phone.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                        |                              |                               |                             |                              |                                         |                             |                              |                               |
| <b>Description and Purpose:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                        |                              |                               |                             |                              |                                         |                             |                              |                               |
| This funding supports the new secure satellite phone that is needed to replace the obsolete 9505A secure phone which has been off of the commercial market for eight years. We continue to use the 9505A secure phone because of the Type I encryption for Secret and Top Secret voice capability that this phone provides. General Dynamics has agreed to support the 9505A, but because the parts are obsolete the phone is extremely expensive to maintain. The EMSS program currently has 29,175 phones in use today with approximately another 10,000 phones inactive. These phones are critical communications devices for the executive branch, DoD users, and the intelligence community. This project will certify both the Iridium 9575 phone (which is the upgrade to the 9505A) and the Iridium Secure Module (ISM) that encrypts the voice calls, create a new tamper seal, and upgrade the secure call interface located at the DoD Iridium Gateway in Hawaii. These upgrades are needed to support voice calls at classification levels to Top Secret. |                                        |                              |                               |                             |                              |                                         |                             |                              |                               |
| <b>Current Deficiency and/or Problem:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                        |                              |                               |                             |                              |                                         |                             |                              |                               |
| The current force phone is over 8 years old and is no longer supported on the commercial market. DoD is paying General Dynamics to support this phone indefinitely, which is cost prohibitive due to the need for parts that have to be specially made since they are no longer in production. There are just 1800 ISMs available in inventory today, which is projected to be depleted soon. The 9505A telephone and secure sleeve is no longer manufactured. All remaining supply is dedicated to DoD purchases.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                        |                              |                               |                             |                              |                                         |                             |                              |                               |
| <b>Impact:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                        |                              |                               |                             |                              |                                         |                             |                              |                               |
| If the project is not supported, the DoD will lose its ability to provide secure ISM's and ultimately secure voice capability for new and existing handsets. Due to the long lead time, this will impact communications in either the 2016 or 2017 timeframe.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                        |                              |                               |                             |                              |                                         |                             |                              |                               |

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| <b>Telecommunication Services/Enterprise Acquisition Services:<br/>Capital Investment Justification</b><br>(\$ in thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                       |                              |                               | <b>A. Fiscal Year 2017</b>  |                                                             |                               |                             |                              |                               |
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| <b>B. TS/EAS / February 2016</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>C. ADPE and Telecommunications</b> |                              |                               |                             | <b>D. Remote Earth Terminal / DISA Feeder Link Terminal</b> |                               |                             |                              |                               |
| <b>Element of Cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>FY 2015<br/>Quantity</b>           | <b>FY 2015<br/>Unit Cost</b> | <b>FY 2015<br/>Total Cost</b> | <b>FY 2016<br/>Quantity</b> | <b>FY 2016<br/>Unit Cost</b>                                | <b>FY 2016<br/>Total Cost</b> | <b>FY 2017<br/>Quantity</b> | <b>FY 2017<br/>Unit Cost</b> | <b>FY 2017<br/>Total Cost</b> |
| <b>Remote Earth Terminal / DISA Feeder Link Terminal</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 1.00                                  | 8,571.00                     | 8,571.00                      | 1.00                        | 1,729.00                                                    | 1,729.00                      | 0.00                        | 0.00                         | 0.00                          |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>1.00</b>                           | <b>8,571.00</b>              | <b>8,571.00</b>               | <b>1.00</b>                 | <b>1,729.00</b>                                             | <b>1,729.00</b>               | <b>0.00</b>                 | <b>0.00</b>                  | <b>0.00</b>                   |
| <b>Narrative Justification:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                       |                              |                               |                             |                                                             |                               |                             |                              |                               |
| <p>The Remote Earth Terminal (now known as the DISA Feeder Link Terminal (DFLT)) will mitigate the problem associated with a single point of failure that is present in the current EMSS DOD Gateway single site configuration. With only one Satellite constellation downlink site at Wahiawa, Hawaii, there is no opportunity for a dynamic management capability and continuity of operations (COOP) support. The single EMSS Gateway is subject to global outages that directly affect DoD's ability to provide service to the warfighter. The global outages are caused by adverse weather conditions at the DOD gateway site and gaps in the Iridium satellite constellation, which happens due to failure of satellites and satellite components as they age. By adding a geographically dispersed redundant DISA Feeder Link Terminal site, the EMSS Program will mitigate the risk associated with satellite failures as well as single site failures now and into the future. Mitigating the single point of failure will improve the network availability and reliability, which is required to meet user demand and DoD Information Network (DODIN) service level agreement thresholds.</p>                                                                                                                     |                                       |                              |                               |                             |                                                             |                               |                             |                              |                               |
| <b>Description and Purpose:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                       |                              |                               |                             |                                                             |                               |                             |                              |                               |
| <p>The purpose of this Remote Earth Terminal / DFLT project is to establish a geographically dispersed redundant DISA Feeder Link Terminal site in order to enhance system redundancy for continuity of operations (COOP), reduce the impact of Iridium satellite failures, and ensure a capability for dynamic resource management. Through this project, DISA will contract with Iridium by awarding a task order under the existing Gateway Modernization Contract (HC1047-12-D-4015) to obtain and install three (3) Iridium FLT SATCOM antennas, which consists of three (3) antenna groups (AG), three (3) antenna radomes, three (3) antenna towers, and three (3) antenna tower base frames (for elevated concrete pier installation) on a reinforced concrete pad and one support ancillary facility structure. Also included are site-agnostic and some site-specific terminal tasks (engineering, procurement, installation and testing) and DoD Information Networks (DODIN) integration tasks. Minor Construction funds will be used to perform minor construction tasks at the selected site, develop the site requirements/design plan, build concrete pads, and dig cable trenches. This work will be contracted through the Local Site Facility Management/Public Works organization.</p>                  |                                       |                              |                               |                             |                                                             |                               |                             |                              |                               |
| <b>Current Deficiency and/or Problem:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                       |                              |                               |                             |                                                             |                               |                             |                              |                               |
| <p>Iridium's current constellations of satellites are operating beyond their anticipated lifespan. A new Iridium constellation is being launched to replace the existing Iridium constellation, beginning in April 2016, which should be fully operational by 2018. The current constellation has an average satellite failure rate of one every 14 months, however the failure rate does periodically fluctuate as evidenced by the two satellite failures Iridium experienced in August 2014. The constellation currently has one gap due to satellite component failure. There are currently two spare satellites available in orbit to replace any future failed satellites. However, the time for a spare satellite to get on station and replace a failed satellite is up to 18 months. Each satellite failure can impact end-user end-to-end system availability up to 3.4%. Having a separate DoD site of three terminals will reduce the impact of a satellite failure by half and mitigate a satellite K-band (uplink/downlink) outage entirely. A geographically diverse terminal grounding site can also provide benefits in mitigating short term anomalies, support maintenance effects on existing assets and be used during significant weather events to mitigate impacts to the warfighter community.</p> |                                       |                              |                               |                             |                                                             |                               |                             |                              |                               |
| <b>Impact:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       |                              |                               |                             |                                                             |                               |                             |                              |                               |
| <p>If the Remote Earth Terminal DFLT site is not established, EMSS customers will continue to experience outages and not have a good COOP solution. Service reliability and availability will continue to be issue.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                       |                              |                               |                             |                                                             |                               |                             |                              |                               |

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| <b>Telecommunication Services/Enterprise Acquisition Services:<br/>Capital Investment Justification</b><br>(\$ in thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                     |                      |                       |                     |                      | <b>A. Fiscal Year 2017</b>     |                     |                      |                       |
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| <b>B. TS/EAS / February 2016</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                     | <b>C. Software</b>   |                       |                     |                      | <b>D. DTCS-Global Services</b> |                     |                      |                       |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | FY 2015<br>Quantity | FY 2015<br>Unit Cost | FY 2015<br>Total Cost | FY 2016<br>Quantity | FY 2016<br>Unit Cost | FY 2016<br>Total Cost          | FY 2017<br>Quantity | FY 2017<br>Unit Cost | FY 2017<br>Total Cost |
| DTCS-Global Services                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 1.00                | 3,062.00             | 3,062.00              | 1.00                | 5,000.00             | 5,000.00                       | 0.00                | 0.00                 | 0.00                  |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>1.00</b>         | <b>3,062.00</b>      | <b>3,062.00</b>       | <b>1.00</b>         | <b>5,000.00</b>      | <b>5,000.00</b>                | <b>0.00</b>         | <b>0.00</b>          | <b>0.00</b>           |
| <b>Narrative Justification:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                     |                      |                       |                     |                      |                                |                     |                      |                       |
| <p>As part of our Iridium-based service offering, Enhanced Mobile Satellite Service (EMSS) provides customers with the Distributed Tactical Communications System (DTCS). The DTCS is an over-the-horizon, beyond-line-of-sight, "netted" satellite communication capability that employs cutting-edge tactical radios and corresponding systems. Netted voice and data communications are essentially "push-to-talk" services whereby one user (a sender) pushes a button to disseminate a message to several listeners who are part of a "talk group" (one-to-many voice communication). In addition, the service also includes a simultaneous data function which transmits "short-burst-data" ("SBD") that communicates such knowledge as Position Location Information ("PLI"). HQ USMC C4 and Other Government Agencies have a requirement to upgrade the existing DTCS service from its current state and capability, "Phase 2", to Global Services ("DTCS GS").</p> |                     |                      |                       |                     |                      |                                |                     |                      |                       |
| <b>Description and Purpose:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                     |                      |                       |                     |                      |                                |                     |                      |                       |
| <p>This upgrade has two (2) main goals: 1) enhance the existing DTCS service from a 250 mile netted radius to global reach; and 2) promote competition through the establishment of an open standard development kit as predicated on the commercial Iridium 9523 transceiver (currently the only device that leverages DTCS is a proprietary Exelis radio). The result is expected to be a broadened use of the capability for existing users (7,700) and the adoption of the service by new users (we forecast significant growth). The Global Services upgrade entails software and firmware upgrades to the existing DTCS systems present at the EMSS Gateway and the generation of information to produce the kit.</p>                                                                                                                                                                                                                                                 |                     |                      |                       |                     |                      |                                |                     |                      |                       |
| <b>Current Deficiency and/or Problem:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                     |                      |                       |                     |                      |                                |                     |                      |                       |
| <p>In order to support Combatant Commander requirements in current and future Overseas Contingency Operations (OCO), The Marine Air-Ground Task Force (MAGTF) commanders are required to provide C2 to forces over much greater distances than previously envisioned. Existing tactical radio equipment does not have the capability to support such long range C2 beyond line of sight on the modern dispersed battlefield. No other capability exists to meet this specific C2 tactical radio requirement.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                     |                      |                       |                     |                      |                                |                     |                      |                       |
| <p>DTCS-GS was presented and gained vital support and momentum at the General Officer Command Element Advocate Board (GO CEAB) Decision Memorandum #03-2014 (Troop Commander Airborne C2 Requirement) that identified enhancing MAGTF C2 as of utmost importance to commanders at every echelon, and recommends that delivery of MAGTF Commander Long Range C2 capabilities be expedited. The GO CEAB Decision Memorandum resulted in Urgent UNS #14169 UA (SPMAGTF En route C4), recommending that this capability be supported in part by DTCS GS.</p>                                                                                                                                                                                                                                                                                                                                                                                                                    |                     |                      |                       |                     |                      |                                |                     |                      |                       |
| <b>Impact:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                     |                      |                       |                     |                      |                                |                     |                      |                       |
| <p>If these DTCS enhancements are not funded, deployed forces communications will be limited to 250NM, and this urgent need will not be met.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                     |                      |                       |                     |                      |                                |                     |                      |                       |



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| <b>Telecommunication Services/Enterprise Acquisition Services:<br/>Capital Investment Justification</b><br>(\$ in thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                              |                               |                             |                              | <b>A. Fiscal Year 2017</b>     |                             |                              |                               |
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| <b>TS/EAS / February 2016</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>C. Software Development</b> |                              |                               |                             |                              | <b>D. New Financial System</b> |                             |                              |                               |
| <b>Element of Cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>FY 2015<br/>Quantity</b>    | <b>FY 2015<br/>Unit Cost</b> | <b>FY 2015<br/>Total Cost</b> | <b>FY 2016<br/>Quantity</b> | <b>FY 2016<br/>Unit Cost</b> | <b>FY 2016<br/>Total Cost</b>  | <b>FY 2017<br/>Quantity</b> | <b>FY 2017<br/>Unit Cost</b> | <b>FY 2017<br/>Total Cost</b> |
| <b>New Financial System</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 0.00                           | 0.00                         | 0.00                          | 1.00                        | 25,260.00                    | 25,260.00                      | 0.00                        | 0.00                         | 0.00                          |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>0.00</b>                    | <b>0.00</b>                  | <b>0.00</b>                   | <b>1.00</b>                 | <b>25,260.00</b>             | <b>25,260.00</b>               | <b>0.00</b>                 | <b>0.00</b>                  | <b>0.00</b>                   |
| <b>Narrative Justification:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                |                              |                               |                             |                              |                                |                             |                              |                               |
| This project is to modernize the TSEAS FAMIS Financial system.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                |                              |                               |                             |                              |                                |                             |                              |                               |
| <b>Description and Purpose:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                |                              |                               |                             |                              |                                |                             |                              |                               |
| The purpose of this project is to develop a new TSEAS financial system which will modernize the current FAMIS TSEAS system. The new TSEAS financial system will be fully compatible with the Working Capital Fund-Core system deployed in support of the Computing Services business area and will allow production of an integrated financial statement for the Information Services Activity Group. The new TSEAS financial system is a turn-key solution designed to upgrade from the current version. This solution will support the following application family of products: General Ledger, Accounts Receivable, Accounts Payable, Federal Administration, Project Costing, Project Billing, Project Contracts, Purchasing, and iProcurement. The resulting system will implement Oracle Identity and Access Management (IAM) to interface with enterprise business system to provide Common Access Card (CAC) authentication. Both the operational and the back-up environments for this solution will be hosted at DECCs.                                                                                                                                                                                                                                                                                 |                                |                              |                               |                             |                              |                                |                             |                              |                               |
| <b>Current Deficiency and/or Problem:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                |                              |                               |                             |                              |                                |                             |                              |                               |
| The Federal Financial Management Integrity Act (FFMIA) of 1996 requires Federal agencies to implement and maintain financial management systems compliant with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. The Office of Management and Budget (OMB) issued Circular 127, Financial Management Systems (revised 1/9/2009), to implement FFMIA and establish specific requirements for Federal financial systems.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                |                              |                               |                             |                              |                                |                             |                              |                               |
| <b>Impact:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                |                              |                               |                             |                              |                                |                             |                              |                               |
| Upon implementation of the new financial system, DISA will be in compliance with the DoD mandated solution for working capital fund accounting & finance, the latest version of Business Enterprise Architecture (BEA), the Financial Management Regulation (FMR), Office of Management and Budget compliance objectives, and other applicable policies, laws and regulations. The current proprietary program will be replaced with a non-proprietary solution, allowing DISA to more freely pursue open competition options in future contractual activities. Many of the manual processes in the current solution will be replaced by automated functions, enhancing user efficiency. It is anticipated that the new TSEAS financial system will provide DISA with the opportunity to improve business processes, increase standardization and identify efficiencies with interfaces that allow for the best use of resources across all areas. It is also anticipated that the new TSEAS financial system will provide capabilities that will reduce manual, off-line efforts necessary to perform functions in the current environment as well as establish standardized cost structures across the DWCF entities providing better visibility of cost and revenue information from an enterprise perspective. |                                |                              |                               |                             |                              |                                |                             |                              |                               |

**Capital Investment Justification**  
**Defense Information Systems Agency**  
**TELECOMMUNICATION SERVICES AND ENTERPRISE ACQUISITION SERVICES**  
**February 2016**  
**(Dollars in Thousands)**

| <b>Telecommunication Services/Enterprise Acquisition Services:<br/>Capital Investment Justification</b><br>(\$ in thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                              |                               |                             |                              | <b>A. Fiscal Year 2017</b>                    |                             |                              |                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------|-------------------------------|-----------------------------|------------------------------|-----------------------------------------------|-----------------------------|------------------------------|-------------------------------|
| <b>TS/EAS / February 2016</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>C. Software Development</b> |                              |                               |                             |                              | <b>D. Traditional Contract Writing System</b> |                             |                              |                               |
| <b>Element of Cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>FY 2015<br/>Quantity</b>    | <b>FY 2015<br/>Unit Cost</b> | <b>FY 2015<br/>Total Cost</b> | <b>FY 2016<br/>Quantity</b> | <b>FY 2016<br/>Unit Cost</b> | <b>FY 2016<br/>Total Cost</b>                 | <b>FY 2017<br/>Quantity</b> | <b>FY 2017<br/>Unit Cost</b> | <b>FY 2017<br/>Total Cost</b> |
| <b>Traditional Contract Writing System</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 1.00                           | 1,910.00                     | 1,910.00                      | 1.00                        | 2,000.00                     | 2,000.00                                      | 0.00                        | 0.00                         | 0.00                          |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>1.00</b>                    | <b>1,910.00</b>              | <b>1,910.00</b>               | <b>1.00</b>                 | <b>2,000.00</b>              | <b>2,000.00</b>                               | <b>0.00</b>                 | <b>0.00</b>                  | <b>0.00</b>                   |
| <b>Narrative Justification:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                |                              |                               |                             |                              |                                               |                             |                              |                               |
| <b>Description and Purpose:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                |                              |                               |                             |                              |                                               |                             |                              |                               |
| <p>On 24 March 2005, DISA-PLD/DITCO received authorization from the DoD Business Management Modernization Program (BMMP) to replace incongruous and unsupported legacy contracting applications with a modern end-to-end system now called the Integrated Defense Enterprise Acquisition System (IDEAS). The Enterprise Business Modernization (EBM) project was subdivided into telecommunications and traditional contracting and uses an agile methodology to incrementally configure Appian's Inc Business Process Management (BPM) tool to support all procurement functions. IDEAS adheres to the DoD Procurement Data Standard (PDS) and Standard Financial Information Structure (SFIS), has been certified Business Enterprise Architecture (BEA) compliant, and is documented using the Department of Defense Architecture Framework (DoDAF). Receiving its Authority to Operate (ATO) in 3QFY09, IDEAS provided telecommunications contracting capability first. Funding is required to deploy traditional contracting capability which is the next step in the incremental progression towards a fully integrated contract writing system. The traditional contracting solution shall be configured utilizing Appian's BPM tool to provide the flexibility, access controls, and interfaces necessary in providing a streamlined system inclusive of all procurement functions. DISA is currently licensed to configure IDEAS for Telecommunications and Traditional Contracting for 5000 users. IDEAS is a single web-based contract writing system which manages all pre-award, award, and post-award activities. Telecommunications contracting was implemented first and has processed over 19,200 contract actions by 150 contracting specialists and officers, with a life cycle value just over \$1.6B. Traditional contracting is the next step towards replacing costly and unsupportable legacy systems, providing the full spectrum of contracting capabilities within a single integrated system, and replacing the Standard Procurement System (SPS).</p> |                                |                              |                               |                             |                              |                                               |                             |                              |                               |
| <b>Current Deficiency and/or Problem:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                |                              |                               |                             |                              |                                               |                             |                              |                               |
| <p>OSD AT&amp;L Department of Defense (DoD) Functional Contract Writing and Administration Capabilities Memo dated 21 October 2011 declared FY 2015 as the end-of-life for the SPS/PD2 (That date has since been extended and a new date is TBD). Therefore, the EBM/IDEAS Traditional Contract Writing System project must be in place before the legacy system sunsets.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                              |                               |                             |                              |                                               |                             |                              |                               |
| <b>Impact:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                |                              |                               |                             |                              |                                               |                             |                              |                               |
| <p>Failure to replace DISA contract writing systems before the sunset of SPS/PD2 will result in an interruption of DISA's ability to contract for essential Information Technology products and services required by DISA's mission partners.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                |                              |                               |                             |                              |                                               |                             |                              |                               |

**Capital Budget Execution**  
**Defense Information Systems Agency**  
**TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES**  
**February 2016**  
**(Dollars in Millions)**

| <u>Fiscal Year</u> | <u>Major Category</u>                        | <u>Initial Request</u> | <u>Current Proj. Cost</u> | <u>Approved Change</u> | <u>Explanation</u>                                                                         |
|--------------------|----------------------------------------------|------------------------|---------------------------|------------------------|--------------------------------------------------------------------------------------------|
| <b>FY 2015</b>     |                                              |                        |                           |                        |                                                                                            |
|                    | Equipment except ADPE and Telecommunications | 5.800                  | 6.309                     | 0.509                  | Increased requirement to support the fit out of the new DISA CONUS facility.               |
|                    | Equipment - ADPE and Telecommunications      | 5.621                  | 13.371                    | 7.750                  | EMSS RET project reprogrammed from FY13 due to vendor change                               |
|                    | Software Development                         | 27.000                 | 4.972                     | (22.028)               | Funding for the New Financial System moved to FY16 due to delays in execution.             |
|                    | Minor Construction                           | 0.000                  | 0.000                     | 0.000                  |                                                                                            |
|                    | <b>TOTAL FY 2015</b>                         | <b>38.421</b>          | <b>24.652</b>             | <b>(13.769)</b>        |                                                                                            |
| <b>FY 2016</b>     |                                              |                        |                           |                        |                                                                                            |
|                    | Equipment except ADPE and Telecommunications | 0.000                  | 0.768                     | 0.768                  | Addition of Wireless Local Area Network (WLAN) project at the new DISA CONUS facility.     |
|                    | Equipment - ADPE and Telecommunications      | 1.007                  | 12.400                    | 11.393                 | Addition of multiple projects due to delays in executing projects approved in prior years. |
|                    | Software Development                         | 0.000                  | 32.260                    | 32.260                 | Addition of multiple projects due to delays in executing projects approved in prior years. |
|                    | Minor Construction                           | 0.000                  | 0.000                     | 0.000                  |                                                                                            |
|                    | <b>TOTAL FY 2016</b>                         | <b>1.007</b>           | <b>45.428</b>             | <b>44.421</b>          |                                                                                            |
| <b>FY 2017</b>     |                                              |                        |                           |                        |                                                                                            |
|                    | Equipment except ADPE and Telecommunications | 0.000                  | 0.000                     | 0.000                  |                                                                                            |
|                    | Equipment - ADPE and Telecommunications      | 7.000                  | 7.000                     | 0.000                  |                                                                                            |
|                    | Software Development                         | 0.000                  | 0.000                     | 0.000                  |                                                                                            |
|                    | Minor Construction                           | 0.000                  | 0.000                     | 0.000                  |                                                                                            |
|                    | <b>TOTAL FY 2017</b>                         | <b>7.000</b>           | <b>7.000</b>              | <b>0.000</b>           |                                                                                            |

**Source of New Orders and Revenue**  
**Defense Information Systems Agency**  
**TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES**  
**February 2016**  
**(Dollars in Millions)**

|                                       | 2015               | 2016               | 2017               |
|---------------------------------------|--------------------|--------------------|--------------------|
| <b>1. New Orders</b>                  |                    |                    |                    |
| <b>a. ORDERS FROM DoD COMPONENTS</b>  | <b>\$5,349.226</b> | <b>\$5,705.728</b> | <b>\$5,813.044</b> |
| <b>ARMY APPROPRIATED</b>              | <b>\$1,729.212</b> | <b>\$1,644.489</b> | <b>\$1,736.148</b> |
| Army O&M                              | \$1,677.233        | \$1,560.058        | \$1,679.598        |
| Army RDT&E                            | \$4.514            | \$0.109            | \$0.116            |
| Army Procurement                      | \$47.338           | \$84.066           | \$56.177           |
| Army MILCON                           | \$0.127            | \$0.256            | \$0.257            |
| Army BRAC                             | \$0.000            | \$0.000            | \$0.000            |
| <b>NAVY APPROPRIATED</b>              | <b>\$760.043</b>   | <b>\$641.411</b>   | <b>\$560.204</b>   |
| Navy O&M                              | \$758.643          | \$623.242          | \$525.314          |
| Navy RDT&E                            | \$0.177            | \$16.052           | \$32.766           |
| Navy Procurement                      | \$1.111            | \$2.027            | \$2.034            |
| Navy MILCON                           | \$0.112            | \$0.090            | \$0.090            |
| Navy BRAC                             | \$0.000            | \$0.000            | \$0.000            |
| <b>MARINE CORPS APPROPRIATED</b>      | <b>\$0.360</b>     | <b>\$83.183</b>    | <b>\$35.171</b>    |
| Marine Corps O&M                      | \$0.356            | \$83.183           | \$35.171           |
| Marine Corps RDT&E                    | \$0.000            | \$0.000            | \$0.000            |
| Marine Corps Procurement              | \$0.004            | \$0.000            | \$0.000            |
| Marine Corps MILCON                   | \$0.000            | \$0.000            | \$0.000            |
| Marine Corps BRAC                     | \$0.000            | \$0.000            | \$0.000            |
| <b>AIR FORCE APPROPRIATED</b>         | <b>\$1,244.038</b> | <b>\$1,332.699</b> | <b>\$1,167.276</b> |
| AF O&M                                | \$1,244.038        | \$1,329.417        | \$1,166.974        |
| AF RDT&E                              | \$0.000            | \$0.000            | \$0.000            |
| AF Procurement                        | \$0.000            | \$0.713            | \$0.302            |
| AF MILCON                             | \$0.000            | \$0.000            | \$0.000            |
| AF BRAC                               | \$0.000            | \$2.569            | \$0.000            |
| <b>DISA APPROPRIATED</b>              | <b>\$1,162.768</b> | <b>\$1,521.623</b> | <b>\$1,693.815</b> |
| DISA O&M                              | \$1,152.109        | \$1,496.739        | \$1,668.711        |
| DISA RDT&E                            | \$8.912            | \$16.933           | \$17.170           |
| DISA Procurement                      | \$1.747            | \$7.951            | \$7.934            |
| DISA MILCON                           | \$0.000            | \$0.000            | \$0.000            |
| DISA BRAC                             | \$0.000            | \$0.000            | \$0.000            |
| <b>DEFENSE WIDE APPROPRIATED</b>      | <b>\$350.142</b>   | <b>\$350.389</b>   | <b>\$389.609</b>   |
| Defense Wide Appropriated O&M         | \$345.681          | \$338.401          | \$375.413          |
| Defense Wide Appropriated RDT&E       | \$1.026            | \$4.600            | \$6.772            |
| Defense Wide Appropriated Procurement | \$3.386            | \$7.386            | \$7.422            |
| Defense Wide Appropriated MILCON      | \$0.000            | \$0.000            | \$0.000            |
| Defense Wide Appropriated BRAC        | \$0.049            | \$0.002            | \$0.002            |
| <b>OTHER DoD APPROPRIATED</b>         | <b>\$102.663</b>   | <b>\$131.934</b>   | <b>\$230.821</b>   |

**Source of New Orders and Revenue**  
**Defense Information Systems Agency**  
**TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES**  
**February 2016**  
**(Dollars in Millions)**

|                                                  | 2015               | 2016               | 2017               |
|--------------------------------------------------|--------------------|--------------------|--------------------|
| Other DoD Appropriated O&M                       | \$102.663          | \$131.134          | \$230.021          |
| Other DoD Appropriated RDT&E                     | \$0.000            | \$0.000            | \$0.000            |
| Other DoD Appropriated Procurement               | \$0.000            | \$0.800            | \$0.800            |
| Other DoD Appropriated MILCON                    | \$0.000            | \$0.000            | \$0.000            |
| Other DoD Appropriated BRAC                      | \$0.000            | \$0.000            | \$0.000            |
| <b>b. ORDERS FROM DWCF/REVOLVING FUNDS</b>       | <b>\$745.641</b>   | <b>\$803.591</b>   | <b>\$804.311</b>   |
| <b>ARMY - WCF</b>                                | <b>\$0.000</b>     | <b>\$0.000</b>     | <b>\$0.000</b>     |
| Army Industrial Operations                       | \$0.000            | \$0.000            | \$0.000            |
| <b>NAVY - WCF</b>                                | <b>\$10.867</b>    | <b>\$13.799</b>    | <b>\$12.600</b>    |
| Navy Depot Maintenance                           | \$0.000            | \$0.000            | \$0.000            |
| Navy Base Support                                | \$0.011            | \$0.022            | \$0.023            |
| Navy Supply Management                           | \$0.164            | \$0.000            | \$0.000            |
| Marine Corps Supply                              | \$0.000            | \$0.000            | \$0.000            |
| Marine Corps Depot Maintenance WCF               | \$0.000            | \$0.000            | \$0.000            |
| Other Navy Activity Groups                       | \$10.692           | \$13.777           | \$12.577           |
| <b>AIR FORCE - WCF</b>                           | <b>\$8.128</b>     | <b>\$12.772</b>    | <b>\$13.365</b>    |
| Consolidated Sustainment Activity Group (CSAG)   | \$0.046            | \$0.094            | \$0.095            |
| US Transportation Command (TRANSCOM)             | \$8.082            | \$12.678           | \$13.270           |
| <b>DEFENSE WIDE WCF</b>                          | <b>\$659.932</b>   | <b>\$724.783</b>   | <b>\$725.779</b>   |
| DISA Telecomm Svcs/Ent Acquisition Svcs (TS/EAS) | \$0.000            | \$0.000            | \$0.000            |
| DISA Computing Services (CSD)                    | \$654.962          | \$711.582          | \$717.807          |
| Defense Finance and Accounting Service (DFAS)    | \$4.788            | \$4.988            | \$6.880            |
| DLA Energy Management                            | \$0.000            | \$0.000            | \$0.000            |
| DLA Defense Automated Printing Services (DAPS)   | (\$0.451)          | \$0.000            | \$0.000            |
| DLA Supply Chain Management                      | \$0.633            | \$8.213            | \$1.092            |
| <b>DEFENSE COMMISSARY AGENCY (DECA)</b>          | <b>\$66.714</b>    | <b>\$52.017</b>    | <b>\$52.346</b>    |
| DECA Commissary Operations                       | \$66.714           | \$52.017           | \$52.346           |
| DECA Commissary Resale                           | \$0.000            | \$0.000            | \$0.000            |
| <b>Other - Working Capital</b>                   | <b>\$0.000</b>     | <b>\$0.000</b>     | <b>\$0.000</b>     |
| <b>OTHER REVOLVING FUNDS</b>                     | <b>\$0.000</b>     | <b>\$0.220</b>     | <b>\$0.221</b>     |
| Corps of Engineers                               | \$0.000            | \$0.220            | \$0.221            |
| National Defense Stockpile Transaction Fund      | \$0.000            | \$0.000            | \$0.000            |
| Pentagon Reservation Maintenance Revolving Fund  | \$0.000            | \$0.000            | \$0.000            |
| PRMRF/BMF                                        | \$0.000            | \$0.000            | \$0.000            |
| <b>c. TOTAL DoD ORDERS</b>                       | <b>\$6,094.867</b> | <b>\$6,509.319</b> | <b>\$6,617.355</b> |
| <b>d. OTHER ORDERS</b>                           | <b>\$106.875</b>   | <b>\$89.071</b>    | <b>\$74.417</b>    |

**Source of New Orders and Revenue**  
**Defense Information Systems Agency**  
**TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES**  
**February 2016**  
**(Dollars in Millions)**

|                              | 2015               | 2016               | 2017               |
|------------------------------|--------------------|--------------------|--------------------|
| OTHER FEDERAL AGENCIES       | \$100.812          | \$86.641           | \$71.950           |
| TRUST FUNDS                  | \$1.114            | \$2.069            | \$2.077            |
| FOREIGN MILITARY SALES       | \$4.829            | \$0.277            | \$0.315            |
|                              |                    |                    |                    |
| <b>TOTAL NEW ORDERS</b>      | <b>\$6,201.742</b> | <b>\$6,598.390</b> | <b>\$6,691.772</b> |
|                              |                    |                    |                    |
| <b>2. Carry In Orders</b>    | <b>\$0.000</b>     | <b>\$0.000</b>     | <b>\$0.000</b>     |
|                              |                    |                    |                    |
| <b>3. TOTAL GROSS ORDERS</b> | <b>\$6,201.742</b> | <b>\$6,598.390</b> | <b>\$6,691.772</b> |

**Revenue and Expenses**  
**Defense Information Systems Agency**  
**TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES**  
**February 2016**  
**(Dollars in Millions)**

|                                                | 2015        | 2016        | 2017        |
|------------------------------------------------|-------------|-------------|-------------|
| <b>Revenue</b>                                 |             |             |             |
| Gross Sales                                    | \$6,201.742 | \$6,598.390 | \$6,691.772 |
| Operations                                     | \$6,173.651 | \$6,583.508 | \$6,667.883 |
| Capital Surcharge                              | \$0.000     | \$0.000     | \$0.000     |
| Depreciation                                   | \$28.091    | \$14.882    | \$23.889    |
| Other Income                                   | \$0.000     | \$0.000     | \$0.000     |
| Refunds/Discounts (-)                          | \$0.000     | \$0.000     | \$0.000     |
| Total Income:                                  | \$6,201.742 | \$6,598.390 | \$6,691.772 |
| <b>Costs</b>                                   |             |             |             |
| Cost of Material Sold from Inventory           | \$0.000     | \$0.000     | \$0.000     |
| Salaries and Wages:                            | \$185.386   | \$196.874   | \$161.642   |
| Military Personnel Compensation & Benefits     | \$6.196     | \$4.765     | \$1.871     |
| Civilian Personnel Compensation & Benefits     | \$179.190   | \$192.109   | \$159.771   |
| Travel & Transportation of Personnel           | \$4.013     | \$4.933     | \$3.622     |
| Materials & Supplies (For internal Operations) | \$9.555     | \$9.930     | \$9.829     |
| Equipment                                      | \$0.000     | \$0.000     | \$0.000     |
| Other Purchases from Revolving Funds           | \$79.685    | \$153.599   | \$135.327   |
| Transportation of Things                       | \$0.550     | \$0.605     | \$0.865     |
| Depreciation - Capital                         | \$28.091    | \$14.882    | \$23.889    |
| Printing and Reproduction                      | \$0.056     | \$0.180     | \$0.067     |
| Advisory and Assistance Services               | \$1.980     | \$1.858     | \$1.333     |
| Rent, Comm, Utilities, & Misc. Charges         | 1,566.578   | 1,574.270   | 1,508.219   |
| Other Purchased Services                       | \$4,210.149 | \$4,602.375 | \$4,793.160 |
| <b>Total Costs</b>                             | \$6,086.043 | \$6,559.506 | \$6,637.953 |
| <b>Operating Results</b>                       | 115.699     | 38.884      | 53.819      |
| Less Capital Surcharge Reservation             | \$0.000     | \$0.000     | \$0.000     |
| Less Recover Other                             | \$0.000     | \$0.000     | \$0.000     |
| + Passthrough or Other App. Affecting NOR      |             |             |             |
| - Passthrough or Other App. not Affecting NOR  |             |             |             |
| Other Adjustments Affecting NOR                | \$0.000     | \$0.000     | \$0.000     |
| <b>Net Operating Results</b>                   | \$115.699   | \$38.884    | \$53.819    |
| Prior Year AOR                                 | \$265.299   | \$151.925   | \$80.619    |
| Other Changes Affecting AOR                    | \$0.000     | \$0.000     | \$0.000     |
| Total AOR                                      | \$380.998   | \$190.809   | \$134.438   |
| Retained AOR                                   | \$229.073   | \$110.190   | \$105.870   |
| Cumulative Retained AOR                        | \$229.073   | \$339.263   | \$445.133   |
| AOR for Budget Purposes                        | \$151.925   | \$80.619    | \$28.568    |

**DEFENSE-WIDE WORKING CAPITAL FUND  
FISCAL YEAR (FY) 2017 BUDGET ESTIMATES  
FEBRUARY 2016  
OVERVIEW  
DEFENSE LOGISTICS AGENCY**

The Defense Logistics Agency (DLA) is America's Combat Logistics Support Agency. We provide effective and efficient worldwide support to warfighters and our other customers.

We provide full-spectrum logistics support to Soldiers, Sailors, Airmen, Marines, and civilians around the world, everyday. Wherever the diverse DoD global mission takes them, they share a common need for logistics supplies and services. We partner with the services, the combatant commanders (COCOMs), and private industry to provide full-spectrum support.

If a Soldier, Sailor, Airman, or Marine wears or eats it, receives medical treatment with it, or uses it as fuel, it comes from our Agency and our sources. When military or civilian artisans need an item to build a new operating area or repair a weapon system, DLA is the foremost provider of those articles as well.

We supported deployed warfighters in every major conflict and contingency operation over the past five decades, from the Vietnam War to current operations in Iraq and Afghanistan. Our DLA Europe/Africa, Central, and Pacific organizations, along with our in-theater on-the-ground DLA support teams bring logistics products and services to warfighters worldwide and give DLA a global footprint.

We support more than 2,400 weapons systems with organizational and intermediate level maintenance parts. DoD's supply, storage and distribution efforts, under BRAC 2005, moved the Agency into a more prominent role to support service industrial level maintenance for aviation, maritime, and land parts. Our reach now extends to industrial support activities, the cornerstones of sustained long-term weapons systems readiness.

In addition to providing military installations energy needs, DLA also furnishes vital logistics support to military hospitals, dining facilities and recruit training centers. Our service to these entities ensures the best in care, comfort and sustainment for the men and women of the Armed Forces.

We are also the DoD prime logistics integrator. We provide an array of additional supply chain management services, including cataloging and technical information; planning, forecasting and sourcing; acquisition of materiel and services; strategic tactical distribution functions including receipt, storage, issue, and



shipment; retrograde, reutilization and disposal' and document automation and production.

DLA is responsible for the entire retail supply chain for bulk petroleum, from the refinery to the consuming end item. We have eliminated the overwhelming majority of service-owned product and related fuels Service Working Capital Funds.

A description of each activity group follows:

### **Supply Chain Management**

The Defense Logistics Agency (DLA) Supply Chain Management Activity Group manages DLA materiel from initial purchase, to distribution and storage, and finally to disposal and reutilization. Costs include operations (salaries and expenses), materiel (items sold to the military services) and capital investments (purchase of equipment, software development and minor construction).

The DLA Supply Chain Management Activity Group is broken into three business segments: Materiel Supply Chains, DLA Distribution, and DLA Disposition Services.

The Materiel Supply Chains fill more than 30 million customer orders annually from the military services, other federal agencies, non-federal agencies and foreign military for the 6.1 million consumable items managed by DLA.

DLA Distribution is responsible for the global distribution and warehousing of Military Service and DLA materiel line items. Major customers are the Supply Management Activity Groups of the Military Services and DLA. The Distribution network, which consists of 25 depots strategically located throughout the world, receives and issues over 13.5 million secondary lines and warehouses and maintains an estimated 103.8 million cubic feet of materiel in FY 2015.

DLA Disposition Services is responsible for the reuse, or reutilization, of excess and surplus personal property within the DoD. In FY 2015, over \$2.8 billion worth of personal property will be reutilized, minimizing the need for the Department to reinvest in these items. If property is not reutilized, it is made available for transfer to other Federal agencies. Remaining property becomes surplus and is made available for donation to authorized state agencies and charitable organizations. Property that cannot be reutilized, may be offered for competitive sale to the public, recycled, or disposed. DLA Disposition Services also performs other

vital DoD missions; such as scrap metal recovery, demilitarization (DEMIL), and hazardous waste disposal.

**Supply Chain Management Statement of Revenue and Expenses**

| (Dollars in Millions)       | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|-----------------------------|----------------|----------------|----------------|
| Revenue                     | 23,020.0       | 21,718.8       | 21,653.2       |
| Expenses                    | 23,788.7       | 22,561.4       | 22,213.7       |
| Operating Result            | -768.7         | -842.6         | -560.5         |
| Direct Transfers            |                |                |                |
| Cash Surcharge              | -45.5          | 14.9           | -.5            |
| Inventory                   |                |                |                |
| Capital Surcharge           | 25.4           | 19.6           | 0              |
| Appropriation               | 83.6           | 84.4           | 69.8           |
| Net Operating Results       | -705.2         | -723.6         | -491.2         |
| Prior Year AOR              | 856.2          | 151.1          | -604.9         |
| Other Changes Affecting AOR | 0              | -32.4          | 1,028.8        |
| Ending AOR                  | 151.1          | -604.9         | -67.3          |

**Energy Management**

The Defense Logistics Agency Energy (DLA Energy) provides comprehensive worldwide energy solutions to the Department of Defense and other authorized customers. DLA Energy serves as the Department's Executive Agent for the bulk petroleum supply chain. Energy business includes sales of petroleum and aerospace fuels; natural gas products; arranging for petroleum support services; providing facility/equipment maintenance on fuel infrastructure; performing energy-related environmental assessment and cleanup; coordinating bulk petroleum transportation; and performing petroleum quality surveillance functions worldwide. DLA Energy also performs procurement of electricity and natural gas for the Military Services as well as privatization of their utility systems.

## Energy Management Statement of Revenue and Expenses

| (\$ in Millions)                         | FY 2015  | FY 2016  | FY 2017  |
|------------------------------------------|----------|----------|----------|
| Revenue                                  | 14,874.5 | 12,194.7 | 10,942.8 |
| Expenses                                 | 13,200.3 | 10,485.6 | 10,908.3 |
| Operating Results                        | 1,674.2  | 1,709.1  | 34.4     |
| Transfers                                | -1,205.7 | -1,037.0 | 0        |
| Capital Surcharge                        | -18.7    | 10.3     | 8.4      |
| Appropriations                           | 47.0     | 47.0     | 70.0     |
| Net Operating Results                    | 496.8    | 729.4    | 112.9    |
| Prior Year Accumulated Operating Results | -337.2   | 159.5    | 888.9    |
| Other Changes Affecting AOR              | 0        | 0        | -1,001.8 |
| Accumulated Operating Results            | 159.5    | 888.9    | 0        |

## Document Services

DLA Document Service is responsible for Department of Defense (DoD) printing, duplicating, and document automation programs. This responsibility encompasses the full range of automated services to include: conversion, electronic storage and output, and distribution of hard copy and digital documents. Document Services provides time sensitive, competitively priced, high quality products and services that are produced either in-house or procured through the Government Printing Office.

DLA Document Services value to DoD is characterized by two elements. First, Document Services provides a full portfolio of best value document services ranging from traditional offset printing, through on-demand output, to online document services. Second, Document Services actively functions as a transformation agent moving DoD toward the use of online documents and services. These services include building libraries of digital documents to permit online access, providing multifunctional devices (that print from networks, copy, fax, and scan) in customer workspaces, and converting paper documents to target digital formats.

DLA Document Services manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, and 140 production facilities.

**Document Services Statement of Revenue and Expenses**

| (\$ in Millions)                         | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|------------------------------------------|----------------|----------------|----------------|
| Revenue                                  | 287.6          | 383.6          | 402.7          |
| Cost of Goods Sold                       | 290.0          | 378.3          | 394.1          |
| Cash Surcharge                           |                |                |                |
| Capital Surcharge                        |                |                |                |
| Inventory Surcharge                      |                |                |                |
| Other Changes Affecting NOR              | 0              | 0              | 0              |
| Net Operating Results                    | -2.4           | 5.3            | 8.6            |
| Prior Year Accumulated Operating Results | -16.5          | -13.9          | -8.6           |
| Non-Recoverable Adjustment Impacting NOR | 5.0            |                |                |
| Ending Accumulated Operating Result      | -13.9          | -8.6           | 0              |
| Workload                                 |                |                |                |
| In-House Production (Units)              | 714.4          | 657.5          | 646.8          |

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund (DWWCF)**  
**Supply Chain Management Activity Group**  
**Fiscal Year (FY) 2017 Budget Estimates**  
**February 2016**

**FUNCTIONAL DESCRIPTION**

The Defense Logistics Agency (DLA) Supply Chain Management (SCM) Activity Group manages DLA materiel from initial purchase, to distribution and storage, and then finally reutilization or disposal. Costs include operations (salaries and expenses), materiel (items sold to the Military Services), and capital investments (purchase of equipment, software development and minor construction).

The DLA Supply Chain Management Activity Group is broken into three business segments: DLA Materiel Supply Chains, DLA Distribution and DLA Disposition Services.

- The DLA Materiel Supply Chains manages approximately 6.1 million consumable items and respond to customer item requests for the Military Services, other Federal Agencies, non-federal Agencies and Foreign Militaries.
- DLA Supply Chain sales and line management estimates are outlined in the following table and a brief description of each supply chain is listed below:

| (Dollars in Billions)                    | FY 2015         | FY 2016         | FY 2017         |
|------------------------------------------|-----------------|-----------------|-----------------|
| Aviation                                 | \$4.2           | \$3.8           | \$3.8           |
| Land                                     | \$1.8           | \$1.7           | \$1.6           |
| Maritime                                 | \$1.6           | \$1.4           | \$1.4           |
| Troop Support Clothing and Textiles      | \$1.8           | \$1.8           | \$1.8           |
| Troop Support Medical                    | \$6.3           | \$5.9           | \$5.9           |
| Troop Support Subsistence                | \$2.3           | \$2.1           | \$1.9           |
| Troop Support Construction and Equipment | \$3.0           | \$2.4           | \$2.4           |
| Troop Support Industrial Hardware        | \$0.628         | \$0.583         | \$0.545         |
| Distribution                             |                 |                 |                 |
| Secondary lines (lines in millions)      | 13.5            | 13.2            | 13.1            |
| Warehoused (cubic feet in millions)      | 103.8           | 112             | 113             |
| Disposition Services                     | \$2.8           | \$2.6           | \$2.6           |
| <b>Total</b>                             | <b>\$24.428</b> | <b>\$22.283</b> | <b>\$21.945</b> |

- The **DLA Aviation** provides mapping, kitting, and chemical, petroleum, and gases and cylinder items to the Military Services. In addition, DLA Aviation provides engineering, sustainability, ozone depleting substances reserve, and industrial plant equipment services. DLA Aviation is the primary source for nearly 1.3 million repair parts and operating supply items for more than 1,340 major weapon systems.
- The **DLA Land** and **DLA Maritime** provide product testing and engineering and technical support to the Military Services. In addition, DLA Land and DLA Maritime are the primary sources for over 410 thousand and 1.5 million repair parts and operating supply items, respectively for land-based weapon systems and Aviation, Land and Maritime platforms. DLA Land and DLA Maritime support Navy Surface and Subsurface, and Army and Marine Corps customers through dedicated customer relations while working with numerous suppliers to fulfill requirements for assigned stock classes across the DoD. Furthermore, DLA Land and DLA Maritime provide logistical services directly to Navy shipyards and Army/USMC industrial sites.
- The **DLA Troop Support Clothing and Textiles (C&T)** provides dress and field uniforms, field gear, tentage, and personal chemical protective items to the Military Services and other Federal Agencies, in peace and in war. This includes end items and components, fire resistant items, body armor, and testing and evaluation. The C&T Supply Chain is the primary source for 54.5 thousand items
- The **DLA Troop Support Medical** is the primary source for 1.3 million medical items for our Military Service Members [active & retired] and their dependents. Medical support to dependents is funded by the Office of Secretary of Defense (OSD) Tricare Program. Medical provides materiel/services in peace and in war to the field, institutional and Tricare customers. Items include pharmaceuticals, medical/surgical supplies, instruments and services, equipment, and other health care items. More recently, Medical has taken on the provision of orthopedic implants. In the Pharmaceutical area, Department of Defense (DoD) beneficiaries are moving away from traditional venues of obtaining medication (commercial outlets) in favor of our "Home Delivery" (mail order option). However, Medical's fastest growing segment (number of items) is the Electronic Catalogs (ECAT). Nearly 150,000 items

were added to the ECAT in the last 9 months. Many of the added items were related to orthopedic lines, with plans to expand into cardiovascular and spinal products.

- The **DLA Troop Support Subsistence** is the primary source for over 81 thousand Subsistence items including fresh fruits and vegetables (frozen, chilled and dry), food fielding and food service equipment, and operational ration items most notably the "Meals Ready-to-Eat".
- The **DLA Troop Support Construction and Equipment (C&E)** gives our Armed Forces and other Federal Agencies a source for 272 thousand National Stock Numbers (NSNs) and other essential products and associated services. It supplies items for force protection, safety and rescue, fire and emergencies, storage, Heating, Ventilating and Air Conditioning (HVAC), plumbing, heavy equipment, metals and lumber, as well as imaging and telecommunication devices, targets for training, and Automatic Data Processing (ADP) equipment and supplies.
- The **DLA Troop Support Industrial Hardware (IH)** gives our Armed Forces and other Federal Agencies a source for 276 thousand National Stock Numbers (NSNs) for various consumable hardware items such as nuts, bolts, screws, nails, studs, locks, gaskets, washers, pins, locks, O-rings, and provides retail replenishment services at major overhaul activities. We support our customers through Prime Vendor/Tailored Logistics Support programs that include Industrial Prime Vendor (IPV), Long-Term Contracts, and Corporate Contracts. **DLA Distribution** is responsible for the global distribution and warehousing of Military Service and DLA materiel line items. Major customers are the Supply Management Activity Groups of the Military Services and DLA. The Distribution network consists of 25 depots strategically located throughout the world.
- **DLA Disposition Services** is responsible for the reuse, or reutilization, of excess and surplus personal property within the Department of Defense (DoD). In FY 2015, \$2.8 billion worth of personal property was reutilized, transferred, or donated, minimizing the need for DoD to reinvest in these items. If property is not reutilized, it is made available for transfer to other Federal Agencies. Remaining property becomes surplus and is made available for donations to

authorized State Agencies and charitable organizations. Property that cannot be reutilized, may be offered for competitive sale to the public, recycled, or disposed. DLA Disposition Services also performs other vital DoD missions; such as scrap metal recovery, demilitarization (DEMIL), and hazardous waste disposal.

In addition, DLA's Supply Chain Management Business Area includes a small number of DoD Logistics Support Activities, such as the DLA Logistics Information Service and DLA Transaction Services.

- The **DLA Logistics Information Service** supports all logistics functions for DoD, other Federal and Civil Agencies, and international allied partners by managing and distributing logistics data on over 6.5 million National Stock Numbers (NSNs) resident in the Federal Logistics Information System.
- The **DLA Transaction Services** designs, develops, and implements logistics solutions that improve customers' requisition processing and logistics management processes worldwide. The primary mission is to receive, edit, and route logistics transactions for the Military Services and Federal Agencies. The DLA Transaction Services processes over 10 billion DoD logistics transactions per year, applies numerous DoD and Service/Agency edits and validations against these transactions, and routes the data to the appropriate destination.

## **BUDGET HIGHLIGHTS**

### **ACTIVITY GROUP BUSINESS CHANGES**

Total operations costs for FY 2017 will decrease by \$210.5 million of which \$137.4 million is due to a change in overhead pricing. Beginning in FY 2017, DLA will include the fully burdened cost for corporate overhead into Supply Chain rates, including rates for fuel. This change will provide more accurate information to customers and DLA management by building prices based on their actual cost drivers. Specifically, while past budgets included a one-cent-per-gallon overhead charge, overhead charges in the FY 2017 budget are based on revenue projections for each DLA Supply Chain. In addition, information technology costs across the Agency were re-distributed based on



user counts and direct support. These changes resulted in a 1.4 percent decrease in the Supply Chain Management rates, of which \$137.4 million or 0.8% is attributed to realignment of overhead costs in the Energy lines of business.

The DLA continues to fully establish retail integration (formerly known as Base Closure and Realignment Commission (BRAC)) initiatives, complete Consumable Item Transfers (CIT), and establish all Depot Level Repairable (DLR) procurement and Supply, Storage, and Distribution (SS&D) sites. In FY 2009, DLA assumed responsibility for procurement of DLR items from the Military Services as well as managing the SS&D functions at the Services' industrial sites.

**CIT** - DLA is continuing to reimburse the Military Services for open undelivered orders upon re-assignment of each item based on a joint validation process with each Military Service. We estimate the reimbursement to total roughly \$863 million over the period FY 2011 through FY 2018. DLA reimbursed the Military Services a total of \$816 million (\$235 million to the Air Force, \$407 million to the Navy, and \$174 million to the Army) prior to FY 2016. In FY 2016, we are projecting \$36.4 million to be reimbursed to the Navy, In FY 2017, we are projecting \$6 million to be reimbursed to the Navy.

**DLR** - The DLR initiative is a rate-based reimbursement method that represents a multiple year effort from a joint service Integrated Product Team. DLA developed a billable hourly rate-based reimbursement for each Service to recover the labor and non-labor costs of DLR procurement actions. The approved PB17 rates are below.

| (Dollars in Millions) | FY 2015 | FY 2016 | FY 2017 |
|-----------------------|---------|---------|---------|
| Army                  | \$62.88 | \$63.18 | \$63.82 |
| Navy                  | \$63.43 | \$59.84 | \$61.25 |
| Air Force             | \$63.72 | \$63.80 | \$62.55 |
| Marine Corps          | \$56.14 | \$56.24 | \$56.58 |

**SS&D** - DLA implemented the Local Recovery Rate (LRR) at the Air Force (AF) SS&D sites in FY 2011 and DLA and the Navy are evaluating using a similar methodology to convert Navy SS&D sites to an LRR. Further negotiations are needed with the Navy. Projected Operating Costs, Gross Sales at Standard for

the AF SS&D sites, and LRR for FY 2015, FY 2016, and FY 2017 are as follows:

| (Dollars in Millions)         | FY 2015    | FY 2016    | FY 2017    |
|-------------------------------|------------|------------|------------|
| Operating Costs               | \$66.40    | \$72.57    | \$72.41    |
| Gross Sales at Standard       | \$1,021.48 | \$1,116.43 | \$1,114.06 |
| Composite Local Recovery Rate | 6.5%       | 6.5%       | 6.5%       |

## WORKLOAD

**DLA Materiel Supply Chains:** Gross Sales at Standard Unit Price is the primary workload measure. Sales are affected by customer demands (force structure, operating tempo, and maintenance schedules). DLA has continued to refine the workload projection process that was developed by the Enterprise Operations Planning Council (EOPC). The EOPC strives to ensure that all customer demand and supply chain impacts are recognized and understood. Consistent with this process, we meet regularly with our customers to obtain their planning assumptions and use this information and our own experience to develop projected demand over the period. The EOPC process considers not only the impact of Overseas Contingency Operations (OCO) changes on demand and sales but also the impact of Army retrograde and reset, CIT, and projected peacetime sales changes.

In FY 2017, the Materiel Supply Chain workload is projected to be \$19,373.5 million or \$436.7 million lower than the FY 2016 estimate due to a decrease in customer demand.

| (Dollars in Millions)              | FY 2015    | FY 2016    | FY 2017    |
|------------------------------------|------------|------------|------------|
| Gross Sales at Standard Unit Price | \$21,440.7 | \$19,810.2 | \$19,373.5 |

**DLA Distribution:** Materiel receipts, issues and storage space occupied are the major workload measures for DLA Distribution.

### Receipts and Issues:

| (Lines in Millions)        | FY 2015 | FY 2016 | FY 2017 |
|----------------------------|---------|---------|---------|
| Lines Received and Shipped | 13.5    | 13.2    | 13.1    |

Processing workload projections for FY 2016 and FY 2017 are based on a regression analysis of prior actual DLA sales, prior actual processing workload, and future years' forecasted DLA sales. Workload is stable in FY 2015 through FY 2017.

## **STORAGE**

| (Cubic Feet in Millions)  | FY 2015 | FY 2016 | FY 2017 |
|---------------------------|---------|---------|---------|
| Covered Storage Space     | 42.1    | 45.5    | 46.6    |
| Open Storage Space        | 60.0    | 65.2    | 64.7    |
| Specialized Storage Space | 1.7     | 1.4     | 1.4     |

Storage workload projections are based on the prior and current year actual data. There are no major changes projected in storage workload in any category. The projection for open storage remains steady for tactical storage as withdrawal efforts in Afghanistan continue.

**DLA Disposition Services:** The line items and acquisition value are the two workload measures.

|                                         | FY 2015 | FY 2016 | FY 2017 |
|-----------------------------------------|---------|---------|---------|
| Line Items in Millions                  | 3.4     | 3.9     | 3.7     |
| Acquisition Value (Dollars in Billions) | \$33.1  | \$30.6  | \$29.9  |

Workload line items and acquisition value will decrease from FY 2016 through FY 2017 due to the force drawdown in Afghanistan. DLA Disposition Services anticipates a reduction in the value of the property to be received in Afghanistan in FY 2015 to FY 2017.

## **OPERATIONAL PERFORMANCE INDICATORS**

- **High Priority Material Release Orders (Hi Pri MROs)** - the standard for shipment of high priority MROs is one calendar day. DLA Distribution focus is on achieving the one day standard 85% of the time. For FY 2016 through 31 December, DLA Distribution shipped 83.8% of high priority MROs to the one day standard. The goal for FY 2016 FY 2017 remains 85%. The high priority MRO metric excludes MRO transactions that do not conform to a one day standard, such as:
  - Scheduled truck shipments - these shipments are based on schedules agreed to with the customer
  - Foreign Military Sales (FMS) shipments
  - Non-consumable Item Material Support Code (NIMSC) End Item shipments (NIMSC = 3)

- **Routine Material Release Orders (Routine MROs)** - the standard for shipment of routine priority MROs is three calendar days. DLA Distribution's focus is on achieving the three day standard 85% of the time. For FY 2016 through 31 December, DLA Distribution shipped 89.5% of routine MROs to the three day standard. The goal for FY 2015, FY 2016, and FY 2017 remains 85%. The routine MRO metric excludes MRO transactions that do not conform to a three day standard, such as:
  - o Scheduled truck shipments - these shipments are based on schedules agreed to with the customer
  - o Foreign Military Sales (FMS) shipments
  - o Non-consumable Item Material Support Code (NIMSC) End Item shipments (NIMSC = 3)

**UNIT COST AND PRICING**

Unit cost is a ratio that relates resources to outputs produced. The aim of unit cost is to directly associate total cost to work or output.

Unit cost goals and pricing are as follows for the three business segments:

**DLA Materiel Supply Chains:**

The DLA Materiel Supply Chain unit cost is calculated by dividing costs (the sum of total obligations and credit returns plus depreciation expense) by gross sales at standard unit price.

| Unit Cost                                                | FY 2015    | FY 2016    | FY 2017    |
|----------------------------------------------------------|------------|------------|------------|
| Costs (Dollars in Millions)                              | \$21,636.7 | \$19,963.1 | \$19,333.1 |
| Gross Sales at Standard Unit Price (Dollars in Millions) | \$21,440.7 | \$19,810.2 | \$19,373.5 |
| Unit Cost Goal (per Dollar of Sales)                     | \$1.01     | \$1.01     | \$1.00     |

The OP-32 Price Change to Customer represents the change in price at the item level affected by both price and program changes in the customer budget. Changes in customer price are driven by factors such as: inflation, basic costs incurred to procure, store, and ship items to the customer, and prior year annual operating results.

The Cost Recovery Rate (CRR) is the amount added to the cost of an item to recover costs associated with purchasing and selling supplies to the customer. These costs include operating costs such as payroll, shipping, storage, accounting, and cataloging as well as recovery or return of prior year operating results and any necessary capital or cash surcharges.

The table below displays the DoD approved OP-32 Price Change to Customers and CRR's for FY 2015 and FY 2016, and those proposed for FY 2017, along with the DoD inflators:

| Pricing                          | FY 2015 | FY 2016 | FY 2017 |
|----------------------------------|---------|---------|---------|
| OP-32 Price Changes to Customers | (1.1%)  | (0.1%)  | (1.3%)  |
| DoD Inflator                     | 1.7%    | 2.0%    | 1.8%    |
| Cost Recovery Rate               | 13.2%   | 13.2%   | 11.6%   |

The table below displays the rate changes by DLA Supply Chains for FY 2017.

| Rate Change by DLA Supply Chains                                           | FY 2015 | FY 2016 | FY 2017 |
|----------------------------------------------------------------------------|---------|---------|---------|
| DLA Weapon Systems                                                         | (2.4%)  | (0.4%)  | (4.1%)  |
| DLA Troop Support Clothing and Textiles                                    | (0.6%)  | (0.2%)  | 1.4%    |
| DLA Troop Support Medical                                                  | (0.4%)  | 0.6%    | (0.3%)  |
| DLA Troop Support Subsistence                                              | (1.7%)  | (0.3%)  | (0.6%)  |
| DLA Troop Support Construction and Equipment with DLA Industrial Hardware* | 0.7%    | N/A     | N/A     |
| DLA Troop Support Construction and Equipment                               | N/A     | (0.4%)  | 0.0%    |
| DLA Troop Support Industrial Hardware                                      | N/A     | (0.7%)  | (6.1%)  |
| Total                                                                      | (1.1%)  | (0.1%)  | (1.3%)  |

#### **DLA Distribution:**

**Billable Hourly Rates:** DLA Distribution processing unit cost is calculated by dividing processing costs without transportation by workload receipt and issue lines. The unit cost is not the Net Landed Cost rate that is charged to the customer. Net Landed Cost refers to DLA Distribution's processing rate structure. Processing is transaction based, by line, with a base rate for receipt and issue of materiel. The base rate is then augmented with various rates for value added services and major cost drivers, such as weight and materiel handling characteristics. The Net Landed Cost rate includes Accumulated Operating Result (AOR) adjustments.

| Unit Cost                               | FY 2015 | FY 2016 | FY 2017 |
|-----------------------------------------|---------|---------|---------|
| Processing Workload (Lines in Millions) | 13.5    | 13.2    | 13.1    |
| Processing Cost (Dollars in Millions)   | \$407.8 | \$418.8 | \$455.6 |
| Unit Cost Goal                          | \$30.25 | \$31.73 | \$34.65 |

In FY 2017, the increase in processing costs is primarily due to Audit Readiness requirements and information technology.

**Detailed Net Landed Cost Rates are provided below:**

| Receipt                                            | Net Landed Cost Rates |                |                |                                   |
|----------------------------------------------------|-----------------------|----------------|----------------|-----------------------------------|
|                                                    | 2015                  | 2016           | 2017<br>CONUS  | 2017<br>OCONUS                    |
| Base amount                                        | 31.49                 | 31.51          | 32.69          | 46.56 per line                    |
| Plus                                               |                       |                |                |                                   |
| 1-40 lbs.                                          | 1.12                  | 1.14           | 1.35           | 2.51 per line                     |
| 41-150 lbs.                                        | 13.12                 | 13.38          | 15.88          | 29.40 per line                    |
| 151-2000 lbs.                                      | 29.91                 | 30.51          | 36.22          | 67.05 per line                    |
| 2000+ lbs.                                         | 0.0152                | 0.0155         | 0.0184         | 0.0341 per lb. + 151-2000 rate    |
| Return                                             | 5.49                  | 5.60           | 6.65           | 12.31 per line additional         |
| Hazardous                                          | 18.42                 | 18.79          | 22.31          | 41.29 per line additional         |
| Hard-to-Handle                                     | 18.42                 | 18.79          | 22.31          | 41.29 per line additional         |
| <b>Issue</b>                                       |                       |                |                |                                   |
| Onbase base amount                                 | 14.22                 | 14.23          | 14.76          | 21.03 per line                    |
| Plus                                               |                       |                |                |                                   |
| 1-40 lbs.                                          | 1.12                  | 1.14           | 1.35           | 2.51 per line                     |
| 41-150 lbs.                                        | 13.12                 | 13.38          | 15.88          | 29.4 per line                     |
| 151-2000 lbs.                                      | 29.91                 | 30.51          | 36.22          | 67.05 per line                    |
| 2000+ lbs.                                         | 0.0152                | 0.0155         | 0.0184         | 0.0341 per lb. + 151-2000 rate    |
| Offbase base amount                                | 20.57                 | 20.58          | 21.35          | 30.41 per line                    |
| 1-40 lbs.                                          | 2.19                  | 2.23           | 2.65           | 4.90 per line                     |
| 41-150 lbs.                                        | 30.25                 | 30.86          | 36.63          | 67.82 per line                    |
| 151-2000 lbs.                                      | 60.21                 | 61.10          | 72.53          | 134.28 per line                   |
| 2000+ lbs.                                         | 0.0223                | 0.0227         | 0.0269         | 0.0499 per lb. + 151-2000 rate    |
| Local Delivery                                     | 1.89                  | 1.93           | 2.29           | 4.24 per line additional          |
| Hazardous                                          | 18.42                 | 18.79          | 22.31          | 41.29 per line additional         |
| Hard-to-Handle                                     | 18.42                 | 18.79          | 22.31          | 41.29 per line additional         |
| Controlled Item                                    | 8.7                   | 8.88           | 10.54          | 19.52 per line additional         |
| FMS                                                | 8.93                  | 9.11           | 10.81          | 20.02 per line additional         |
| Out-of-Cycle                                       | 25.14                 | 25.65          | 30.45          | 56.37 per line additional         |
| <b>Issue from Receiving</b>                        |                       |                |                |                                   |
| Base amount                                        | \$ 1.81               | \$ 1.81        | \$ 1.88        | \$ 2.67 per line                  |
| Plus                                               |                       |                |                |                                   |
| 1-40 lbs.                                          | 1.12                  | 1.14           | 1.35           | 2.51 per line                     |
| 41-150 lbs.                                        | 13.12                 | 13.38          | 15.88          | 29.4 per line                     |
| 151-2000 lbs.                                      | 29.91                 | 30.51          | 36.22          | 67.05 per line                    |
| 2000+ lbs.                                         | 0.0152                | 0.0155         | 0.0184         | 0.0341 per lb. + 151-2000 rate    |
| <b>Transshipments</b>                              |                       |                |                |                                   |
| Offbase base amount                                | \$ 27.08              | \$ 27.10       | \$ 28.12       | \$ 40.05 per line                 |
| Plus                                               |                       |                |                |                                   |
| 1-40 lbs.                                          | \$ 2.19               | \$ 2.23        | \$ 2.65        | \$ 4.90 per line                  |
| 41-150 lbs.                                        | \$ 30.25              | \$ 30.86       | \$ 36.63       | \$ 67.82 per line                 |
| 151-2000 lbs.                                      | \$ 59.89              | \$ 61.10       | \$ 72.53       | \$ 134.28 per line                |
| 2000+ lbs.                                         | \$ 0.0223             | \$ 0.0227      | \$ 0.0269      | \$ 0.0499 per lb. + 151-2000 rate |
| Mark For                                           | \$ 7.23               | \$ 7.23        | \$ 7.50        | \$ 10.68 per line                 |
| Onbase amount                                      | \$ 13.80              | \$ 13.81       | \$ 14.33       | \$ 20.41 per line                 |
| <b>Material Processing Center</b>                  | \$ 9.37               | \$ 9.56        | \$ 18.29       | per line                          |
| Estimated Transportation                           | \$ 155,795,475        | \$ 148,414,709 | \$ 123,275,285 | \$ 6,199,357                      |
| Total Processing Cost                              | \$ 414,944,786        | \$ 420,338,164 | \$ 392,447,648 | \$ 68,171,421                     |
| <b>Composite Rate<br/>(without Transportation)</b> | \$ 30.60              | \$ 31.21       | \$ 35.94       | \$ 75.89                          |
| Workload (Millions of Lines)                       | 13.2 lines            | 13.2 lines     | 12.0 lines     | 1.1 lines                         |
| Reimbursable Rates:                                |                       |                |                |                                   |
| DLA Facility                                       | \$ 104.87             | \$ 106.97      | \$ 131.77      |                                   |
| Non-DLA Facility                                   | \$ 83.90              | \$ 85.57       | \$ 65.89       |                                   |
| <b>Storage Rates</b>                               |                       |                |                |                                   |
| Covered Storage                                    | \$ 5.49               | \$ 5.60        | \$ 7.50        |                                   |
| Open                                               | \$ 0.52               | \$ 0.53        | \$ 0.77        |                                   |
| Specialized                                        | \$ 7.60               | \$ 7.75        | \$ 11.94       |                                   |

**Covered Storage:**

| Unit Cost                           | FY 2015 | FY 2016 | FY 2017 |
|-------------------------------------|---------|---------|---------|
| Cubic Feet Millions                 | 42.1    | 45.5    | 46.6    |
| Storage Costs (Dollars in Millions) | \$462.3 | \$334.0 | \$335.4 |
| Unit Cost Goal                      | \$10.98 | \$7.34  | \$7.20  |

The DLA Distribution covered storage unit cost is calculated by dividing storage costs by cubic feet. The unit cost is not the covered storage rate that is charged to the customer. The rate includes AOR adjustments. The actual covered storage rate is shown on the Detailed Net Landed Rates table above. Covered storage cubic feet is expected to remain steady in FY 2016 and FY 2017. In FY 2017, storage costs will increase slightly due to Audit Readiness requirements.

**DLA Disposition Services:**

| Unit Cost           | FY 2015 | FY 2016 | FY 2017 |
|---------------------|---------|---------|---------|
| Cost per Line Goal  | \$51.78 | \$49.07 | \$52.16 |
| Cost per Pound Goal | \$0.08  | \$0.10  | \$0.10  |

DLA Disposition Services unit cost goals per line are based on three processes:

- **Receiving** - cost associated with the stock, store and issue (logistics) of useable property.
- **Reutilization/Transfer/Donation** - total cost associated with reutilizing, transferring and donating of excess personal property divided by line items of property.
- **Usable Sales** - all cost associated with the public sale of surplus, useable personal property.

Unit cost is calculated by dividing the total cost of these processes by the number of lines received and processed.

The unit cost per line increases in FY 2017 as the projected workload declines due to the scheduled drawdown of Afghanistan and other areas formerly in-theater are transferred from Overseas Contingency Operations (OCO) funded to enduring sites funded by the Working Capital Fund.

DLA Disposition Services unit cost per pound goal is based on costs associated with environmentally regulated disposal of hazardous waste and cost for either storing in a landfill or destruction of those non-hazardous items that remain at the end



of the disposal process, divided by the number of pounds received and processed.

**Service Level Billing (SLB):** DLA Disposition Services, DLA Logistics Information Service, and DLA Transaction Services recover costs not covered by sales and reimbursable charges through a Service Level Bill.

**DLA Disposition Services** - bills are formulated with an Activity Based Costing model that uses disposal workload to allocate costs to customers based on services provided. The decrease in FY 2016 is attributable to the increase in projected sales revenue and the return of positive AOR. The FY 2017 rates increase slightly because there is less positive AOR to return. Customer SLBs using this model are projected below:

| (Dollars in Millions) | FY 2015   | FY 2016   | FY 2017   |
|-----------------------|-----------|-----------|-----------|
| Army                  | \$90.002  | \$66.700  | \$81.972  |
| Navy                  | \$41.251  | \$32.449  | \$37.260  |
| Air Force             | \$22.500  | \$19.830  | \$20.493  |
| DLA                   | \$44.293  | \$61.290  | \$46.575  |
| Total                 | \$198.046 | \$180.270 | \$186.300 |

**DLA Logistics Information Service** - Service Level Billing costs are allocated based on customer's utilization of DLA Logistics Information Service products and services. The increase in FY 2017 is due to higher software development costs for Federal Logistics Information System (FLIS) to improve Catalog Item Identification Services. Projections are below:

| (Dollars in Millions) | FY 2015   | FY 2016   | FY 2017   |
|-----------------------|-----------|-----------|-----------|
| Army                  | \$27.067  | \$34.965  | \$36.250  |
| Navy                  | \$36.957  | \$43.241  | \$46.220  |
| Air Force             | \$29.626  | \$34.436  | \$37.229  |
| DLA                   | \$67.929  | \$42.346  | \$40.778  |
| Total                 | \$161.579 | \$154.988 | \$160.477 |

**DLA Transaction Services** - the cost of DLA Transaction Services core services is divided equally among Military Services and DLA. Projections are in the table below:

| (Dollars in Millions) | FY 2015  | FY 2016  | FY 2017  |
|-----------------------|----------|----------|----------|
| Army                  | \$16.418 | \$16.187 | \$16.032 |
| Navy                  | \$16.418 | \$16.187 | \$16.032 |
| Air Force             | \$16.418 | \$16.187 | \$16.032 |
| DLA                   | \$17.418 | \$16.187 | \$16.032 |
| Total                 | \$66.672 | \$64.748 | \$64.128 |

## **ANALYSIS OF BUDGET STATEMENTS**

### **NET OPERATING RESULTS (NOR)/ACCUMULATED OPERATING RESULTS (AOR) :**

Revenue is projected to be higher than stated in President's Budget FY 2016 primarily due to slightly higher sales and costs of materiel sold from inventory. Expenses are projected to be lower due to efficiencies in overall operations.

DLA SCM NOR/AOR expenses exclude non-recoverable items such as property disposal transfers, net acquisition cost changes, returns without credit, and other changes.

| (Dollars in Millions)         | FY 2015    | FY 2016    | FY 2017    |
|-------------------------------|------------|------------|------------|
| Revenue                       | \$23,020.0 | \$21,718.8 | \$21,653.2 |
| Expenses                      | \$23,788.7 | \$22,561.4 | \$22,213.7 |
| Operating Results             | (\$768.7)  | (\$842.6)  | (\$560.5)  |
| Other Changes Affecting NOR   | -          | -          | -          |
| Cash Surcharge                | (\$45.5)   | \$14.9     | (\$0.5)    |
| Capital Surcharge             | \$25.4     | \$19.6     | -          |
| Transfers                     | -          | -          | -          |
| Inventory                     | -          | -          | -          |
| Appropriations                | \$83.6     | \$84.4     | \$69.8     |
| Net Operating Results         | (\$705.2)  | (\$723.6)  | (\$491.2)  |
| Prior Year AOR                | \$856.2    | \$151.1    | (\$604.9)  |
| Other Changes Affecting AOR   | -          | (\$32.4)   | \$1,028.8  |
| Accumulated Operating Results | \$151.1    | (\$604.9)  | (\$67.3)   |

### **CASH PROJECTIONS**

The FY 2015 cash loss of \$538.6 million is due to net outlays from a decline in the DLA Distribution Processing Workload for the Military Services. DLA SCM received \$83.6 million in appropriated funding.

The FY 2016 projected cash loss of \$1,017.2 million is due to net outlays from lower sales based on forecasted lower customer demand, a decline in the DLA Distribution Processing Workload for the Military Services, payments for Audit Sustainment contracts, and disbursing for materiel with a long financial lead time for which obligations were made in a prior fiscal year. DLA SCM received \$84.4 million in appropriated funding.

The FY 2017 projected cash loss of \$773.3 million is due to net outlays from lower sales based on forecasted lower customer demand, payments for Audit Sustainment contracts, and disbursing for materiel with a long financial lead time for which obligations were made in a prior fiscal year. This submission includes a request for \$69.8 million in appropriated funding.

**DLA Supply Chain Management Summary**

| (Dollars in Millions) | FY 2015  | FY 2016  | FY 2017  |
|-----------------------|----------|----------|----------|
| Disbursements         | 23,665.0 | 22,734.8 | 22,666.9 |
| Collections           | 23,042.8 | 21,633.2 | 21,823.8 |
| Net Outlays           | 622.2    | 1,101.6  | 843.1    |
| Direct Appropriation  | 44.3     | 45.1     | 46.0     |
| OCO Appropriation     | 39.3     | 39.3     | 23.8     |
| Transfers             | -        | -        | -        |
| Total Change in Cash  | 538.6    | 1,017.2  | 773.3    |

**PERSONNEL PROFILE**

The following PB17 DLA workforce profile includes the manpower projections for the DLA Materiel Supply Chains, DLA Distribution, DLA Disposition Services, and Enterprise Business activities as well as personnel associated with the DLR and SS&D programs. The increases in DLA's workforce are attributed to the assumption of new distribution functions from the Navy and audit sustainment support.

| Manpower                    | FY 2015 | FY 2016 | FY 2017 |
|-----------------------------|---------|---------|---------|
| Civilian End Strength       | 22,745  | 23,268  | 23,482  |
| Civilian FTEs               | 22,348  | 23,181  | 23,108  |
| Military End Strength/FTEs* | 455     | 474     | 464     |

\*Military End Strength/FTEs include DLA Materiel Supply Chain, DLA Distribution, and DLA Disposition Services.

**CAPITAL BUDGET**

| (Dollars in Millions) | FY 2015 | FY 2016 | FY 2017 |
|-----------------------|---------|---------|---------|
| Equipment (non-ADP)   | 18.2    | 28.3    | 38.6    |
| Equipment (ADP)       | 10.6    | 32.0    | 19.6    |
| Software              | 35.8    | 37.8    | 34.8    |
| Minor Construction    | 12.8    | 14.2    | 14.6    |
| Total                 | 77.4    | 112.3   | 107.6   |

The capital budget funds are investments that exceed the \$250.0 thousand expense/investment criteria for the Automated Data Processing Equipment (ADPE), non-ADPE, software development, and the minor construction category.

Overall, the FY 2017 capital budget estimates decreased from FY 2016 by \$4.6 million.

The non-ADPE category increased in FY 2017 due primarily to security and safety equipment at DLA Aviation.

Investment in the ADPE category decreased in FY 2017 due primarily to reduction in DLA ADPE requirements.

DLA will continue to expand the Enterprise Resource Planning platform, which is part of the Enterprise Business System (EBS), for critical system change requests. Also included in the software development category is funding for other Programs to enhance DLA information technology systems. The software category in FY 2017 will be reduced primarily due to the restructure of DLA initiatives on software development.

The minor construction investments will build new, replace existing, or modify current facilities to enhance mission performance. Minor construction projects include altering facilities to accommodate mission consolidation and relocation, upgrading security facilities (gates, fences, and lighting) to meet current Anti-Terrorism/Force Protection standards and renovating demilitarization facilities.

**Defense-Wide Working Capital Fund Appropriations (including all categories):**

Appropriations for FY 2015 through FY 2017 included in this submission are detailed in the following table and narrative.

|                                                       |                    |                    |                    |
|-------------------------------------------------------|--------------------|--------------------|--------------------|
| DLA SCM Appropriations:<br>(Dollars in Millions)      | FY 2015<br>Enacted | FY 2016<br>Enacted | FY 2017<br>Request |
| Reutilization, Transfer and<br>Disposal Costs         | \$44.3             | \$45.1             | \$46.0             |
| Overseas Contingency Operations (OCO) Appropriations: |                    |                    |                    |
| Theater Distribution - Afghanistan                    | -                  | -                  | -                  |
| DLA Disposition Services                              | \$35.5             | \$35.5             | \$20.0             |
| IT Communications                                     | \$3.2              | \$3.2              | \$3.2              |
| IT Contractor Support                                 | \$.5               | \$.5               | \$.6               |
| Corporate Support                                     | \$.1               | \$.1               | -                  |
| Total DLA SCM                                         | \$83.6             | \$84.4             | \$69.8             |

**Direct Appropriations** - Part of DLA Disposition Services mission is to reutilize, transfer, or donate to authorized DoD and non-DoD recipients' excess DoD personal property. These actions result in lower sales proceeds and higher SLB which are contrary to private industry practices. To bring Materiel Supply Chain costs more in line with commercial business practices, these costs are being funded by a direct appropriation as a Military-unique cost.

**OVERSEAS CONTINGENCY OPERATIONS (OCO) FY 2017 REQUEST** - The OCO request provided in FY 2015 through FY 2017 is in support of Operation Freedom's Sentinel (OFS) and other overseas contingency operations as detailed in the following charts and narrative:

|                       |                    |                    |                    |
|-----------------------|--------------------|--------------------|--------------------|
| (Dollars in Millions) | FY 2015<br>Enacted | FY 2016<br>Enacted | FY 2017<br>Request |
| DLA Disposition - OFS | \$35.500           | \$35.500           | \$20.000           |

**Narrative Justification:** The DLA Disposition Services is responsible for the reuse, reutilization, and disposal of excess and surplus property within the DoD. Of critical importance is providing support to the warfighter at forward deployed locations where timely and accurate logistical support can affect the outcome of military operations. The DLA Disposition Services is providing support from six fully operational DLA Disposition Services Offices in Kuwait, Qatar, Bahrain, United Arab Emirates (UAE), and Afghanistan. In addition support hub-based DEMIL Operations (HBDO) sites have been established to support the warfighter at forward operating locations.

This request includes resources for continuing operations at the six established Disposition Services sites, two in Afghanistan,

one in Kuwait and one in Qatar, one in Bahrain and one in the UAE. The Disposition Services sites in SWA directly support Operation Freedom's Sentinel or other overseas contingency operations. Funding is necessary to support Disposition Services sites in Afghanistan as the scheduled drawdown of the Operations Freedom's Sentinel mission continues. Funding also supports Satellite Communications Services (SATCOM) for all DLA Disposition Services activities in SWA.

The FY 2016 \$35.500 million request funds the following (dollars in millions):

|                                     |          |
|-------------------------------------|----------|
| Continuing Government Labor/Travel: | \$17.254 |
| Contractor (TCN Labor):             | \$8.568  |
| Equipment/Maintenance:              | \$4.244  |
| Supplies/Transportation:            | \$1.533  |
| Facilities/Rent/Communications:     | \$3.901  |

The FY 2017 \$20.000 million request funds the following (dollars in millions):

|                                     |         |
|-------------------------------------|---------|
| Continuing Government Labor/Travel: | \$9.947 |
| Contractor (TCN Labor):             | \$2.785 |
| Equipment/Maintenance:              | \$3.092 |
| Supplies/Transportation:            | \$1.634 |
| Facilities/Rent/Communications:     | \$2.542 |

**Impact if not funded:** The DWCF will sustain a loss in the year of execution which will have to be recovered in future years' Service Level Bills (SLB) to the Military Services. In addition, the DWCF cash corpus will suffer a loss in FY 2016 through FY 2017 that cannot be recouped until the increased SLB becomes effective.

| (Dollars in Millions)                                            | FY 2015<br>Enacted | FY 2016<br>Enacted | FY 2017<br>Request |
|------------------------------------------------------------------|--------------------|--------------------|--------------------|
| Other - DLA Supply Chain Management<br>(IT Communications - OFS) | \$3.216            | \$3.216            | \$3.225            |

**Narrative Justification:** DLA continues to support operations in Southwest Asia (SWA) through the establishment and extension of telecom and infrastructure capabilities that support OCO operations in the following areas:

**Enterprise Telecommunications Network (ETN):** The Enterprise Telecommunications Network (ETN) and SIPRNet over ETN (SoETN) will directly support 10 sites that currently exist in Afghanistan. The costs include labor support, sustainment, and lifecycle upgrades. Lifecycle replacements and maintenance

support will be required for the Afghanistan sites and the Bahrain hub site that directly supports the Afghanistan site. Without lifecycle replacements and maintenance support, existing equipment will no longer be eligible for manufacturer advance replacement in the event of failure. On the SoETN, all SWA remote sites will be connected to the Kleber Kaserne and Bahrain hub sites. These sites require equipment refresh to add redundancy and prevent loss of network connectivity in the event of hardware failure. Also in support of SoETN are maintenance lines for McAfee network sensors, Oracle Sun servers, Dell, Infoblox, and Solarwinds.

**Impact if not funded:** This hardware and software maintenance will ensure continuity of SoETN DNS and Network Monitoring to support SWA sites. If not funded, critical communications support systems will not be available to support the mission.

**Satellite Communication Systems:** In addition to recurring service fees and support labor costs, the requested funding enables communication support to DLA organizations operating at forward or exercise locations in Europe, Africa and South West and Central Asia. This support includes local network services, telephone, WAN accelerators, and wide-area connectivity using DISA contracted Commercial SATCOM systems. Due to the austere locations where DLA entities are located, there are no DISA land-line network circuits available to establish a land-based network, necessitating the need for satellite-based systems.

In FY 2016 and FY 2017, DLA Networks and Telecommunications is the sustainment office for DLA SATCOM systems and the use of DISA contracted Commercial SATCOM systems. DLA will not have fully transitioned from commercial SATCOM to DoD SATCOM and will require support for peripheral hardware, maintenance, and systems that support operations

**Impact if not funded:** Successful execution of DLA capabilities in support of the OCO mission is critical to the Warfighter. Without the additional funding, DLA will be forced to curtail support to non-OCO missions.

| (Dollars in Millions)                                                | FY 2015<br>Enacted | FY 2016<br>Enacted | FY 2017<br>Request |
|----------------------------------------------------------------------|--------------------|--------------------|--------------------|
| Other - DLA Supply Chain Management<br>(IT Contractor Support - OFS) | \$0.550            | \$0.550            | \$0.575            |

**Afghanistan IT Contractor Support:** DLA Information Operations Europe and Africa/Central provides local IT and telecommunication support to DLA organizations operating in Afghanistan. This support includes local network services, telephone, individual desktop, wide area ETN, SATCOM, repairs and troubleshooting of wide-area connectivity problems, as well as support for SATCOM and surge requirements.

**Impact if not funded:** IT services are critical to the successful execution of DLA capabilities in support of the OCO mission. Without the additional funding described above, DLA Information Operations will be forced to curtail support.

**Afghanistan Computer Support:** will be required to support additional communications equipment and peripherals for personnel assigned to the four additional sites for DLA Disposition Services and two additional site supporting DLA Troop Support.

**Impact if not funded:** Personnel assigned would not have the equipment necessary to access critical logistics systems required to execute the drawdown.

| (Dollars in Millions)                                            | FY 2015<br>Enacted | FY 2016<br>Enacted | FY 2017<br>Request |
|------------------------------------------------------------------|--------------------|--------------------|--------------------|
| Other - DLA Supply Chain Management<br>(Corporate Support - OFS) | \$0.084            | \$0.084            | ---                |

**Narrative Justification:** In FY 2016 DLA will continue to support operations for DLA Joint Logistics Operations Center (JLOC), DLA Support Teams (DSTs), DLA Command Chaplain Office, and DLA Office of the Inspector General (OIG). Due to decreased mission requirements, OCO funds are no longer required for this mission in FY 2017.



DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Management Activity Group  
Supply Management Summary by Division  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
FY 2015  
(Dollars in Millions)

| DIVISION                         | Net Customer Orders | Net Sales at Standard | Obligation Targets |              |             |                             |                           | Variability Target | Total Target |
|----------------------------------|---------------------|-----------------------|--------------------|--------------|-------------|-----------------------------|---------------------------|--------------------|--------------|
|                                  |                     |                       | Operating          | Mobilization | Direct APPN | Total Operating Obligations | Total Capital Obligations |                    |              |
|                                  |                     |                       |                    |              |             |                             |                           |                    |              |
| CLOTHING & TEXTILES              | 1,452.4             | 1,554.7               | 1,587.3            | 0.0          | 0.0         | 1,587.3                     | 0.5                       | 348.4              | 1,936.2      |
| MEDICAL                          | 6,132.8             | 6,318.1               | 6,325.8            | 0.0          | 0.0         | 6,325.8                     | 5.6                       | 1,538.6            | 7,869.9      |
| SUBSISTENCE                      | 2,058.0             | 2,272.6               | 2,171.1            | 0.0          | 0.0         | 2,171.1                     | 0.8                       | 505.5              | 2,677.4      |
| CONSTRUCTION & EQUIPMENT         | 2,718.9             | 3,019.3               | 2,869.0            | 0.0          | 0.0         | 2,869.0                     | 0.4                       | 689.4              | 3,558.8      |
| INDUSTRIAL HARDWARE              | 415.6               | 613.5                 | 535.0              | 0.0          | 0.0         | 535.0                       | 0.1                       | 113.5              | 648.6        |
| AVIATION                         | 3,133.1             | 4,143.1               | 4,129.0            | 0.0          | 0.0         | 4,129.0                     | 2.8                       | 818.3              | 4,950.1      |
| LAND                             | 1,416.5             | 1,797.3               | 1,729.4            | 0.0          | 0.0         | 1,729.4                     | 0.0                       | 373.9              | 2,103.3      |
| MARITIME                         | 1,138.0             | 1,551.2               | 1,576.4            | 0.0          | 0.0         | 1,576.4                     | 1.3                       | 323.2              | 1,900.9      |
| SM-1 without Variability (SM-3A) | 18,465.4            | 21,269.8              | 20,923.0           | 0.0          | 0.0         | 20,923.0                    | 0.0                       | 0.0                | 20,923.0     |
| LOGISTICS INFORMATION            | 0.0                 | 0.0                   | 125.3              | 0.0          | 0.0         | 125.3                       | 8.0                       | 0.0                | 133.3        |
| TRANSACTION SERVICES             | 0.0                 | 0.0                   | 94.7               | 0.0          | 0.0         | 94.7                        | 9.9                       | 0.0                | 104.6        |
| MANAGEMENT HEADQUARTERS          | 0.0                 | 0.0                   | 188.0              | 0.0          | 0.0         | 188.0                       | 0.0                       | 0.0                | 188.0        |
| ENTERPRISE OPERATIONS            | 0.0                 | 0.0                   | 600.6              | 0.0          | 0.0         | 600.6                       | 0.5                       | 0.0                | 601.1        |
| ENTERPRISE INFORMATION TECH.     | 0.0                 | 0.0                   | 136.6              | 0.0          | 0.0         | 136.6                       | 18.9                      | 0.0                | 155.5        |
| CENTRAL FUND                     | 0.0                 | 0.0                   | 46.2               | 0.0          | 0.0         | 46.2                        | 0.0                       | 0.0                | 46.2         |
| TOTAL MATERIEL SUPPLY CHAIN      | 18,465.4            | 21,269.8              | 22,114.3           | 0.0          | 0.0         | 22,114.3                    | 48.826                    | 4,710.9            | 26,874.0     |
| DISTRIBUTION                     | 0.0                 | 0.0                   | 1,471.8            | 0.0          | 0.0         | 1,471.8                     | 26.1                      | 0.0                | 1,497.9      |
| DISPOSITION SERVICES             | 0.0                 | 0.0                   | 336.1              | 0.0          | 44.3        | 380.4                       | 3.2                       | 0.0                | 383.6        |
| TOTAL SUPPLY CHAIN MANAGEMENT    | 18,465.4            | 21,269.8              | 23,922.2           | 0.0          | 44.3        | 23,966.5                    | 78.2                      | 4,710.9            | 28,755.5     |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Management Activity Group  
Supply Management Summary by Division  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
FY 2016  
(Dollars in Millions)

| DIVISION                         | Net<br>Customer<br>Orders | Net<br>Sales<br>at Standard | Obligation Targets |              |                |                                   |                                 | Variability<br>Target | Total<br>Target |
|----------------------------------|---------------------------|-----------------------------|--------------------|--------------|----------------|-----------------------------------|---------------------------------|-----------------------|-----------------|
|                                  |                           |                             | Operating          | Mobilization | Direct<br>APPN | Total<br>Operating<br>Obligations | Total<br>Capital<br>Obligations |                       |                 |
|                                  |                           |                             |                    |              |                |                                   |                                 |                       |                 |
| CLOTHING & TEXTILES              | 1,549.9                   | 1,805.9                     | 1,769.7            | 0.0          | 0.0            | 1,769.7                           | 0.3                             | 374.8                 | 2,144.8         |
| MEDICAL                          | 5,655.9                   | 5,878.8                     | 5,865.5            | 0.0          | 0.0            | 5,865.5                           | 5.7                             | 1,414.4               | 7,285.6         |
| SUBSISTENCE                      | 1,957.6                   | 2,137.5                     | 2,131.9            | 0.0          | 0.0            | 2,131.9                           | 0.4                             | 489.4                 | 2,621.8         |
| CONSTRUCTION & EQUIPMENT         | 2,179.4                   | 2,427.1                     | 2,328.9            | 0.0          | 0.0            | 2,328.9                           | 0.4                             | 545.9                 | 2,875.1         |
| INDUSTRIAL HARDWARE              | 385.4                     | 562.8                       | 467.8              | 0.0          | 0.0            | 467.8                             | 0.3                             | 94.7                  | 562.7           |
| AVIATION                         | 2,819.4                   | 3,764.2                     | 3,744.7            | 0.0          | 0.0            | 3,744.7                           | 11.5                            | 712.4                 | 4,468.6         |
| LAND                             | 1,225.8                   | 1,629.4                     | 1,430.2            | 0.0          | 0.0            | 1,430.2                           | 0.0                             | 293.9                 | 1,724.2         |
| MARITIME                         | 1,076.0                   | 1,399.1                     | 1,427.5            | 0.0          | 0.0            | 1,427.5                           | 1.6                             | 276.0                 | 1,705.1         |
| SM-1 without Variability (SM-3A) | 16,849.4                  | 19,604.8                    | 19,166.3           | 0.0          | 0.0            | 19,166.271                        | 0.0                             | 0.0                   | 19,166.3        |
| LOGISTICS INFORMATION            | 0.0                       | 0.0                         | 171.5              | 0.0          | 0.0            | 171.5                             | 6.9                             | 0.0                   | 178.3           |
| TRANSACTION SERVICES             | 0.0                       | 0.0                         | 57.7               | 0.0          | 0.0            | 57.7                              | 8.2                             | 0.0                   | 65.9            |
| MANAGEMENT HEADQUARTERS          | 0.0                       | 0.0                         | 233.5              | 0.0          | 0.0            | 233.5                             | 0.0                             | 0.0                   | 233.5           |
| ENTERPRISE OPERATIONS            | 0.0                       | 0.0                         | 614.5              | 0.0          | 0.0            | 614.5                             | 0.5                             | 0.0                   | 615.0           |
| ENTERPRISE INFORMATION TECH.     | 0.0                       | 0.0                         | 103.0              | 0.0          | 0.0            | 103.0                             | 22.6                            | 0.0                   | 125.7           |
| CENTRAL FUND                     | 0.0                       | 0.0                         | 673.5              | 0.0          | 0.0            | 673.5                             | 0.0                             | 0.0                   | 673.5           |
| TOTAL MATERIEL SUPPLY CHAIN      | 16,849.4                  | 19,604.8                    | 21,019.9           | 0.0          | 0.0            | 21,019.9                          | 58.4                            | 4,201.5               | 25,279.8        |
| DISTRIBUTION                     | 0.0                       | 0.0                         | 1,453.9            | 0.0          | 0.0            | 1,453.9                           | 41.3                            | 0.0                   | 1,495.2         |
| DISPOSITION SERVICES             | 0.0                       | 0.0                         | 401.0              | 0.0          | 45.1           | 446.1                             | 3.7                             | 0.0                   | 449.8           |
| TOTAL SUPPLY CHAIN MANAGEMENT    | 16,849.4                  | 19,604.8                    | 22,874.8836        | 0.0          | 45.1           | 22,920.0                          | 103.4                           | 4,201.5               | 27,224.8        |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Management Activity Group  
Supply Management Summary by Division  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
FY 2017  
(Dollars in Millions)

| DIVISION                                | Net Customer Orders | Net Sales at Standard | Obligation Targets |              |             |                             |                           | Variability Target | Total Target    |
|-----------------------------------------|---------------------|-----------------------|--------------------|--------------|-------------|-----------------------------|---------------------------|--------------------|-----------------|
|                                         |                     |                       | Operating          | Mobilization | Direct APPN | Total Operating Obligations | Total Capital Obligations |                    |                 |
| CLOTHING & TEXTILES                     | 1,564.6             | 1,807.4               | 1,738.9            | 0.0          | 0.0         | 1,738.9                     | 0.1                       | 375.7              | 2,114.6         |
| MEDICAL                                 | 5,675.4             | 5,916.3               | 5,867.0            | 0.0          | 0.0         | 5,867.0                     | 5.4                       | 1,419.3            | 7,291.7         |
| SUBSISTENCE                             | 1,756.9             | 1,910.3               | 1,888.8            | 0.0          | 0.0         | 1,888.8                     | 0.1                       | 439.3              | 2,328.1         |
| CONSTRUCTION & EQUIPMENT                | 2,203.4             | 2,410.2               | 2,329.6            | 0.0          | 0.0         | 2,329.6                     | 0.1                       | 552.0              | 2,881.7         |
| INDUSTRIAL HARDWARE                     | 390.0               | 525.5                 | 463.2              | 0.0          | 0.0         | 463.2                       | 0.0                       | 95.5               | 558.7           |
| AVIATION                                | 2,843.4             | 3,749.3               | 3,700.9            | 0.0          | 0.0         | 3,700.9                     | 19.4                      | 700.6              | 4,420.8         |
| LAND                                    | 1,193.7             | 1,524.9               | 1,378.2            | 0.0          | 0.0         | 1,378.2                     | 0.0                       | 286.1              | 1,664.3         |
| MARITIME                                | 1,027.9             | 1,325.4               | 1,366.4            | 0.0          | 0.0         | 1,366.4                     | 4.1                       | 264.3              | 1,634.7         |
| <b>SM-1 without Variability (SM-3A)</b> | <b>16,655.2</b>     | <b>19,169.4</b>       | <b>18,732.9</b>    | <b>0.0</b>   | <b>0.0</b>  | <b>18,732.934</b>           | <b>0.0</b>                | <b>0.0</b>         | <b>18,732.9</b> |
| LOGISTICS INFORMATION                   | 0.0                 | 0.0                   | 172.3              | 0.0          | 0.0         | 172.3                       | 7.0                       | 0.0                | 179.3           |
| TRANSACTION SERVICES                    | 0.0                 | 0.0                   | 34.0               | 0.0          | 0.0         | 34.0                        | 0.0                       | 0.0                | 34.0            |
| MANAGEMENT HEADQUARTERS                 | 0.0                 | 0.0                   | 210.9              | 0.0          | 0.0         | 210.9                       | 0.0                       | 0.0                | 210.9           |
| ENTERPRISE OPERATIONS                   | 0.0                 | 0.0                   | 598.8              | 0.0          | 0.0         | 598.8                       | 0.5                       | 0.0                | 599.3           |
| ENTERPRISE INFORMATION TECH.            | 0.0                 | 0.0                   | 171.0              | 0.0          | 0.0         | 171.0                       | 19.6                      | 0.0                | 190.6           |
| CENTRAL FUND                            | 0.0                 | 0.0                   | 747.4              | 0.0          | 0.0         | 747.4                       | 0.0                       | 0.0                | 747.4           |
| <b>TOTAL MATERIEL SUPPLY CHAIN</b>      | <b>16,655.2</b>     | <b>19,169.4</b>       | <b>20,667.3</b>    | <b>0.0</b>   | <b>0.0</b>  | <b>20,667.3</b>             | <b>56.2</b>               | <b>0.0</b>         | <b>20,723.5</b> |
| DISTRIBUTION                            | 0.0                 | 0.0                   | 1,548.4            | 0.0          | 0.0         | 1,548.4                     | 40.2                      | 0.0                | 1,588.5         |
| DISPOSITION SERVICES                    | 0.0                 | 0.0                   | 344.8              | 0.0          | 46.0        | 390.8                       | 4.1                       | 0.0                | 394.9           |
| <b>TOTAL SUPPLY CHAIN MANAGEMENT</b>    | <b>16,655.2</b>     | <b>19,169.4</b>       | <b>22,560.430</b>  | <b>0.0</b>   | <b>46.0</b> | <b>22,606.5</b>             | <b>100.5</b>              | <b>4,132.7</b>     | <b>26,839.6</b> |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Chain Management Activity Group  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
FY 2015 Inventory Status  
(\$ in millions)

| Materiel Supply Chain                                                                                                                                                                                                                                                                                                                                                                                               | Total       | Demand Based | Mobilization | Non-Demand Based |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------|--------------|------------------|
| 1. INVENTORY - Beginning of Period (BOP)                                                                                                                                                                                                                                                                                                                                                                            | 11,245.200  | 7,813.022    | 454.595      | 2,977.583        |
| 2. BOP INVENTORY ADJUSTMENTS                                                                                                                                                                                                                                                                                                                                                                                        |             |              |              |                  |
| a. Reclassification Change (Memo)                                                                                                                                                                                                                                                                                                                                                                                   | 0.000       | -243.256     | -50.849      | 294.105          |
| b. Price Change Amount (Memo)                                                                                                                                                                                                                                                                                                                                                                                       | 0.000       | 0.000        | 0.000        | 0.000            |
| c. Inventory Reclassified and Repriced                                                                                                                                                                                                                                                                                                                                                                              | 11,245.200  | 7,569.766    | 403.746      | 3,271.688        |
| 3. PURCHASES                                                                                                                                                                                                                                                                                                                                                                                                        | 18,790.585  | 18,394.999   | 395.586      | 0.000            |
| 4. GROSS SALES AT COST                                                                                                                                                                                                                                                                                                                                                                                              | -18,439.665 | -18,070.903  | -368.762     | 0.000            |
| 5. INVENTORY ADJUSTMENTS                                                                                                                                                                                                                                                                                                                                                                                            |             |              |              |                  |
| a. Capitalizations + or (-)                                                                                                                                                                                                                                                                                                                                                                                         | 166.700     | 90.049       | 5.186        | 71.465           |
| Transfer to other DLA ICPs                                                                                                                                                                                                                                                                                                                                                                                          | -4.405      | 0.000        | 0.000        | -4.405           |
| Transfer from other DLA ICPs                                                                                                                                                                                                                                                                                                                                                                                        | 10.042      | 3.986        | 5.186        | 0.870            |
| Transfers from Military Services                                                                                                                                                                                                                                                                                                                                                                                    | 161.063     | 86.063       | 0.000        | 75.000           |
| b. Returns from Customers for Credit (+)                                                                                                                                                                                                                                                                                                                                                                            | 136.225     | 136.205      | 0.020        | 0.000            |
| c. Returns for Customers without Credit                                                                                                                                                                                                                                                                                                                                                                             | 384.466     | 0.000        | 0.579        | 383.887          |
| d. Returns to Suppliers (-)                                                                                                                                                                                                                                                                                                                                                                                         | 71.606      | 71.606       | 0.000        | 0.000            |
| e. Transfers to Property Disposal (-)                                                                                                                                                                                                                                                                                                                                                                               | -612.789    | 0.000        | -6.915       | -605.874         |
| f. Issues/Receipts without Reimbursement (+/-)                                                                                                                                                                                                                                                                                                                                                                      | -0.009      | 0.000        | 0.000        | -0.009           |
| g. Other ( List and Explain)                                                                                                                                                                                                                                                                                                                                                                                        | 154.539     | 189.080      | -0.541       | -34.000          |
| h. Total Adjustments                                                                                                                                                                                                                                                                                                                                                                                                | 300.738     | 486.940      | -1.671       | -184.531         |
| 6. INVENTORY - End of Period (EOP)                                                                                                                                                                                                                                                                                                                                                                                  | 11,896.857  | 8,380.802    | 428.899      | 3,087.157        |
| 7. INVENTORY ON ORDER EOP                                                                                                                                                                                                                                                                                                                                                                                           | 7,851.690   | 7,570.046    | 281.644      | 0.000            |
| 8. Narrative (Explanation of unusual changes)                                                                                                                                                                                                                                                                                                                                                                       |             |              |              |                  |
| Inventory growth is due primarily to Aviation, Maritime and C&E. Aviation growth in inventory is attributed to Intransit from Procurement. Maritime inventory growth is due to DLA initiatives to reduce back-orders and time to award goals which resulted in receipts higher than sales and Other- adjustments for projected additional gross sales @ cost. C&E inventory growth is due to transfer of GSA Items. |             |              |              |                  |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Chain Management Activity Group  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
FY 2016 Inventory Status  
(\$ in millions)

| Materiel Supply Chain                          | Total                                                                                                                                                      | Demand Based | Mobilization | Non-Demand Based |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|------------------|
| 1. INVENTORY - Beginning of Period (BOP)       | 11,896.857                                                                                                                                                 | 8,380.802    | 428.899      | 3,087.157        |
| 2. BOP INVENTORY ADJUSTMENTS                   |                                                                                                                                                            |              |              |                  |
| a. Reclassification Change (Memo)              | 0.000                                                                                                                                                      | -50.000      | 0.000        | 50.000           |
| b. Price Change Amount (Memo)                  | 0.000                                                                                                                                                      | 0.000        | 0.000        | 0.000            |
| c. Inventory Reclassified and Repriced         | 11,896.857                                                                                                                                                 | 8,330.802    | 428.899      | 3,137.157        |
| 3. PURCHASES                                   | 17,446.203                                                                                                                                                 | 17,228.552   | 217.651      | 0.000            |
| 4. GROSS SALES AT COST                         | -17,055.834                                                                                                                                                | -16,879.640  | -176.194     | 0.000            |
| 5. INVENTORY ADJUSTMENTS                       |                                                                                                                                                            |              |              |                  |
| a. Capitalizations + or (-)                    | 86.624                                                                                                                                                     | 56.624       | 0.000        | 30.000           |
| Transfer to other DLA ICPs                     | 0.000                                                                                                                                                      | 0.000        | 0.000        | 0.000            |
| Transfer from other DLA ICPs                   | 8.808                                                                                                                                                      | 8.808        | 0.000        | 0.000            |
| Transfers from Military Services               | 77.816                                                                                                                                                     | 47.816       | 0.000        | 30.000           |
| b. Returns from Customers for Credit (+)       | 151.507                                                                                                                                                    | 151.507      | 0.000        | 0.000            |
| c. Returns for Customers without Credit        | 331.909                                                                                                                                                    | 10.131       | 0.000        | 321.778          |
| d. Returns to Suppliers (-)                    | 20.000                                                                                                                                                     | 0.000        | 0.000        | 20.000           |
| e. Transfers to Property Disposal (-)          | -745.206                                                                                                                                                   | 0.000        | 0.000        | -745.206         |
| f. Issues/Receipts without Reimbursement (+/-) | 0.000                                                                                                                                                      | 0.000        | 0.000        | 0.000            |
| g. Other ( List and Explain)                   | -141.920                                                                                                                                                   | -190.347     | -15.401      | 63.828           |
| h. Total Adjustments                           | -297.086                                                                                                                                                   | 27.915       | -15.401      | -309.600         |
| 6. INVENTORY - End of Period (EOP)             | 11,990.140                                                                                                                                                 | 8,707.628    | 454.955      | 2,827.557        |
| 7. INVENTORY ON ORDER EOP                      | 7,526.012                                                                                                                                                  | 7,209.260    | 316.752      | 0.000            |
| 8. Narrative (Explanation of unusual changes)  | Inventory growth is primarily because of Aviation and due to sales exceeding receipts slightly by \$93 but offset by customer returns and capitalizations. |              |              |                  |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Chain Management Activity Group  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
FY 2017 Inventory Status  
(\$ in millions)

| Materiel Supply Chain                          | Total       | Demand Based | Mobilization | Non-Demand Based |
|------------------------------------------------|-------------|--------------|--------------|------------------|
| 1. INVENTORY - Beginning of Period (BOP)       | 11,990.140  | 8,707.628    | 454.955      | 2,827.557        |
| 2. BOP INVENTORY ADJUSTMENTS                   |             |              |              |                  |
| a. Reclassification Change (Memo)              | 0.000       | 0.000        | 0.000        | 0.000            |
| b. Price Change Amount (Memo)                  | 0.000       | 0.000        | 0.000        | 0.000            |
| c. Inventory Reclassified and Repriced         | 11,990.140  | 8,707.628    | 454.955      | 2,827.557        |
| 3. PURCHASES                                   | 16,906.646  | 16,728.895   | 177.751      | 0.000            |
| 4. GROSS SALES AT COST                         | -16,855.249 | -16,687.332  | -167.917     | 0.000            |
| 5. INVENTORY ADJUSTMENTS                       |             |              |              |                  |
| a. Capitalizations + or (-)                    | 75.000      | 55.000       | 0.000        | 20.000           |
| Transfer to other DLA ICPs                     | 0.000       | 0.000        | 0.000        | 0.000            |
| Transfer from other DLA ICPs                   | 0.000       | 0.000        | 0.000        | 0.000            |
| Transfers from Military Services               | 75.000      | 55.000       | 0.000        | 20.000           |
| b. Returns from Customers for Credit (+)       | 150.749     | 150.749      | 0.000        | 0.000            |
| c. Returns for Customers without Credit        | 329.155     | 0.000        | 0.000        | 329.155          |
| d. Returns to Suppliers (-)                    | 8.750       | 0.000        | 0.000        | 8.750            |
| e. Transfers to Property Disposal (-)          | -623.542    | 0.000        | 0.000        | -623.542         |
| f. Issues/Receipts without Reimbursement (+/-) | 0.000       | 0.000        | 0.000        | 0.000            |
| g. Other ( List and Explain)                   | 2.276       | -177.735     | 0.011        | 180.000          |
| h. Total Adjustments                           | -57.612     | 28.014       | 0.011        | -85.637          |
| 6. INVENTORY - End of Period (EOP)             | 11,983.925  | 8,777.205    | 464.800      | 2,741.920        |
| 7. INVENTORY ON ORDER EOP                      | 7,415.750   | 7,107.048    | 308.702      | 0.000            |
| 8. Narrative (Explanation of unusual changes)  |             |              |              |                  |

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Supply Chain Management Activity Group**  
**War Reserve Material Stockpile**  
**Fiscal Year (FY) 2017 Budget Estimates**  
**February 2016**  
**Materiel Supply Chains**  
**FY 2015**  
**(\$ in millions)**

|                             | Total  | WRM<br>Protected | WRM<br>Other |
|-----------------------------|--------|------------------|--------------|
| 1. Inventory BOP @ Cost     | 454.6  | 363.7            | 90.9         |
| 2. Price Change             | -5.2   | 0.0              | -5.2         |
| 3. Reclassification         | -50.8  | 0.0              | -50.8        |
| 4. Inventory Changes        |        |                  |              |
| a. Receipts @ cost          | 395.6  | 395.6            | 0.0          |
| (1). Purchases              | 395.0  | 395.0            | 0.0          |
| (2). Returns from customers | 0.6    | 0.6              | 0.0          |
| b. Issues @ cost            | -370.5 | -365.5           | -5.1         |
| (1). Sales                  | -363.6 | -358.5           | -5.1         |
| (2). Returns to suppliers   | 0.0    | 0.0              | 0.0          |
| (3.) Disposals              | -6.9   | -6.9             | 0.0          |
| c. Adjustments @ cost       | 5.3    | 0.2              | 5.1          |
| (1). Capitalizations        | 5.2    | 5.2              | 0.0          |
| (2). Gains and Losses       | -6.3   | -6.3             | 0.0          |
| (3.) Other                  | 6.4    | 1.3              | 5.1          |
| 5. Inventory EOP            | 428.9  | 394.0            | 34.9         |
| WRM BUDGET REQUEST          |        |                  |              |
| 1. Storage                  | 3.5    | 3.5              | 0.0          |
| 2. Management               | 0.0    | 0.0              | 0.0          |
| 3. Maintenance/Other        | 0.0    | 0.0              | 0.0          |
| Total Cost                  | 3.5    | 3.5              | 0.0          |
| WRM BUDGET REQUEST          |        |                  |              |
| 1. Obligations @ Cost       | 395.0  | 395.0            | 0.0          |
| a. Additional WRM           | 0.0    | 0.0              | 0.0          |
| b. Replen. WRM              | 395.0  | 395.0            | 0.0          |
| c. Repair WRM               | 0.0    | 0.0              | 0.0          |
| d. Assemble/Disassemble     | 0.0    | 0.0              | 0.0          |
| e. Other                    | 0.0    | 0.0              | 0.0          |
| Total Request               | 395.0  | 395.0            | 0.0          |

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group**  
**War Reserve Material Stockpile**  
**Fiscal Year (FY) 2017 Budget Estimates**  
**February 2016**  
**Materiel Supply Chains**  
**FY 2016**  
**(\$ in millions)**

|                             | Total  | WRM<br>Protected | WRM<br>Other |
|-----------------------------|--------|------------------|--------------|
| 1. Inventory BOP @ Cost     | 428.9  | 394.0            | 34.9         |
| 2. Price Change             | 0.0    | 0.0              | 0.0          |
| 3. Reclassification         | 0.0    | 0.0              | 0.0          |
| 4. Inventory Changes        |        |                  |              |
| a. Receipts @ cost          | 217.7  | 217.7            | 0.0          |
| (1). Purchases              | 217.7  | 217.7            | 0.0          |
| (2). Returns from customers | 0.0    | 0.0              | 0.0          |
| b. Issues @ cost            | -176.2 | -176.2           | 0.0          |
| (1). Sales                  | -176.2 | -176.2           | 0.0          |
| (2). Returns to suppliers   | 0.0    | 0.0              | 0.0          |
| (3.) Disposals              | 0.0    | 0.0              | 0.0          |
| c. Adjustments @ cost       | -15.4  | -15.4            | 0.0          |
| (1). Capitalizations        | 0.0    | 0.0              | 0.0          |
| (2). Gains and Losses       | 0.0    | 0.0              | 0.0          |
| (3.) Other                  | -15.4  | -15.4            | 0.0          |
| 5. Inventory EOP            | 455.0  | 420.0            | 34.9         |
|                             |        |                  |              |
| 1. Storage                  | 3.5    | 3.5              | 0.0          |
| 2. Management               | 0.0    | 0.0              | 0.0          |
| 3. Maintenance/Other        | 0.0    | 0.0              | 0.0          |
| Total Cost                  | 3.5    | 3.5              | 0.0          |
| WRM BUDGET REQUEST          |        |                  |              |
| 1. Obligations @ Cost       | 217.7  | 217.7            | 0.0          |
| a. Additional WRM           | 0.0    | 0.0              | 0.0          |
| b. Replen. WRM              | 217.7  | 217.7            | 0.0          |
| c. Repair WRM               | 0.0    | 0.0              | 0.0          |
| d. Assemble/Disassemble     | 0.0    | 0.0              | 0.0          |
| e. Other                    | 0.0    | 0.0              | 0.0          |
| Total Request               | 217.7  | 217.7            | 0.0          |



**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group**  
**War Reserve Material Stockpile**  
**Fiscal Year (FY) 2017 Budget Estimates**  
**February 2016**  
**Materiel Supply Chains**  
**FY 2017**  
**(\$ in millions)**

|                             | Total  | WRM<br>Protected | WRM<br>Other |
|-----------------------------|--------|------------------|--------------|
| 1. Inventory BOP @ Cost     | 455.0  | 420.0            | 34.9         |
| 2. Price Change             | 0.0    | 0.0              | 0.0          |
| 3. Reclassification         | 0.0    | 0.0              | 0.0          |
| 4. Inventory Changes        |        |                  |              |
| a. Receipts @ cost          | 177.8  | 177.8            | 0.0          |
| (1). Purchases              | 177.8  | 177.8            | 0.0          |
| (2). Returns from customers | 0.0    | 0.0              | 0.0          |
| b. Issues @ cost            | -167.9 | -167.9           | 0.0          |
| (1). Sales                  | -167.9 | -167.9           | 0.0          |
| (2). Returns to suppliers   | 0.0    | 0.0              | 0.0          |
| (3.) Disposals              | 0.0    | 0.0              | 0.0          |
| c. Adjustments @ cost       | 0.0    | 0.0              | 0.0          |
| (1). Capitalizations        | 0.0    | 0.0              | 0.0          |
| (2). Gains and Losses       | 0.0    | 0.0              | 0.0          |
| (3.) Other                  | 0.0    | 0.0              | 0.0          |
| 5. Inventory EOP            | 464.8  | 429.9            | 34.9         |
|                             |        |                  |              |
| 1. Storage                  | 3.5    | 3.5              | 0.0          |
| 2. Management               | 0.0    | 0.0              | 0.0          |
| 3. Maintenance/Other        | 0.0    | 0.0              | 0.0          |
| Total Cost                  | 3.5    | 3.5              | 0.0          |
| WRM BUDGET REQUEST          |        |                  |              |
| 1. Obligations @ Cost       | 177.8  | 177.8            | 0.0          |
| a. Additional WRM           | 0.0    | 0.0              | 0.0          |
| b. Replen. WRM              | 177.8  | 177.8            | 0.0          |
| c. Repair WRM               | 0.0    | 0.0              | 0.0          |
| d. Assemble/Disassemble     | 0.0    | 0.0              | 0.0          |
| e. Other                    | 0.0    | 0.0              | 0.0          |
| Total Request               | 177.8  | 177.8            | 0.0          |

DEFENSE LOGISTICS AGENCY  
DEFENSE-WIDE WORKING CAPITAL FUND  
SUPPLY CHAIN MANAGEMENT ACTIVITY GROUP  
FISCAL YEAR (FY) 2017 BUDGET ESTIMATES  
ACTIVITY GROUP CAPITAL INVESTMENT SUMMARY  
(\$ IN MILLIONS)

| Line Number | Item Description                                                       | FY 2015  |            | FY 2016  |            | FY 2017  |            |
|-------------|------------------------------------------------------------------------|----------|------------|----------|------------|----------|------------|
|             |                                                                        | Quantity | Total Cost | Quantity | Total Cost | Quantity | Total Cost |
| MAT 200-01  | Material Handling/Storage Space Utilization - Distribution             | 10       | 15.101     | 10       | 20.794     | 9        | 17.681     |
| MAT 200-02  | Material Handling/Storage Space Utilization - Materiel Supply Chain    | 1        | 0.552      | 0        | 0.000      | 2        | 2.140      |
| IS 200-01   | Installation Security - Distribution                                   | 1        | 0.522      | 0        | 0.000      | 3        | 2.143      |
| IS 200-02   | Installation Security - Materiel Supply Chain                          | 1        | 0.711      | 6        | 5.855      | 4        | 4.868      |
| MAD 200-01  | Material Disposal - Disposition                                        | 2        | 1.330      | 2        | 1.600      | 4        | 2.000      |
| MAC 200-01  | Machinery - Materiel Supply Chain                                      | 0        | 0.000      | 0        | 0.000      | 3        | 9.800      |
|             | <u>TOTAL EQUIPMENT (Non ADP/T)</u>                                     | 15       | 18.216     | 18       | 28.249     | 25       | 38.632     |
| TEL 100     | Telecommunications - Materiel Supply Chain                             | 0        | 0.000      | 1        | 3.572      | 1        | 3.633      |
| TEL 200     | Telecommunications - Distribution                                      | 1        | 1.997      | 3        | 5.360      | 2        | 5.402      |
| PRD 100     | Production Hardware - Materiel Supply Chain                            | 3        | 5.072      | 4        | 8.226      | 3        | 5.103      |
| NET 100     | Network Hardware - Distribution                                        | 0        | 0.000      | 1        | 3.050      | 1        | 3.050      |
| NET 200     | Network Hardware - Materiel Supply Chain                               | 2        | 3.494      | 6        | 11.841     | 3        | 2.389      |
|             | <u>TOTAL EQUIPMENT (ADP/T)</u>                                         | 6        | 10.563     | 15       | 32.049     | 10       | 19.577     |
| SWD 200-01  | Supply Chain Management - Enterprise Business System                   |          | 12.517     |          | 16.567     |          | 14.605     |
| SWD 200-02  | Supply Chain Management - Defense Medical Logistics Standard System    |          | 2.020      |          | 2.397      |          | 2.397      |
| SWD 200-03  | Supply Chain Management - DoD EMALL                                    |          | 12.364     |          | 6.065      |          | 6.180      |
| SWD 200-04  | Supply Chain Management - Functional Executive Agent Medical Support   |          | 2.798      |          | 2.846      |          | 2.894      |
| SWD 200-05  | Supply Chain Management - EDW                                          |          | 0.000      |          | 1.140      |          | 1.254      |
| SWD 200-06  | Supply Chain Management -Governance Risk& Compliance _ Risk Management |          | 3.969      |          | 2.000      |          | 0.000      |
| SWD 200-07  | Supply Chain Management -SoD                                           |          | 0.000      |          | 3.710      |          | 1.020      |
| SWD 200-08  | Supply Chain Management -AMPS                                          |          | 0.000      |          | 0.000      |          | 2.500      |
| SWD 300-01  | Net-Centric Hubs - Enterprise Software                                 |          | 2.165      |          | 0.000      |          | 0.414      |
| SWD 400-01  | Master Data - Federal Logistics Information System                     |          | 0.000      |          | 0.000      |          | 0.500      |
| SWD 400-02  | Master Data - Enterprise Geospatial Information System                 |          | 0.000      |          | 0.000      |          | 2.036      |
| SWD 500-01  | Distribution - Radio Frequency Identification                          |          | 0.000      |          | 1.920      |          | 0.000      |
| SWD 500-02  | Distribution - Distribution Standard System                            |          | 0.000      |          | 1.145      |          | 1.039      |
|             | <u>TOTAL SOFTWARE DEVELOPMENT</u>                                      |          | 35.833     |          | 37.790     |          | 34.839     |
| REP 200-01  | Minor Construction \$250,000 - \$1,000,000 (Materiel Supply Chain)     |          | 2.442      |          | 3.076      |          | 3.476      |
| REP 200-02  | Minor Construction \$250,000 - \$1,000,000 (Distribution)              |          | 8.510      |          | 9.002      |          | 9.002      |
| REP 200-03  | Minor Construction \$250,000 - \$1,000,000 (Disposition)               |          | 1.874      |          | 2.100      |          | 2.100      |
|             | <u>TOTAL MINOR CONSTRUCTION</u>                                        |          | 12.826     |          | 14.178     |          | 14.578     |
|             | <u>TOTAL AGENCY CAPITAL INVESTMENTS</u>                                | 21       | 77.438     | 33       | 112.266    | 35       | 107.626    |
|             | Total Capital Outlays                                                  |          | 86.152     |          | 137.868    |          | 92.204     |
|             | Total Depreciation Expense                                             |          | 401.796    |          | 200.995    |          | 156.785    |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |          |           |            |          |                                                                   |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |          |           |            |          | C. Line Number & Item Description<br>MAT 200-01 Non-ADP Equipment |            |          |           |            | D. Activity Identification<br>DLA Distribution                    |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | FY 2015  |           |            | FY 2016  |                                                                   |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost                                                         | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| <u>MAT 200-01</u><br>Material Handling/Storage Space Utilization                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 10       | 1,510     | 15,101     | 10       | 2,079                                                             | 20,794     | 9        | 1,964     | 17,681     |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>These investments are for material handling equipment, mobile material handling equipment, and miscellaneous warehouse equipment or systems within DLA Distribution depots. Equipment is to replaces existing items that have reached or exceeded the useful life established for this category. Based on guidance contained in various Department of Defense (DoD) governing polices, Defense Logistics Agency (DLA) has established a replacement and life expectancy/productivity enhancement standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to unusual categories of equipment.</p> <p>Equipment supports new mission or productivity related projects for which DLA has established policies and procedures to ensure that the ultimate goals of providing cost savings in terms of reduced man-hours to complete mission oriented tasks, new systems or equipment to meet the requirements for attaining DLA strategic goals and modification to enhance safety of the operators or environment. All productivity related projects normally provide a payback of not more than five years and savings to investment ratio of greater than one.</p> <p>Projects in FY 2016 include container handlers, conveyor system, building storage and racks systems.</p> <p>Projects in FY 2017 include conveyor system, building storage and racks systems</p> |          |           |            |          |                                                                   |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |          |           |            |                                                                   |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |          |           |            | C. Line Number & Item Description<br>MAT 200-02 Non-ADP Equipment |           |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | FY 2015  |           |            | FY 2016                                                           |           |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Quantity | Unit Cost | Total Cost | Quantity                                                          | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| <u>MAT 200-02</u><br>Material Handling/Storage Space<br>Utilization                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 1        | 552       | 552        | 0                                                                 | 0         | 0          | 2        | 1,070     | 2,140      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>These investments are for material handling equipment, mobile material handling equipment, and miscellaneous warehouse equipment or systems within DLA Inventory Control Points facilities. Equipment is to replaces existing items that have reached or exceeded the useful life established for this category. Based on guidance contained in various Department of Defense (DoD) governing polices, Defense Logistics Agency (DLA) has established a replacement and life expectancy/productivity enhancement standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to unusual categories of equipment.</p> <p>Equipment supports new mission or productivity related projects for which DLA has established policies and procedures to ensure that the ultimate goals of providing cost savings in terms of reduced man-hours to complete mission oriented tasks, new systems or equipment to meet the requirements for attaining DLA strategic goals and modification to enhance safety of the operators or environment. All productivity related projects normally provide a payback of not more than five years and savings to investment ratio of greater than one.</p> |          |           |            |                                                                   |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |           |            |                                                                  |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |          |           |            | C. Line Number & Item Description<br>IS 200-02 Non-ADP Equipment |           |            |          |           |            | D. Activity Identification<br>DLA Distribution                    |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | FY 2015  |           |            | FY 2016                                                          |           |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Quantity | Unit Cost | Total Cost | Quantity                                                         | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| IS 200-01<br>Installation Security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 1        | 522       | 522        | 0                                                                | 0         | 0          | 3        | 714       | 2,143      |                                                                   |           |            |
| <p><b>Narrative Justification:</b></p> <p>This investments projects involves providing installation security related items. Security items include Card Access Control Systems (CACS) for various buildings, a card access system, a closed circuit television system, and fire emergency trucks for DLA Distribution depots. Equipment of this type will provide security of the items stored in the depots as well as safety and security for the DLA employees. This equipment is in accordance with security guidance provided by the Department of Defense and in order to rectify identified security deficiencies. This equipment will provide depot security as well as safety and security for DLA Distribution employees.</p> <p>Projects in FY 2017 include Emergency Annunciation System at San Joaquin, CA and Intrusion Detection System at Yokosuka, JP</p> |          |           |            |                                                                  |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |          |           |            |                                                                  |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |          |           |            | C. Line Number & Item Description<br>IS 200-03 Non-ADP Equipment |           |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | FY 2015  |           |            | FY 2016                                                          |           |            | FY 2017  |           |            |                                                                   |           |            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Quantity | Unit Cost | Total Cost | Quantity                                                         | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost | Quantity                                                          | Unit Cost | Total Cost |
| IS 200-02<br>Installation Security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 1        | 711       | 711        | 6                                                                | 975.8     | 5,855      | 4        | 1,217     | 4,868      |                                                                   |           |            |
| <p><b>Narrative Justification:</b></p> <p>These investments projects involves providing installation security related items. Security items include portals, turnstiles, entrance card reader, intrusion, detection devices, and fire emergency trucks throughout DLA facilities. Equipment of this type will provide security of the items stored in the DLA occupied buildings, as well as safety and security for the DLA employees. This equipment is in accordance with security guidance provided by the Department of Defense and in order to rectify identified security deficiencies.</p> |          |           |            |                                                                  |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |          |           |            |                                                                   |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |          |           |            | C. Line Number & Item Description<br>MAD 200-04 Non-ADP Equipment |           |            |          |           |            | D. Activity Identification<br>DLA Disposition Services            |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | FY 2015  |           |            | FY 2016                                                           |           |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Quantity | Unit Cost | Total Cost | Quantity                                                          | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| <u>MAD 200-01</u><br>Material Disposal                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 2        | 665       | 1,330      | 2                                                                 | 800       | 1,600      | 4        | 500       | 2,000      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>This investment is for scrap/container handlers and Shredders that have reached or exceeded the useful life established for this category. Based on guidance contained in various Department of Defense (DoD) governing policies, the Defense Logistics Agency (DLA) has established replacement and life expectancy standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to various categories of equipment.</p> |          |           |            |                                                                   |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                     |          |           |            |          |                                                                   |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                           |          |           |            |          | C. Line Number & Item Description<br>MAD 200-04 Non-ADP Equipment |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | FY 2015  |           |            | FY 2016  |                                                                   |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost                                                         | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| <u>MAC 200-01</u><br>Machinery                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 0        | 0         | 0          | 0        | 0                                                                 | 0          | 3        | 3,266.6   | 9,800      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>This investment is for a grinder, planer mill, and a 5 axis profiler at DLA Aviation for the Industrial Plant Equipment Service Division in Mechanicsburg, PA. The grinder will replace the 2 existing grinders that have reached or exceeded the useful life. With present day technology this grinder can complete several different functions on one machine. The planer and 5 axis profiler are replacing aging, outdated machinery with modern efficient and versatile machinery.</p> |          |           |            |          |                                                                   |            |          |           |            |                                                                   |           |            |



| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |          |           |            |                                                                           |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |          |           |            | C. Line Number & Item Description<br>TEL 100 Telecommunications Equipment |           |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | FY 2015  |           |            | FY 2016                                                                   |           |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Quantity | Unit Cost | Total Cost | Quantity                                                                  | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| TEL 100<br>Telecommunications                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 0        | 0         | 0          | 1                                                                         | 3,572     | 3,572      | 1        | 3,633     | 3,633      |                                                                   |           |            |
| Narrative Justification:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |          |           |            |                                                                           |           |            |          |           |            |                                                                   |           |            |
| <p>The investment for telecommunications equipment is in support of DLA Land and Maritime, DLA Aviation, DLA Troop Support and DLA Headquarters buildings. This equipment will ensure that data transmissions from voice to video are successful. Requirements include telephone switches, Local Area Network (LAN) and Wide Area Network (WAN) upgrades associated with telecommunications hardware, storage solutions, video teleconferencing hardware, and a trunked radio system. The purpose of the enhancements is to install planned improvements and upgrades of Core/Mission Critical telecommunications hardware, cable and middleware. The continued enhancement of the DLA telecommunications infrastructure is essential to the continued improvement of the availability of information and data required for DLA to effectively perform its mission. No specific Cost/savings quantitative analysis was performed for these projects. However, the projects are consistent with the DLA long-term plan for upgrading the DLA telecommunications capabilities.</p> |          |           |            |                                                                           |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |          |           |            |                                                                           |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |          |           |            | C. Line Number & Item Description<br>TEL 200 Telecommunications Equipment |           |            |          |           |            | D. Activity Identification<br>DLA Distribution                    |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | FY 2015  |           |            | FY 2016                                                                   |           |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Quantity | Unit Cost | Total Cost | Quantity                                                                  | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| TEL 200<br>Telecommunications                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1        | 1,997     | 1,997      | 3                                                                         | 1,786.7   | 5,360      | 3        | 1,800.6   | 5,402      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>The Radio Frequency mission, as specified in DoD 4140.1-R and Defense Reform Initiative Directive (DRID) 48, calls for the ability to read 2D bar codes during the pick operation. The mission relies upon the perpetuation of serial number information throughout the supply chain; suppliers will mark this information on material in the form of 2D bar codes. This work is primarily supported by Radio Frequency equipment. The intent of this action is to survey, design, install, and implement an 802.11b/g/n RF solution for any new site requirements or to supplement new requirements to any current 802.11b/g infrastructure to include the procurement of end user devices, WLAN hardware and infrastructure cabling. No BCA or EA was done. Money is allocated for future requirements that are not yet completely defined. There will be no visual cost savings involved as these projects will be mandated in order to support mission requirements.</p> <p>Radio Frequency Identification (RFID) supports the overall goal of supply chain integration and logistics interoperability and allows for information exchange within and between internal and external business partners. The RFID initiative included reading passive RFID tags at receiving locations, initially for new procurement and eventually for field returns. The Center of Excellence (CoE) at DDJC will be the centerpiece for implementing any new pRFID technologies driven by business processes. Projects include fast-track receiving, intra-depot tracking of material, and a real-time-location system in the CCP facility. Local Delivery initiatives, and auto-receipt processing are more ubiquitous. DLA Distribution J3 estimates annual savings in excess of \$1M with auto-receipt of RDOs alone. The benefit of RFID in Receiving (PRR) is being realized at the DLA Distribution San Joaquin and New Cumberland sites.</p> |          |           |            |                                                                           |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |          |           |            |                                                                  |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |          |           |            | C. Line Number & Item Description<br>PRD 100 Production Hardware |           |            |          |           |            | D. Activity Identification<br>Material Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | FY 2015  |           |            | FY 2016                                                          |           |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Quantity | Unit Cost | Total Cost | Quantity                                                         | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| PRD 100<br>Production Hardware                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 3        | 1,690     | 5,072      | 4                                                                | 2,056.5   | 8,226      | 2        | 2,551.5   | 5,103      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>The Transaction Services Portfolio's mission is to receive, validate, edit, route, transmit, and archive nearly all unclassified Department of Defense (DoD) logistic, procurement, and financial management traffic. This mission is accomplished by a collection of systems and capabilities. The FY 2017 requirements provide the Transaction Services Portfolio with an Enterprise infrastructure and the necessary components needed for data exchange, storage, facility, and security between Transaction Services profile environments and Transaction Services' diverse external customer base. These hardware platforms provide for numerous Transaction Services applications such as the DLA Routing Control System (DRCS), Service Oriented Messaging Architecture (SOMA), DLA Micro Automated Routing System (DMARS), DLA Master Routing System (DMRS), Global Exchange (GEX) E-Business Hub (GEX provides Electronic Data Interchange (EDI) data exchange from secure facilities.), and the Integrated Data Environment (IDE). FY 2017 requirements include the necessary technical refreshment of the hardware (replacement of outdated and unsupported servers and storage systems) to provide support for DoD level repositories, DoD requisition tracking, Electronic Business gateway (GEX E-Business Hub), and IDE used to support the mission in the editing, validating, verifying, and routing of logistics, procurement, and financial management data and for logistics, procurement, and financial management processing applications serving the entire DoD community, to include DLA, United States (US) Air Force, US Army, US Marine Corps, US Navy, US Coast Guard, the Federal Sector, the Defense Contractor community, International Logistics Communications Systems (ILCS), Foreign Military Sales (FMS) countries, and all DoD logistics, procurement, and financial management customers using DoD and commercial networks. The impact of not replacing these hardware platforms will lead to degradation of services, leading to mission failure.</p> |          |           |            |                                                                  |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |          |           |            |                                                               |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                           |          |           |            | C. Line Number & Item Description<br>NET 100 Network Hardware |           |            |          |           |            | D. Activity Identification<br>DLA Distribution                    |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | FY 2015  |           |            | FY 2016                                                       |           |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Quantity | Unit Cost | Total Cost | Quantity                                                      | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| NET 100<br>Network Hardware                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 0        | 0         | 0          | 1                                                             | 3,050     | 3,050      | 1        | 3,050     | 3,050      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>This investments are for upgrades to the LAN networks supporting DLA Distribution depots to include hardware and infrastructure cabling.</p> <p>Due to changing and or insufficient requirements for the various locations, no Business Case Analysis (BCA) or Economic Analysis (EA) was performed.</p> <p>Incomplete knowledge of the existing infrastructure and until these transfers are completed and actual requirements identified, no savings/cost avoidance should result from the purchase.</p> |          |           |            |                                                               |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |          |           |            |                                                               |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |           |            | C. Line Number & Item Description<br>NET 100 Network Hardware |           |            |          |           |            | D. Activity Identification<br>Material Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | FY 2015  |           |            | FY 2016                                                       |           |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
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| NET 200<br>Network Hardware                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 2        | 1,747     | 3,494      | 6                                                             | 1,973.5   | 11,841     | 3        | 796.3     | 2,389      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>The investment for Local Area Network (LAN) upgrades and Wide Area Network (WAN) of DLA Land and Maritime, DLA Aviation, DLA Troop Support, and DLA Headquarters. The LAN Upgrade is a directed action and is required to maintain and improve the current level of support to customers. A robust LAN is required to support the DLA mission as well as meet DLA technology goals and initiatives. The goals of the upgrade are to reduce procurement lead times, design and implement a best value enterprise IT environment, continue to maintain the current IT environment while supporting operational issues, mandated changes and system enhancements and improve customer response time for services and materiel. There is approximately \$17.5M in productivity savings (discounted to \$11.2M) accruing to the LAN not going down on an abnormal basis. This figure is reasonable since the benefits stream is capturing the fact that the LAN is critical IT infrastructure that must be in place to allow the mission of the agency to be fulfilled. In addition to the quantitative benefits, the LAN Upgrade is qualitatively consistent with current IT policy. The improved reliability and additional technological robustness of the LAN will support DLA agency wide business plans and goals. The purpose of the enhancements is to install planned improvements and upgrades of Core/Mission Critical LAN hardware, cable and middleware. The continued enhancement of the DLA LAN infrastructure is essential to the continued improvement of the availability of information and data required for DLA to effectively perform its mission. No specific Cost/savings quantitative analysis was performed for these projects. However, the projects are consistent with the DLA long-term plan for upgrading the DLA LAN capabilities.</p> |          |           |            |                                                               |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |          |           |            |          |                                                                                     |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |           |            |          | C. Line Number & Item Description<br>SWD 200-01 Software Development \$1.0 and Over |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | FY 2015  |           |            | FY 2016  |                                                                                     |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
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| <u>SWD 200-01</u><br>Enterprise Business System<br>(EBS)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |          |           | 12,517     |          |                                                                                     | 16,567     |          |           | 14,605     |                                                                   |           |            |
| Narrative Justification:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |          |           |            |          |                                                                                     |            |          |           |            |                                                                   |           |            |
| <p>The continuous modernization and refinement of EBS through process and technical improvements are critical to the Agency's supply chain management capability. The DLA EBS links the entire supply chain from the time a warfighter places an order to the time that order is fulfilled. EBS enables DLA employees to take information on stock that is stored at military supply storage and distribution sites and turn that information into an actionable document called a supply plan that is used by buyers to procure products. The EBS Enterprise Resource Planning (ERP) system allows over 22,000 users and DLA customers to process supply queries online, place orders, improve delivery time, have automated product data information, and give commanders immediate access to stock information. Additional modernization efforts in FY 2017 will provide application rationalization and standardization, aligning resources to business needs, increasing IT agility, and decreasing cost and risk. In addition to business process reengineering opportunities for EBS, DLA will expand upon audit readiness requirements through the Process Excellence (PE) effort by seeking continual process improvement opportunities to enhance efficiency and agility on financial processes, controls, and information. Additionally, DLA is reviewing legacy applications to assess and prioritize the suitability for migration into EBS. We anticipate that these efforts will increase efficiency, reduce operating costs, and improve stakeholder satisfaction. Specific initiatives designed to achieve the stated objectives include Standard Line of Accounting, Invoice Processing Platform (IPP), Intra Governmental Payment and Collection (IPAC), Origin Acceptance, and Reverse Auction. Each of these initiatives will leverage the standard commercial-off-the-shelf (COTS) capability to the maximum extent possible, reducing code customization in order to improve operations and decrease costs.</p> |          |           |            |          |                                                                                     |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |          |           |            |                                                                                     |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |          |           |            | C. Line Number & Item Description<br>SWD 200-02 Software Development \$1.0 and Over |           |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | FY 2015  |           |            | FY 2016                                                                             |           |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
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| SWD 200-02<br>Defense Medical Logistics<br>Standard Support (DMLSS)<br>Wholesale                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |           | 2,020      |                                                                                     |           | 2,397      |          |           | 2,397      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>The Defense Medical Logistics Standard Support-Wholesale (DMLSS-W) is an integrated system supporting the medical logistics needs of the Services and the Warfighter. The program directly funds the business process improvements and Management Information System (MIS) enhancements at DLA with benefits and savings cascading throughout the entire DoD medical logistics supply chain. In FY 2016 – 2017, this investment will support software re-engineering improvements to the DMLSS-W applications in support of the Defense Medical Logistics Enterprise System (DML-ES) Authoritative Source Initiative and associated business processes. This will include a continuation of the promotion of product, sourcing, and pricing capabilities, which will allow existing product and pricing functionality to be reengineered and outdated technologies replaced with capabilities designed to consolidate and optimize the management of multiple sources of back-end product and pricing, as well as associated contracts and pricing agreements. These capabilities will support standardization efforts to normalize and consolidate like items prior to catalog delivery to the Medical Master Catalog (MMC) by enforcing enterprise product-centric business rules at the entry points for product and pricing data, enabling a better alignment with the MMC and its supporting validation modules. This improved, synchronized process to represent quality product and pricing data will result in the availability of cleaner data for all Medical programs and ultimately a more precise catalog file will be delivered to customers, providing them with greater opportunities to achieve significant cost savings. Capabilities will be developed to enable the integration of MMC data with processes to support improved equipment lifecycle and medical maintenance management across the Services, providing seamless data and workflow between customers, activities, and management agencies engaged in equipment lifecycle and medical maintenance management. System capabilities will be programmed with Unique Device Identifier (UDI) Track and Trace capabilities to support Drug and Security Act (DQSA) requirements for properly identifying pharmaceutical product packages as they move through the Medical Supply Chain, reducing the risk of counterfeit or tainted products reaching a patient. Modernized Medical Material Quality Control (MMQC) Program capabilities will link MMC data with product recalls, hazard alerts, and advisory notices, enabling more consistent identification of affected medical materials and better aligning DoD medical material logistics information systems with the Federal Drug Administration product recall database.</p> |          |           |            |                                                                                     |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |           |            |          |                                                                                     |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |          |           |            |          | C. Line Number & Item Description<br>SWD 200-03 Software Development \$1.0 and Over |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | FY 2015  |           |            | FY 2016  |                                                                                     |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
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| <u>SWD 200-03</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |          |           |            |          |                                                                                     |            |          |           |            |                                                                   |           |            |
| DOD EMALL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |           | 12,364     |          |                                                                                     | 6,065      |          |           | 6,180      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>The DOD EMALL is a web-based government procurement application designed to allow users to search or browse for commercial and government off-the-shelf products and services through a single interface, and purchase those products or services online. It fulfills Section 332 of the Fiscal Year 1999 DOD Authorization Act, Public Law 105-261, Title III, Subtitle D, October 17, 1998 which called for a single point of access for DOD ordering on the internet as part of its overall Electronic Commerce implementation. DLA's goal is a technology refresh to this legacy system, resulting in a modern non-proprietary e-Commerce solution. The DLA goal is to develop a modern ecommerce system with technology enhancements that will be an industry leading commercial solution. DLA plans to move to a modern e-commerce system for DOD, Federal, state, and authorized local agencies. For example, DLA has partnered with the General Services Administration (GSA) Federal Acquisition Service to develop a single Government Electronic Mall to provide one-stop shopping for GSA and DOD customers. The e-commerce solution is expected to provide the government with a cost effective way to address current and future user needs by providing industry best practices and enhanced system performance, flexibility, and scalability. The combined e-commerce platform and government-wide e-commerce solution will support this DLA-GSA effort and may become a Federal Mall, or FedMall. If not funded, DLA will be required to continue funding multiple legacy sustainment contracts beyond expectations of the current system's budget.</p> <p>In FY2015, DOD EMALL awarded a development task order to implement the enhancements required to transform the legacy platform into a true e-commerce solution. Enhancements include, but are not limited to; a first class Commercial-Off-The-Shelf (COTS) search engine, improved product pages complete with images and detailed descriptions, FEDSTRIP payment option, improved catalog hosting site, clause logic for vendor terms and conditions, dynamic pricing, reverse auctions, mobile capability, and Defense Logistics Management System (DLMS) compliance. The new platform will implement Funds Control Modules (FCMs) for the United States Air Force, Navy, and Marine Corps, and will also improve the functionality of the current Army FCM. Bi-directional transactions between FedMall and the Service systems must be routed through the DLA-managed Global Exchange. Having these funds verification measures in place for all DOD Service transactions is a major step toward audit readiness compliance. In FY 2016, follow-on enhancements to support OSD DPAP will be implemented and other customer requirements will be implemented in FY 2017 to complete the Single Mall CONOPS and DLMS compliance efforts before the FY 2019 deadline..</p> |          |           |            |          |                                                                                     |            |          |           |            |                                                                   |           |            |



| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |          |           |            |                                                                                     |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |          |           |            | C. Line Number & Item Description<br>SWD 200-04 Software Development \$1.0 and Over |           |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | FY 2015  |           |            | FY 2016                                                                             |           |            | FY 2017  |           |            |                                                                   |           |            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Quantity | Unit Cost | Total Cost | Quantity                                                                            | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost | Quantity                                                          | Unit Cost | Total Cost |
| <u>SWD 200-04</u><br>Functional Executive Agent<br>Medical Support (FEAMS)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |           | 2,798      |                                                                                     |           | 2,846      |          |           | 2,894      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>The FEAMS program is chartered to support the Defense Medical Logistics Enterprise to develop and/or orchestrate Doctrine, Organization, Training, Materiel, Leadership, Education, Personnel, and Facilities (DOTMLPF) solutions that enable enterprise transformation and implement solutions to supply chain problems. Supporting its chartered mission through FY 2016 investment, FEAMS will enable Medical Contingency Requirements Workflow (MCRW) Release 4 (R4) software, which includes the following capabilities: The Readiness Metrics Dashboard will enable the Defense Medical Logistics Enterprise (DMLent) visibility on the effectiveness of current readiness acquisition strategies and operations to increase use of DLA contracts in readiness support; Department of Defense Activity Address Code (DoDAAC) or Site Specific Sourcing capability will enable medical materiel support organizations to view and analyze which medical materiel items are/are not contractually available. Service Assemblage Life Cycle Sustainment management will allow service customers to manage and maintain clinical (Class VIIIA) assemblage materiel via a single process; Medical Materiel Shortfalls Report generation for the Services will allow visibility of medical materiel needed for clinical tasks; Medical Equipment Identification will enable streamlined and automated capabilities for the Services to determine demand forecasts for medical equipment and consumable items in Materiel Item Estimates (MIE); and Theater Lead Agent for Medical Materiel (TLAMM) medical materiel demand planning will be provided a mechanism to view current demand data, compare and update Service assemblages based on the latest materiel that's being consumed. Through its FY 2017 investment, FEAMS will continue to expand MCRW utility to the DML medical planning community and address opportunities to realize savings and increase value to MHS by consolidating resources and standardizing products and processes. For FY 2017, FEAMS will: Improve Service materiel reduction and improve interoperability by enabling a cross-Service assemblage analysis by Role of Care (ROC) and/or commodity group to support materiel standardization; Provide business intelligence on site-specific consumption to improve readiness planning and contracting efficiencies by Integrating MHS materiel usage with processes used for managing DLA materiel availability; and Integrate clinical attributes into readiness supply chain planning processes to validate that requirements (materiel) have a clinical basis. The FEAMS Business Case, approved in 2012 and updated in 2014, identified potential cost avoidances for DLA and the Services' Medical Logistics Supply Chain of \$124M over the effective life FY 2012 – FY 2022. FEAMS capabilities have strong customer advocacy and will significantly enhance DLA support to the Warfighter.</p> |          |           |            |                                                                                     |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |          |           |            |          |                                                                                     |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |          |           |            |          | C. Line Number & Item Description<br>SWD 200-05 Software Development \$1.0 and Over |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | FY 2015  |           |            | FY 2016  |                                                                                     |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost                                                                           | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| <u>SWD 200-05</u><br>Enterprise Data Warehouse (EDW)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |           | 0          |          |                                                                                     | 1,140      |          |           | 1,254      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>The Enterprise Data Warehouse (EDW) will serve as a single authoritative source for all reporting, metrics, and analytics. EDW has replaced legacy system, Fusion Center, with the possibility of replacing some other applications in the future. EDW will provide Agency leadership with the tools to respond to new challenges, trends, and the ability to modernize the analytical approaches by incorporating enterprise analytics, and data visualization.</p> <p>FY 2016 efforts will begin the migration of Fusion Center data to EDW. FY 2017 efforts will complete this migration and migrate data from additional capabilities. The additional capabilities will include: SAS Enterprise Analytics, Enterprise Data Visualization, and DLA Enterprise Dashboard Integration. SAS Analytics will allow the user to connect directly to the EDW with improved performance in analytical queries (modeling, regression analysis, forecasting, and data mining), Enterprise Data Visualization will provide advanced data visualization techniques with ad-hoc and self-service enablement, and Enterprise Dashboard Integration will provide situational trend analysis.</p> |          |           |            |          |                                                                                     |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |          |           |            |          |                                                                                     |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |          |           |            |          | C. Line Number & Item Description<br>SWD 200-06 Software Development \$1.0 and Over |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | FY 2015  |           |            | FY 2016  |                                                                                     |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost                                                                           | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| <u>SWD 200-06</u><br>Governance, Risk and<br>Compliance-Risk<br>Management (GRC-RM)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |          |           | 3,969      |          |                                                                                     | 2,000      |          |           | 0          |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>GRC-RM will provide a central, organized enterprise-wide approach to managing GRC-related information, including, but not limited to, processes, risks, compliance, controls, and policies. It will provide a common framework for supporting all risk, compliance, and process management functions and include an extensive set of libraries for risks, controls, processes, policies, issues, and regulations. Additionally, it will document and assess controls, identify issues, and implement recommendations and perform standardized control testing and remediation agency wide. Furthermore, it will provide executive level dashboards of metrics that are timely and pertinent to each organization's progress towards mitigating both enterprise-wide and local risks and achieving audit readiness goals.</p> <p>The FY 2015 investment was to establish the GRC-RM foundation and the FY 2016 investment will be used to implement the enhanced capabilities and integrate the solution.</p> |          |           |            |          |                                                                                     |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |          |           |            |          |                                                                                     |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |           |            |          | C. Line Number & Item Description<br>SWD 200-07 Software Development \$1.0 and Over |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | FY 2015  |           |            | FY 2016  |                                                                                     |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost                                                                           | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| <u>SWD 200-07</u><br>Segregation of Duties(SoD)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |          |           | 0          |          |                                                                                     | 3,710      |          |           | 1,020      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>All DLA managed systems, including DoD business systems, must be audit compliant. Currently, all DLA Systems do not have a standard automated solution to identify Segregation of Duties (SoD) violations. As part of the DLA-wide audit readiness effort, an enterprise need was identified to standardize access control processes for DLA systems, with a specific focus on minimizing violations to the segregation of duties principle and providing an audit trail when violations do exist. DLA must ensure that all of its DLA and DoD Systems across the Enterprise adhere to the Audit mandate to have clean audit opinions and to pass Federal Information System Controls Audit Manual (FISCAM) and Internal Controls – A-123 audits.</p> <p>ESoD will use an SAP GRC Tool to analyze, identify, verify, and monitor DLA Enterprise systems, user access roles and privileges - leading to visibility of SoD issues, providing a controlled process to manage user accounts, and avoid/manage 'toxic' roles that are necessary to conduct business.</p> |          |           |            |          |                                                                                     |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |          |           |            |          |                                                                                     |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |          |           |            |          | C. Line Number & Item Description<br>SWD 200-08 Software Development \$1.0 and Over |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | FY 2015  |           |            | FY 2016  |                                                                                     |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
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| SWD 200-08<br>Account Management and Provisioning System (AMPS)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |          |           | 0          |          |                                                                                     | 0          |          |           | 2,500      |                                                                   |           |            |
| <p>Narrative Justification:<br/> AMPS is a secured web-based application that can provides automated account creation and provisioning for computer applications and resources. It manages the setup of user accounts on these applications, enabling system administrators to monitor account creation and provisioning. AMPS is a Role-based Access Control (RBAC) system. Administrators set up new user accounts through AMPS and existing users request access to software applications by requesting a "role." All approvals or requests are based on specific organizational rules so that users request roles based on the rules of the organization.</p> <p>Specifically, this upgrade to the AMPS system will meet the following objectives throughout the DLA Enterprise and DFAS:</p> <ul style="list-style-type: none"> <li>- Automate a streamlined System Authorization Access Request (SAAR) approval process to eliminate the hard copy DD2875 form.</li> <li>- Automate the following Processes: <ul style="list-style-type: none"> <li>Role Updates, individually or in bulk</li> <li>DoD mandated Reporting tasks</li> <li>External User Role Expiries</li> <li>Reconciliation, User Create and Update</li> <li>Role Removals</li> </ul> </li> <li>- Provide an internal auditable ticketing system when system administrators are required to provision system accounts and interfaces to ticketing systems such as DISA ITSM Remedy.</li> </ul> |          |           |            |          |                                                                                     |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |          |           |            |          |                                                                      |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |           |            |          | C. Line Number & Item Description<br>SWD 300-01 Software Development |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | FY 2015  |           |            | FY 2016  |                                                                      |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
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| <u>SWD 300-01</u><br>Net Centric Hubs<br>Transaction Services<br>Enterprise Software                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |          |           | 2,165      |          |                                                                      | 0          |          |           | 414        |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>The mission supported by Transaction Services portfolio is to receive, validate, edit, route, transmit, and archive nearly all unclassified Department of Defense (DoD) logistic, procurement, and financial management traffic. This mission is accomplished by a collection of systems and capabilities. The FY 2017 requirements provide Transaction Services with an Enterprise infrastructure and the necessary components needed for data exchange, storage, facility, and security between Transaction Services profile environments and Transaction Services' diverse external customer base. This software development support and replacement software provides for numerous applications such as the DLA Routing Control System (DRCS), Service Oriented Messaging Architecture (SOMA), DLA Micro Automated Routing System (DMARS), DLA Services Master Routing System (DMRS), Global Exchange (GEX) E-Business Hub (GEX provides Electronic Data Interchange (EDI) data exchange from secure facilities located at Transaction Services.), and the Integrated Data Environment (IDE). FY 2017 requirements include the necessary software development support and replacement software to provide support for DoD level repositories, DoD requisition tracking, Electronic Business gateway (GEX E-Business Hub), and IDE used to support the Transaction Services mission in the editing, validating, verifying, and routing of logistics, procurement, and financial management data and for logistics, procurement, and financial management processing applications serving the entire DoD community, to include DLA, United States (US) Air Force, US Army, US Marine Corps, US Navy, US Coast Guard, the Federal Sector, the Defense Contractor community, International Logistics Communications Systems (ILCS), Foreign Military Sales (FMS) countries, and all DoD logistics, procurement, and financial management customers using DoD and commercial networks. The impact of not purchasing the identified software development support and replacing the identified software will lead to inability to use hardware equipment, which will lead to degradation of services leading to mission failure.</p> |          |           |            |          |                                                                      |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |           |            |          |           |                                                                      |          |           |            |          | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |            |  |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |          |           |            |          |           | C. Line Number & Item Description<br>SWD 400-01 Software Development |          |           |            |          | D. Activity Identification<br>Materiel Supply Chain               |            |  |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | FY 2015  |           |            | FY 2016  |           |                                                                      | FY 2017  |           |            | Quantity | Unit Cost                                                         | Total Cost |  |
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| SWD 400-01<br>Master Data<br>Federal Logistics Information<br>System                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |          |           | 0          |          |           | 0                                                                    |          |           | 500        |          |                                                                   |            |  |
| <p>Narrative Justification:</p> <p>The Federal Logistics Information System (FLIS) Portfolio is comprised of the FLIS system, the FLIS Portfolio Workbench (FPW), the FLIS Portfolio Data Warehouse (FPDW), and other applications such as WebFLIS, Universal Data Repository (UDR), and the Military Engineering Data Asset Locator System (MEDALS). FLIS is identified as the authoritative source system to broadcast the logistics data for numerous processes that support DoD Enterprise Resource Planning (ERP) implementations and many legacy systems. The FPW was designed as a universal catalog input and work-flow tool as a result of cataloging consolidation. The FPW also performs Supply Support Request (SSR) processing for DLA managed items. The FPDW provides DoD Master Data for FLIS (item identification), Vendor (Commercial and Government Entity (CAGE)/ System for Award Management (SAM)), and Customer (Department of Defense Activity Address Code (DoDAAC)/Military Assistance Program Address Directory (MAPAD)) data to the DoD. The FPDW acts as the authoritative system-to-system distribution source for this master data. The FLIS Portfolio is migrating and/or designing new capabilities in webMethods.</p> <p>In FY 2017, the FLIS Portfolio plans to design further capabilities into the FPDW and FPW. Those capabilities include: DoD Collaboration, which is currently done with legacy processes and tools and is not automated into cataloging (item identification maintenance), and Item Identification Taxonomy (specifically the Federal Supply Class (FSC) structure). The current FLIS structure needs to be redesigned to account for complex relationships that support the supply chain of the 21st century.</p> |          |           |            |          |           |                                                                      |          |           |            |          |                                                                   |            |  |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |          |           |            |          |                                                                                     |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
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| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |          |           |            |          | C. Line Number & Item Description<br>SWD 400-02 Software Development \$1.0 and Over |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | FY 2015  |           |            | FY 2016  |                                                                                     |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost                                                                           | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| <u>SWD 400-02</u><br>Master Data<br><br>Enterprise Geospatial<br>Information System (eGIS)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |           | 0          |          |                                                                                     | 0          |          |           | 2,036      |                                                                   |           |            |
| Narrative Justification:<br>DLA Information Operations is seeking to implement an Enterprise Geospatial Information System (eGIS) to collect, store, render, report on, and integrate both geospatial and non-geospatial information into a common operational picture (COP). An eGIS could be used within the agency to: <ul style="list-style-type: none"> <li>• Manage infrastructure and property, to include utility and environmental information</li> <li>• Facilitate master and strategic planning</li> <li>• Perform data visualization with analytics</li> <li>• Plan for contingency operations</li> <li>• Track logistics routing</li> <li>• Support disaster response</li> <li>• Provide situational awareness of strategic, operational, and tactical levels of bulk petroleum</li> <li>• Visualize MILCON “what-if” scenarios with predictive analytics</li> <li>• Strengthen emergency services capabilities</li> </ul> Ultimately, an eGIS would allow for real-time GIS representation, as well as enable reporting and data analytics. The eGIS would provide services and support to potentially 500 users, increasing situational awareness and assisting in various decision making processes. <p>In November 2015, DLA approved the stand-up of an Enterprise GIS capability. In FY 2016, initial steps will be taken for the implementation of eGIS. In FY 2017, Capital funding will be used to develop the needed capabilities</p> |          |           |            |          |                                                                                     |            |          |           |            |                                                                   |           |            |



| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |           |            |          |                                                                                      |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------------|----------|--------------------------------------------------------------------------------------|------------|----------|-----------|------------|-------------------------------------------------------------------|-----------|------------|
| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |          |           |            |          | C. Line Number & Item Description<br>SWD 500-01 Software Development Less Than \$1.0 |            |          |           |            | D. Activity Identification<br>DLA Distribution                    |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | FY 2015  |           |            | FY 2016  |                                                                                      |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost                                                                            | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| <u>SWD 500-01</u><br>Radio Frequency Identification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |          |           | 0          |          |                                                                                      | 1,920      |          |           | 0          |                                                                   |           |            |
| <p>Narrative Justification:<br/>Radio Frequency Identification (RFID) supports the overall goal of supply chain integration and logistics interoperability and allows for information exchange within and between internal and external business partners. The RFID initiative is to read passive RFID tags at receipt locations, initially for new procurement and eventually for field returns. As the RFID function develops, it is anticipated to expand into picking, packing, storage, and shipping sections as well. Therefore additional funding for software has been requested for middleware that can provide data monitoring and management, device monitoring and management, and application development tools.</p> <p>As passive RFID technology is further ingrained in our supply chain, the criticality of its software performance and increased capabilities become greatly important. Investment in the continued implementation and development of this essential component of the RFID package facilitates the benefit of this technology to DLA Distribution's customers and used as a main metrics indicator to the Receiving process of DLA Distribution. Commencing in FY17 all requirements are below the capital threshold.</p> |          |           |            |          |                                                                                      |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |          |           |            |                                                                                     |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------------|-------------------------------------------------------------------------------------|-----------|------------|----------|-----------|------------|-------------------------------------------------------------------|-----------|------------|
| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |           |            | C. Line Number & Item Description<br>SWD 500-02 Software Development \$1.0 and Over |           |            |          |           |            | D. Activity Identification<br>DLA Distribution                    |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | FY 2015  |           |            | FY 2016                                                                             |           |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Quantity | Unit Cost | Total Cost | Quantity                                                                            | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| <u>SWD 500-02</u><br>Distribution Standard System (DSS)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |          |           | 0          |                                                                                     |           | 1,145      |          |           | 1,039      |                                                                   |           |            |
| <p>Narrative Justification:<br/> The DSS is the DLA standard automated system for distribution processing of Department of Defense (DoD) materiel. DSS provides global service and worldwide support to the warfighter, peace keepers, and to federal and civilian customers. DSS provides effective and efficient Distribution in support of America's Armed Forces, by receiving, storing, and shipping materiel around the world. The DSS platform serves as a hub of logistics activity, suppling complex specialized distribution, such as Small Arms Processing, Passive and Active Radio Frequency Identification (RFID) Tagging and Tracking, Container Consolidation Point (CCP), Set Assemblies of medical equipment and hospitals, Theater Consolidation Shipping and Processing (TCSP), Reverse Logistics, Stock Reutilization Donation and Transfer, state of the art mechanized storage and bin retrieval, Packaging, Preservation, Packing, and Materiel (PPPM) marking, Hazardous materiel processing and transportation, and truck scheduling and planning. DSS offers unique receipt processes for New Procurement, Non Procurement materiel, Mapping, Small Arms Serialization Processing, Maintenance Turn Ins, Retail Non Procurement, Local Purchase, Base Operating Supply, and additional specialized advances due in Receipt Processing for the Navy and Marines. DSS coordinates with the Inventory Control Points (ICPs), Service Maintenance Depots, DLA's Enterprise Business System (EBS) enterprise resource planning system, Defense Logistics Transaction Services (DLATS), Federal Agencies for Civil Emergencies, and Foreign Military Sales (FMS). DSS directly supports the management of Wholesale and Retail distribution for DoD.</p> <p>FY 2016 investment will support planned Requests for Change (RFCs) for Audit Readiness, process improvements, technology upgrades, and capability improvement for future critical DSS initiatives and business requirements.</p> <p>FY 2017 investment will be used to support additional RFCs, as will the funding for all years FY 2017-2021.</p> |          |           |            |                                                                                     |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |          |           |            |                                                                    |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------------|--------------------------------------------------------------------|-----------|------------|----------|-----------|------------|-------------------------------------------------------------------|-----------|------------|
| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |          |           |            | C. Line Number & Item Description<br>REP 200-01 Minor Construction |           |            |          |           |            | D. Activity Identification<br>Materiel Supply Chain               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | FY 2015  |           |            | FY 2016                                                            |           |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Quantity | Unit Cost | Total Cost | Quantity                                                           | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| REP 200-01<br>Minor Construction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |           | 2,442      |                                                                    |           | 3,076      |          |           | 3,476      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>The minor construction investment for projects (costing between \$250,000 and \$1,000,000.00 each) will construct new, replace existing, or modify current facilities to enhance mission performance, increase the level of protection of the workforce, and the mission stock. These projects include:</p> <ol style="list-style-type: none"> <li>1. Renovation and alteration of administrative facilities.</li> <li>2. Upgrades to utility systems to comply with environmental and fire protection standards.</li> <li>3. Additional paving for road networks and personnel parking to comply with the new AT/FP standoff distances.</li> <li>4. Incidental improvements associated with facilities repair projects.</li> <li>5. Security enhancements</li> <li>6. CDC Expansion</li> <li>7. Water storage for irrigation</li> </ol> <p>All of these projects are required to allow existing missions to continue in safe, compliant, secure and efficient facilities.</p> |          |           |            |                                                                    |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |          |           |            |                                                                    |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------------|--------------------------------------------------------------------|-----------|------------|----------|-----------|------------|-------------------------------------------------------------------|-----------|------------|
| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |          |           |            | C. Line Number & Item Description<br>REP 200-02 Minor Construction |           |            |          |           |            | D. Activity Identification<br>DLA Distribution                    |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | FY 2015  |           |            | FY 2016                                                            |           |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Quantity | Unit Cost | Total Cost | Quantity                                                           | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| <u>REP 200-02</u><br>Minor Construction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |           | 8,510      |                                                                    |           | 9,002      |          |           | 9,002      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>The minor construction investment for projects (costing between \$250,000 and \$1,000,000 each) will construct new, replace existing, or modify current facilities to enhance mission performance. These projects include:</p> <ol style="list-style-type: none"> <li>1. Installing and upgrading fire suppression and alarm systems to meet current code requirements.</li> <li>2. Upgrading security facilities (gates, fences, and lighting) to meet current Anti-Terrorism/Force Protection standards.</li> <li>3. Adding new and improving areas for open storage, road networks and operational areas.</li> <li>4. Altering facilities to accommodate mission changes, consolidation and stock repositioning.</li> <li>5. Improvements to utilities to enhance reliability.</li> <li>6. Incidental improvements associated with facilities repair projects.</li> <li>7. Replacement of existing facilities that cannot be economically repaired.</li> <li>8. Installing generators to provide backup power to support cold chain management of medical items.</li> </ol> <p>These investments will result in the recapitalization of the facilities necessary for the cost effective performance of the distribution mission. Pre-investment analysis is required for all capital projects.</p> |          |           |            |                                                                    |           |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |          |           |            |          |                                                                    |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------------|----------|--------------------------------------------------------------------|------------|----------|-----------|------------|-------------------------------------------------------------------|-----------|------------|
| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Supply Chain Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |          |           |            |          | C. Line Number & Item Description<br>REP 200-03 Minor Construction |            |          |           |            | D. Activity Identification<br>DLA Disposition Services            |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | FY 2015  |           |            | FY 2016  |                                                                    |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost                                                          | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| <u>REP 200-03</u><br>Minor Construction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |          |           | 1,874      |          |                                                                    | 2,100      |          |           | 2,100      |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>The minor construction investment for projects (costing between \$250,000 and \$1,000,000.00 each) will construct new, replace existing, or modify current facilities to enhance mission performance. These projects include:</p> <ol style="list-style-type: none"> <li>1. Adding paving or concrete extensions for open storage, road networks and operational areas.</li> <li>2. Altering facilities to accommodate mission changes, consolidation, and relocation.</li> <li>3. Improvements to warehouse, administrative, and demilitarization facilities to increase employee safety and comfort.</li> <li>4. Replacement of facilities that cannot be economically repaired.</li> <li>5. Incidental improvements associated with facilities repair projects.</li> </ol> <p>These investments will result in the recapitalization of the facilities necessary for the cost effective performance of the DLA Disposition Services mission.</p> |          |           |            |          |                                                                    |            |          |           |            |                                                                   |           |            |

**DEFENSE LOGISTICS AGENCY**  
**DEFENSE-WIDE WORKING CAPITAL FUND**  
**SUPPLY CHAIN MANAGEMENT ACTIVITY GROUP**  
**FISCAL YEAR (FY) 2017 BUDGET ESTIMATES**  
**CAPITAL BUDGET EXECUTION**  
 February 2016  
 (DOLLARS IN MILLIONS)

| Major Category           | Initial Request | Current Proj Cost | Approved Change | Explanation                                                       |
|--------------------------|-----------------|-------------------|-----------------|-------------------------------------------------------------------|
| Non-ADPE Equipment:      | 21.735          | 18.216            | (3.519)         | carryover obligation authority for some of the remaining balance. |
| ADPE & TELCOM Equipment: | 30.996          | 10.563            | (20.433)        | reduced requirements and or below the capital threshold amount    |
| Software Development:    | 37.935          | 35.833            | (2.102)         | reduced requirements                                              |
| Minor Construction:      | 14.178          | 12.826            | (1.352)         | reduced requirements                                              |
| <b>Total FY 2015</b>     | <b>104.844</b>  | <b>77.438</b>     | <b>(27.406)</b> |                                                                   |

| Major Category           | Initial Request | Current Proj Cost | Approved Change | Explanation                    |
|--------------------------|-----------------|-------------------|-----------------|--------------------------------|
| Non-ADPE Equipment:      | 28.249          | 28.249            | 0.000           |                                |
| ADPE & TELCOM Equipment: | 32.049          | 32.049            | 0.000           |                                |
| Software Development:    | 37.793          | 37.790            | (0.003)         | decrease to adjust for program |
| Minor Construction:      | 14.178          | 14.178            | 0.000           |                                |
| <b>Total FY 2016</b>     | <b>112.269</b>  | <b>112.266</b>    | <b>(0.003)</b>  |                                |

| Major Category           | Initial Request | Current Proj Cost | Approved Change | Explanation                                               |
|--------------------------|-----------------|-------------------|-----------------|-----------------------------------------------------------|
| Non-ADPE Equipment:      | 36.520          | 38.632            | 2.112           | increase for new projects associated with MILCON projects |
| ADPE & TELCOM Equipment: | 19.652          | 19.577            | (0.075)         | decrease to adjust for program                            |
| Software Development:    | 34.839          | 34.839            | 0.000           |                                                           |
| Minor Construction:      | 14.178          | 14.578            | 0.400           | increase to adjust to program costs.                      |
| <b>Total FY 2017</b>     | <b>105.189</b>  | <b>107.626</b>    | <b>2.437</b>    |                                                           |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Chain Management Activity Group  
Source of New Orders and Revenue  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
SCM Supply Chain  
(Dollars in Millions)

|                                                 | <u>ACTUAL FY 2015</u> | <u>FY 2016</u>   | <u>FY 2017</u>   |
|-------------------------------------------------|-----------------------|------------------|------------------|
| <b>1. New Orders</b>                            |                       |                  |                  |
| <b>a. Orders from DoD Components</b>            | <b>8,348.685</b>      | <b>8,119.462</b> | <b>8,032.95</b>  |
| <b>Army</b>                                     | <b>3,015.288</b>      | <b>2,936.989</b> | <b>2,923.928</b> |
| O&M, Army                                       | 1,372.428             | 1,337.691        | 1,349.630        |
| O&M - Recovery Act, Army                        | 0.000                 | 0.000            | 0.000            |
| O&M, Army Reserve                               | 90.943                | 87.741           | 85.761           |
| O&M - Recovery Act, Army Reserve                | 0.000                 | 0.000            | 0.000            |
| O&M, Army National Guard                        | 295.662               | 285.252          | 278.815          |
| Army National Guard                             | 0.000                 | 0.000            | 0.000            |
| RDT&E, Army                                     | 10.880                | 10.545           | 10.395           |
| Aircraft Procurement, Army                      | 18.624                | 18.130           | 18.022           |
| Missile Procurement, Army                       | 1.018                 | 1.024            | 1.078            |
| Procurement of Weapons & Tracked Vehicles, Army | 4.019                 | 3.934            | 3.950            |
| Procurement of Ammunition, Army                 | 0.136                 | 0.131            | 0.128            |
| Other Procurement, Army                         | 52.134                | 50.956           | 51.031           |
| Military Construction, Army                     | 0.079                 | 0.076            | 0.074            |
| Military Construction, Army Reserve             | 0.000                 | 0.000            | 0.000            |
| Military Construction, Army National Guard      | 0.302                 | 0.291            | 0.285            |
| Family Housing Construction, Army               | 0.525                 | 0.507            | 0.495            |
| Family Housing, O&M, Army                       | 0.126                 | 0.122            | 0.119            |
| Military Personnel, Army                        | 1,002.116             | 966.833          | 945.015          |
| National Guard Personnel, Army                  | 77.119                | 74.404           | 72.725           |
| Reserve Personnel, Army                         | 41.130                | 39.682           | 38.786           |
| Salaries and Expenses, Cementerial Expenses, /  | 0.102                 | 0.248            | 0.284            |
| Wildlife Conservation, etc., Military Reservat  | -0.004                | -0.003           | -0.003           |
| Chemical Agents and Munitions Destruction, Arn  | 0.011                 | 14.343           | 17.991           |
| National Science Center, Army                   | 0.008                 | 0.008            | 0.008            |
| Afghanistan Infrastructure Fund                 | 0.132                 | 0.150            | 0.188            |
| Iraq Security Forces Fund                       | 0.001                 | 0.001            | 0.000            |
| Foreign Military Financing, Funds               |                       |                  |                  |
| Appropriated to the President                   | 12.646                | 0.001            | 0.001            |
| Army Other                                      | 35.151                | 44.925           | 49.149           |
| <b>Navy</b>                                     | <b>2,210.229</b>      | <b>2,146.030</b> | <b>2,107.535</b> |
| O&M, Navy                                       | 1,544.666             | 1,503.888        | 1,479.862        |
| O&M, Navy Reserve                               | 56.754                | 54.756           | 53.520           |
| Aircraft Procurement, Navy                      | 66.387                | 64.050           | 62.604           |
| Weapons Procurement, Navy                       | 0.419                 | 0.404            | 0.395            |
| Procurement of Ammunition, Navy & MC            | 0.000                 | 0.000            | 0.000            |
| Other Procurement, Navy                         | 55.400                | 53.449           | 52.243           |
| Shipbuilding & Conversion, Navy                 | 43.614                | 42.086           | 41.150           |
| RDT&E, Navy                                     | 1.161                 | 1.120            | 1.095            |
| Military Construction, Navy & MC                | 0.144                 | 0.139            | 0.136            |
| Family Housing, O&M, Navy & MC                  | 0.480                 | 0.463            | 0.453            |
| Other Navy Appropriations                       | 0.061                 | 0.063            | 0.071            |
| National Defense Sealift Fund, Navy             | 0.020                 | 0.019            | 0.019            |
| Military Personnel, Navy                        | 439.700               | 424.219          | 414.646          |
| Reserve Personnel, Navy                         | 1.423                 | 1.373            | 1.342            |
| General Gift Fund, Navy                         | 0.000                 | 0.000            | 0.000            |
| Wildlife Conservation, etc. Military Reservat   | 0.000                 | 0.000            | 0.000            |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Chain Management Activity Group  
Source of New Orders and Revenue  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
SCM Supply Chain  
(Dollars in Millions)

|                                                 | <u>ACTUAL FY 2015</u> | <u>FY 2016</u>   | <u>FY 2017</u>   |
|-------------------------------------------------|-----------------------|------------------|------------------|
| <b>Air Force</b>                                | <b>205.938</b>        | <b>205.810</b>   | <b>204.718</b>   |
| O&M, Air Force                                  | 126.856               | 122.528          | 120.020          |
| O&M, Air Force Reserve                          | 0.958                 | 0.924            | 0.903            |
| O&M, Air National Guard                         | 2.735                 | 2.639            | 2.579            |
| RDT&E, Air Force                                | 0.467                 | 0.452            | 0.444            |
| Air Force Procurement Accounts                  | 0.000                 | 0.000            | 0.000            |
| Aircraft Procurement, Air Force                 | 4.063                 | 3.938            | 3.881            |
| Missile Procurement, Air Force                  | 0.047                 | 0.053            | 0.065            |
| Other Procurement, Air Force                    | 0.471                 | 0.455            | 0.445            |
| Military Construction, Air Force                | 0.000                 | 0.000            | 0.000            |
| Family Housing, O&M, Air Force                  | 0.739                 | 0.713            | 0.697            |
| Military Personnel, Air Force                   | 30.727                | 29.645           | 28.976           |
| Reserve Personnel, Air Force                    | 5.093                 | 4.914            | 4.803            |
| National Guard Personnel, Air Force             | 11.690                | 11.278           | 11.024           |
| International Military Education and Training   | 0.000                 | 0.000            | 0.000            |
| Air Force Other                                 | 22.091                | 28.272           | 30.881           |
| <b>Marine Corps</b>                             | <b>561.929</b>        | <b>544.868</b>   | <b>537.645</b>   |
| O&M, MC                                         | 345.135               | 335.696          | 333.173          |
| O&M, MC Reserve                                 | 25.619                | 24.717           | 24.159           |
| Procurement, MC                                 | 7.249                 | 6.994            | 6.836            |
| Military Personnel, MC                          | 164.494               | 158.714          | 155.152          |
| Reserve Personnel, MC                           | 19.432                | 18.748           | 18.325           |
| <b>DoD Appropriated Accounts</b>                | <b>2,355.300</b>      | <b>2,285.765</b> | <b>2,259.127</b> |
| O&M, Defense Wide, Defense                      | 86.145                | 90.283           | 101.601          |
| RDT&E, Defense-Wide                             | 1.295                 | 1.288            | 1.330            |
| Procurement, Defense-Wide                       | 1.681                 | 1.622            | 1.585            |
| National Guard & Reserve Equipment, Defense     | 0.332                 | 0.320            | 0.313            |
| Military Construction, Defense-Wide             | 0.000                 | 0.000            | 0.000            |
| Family Housing, Defense-Wide                    | 0.000                 | 0.000            | 0.000            |
| Defense Health Program, Defense                 | 2,228.737             | 2,150.266        | 2,101.742        |
| DoD, Base Closure Account 1990                  | 0.000                 | 0.000            | 0.000            |
| DoD, Base Closure Account 2005                  | 0.000                 | 0.000            | 0.000            |
| DoD, Base Closure Account                       | 0.060                 | 0.058            | 0.057            |
| Defense Emergency Response Fund, Defense        | 0.000                 | 0.000            | 0.000            |
| Support for International Sporting              | 0.000                 | 0.000            | 0.000            |
| Competitions, Defense                           | 0.000                 | 0.000            | 0.000            |
| Employee & Employer Contributions, Foreign      | 0.000                 | 0.000            | 0.000            |
| Govt Social Security & Related Programs,        | 0.000                 | 0.000            | 0.000            |
| OSD                                             | 0.000                 | 0.000            | 0.000            |
| Chemical Agent & Munitions Destruction, Defense | 36.874                | 41.729           | 52.248           |
| OSD Appropriated                                | 0.088                 | 0.100            | 0.125            |
| DoD, Acquisition Workforce Development Fund     | 0.088                 | 0.100            | 0.125            |



DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Chain Management Activity Group  
Source of New Orders and Revenue  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
SCM Supply Chain  
(Dollars in Millions)

|                                                 | <u>ACTUAL FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|-------------------------------------------------|-----------------------|----------------|----------------|
| <b>b. Orders from Other Activity Groups</b>     | 13,098.851            | 10,929.920     | 10,871.450     |
| Civil Corps of Engineers, Revolving Fund        | 0.000                 | 0.000          | 0.000          |
| OSD, Defense Working Capital Fund               | 0.000                 | 0.000          | 0.000          |
| Defense Agencies, Defense Working Capital Fund  | 0.000                 | 0.000          | 0.000          |
| Army Working Capital Funds                      | 3,199.751             | 2,677.552      | 2,683.911      |
| Navy Working Capital Funds                      | 2,916.032             | 2,449.495      | 2,453.721      |
| Air Force Working Capital Funds                 | 6,951.640             | 5,771.627      | 5,697.823      |
| DLA, Defense Working Capital Fund               | 4.461                 | 3.732          | 3.713          |
| DFAS, Defense Working Capital Fund              | 0.000                 | 0.000          | 0.000          |
| DECA, Defense Working Capital Fund              | 2.994                 | 2.466          | 2.416          |
| Other Working Capital Funds                     | 19.832                | 21.630         | 26.516         |
| National Defense Stockpile Transaction Fund     | 2.248                 | 1.852          | 1.814          |
| Pentagon Reservation Maintenance Revolving Fund | 0.031                 | 0.028          | 0.030          |
| Global HIV/AIDS Initiative                      | 0.000                 | 0.000          | 0.000          |
| Global Health Programs, State                   | 0.005                 | 0.004          | 0.004          |
| DoD-VA Health Care Sharing Incentive Fund       | 1.610                 | 1.326          | 1.299          |
| Lease of DoD Real Property                      | 0.239                 | 0.197          | 0.193          |
| Other DoD (no system report)                    | 0.009                 | 0.010          | 0.012          |
| <b>c. Total DoD</b>                             | 21,447.535            | 19,049.383     | 18,904.404     |
| <b>d. Other Orders:</b>                         | 1,976.181             | 1,769.095      | 1,710.229      |
| Other Federal Agencies                          | 0.000                 | 471.587        | 450.004        |
| Non-Federal Agencies                            | 1.201                 | 247.876        | 238.073        |
| Foreign Military Sales                          | 1,144.152             | 1,049.632      | 1,022.153      |
| Credit Card Purchases                           | 0.000                 | 0.000          | 0.000          |
| <b>e. Total New Orders</b>                      | 22,580.146            | 20,803.885     | 20,596.327     |
| <b>2. Carry-In Orders</b>                       | 3,365.352             | 3,584.322      | 3,529.528      |
| <b>3. Total Gross Orders</b>                    | 25,945.498            | 24,388.207     | 24,125.855     |
| <b>4. Carry-Out Orders (-)</b>                  | -3,542.829            | -3,529.528     | -3,465.624     |
| <b>5. Sales Proceeds (Disposition Only)</b>     | 126.537               | 150.088        | 146.677        |
| <b>6. Gross Sales (-)</b>                       | 22,529.206            | 21,008.767     | 20,806.908     |
| <b>7. Credits &amp; Allowances (-)</b>          | -170.685              | -205.340       | -204.109       |
| <b>8. Net Sales</b>                             | 22,358.521            | 20,803.427     | 20,602.799     |
| <b>9. Reimbursable Sales</b>                    | 661.508               | 915.405        | 1,050.391      |
| <b>10. Total Revenue</b>                        | 23,020.029            | 21,718.832     | 21,653.189     |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Chain Management Activity Group  
Revenue and Costs  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
Total Supply Chain Management  
(Dollars in Millions)

|                                                 | FY 2015         | FY 2016         | FY 2017         |
|-------------------------------------------------|-----------------|-----------------|-----------------|
| <b>Revenue</b>                                  |                 |                 |                 |
| Gross Sales                                     | 21,440.7        | 19,810.2        | 19,373.5        |
| Operations                                      | 21,452.3        | 19,818.0        | 19,361.8        |
| Capital Surcharge                               | -25.4           | -19.5           | 0.0             |
| Depreciation excluding Major Construction       | 13.9            | 11.7            | 11.7            |
| Other Income                                    | 1,750.0         | 2,114.0         | 2,483.8         |
| Reimbursable Income                             | 1,712.0         | 2,047.1         | 2,432.7         |
| Other Income Depreciation                       | 38.1            | 66.9            | 51.1            |
| Refunds/Discounts (-)                           | -170.7          | -205.3          | -204.1          |
| <b>Total Revenue</b>                            | <b>23,020.0</b> | <b>21,718.8</b> | <b>21,653.2</b> |
| <b>Expenses</b>                                 |                 |                 |                 |
| Cost of Materiel Sold from Inventory            | 18,303.4        | 16,904.3        | 16,704.5        |
| Materiel Related                                |                 |                 |                 |
| Salaries and Wages:                             |                 |                 |                 |
| Military Personnel Compensation & Benefits      | 46.2            | 44.6            | 43.7            |
| Civilian Personnel Compensation & Benefits      | 2,092.6         | 2,271.0         | 2,219.9         |
| Travel & Transportation                         | 43.4            | 36.1            | 37.0            |
| Materials & Supplies (For internal operations)  | 84.1            | 70.2            | 75.0            |
| Equipment                                       | 120.6           | 89.5            | 94.5            |
| Other Purchases from Revolving Funds            | 116.1           | 393.4           | 362.8           |
| Transportation of Things                        | 330.0           | 382.2           | 410.9           |
| Depreciation - Capital                          | 164.0           | 199.6           | 150.9           |
| Printing and Reproduction                       | 24.3            | 13.1            | 14.8            |
| Advisory and Assistance Service                 | 42.5            | 80.7            | 120.7           |
| Rent, Communications, Utilities & Misc. Charges | 29.2            | 60.2            | 60.9            |
| Other Purchased Services                        | 2,392.3         | 2,016.6         | 1,918.1         |
| <b>Total Expenses</b>                           | <b>23,788.7</b> | <b>22,561.4</b> | <b>22,213.7</b> |
| <b>Operating Results</b>                        | <b>-768.7</b>   | <b>-842.6</b>   | <b>-560.5</b>   |
| Plus Passthroughs or Other                      | 83.6            | 84.4            | 69.8            |
| Other Changes Affecting NOR                     | -20.1           | 34.5            | -0.5            |
| Cash Surcharge                                  | -45.5           | 14.9            | -0.5            |
| Capital Surcharge                               | 25.4            | 19.6            | 0.0             |
| Transfers                                       | 0.0             | 0.0             | 0.0             |
| <b>Net Operating Results</b>                    | <b>-705.2</b>   | <b>-723.6</b>   | <b>-491.2</b>   |
| Prior Year Adjustments                          | 0.0             | 0.0             | 0.0             |
| Other Changes Affecting AOR                     | 0.0             | -32.4           | 1,028.8         |
| Prior Year Accumulated Operating Results        | 856.2           | 151.1           | -604.9          |
| <b>Accumulated Operating Result</b>             | <b>151.1</b>    | <b>-604.9</b>   | <b>-67.3</b>    |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund (DWWCF)  
Energy Management Activity Group  
Fiscal Year (FY) 2017 Budget Estimate  
FEBRUARY 2016

**FUNCTIONAL DESCRIPTION**

The Defense Logistics Agency Energy (DLA Energy) provides comprehensive worldwide energy solutions to the Department of Defense (DoD) and other authorized customers. DLA Energy serves as the Department's executive agent for the bulk petroleum supply chain. The DLA Energy business includes sales of petroleum and aerospace fuels; arranging for petroleum and aerospace support services; providing facility/equipment maintenance on fuel infrastructure; performing energy-related environmental assessment and cleanup; coordinating bulk petroleum and aerospace transportation; and performing petroleum quality surveillance functions worldwide. DLA Energy also performs procurement functions for electricity and natural gas for the Military Services as well as for the privatization of their utility systems.

**BUDGET HIGHLIGHTS**

FY 2016 and FY 2017 reflect adjustments in fuel cost assumptions and are in line with future market projections included in the Office of Management and Budget's (OMB's) economic assumptions.

**Operations**

Total operations costs for FY 2017 will increase by \$137.4 million primary due to a change in overhead pricing. Beginning in FY 2017, DLA will include the fully burden cost for corporate overhead into Supply Chain rates, including rates for fuel. This change will provide more accurate information to customers and DLA management by building prices based on their actual cost drivers. Specifically, while past budgets included a one-cent-per-gallon overhead charge, overhead charges in the FY 2017 budget are based on revenue projections for each DLA Supply Chain. In addition, information technology costs across the Agency were re-distributed based on user counts and direct support.

| (Dollars in Millions) | FY 2015 | FY 2016 | FY 2017 |
|-----------------------|---------|---------|---------|
| Total Operations      | \$369.3 | \$514.4 | \$651.8 |

### **Sustainment, Restoration, and Modernization (SRM)**

DLA Energy has established SRM funding levels based on the results of recent planning studies and project prioritization by the Military Services. The SRM program includes Maintenance and Repair, Demolition, Minor Construction (operating) and Non-ADP Equipment (operating).

| (Dollars in Millions)      | FY 2015 | FY 2016 | FY 2017 |
|----------------------------|---------|---------|---------|
| Maintenance & Repair       | \$465.3 | \$363.9 | \$350.2 |
| Demolition                 | \$4.7   | \$12.4  | \$12.7  |
| Minor Construction         | \$26.1  | \$13.5  | \$13.7  |
| Non-ADP Equipment          | \$40.7  | \$43.9  | \$45.0  |
| Total SRM (Operating Only) | \$536.8 | \$433.7 | \$421.6 |

### **Transportation**

DLA Energy budgets for worldwide transportation of fuel via various modes of transportation to include tanker, truck, pipeline, and rail car. The transportation budget is comprised of commercial transportation and the per diem rates paid to Military Sealift Command (MSC).

| (Dollars in Millions) | FY 2015 | FY 2016 | FY 2017 |
|-----------------------|---------|---------|---------|
| Transportation        | \$498.5 | \$429.3 | \$438.1 |

### **Terminal Operations/Quality and Facility Operations**

DLA Energy funds contractor and government operated storage and distribution operations worldwide. Most storage and distribution requirements are funded via multi-year (4 and 5 year contract periods) recurring service contracts and funding requirements change from year to year depending on contract award patterns. Quality control includes laboratory support and fuel testing. Facility Operations funds the development of military construction (MILCON) preparation documents.

| (Dollars in Millions)       | FY 2015 | FY 2016 | FY 2017 |
|-----------------------------|---------|---------|---------|
| Terminal Operations/Quality | \$407.9 | \$418.0 | \$426.3 |
| Facility Operations         | \$19.5  | \$4.1   | \$4.2   |
| Total                       | \$427.4 | \$422.1 | \$430.5 |

## **Environmental**

DLA Energy provides funding for environmental compliance and restoration at military service locations that store and manage capitalized fuel, meaning fuel that is in the DLA supply system and has not yet been sold to a customer. The Defense Fuel Support Points (DFSPs) that store capitalized fuel rely on DLA Energy funding for their environmental program to comply with federal, state, and local laws and regulations. Environmental costs include permit fees, oil spill response and remediation costs, organization fees, waste disposal fees, costs associated with updating response plans, and sampling and analyzing fees.

| (Dollars in Millions) | FY 2015 | FY 2016 | FY 2017 |
|-----------------------|---------|---------|---------|
| Environmental         | \$75.5  | \$85.4  | \$86.9  |

## **Aerospace Energy**

In addition to petroleum based products, DLA Energy provides fuel in the form of missile propellants and cryogenics to customers worldwide. Costs for Aerospace Energy include product, transportation, operations, and storage costs. Obligations fluctuate each year primarily due to storage contracts, which are typically 5-year contracts.

| (Dollars in Millions) | FY 2015 | FY 2016 | FY 2017 |
|-----------------------|---------|---------|---------|
| Aerospace Sales       | \$62.0  | \$63.7  | \$56.2  |
| Aerospace Obligations | \$42.7  | \$47.5  | \$62.6  |

## **PERFORMANCE INDICATORS**

### **Net Sales**

DLA Energy measures its workload in terms of net barrels sold. Net sales in the table below represent actual sales for FY 2015 and estimates for FY 2016 and FY 2017. Estimated sales are based on consumption estimates provided to DLA Energy by the Military Services and the U.S. Coast Guard as well as historical sales to other authorized customers. The table below displays projected net sales over the budget period.

| (Barrels in Millions) | FY 2015 | FY 2016 | FY 2017 |
|-----------------------|---------|---------|---------|
| Net Sales             | 101.8   | 97.4    | 95.5    |

## Net Operating Results (NOR)

The NOR is the difference between revenue (including reimbursements) and expenses. NOR includes, as applicable, transfers and other income, such as federal and state excise taxes collected on sales. Other changes affecting NOR include transfers, capital surcharges and cash surcharges. A capital surcharge is the difference between capital outlays and depreciation.

In the Consolidated Appropriations Act, 2016 DLA Energy received a supplemental appropriation of \$47.0 million (transfer-in) for expenses related to Overseas Contingency Operations (OCO) while \$1,037.0 million was rescinded (transfer-out). The FY 2017 Budget request for DLA Energy includes \$70 million supplemental OCO appropriations (transfer-in) as well as a capital surcharge of \$8.4 million.

| (Dollars in Millions)                          | FY 2015     | FY 2016     | FY 2017    |
|------------------------------------------------|-------------|-------------|------------|
| Revenue                                        | \$14,874.5  | \$12,194.7  | \$10,942.8 |
| Expenses                                       | \$13,200.3  | \$10,485.6  | \$10,908.3 |
| Operating Results                              | \$1,674.2   | \$1,709.1   | \$34.4     |
| Other Changes Affecting NOR                    |             |             |            |
| Transfers                                      | (\$1,205.7) | (\$1,037.0) | \$0.0      |
| Capital Surcharge                              | (\$18.7)    | \$10.3      | \$8.4      |
| Appropriations                                 | \$47.0      | \$47.0      | \$70.0     |
| Net Operating Results                          | \$496.8     | \$729.4     | \$112.9    |
| Prior Year Accumulated Operating Results (AOR) | (\$337.2)   | \$159.5     | \$888.9    |
| Other Changes Affecting AOR                    | \$0.0       | \$0.0       | -\$1,001.8 |
| AOR                                            | \$159.5     | \$888.9     | \$0.0      |

## Cash

Pricing decisions, market conditions, and workload estimates inform projections for cash collections, disbursements, and net outlays.

| (Dollars in Millions)    | FY 2015     | FY 2016     | FY 2017    |
|--------------------------|-------------|-------------|------------|
| Disbursements            | \$11,005.9  | \$10,035.4  | \$10,254.3 |
| Collections              | \$14,681.2  | \$11,358.2  | \$10,147.8 |
| Net Outlays              | (\$3,675.3) | (\$1,322.8) | \$106.4    |
| Transfers/Appropriations | (\$1,158.7) | (\$990.0)   | \$70.0     |
| Cash Gain (-)/Loss (+)   | (\$2,516.6) | (\$332.8)   | \$36.4     |

## Unit Cost

Unit cost per barrel sold for petroleum products is the cost per-barrel (obligation authority plus depreciation) for product and non-product costs divided by net sales barrels.

| (Dollar per Barrel)        | FY 2015  | FY 2016  | FY 2017  |
|----------------------------|----------|----------|----------|
| Energy Petroleum Unit Cost | \$140.21 | \$113.12 | \$109.44 |

## ENERGY PRICING (PETROLEUM)

The DoD petroleum pricing is based on petroleum forecasts provided by the Office of Management and Budget (OMB). OMB establishes petroleum estimates based on market futures data from the Department of Energy, the New York Mercantile Exchange, and other sources.

The non-product cost per barrel in FY 2016 of \$19.56 per barrel is a reduction from the baseline of \$20.07 per barrel due to increase of projected net sales. The non-product cost is increasing in FY 2017 to \$21.82 per barrel due to the change in overhead pricing discussed above.

The following table shows the FY 2015 actuals and assumptions used in the development of the FY 2016 composite and FY 2017 standard price:

| (Dollar per Barrel)                   | FY 2015  | FY 2016               | FY 2017  |
|---------------------------------------|----------|-----------------------|----------|
| Petroleum Refined Cost                | \$91.65  | \$92.88               | \$82.99  |
| Market Volatility Factor <sup>1</sup> | \$36.36  | \$1.94                | \$0.19   |
| Non-Product                           | \$16.39  | \$19.56               | \$21.82  |
| Standard Price                        | \$144.40 | \$114.38 <sup>2</sup> | \$105.00 |

## INVENTORY

DLA Energy FY 2017 inventory objective is 55.2 million barrels, of which 34.5 million barrels are war reserve material (WRM).

<sup>1</sup>The factor captures the delta between product-related costs and the product portion of the standard price such as market volatility and losses. There was a significant decrease in refined product cost versus that assumed in the standard price in FY 2015.

<sup>2</sup> The FY 2016 standard price reflects the updated composite price from the PB 2016 (\$144.06 per barrel) based on enacted appropriations.

In the following table, normal losses refer to spills, evaporation, shrinkage, and contamination. Combat losses include losses from insurgent attacks, theft, and spillage caused by a lack of fully matured infrastructure in Afghanistan. The decrease to FY 2017 inventory objective is a result of DLA's "Program Cost Reduction" effort. Normal Losses have been reduced from 2.0 million barrels in FY 2016 to 1.0 million barrels in FY 2017 and out years.

| (Barrels in Millions)      | FY 2015     | FY 2016     | FY 2017     |
|----------------------------|-------------|-------------|-------------|
| <u>Beginning Inventory</u> | <u>56.0</u> | <u>55.9</u> | <u>55.8</u> |
| Peacetime Operating        | 21.5        | 21.4        | 21.3        |
| WRM                        | 34.5        | 34.5        | 34.5        |
| Receipts                   | 102.3       | 99.4        | 96.0        |
| Net Sales                  | (101.8)     | (97.4)      | (95.5)      |
| Returns without Credit     | 0.0         | 0.0         | 0.0         |
| Net Gains/Losses (normal)  | (0.6)       | (2.0)       | (1.0)       |
| Combat Losses              | 0.0         | (0.1)       | (0.1)       |
| <u>Ending Inventory</u>    | <u>55.9</u> | <u>55.8</u> | <u>55.2</u> |
| Peacetime Operating        | 21.4        | 21.3        | 20.7        |
| WRM                        | 34.5        | 34.5        | 34.5        |

### **MANPOWER**

The following table reflects the personnel numbers included in this submission.

| (Manpower)   | FY 2015 | FY 2016 | FY 2017 |
|--------------|---------|---------|---------|
| End Strength |         |         |         |
| Military     | 15      | 48      | 39      |
| Civilian     | 1,238   | 1,392   | 1,398   |
| Total        | 1,253   | 1,440   | 1,437   |
| FTEs         |         |         |         |
| Military     | 15      | 48      | 39      |
| Civilian     | 1,200   | 1,337   | 1,343   |
| Total        | 1,215   | 1,385   | 1,382   |

### **CAPITAL**

The capital budget funds investments that exceed the \$250,000 investment criteria for the automated data processing equipment (ADPE), non-ADPE, software development, and minor construction



categories. (Minor construction above \$750,000 becomes MILCON investment and is not included.)

| (Dollars in Millions) | FY 2015 | FY 2016 | FY 2017 |
|-----------------------|---------|---------|---------|
| Equipment (non-ADP)   | \$9.7   | \$19.8  | \$16.9  |
| Software Development  | \$0.0   | \$4.0   | \$0.0   |
| Minor Construction    | \$31.3  | \$40.0  | \$47.3  |
| Total                 | \$41.0  | \$63.8  | \$64.2  |

**OVERSEAS CONTINGENCY OPERATIONS (OCO) SUPPLEMENTAL REQUEST**

The requests below are in support of operations in Afghanistan. The FY 2017 request will provide funds to the NATO Support and Procurement Agency (NSPA), which provides fuel-related services in theater. The increase from FY 2016 to FY 2017 reflects the change in NATO's billing structure. NATO terminal operations are now invoiced separately from fuel.

| (Dollars in Millions)                       | FY 2015 | FY 2016 | FY 2017 |
|---------------------------------------------|---------|---------|---------|
| Combat Fuel Losses                          | \$10.0  | \$10.0  | \$5.0   |
| Fuel Transportation, TOPS & AE (Operations) | \$37.0  | \$37.0  | \$65.0  |
| Total OCO                                   | \$47.0  | \$47.0  | \$70.0  |

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Energy Management Activity Group  
 Supply Management Summary by Division  
 Fiscal Year (FY) 2017 Budget Estimates  
 February 2016  
 (Dollars in Millions)  
 FY 2015 - FY 2017

| DIVISION       | Net Customer Orders | Net Sales at Standard | Obligation Targets |              |             |                             |                           | Variability Target | Total Target      |
|----------------|---------------------|-----------------------|--------------------|--------------|-------------|-----------------------------|---------------------------|--------------------|-------------------|
|                |                     |                       | Operating          | Mobilization | Direct APPN | Total Operating Obligations | Total Capital Obligations |                    |                   |
| ENERGY MISSION | 14,700.3            | 14,700.3              | 14,078.5           | 0.0          | 56.3        | 14,134.8                    | 41.0                      | 0.0                | 14,175.8          |
| AEROSPACE      | 62.0                | 62.0                  | 42.7               | 0.0          | (3.1)       | 39.617                      | 0.0                       | 0.0                | 39.6              |
| REIMBURSABLE   | 11.0                | 11.0                  | 11.0               | 0.0          | 0.0         | 11.0                        | 0.0                       | 0.0                | 11.0              |
| <b>TOTAL</b>   | <b>14,773.3</b>     | <b>14,773.3</b>       | <b>14,132.2</b>    | <b>0.0</b>   | <b>53.2</b> | <b>14,185.4</b>             | <b>41.0</b>               | <b>0.0</b>         | <b>14,226.434</b> |

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Energy Management Activity Group  
 Supply Management Summary by Division  
 Fiscal Year (FY) 2017 Budget Estimates  
 February 2016  
 FY 2016  
 (Dollars in Millions)  
 FY 2015 - FY 2017

| DIVISION       | Net Customer Orders | Net Sales at Standard | Obligation Targets |              |             |                             |                           | Variability Target | Total Target    |
|----------------|---------------------|-----------------------|--------------------|--------------|-------------|-----------------------------|---------------------------|--------------------|-----------------|
|                |                     |                       | Operating          | Mobilization | Direct APPN | Total Operating Obligations | Total Capital Obligations |                    |                 |
| ENERGY MISSION | 12,070.6            | 12,070.6              | 10,829.0           | 0.0          | 47.0        | 10,876.0                    | 63.8                      | 2,500.0            | 13,439.8        |
| AEROSPACE      | 63.7                | 63.7                  | 47.5               | 0.0          | 0.0         | 47.465                      | 0.0                       | 0.0                | 47.5            |
| REIMBURSABLE   | 28.3                | 28.3                  | 28.3               | 0.0          | 0.0         | 28.3                        | 0.0                       | 0.0                | 28.3            |
| <b>TOTAL</b>   | <b>12,162.5</b>     | <b>12,162.5</b>       | <b>10,904.8</b>    | <b>0.0</b>   | <b>47.0</b> | <b>10,951.7</b>             | <b>63.8</b>               | <b>2,500.0</b>     | <b>13,515.5</b> |

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Energy Management Activity Group  
 Supply Management Summary by Division  
 Fiscal Year (FY) 2017 Budget Estimates  
 February 2016  
 FY 2017  
 (Dollars in Millions)  
 FY 2015 - FY 2017

| DIVISION       | Net Customer Orders | Net Sales at Standard | Obligation Targets |              |             |                             | Variability Target | Total Target   |                           |
|----------------|---------------------|-----------------------|--------------------|--------------|-------------|-----------------------------|--------------------|----------------|---------------------------|
|                |                     |                       | Operating          | Mobilization | Direct APPN | Total Operating Obligations |                    |                | Total Capital Obligations |
| ENERGY MISSION | 10,825.1            | 10,825.1              | 10,223.8           | 0.0          | 70.0        | 10,293.8                    | 64.2               | 2,500.0        | 12,858.0                  |
| AEROSPACE      | 56.2                | 56.2                  | 62.6               | 0.0          | 0.0         | 62.637                      | 0.0                | 0.0            | 62.6                      |
| REIMBURSABLE   | 28.7                | 28.7                  | 28.7               | 0.0          | 0.0         | 28.7                        | 0.0                | 0.0            | 28.7                      |
| <b>TOTAL</b>   | <b>10,910.0</b>     | <b>10,910.0</b>       | <b>10,315.2</b>    | <b>0.0</b>   | <b>70.0</b> | <b>10,385.2</b>             | <b>64.2</b>        | <b>2,500.0</b> | <b>12,949.4</b>           |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Energy Management Activity Group  
Inventory Status - Energy  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
(Dollars in Millions)  
FY 2015

| DLA Energy                                     | Total    | Demand<br>Based | Mobilization | Non-Demand<br>Based |
|------------------------------------------------|----------|-----------------|--------------|---------------------|
| 1. INVENTORY - Beginning of Period (BOP)       | 7,394.4  | 2,863.9         | 4,530.5      | 0.0                 |
| 2. BOP INVENTORY ADJUSTMENTS                   |          |                 |              |                     |
| a. Reclassification Change (Memo)              | 0.0      | 0.0             | 0.0          | 0.0                 |
| b. Price Change Amount (Memo)                  | -2,094.1 | -827.1          | -1,267.0     | 0.0                 |
| c. Inventory Reclassified and Repriced         | 5,300.3  | 2,036.8         | 3,263.5      | 0.0                 |
| 3. PURCHASES                                   | 9,394.0  | 9,394.0         | 0.0          | 0.0                 |
| 4. GROSS SALES AT COST                         | -9,578.0 | -9,578.0        | 0.0          | 0.0                 |
| 5. INVENTORY ADJUSTMENTS                       |          |                 |              |                     |
| a. Capitalizations + or (-)                    | 0.0      | 0.0             | 0.0          | 0.0                 |
| Transfer to other DLA ICPs                     | 0.0      | 0.0             | 0.0          | 0.0                 |
| Transfer from other DLA ICPs                   | 0.0      | 0.0             | 0.0          | 0.0                 |
| Transfer from Military Services                | 0.0      | 0.0             | 0.0          | 0.0                 |
| b. Returns from Customers for Credit (+)       | 231.8    | 231.8           | 0.0          | 0.0                 |
| c. Returns for Customers without Credit        | 0.0      | 0.0             | 0.0          | 0.0                 |
| d. Returns to Suppliers (-)                    | 0.0      | 0.0             | 0.0          | 0.0                 |
| e. Transfers to Property Disposal (-)          | 0.0      | 0.0             | 0.0          | 0.0                 |
| f. Issues/Receipts without Reimbursement (+/-) | 0.0      | 0.0             | 0.0          | 0.0                 |
| g. Other (List and Explain)                    | -56.5    | (56.5)          | 0.0          | 0.0                 |
| Retail/Wholesale Losses                        | -56.5    | -56.5           | 0.0          | 0.0                 |
| Combat Losses (-)                              | 0.0      | 0.0             | 0.0          | 0.0                 |
| h. Total Adjustments                           | 175.3    | 175.3           | 0.0          | 0.0                 |
| 6. INVENTORY - End of Period (EOP)             | 5,291.6  | 2,028.1         | 3,263.5      | 0.0                 |
| 7. INVENTORY ON ORDER EOP                      | 5,291.6  | 2,028.1         | 3,263.5      | 0.0                 |
| 8. Narrative (Explanation of unusual changes)  |          |                 |              |                     |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Energy Management Activity Group  
Inventory Status - Energy  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
(Dollars in Millions)  
FY 2016

| DLA Energy                                     | Total    | Demand Based | Mobilization | Non-Demand Based |
|------------------------------------------------|----------|--------------|--------------|------------------|
| 1. INVENTORY - Beginning of Period (BOP)       | 5,291.6  | 2,028.1      | 3,263.5      | 0.0              |
| 2. BOP INVENTORY ADJUSTMENTS                   |          |              |              |                  |
| a. Reclassification Change (Memo)              | 0.0      | 0.0          | 0.0          | 0.0              |
| b. Price Change Amount (Memo)                  | -848.8   | -216.7       | -632.2       | 0.0              |
| c. Inventory Reclassified and Repriced         | 4,442.8  | 1,811.4      | 2,631.3      | 0.0              |
| 3. PURCHASES                                   | 8,484.5  | 8,484.5      | 0.0          | 0.0              |
| 4. GROSS SALES AT COST                         | -8,830.7 | -8,830.7     | 0.0          | 0.0              |
| 5. INVENTORY ADJUSTMENTS                       |          |              |              |                  |
| a. Capitalizations + or (-)                    | 0.0      | 0.0          | 0.0          | 0.0              |
| Transfer to other DLA ICPs                     | 0.0      | 0.0          | 0.0          | 0.0              |
| Transfer from other DLA ICPs                   | 0.0      | 0.0          | 0.0          | 0.0              |
| Transfer from Military Services                | 0.0      | 0.0          | 0.0          | 0.0              |
| b. Returns from Customers for Credit (+)       | 510.2    | 510.2        | 0.0          | 0.0              |
| c. Returns for Customers without Credit        | 0.0      | 0.0          | 0.0          | 0.0              |
| d. Returns to Suppliers (-)                    | 0.0      | 0.0          | 0.0          | 0.0              |
| e. Transfers to Property Disposal (-)          | 0.0      | 0.0          | 0.0          | 0.0              |
| f. Issues/Receipts without Reimbursement (+/-) | 0.0      | 0.0          | 0.0          | 0.0              |
| g. Other (List and Explain)                    | (176.0)  | (176.0)      | 0.0          | 0.0              |
| Retail/Wholesale Losses                        | -166.0   | -166.0       | 0.0          | 0.0              |
| Combat Losses (-)                              | -10.0    | -10.0        | 0.0          | 0.0              |
| h. Total Adjustments                           | 334.2    | 334.2        | 0.0          | 0.0              |
| 6. INVENTORY - End of Period (EOP)             | 4,430.7  | 1,799.4      | 2,631.3      | 0.0              |
| 7. INVENTORY ON ORDER EOP                      | 4,430.7  | 1,799.4      | 2,631.3      | 0.0              |
| 8. Narrative (Explanation of unusual changes)  |          |              |              |                  |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Energy Management Activity Group  
Inventory Status - Energy  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
(Dollars in Millions)  
FY 2017

| DLA Energy                                     | Total    | Demand<br>Based | Mobilization | Non-Demand<br>Based |
|------------------------------------------------|----------|-----------------|--------------|---------------------|
| 1. INVENTORY - Beginning of Period (BOP)       | 4,430.7  | 1,799.4         | 2,631.3      | 0.0                 |
| 2. BOP INVENTORY ADJUSTMENTS                   |          |                 |              |                     |
| a. Reclassification Change (Memo)              | 0.0      | 0.0             | 0.0          | 0.0                 |
| b. Price Change Amount (Memo)                  | 150.4    | -81.4           | 231.8        | 0.0                 |
| c. Inventory Reclassified and Repriced         | 4,581.1  | 1,718.0         | 2,863.2      | 0.0                 |
| 3. PURCHASES                                   | 7,989.3  | 7,989.3         | 0.0          | 0.0                 |
| 4. GROSS SALES AT COST                         | -8,454.1 | -8,454.1        | 0.0          | 0.0                 |
| 5. INVENTORY ADJUSTMENTS                       |          |                 |              |                     |
| a. Capitalizations + or (-)                    | 0.0      | 0.0             | 0.0          | 0.0                 |
| Transfer to other DLA ICPS                     | 0.0      | 0.0             | 0.0          | 0.0                 |
| Transfer from other DLA ICPS                   | 0.0      | 0.0             | 0.0          | 0.0                 |
| Transfer from Military Services                | 0.0      | 0.0             | 0.0          | 0.0                 |
| b. Returns from Customers for Credit (+)       | 497.9    | 497.9           | 0.0          | 0.0                 |
| c. Returns for Customers without Credit        | 0.0      | 0.0             | 0.0          | 0.0                 |
| d. Returns to Suppliers (-)                    | 0.0      | 0.0             | 0.0          | 0.0                 |
| e. Transfers to Property Disposal (-)          | 0.0      | 0.0             | 0.0          | 0.0                 |
| f. Issues/Receipts without Reimbursement (+/-) | 0.0      | 0.0             | 0.0          | 0.0                 |
| g. Other (List and Explain)                    | (88.0)   | (88.0)          | 0.0          | 0.0                 |
| Retail/Wholesale Losses                        | -83.0    | -83.0           | 0.0          | 0.0                 |
| Combat Losses (-)                              | -5.0     | -5.0            | 0.0          | 0.0                 |
| h. Total Adjustments                           | 410.0    | 410.0           | 0.0          | 0.0                 |
| 6. INVENTORY - End of Period (EOP)             | 4,526.3  | 1,663.2         | 2,863.2      | 0.0                 |
| 7. INVENTORY ON ORDER EOP                      | 4,526.3  | 1,663.2         | 2,863.2      | 0.0                 |
| 8. Narrative (Explanation of unusual changes)  |          |                 |              |                     |

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Energy Management Activity Group**  
**War Reserve Material (WRM) Stockpile**  
**Fiscal Year (FY) 2017 Budget Estimates**  
**February 2016**  
**(Dollars in Millions)**  
**FY 2015**

|                                | Total     | WRM<br>Protected | WRM<br>Other |
|--------------------------------|-----------|------------------|--------------|
| 1. Inventory BOP @ Cost        | 4,530.5   | 4,530.5          | 0.0          |
| 2. Price Change (Memo)         | (1,267.0) | (1,267.0)        | 0.0          |
| 3. Reclassification            | 3,263.5   | 3,263.5          | 0.0          |
| 4. Inventory Changes           |           |                  |              |
| a. Receipts @ cost             | 0.0       | 0.0              | 0.0          |
| (1). Purchases                 | 0.0       | 0.0              | 0.0          |
| (2). Returns from customers    | 0.0       | 0.0              | 0.0          |
| b. Issues @ cost               | 0.0       | 0.0              | 0.0          |
| (1). Sales                     | 0.0       | 0.0              | 0.0          |
| (2). Returns to suppliers      | 0.0       | 0.0              | 0.0          |
| (3). Disposals                 | 0.0       | 0.0              | 0.0          |
| c. Adjustments @ cost          | 0.0       | 0.0              | 0.0          |
| (1). Capitalizations           | 0.0       | 0.0              | 0.0          |
| (2). Gains and Losses          | 0.0       | 0.0              | 0.0          |
| (3). Other                     | 0.0       | 0.0              | 0.0          |
| 5. Inventory EOP               | 3,263.5   | 3,263.5          | 0.0          |
| WRM STOCKPILE COSTS            |           |                  |              |
| 1. Storage                     | 0.0       |                  |              |
| 2. Management                  | 0.0       |                  |              |
| 3. Maintenance/Other           | 0.0       |                  |              |
| Total Cost                     | 0.0       | 0.0              | 0.0          |
| WRM BUDGET REQUEST             |           |                  |              |
| 1. Obligations @ Cost          | 0.0       | 0.0              | 0.0          |
| a. Additional WRM              | 0.0       | 0.0              | 0.0          |
| b. Replen. WRM                 | 0.0       | 0.0              | 0.0          |
| c. Stock Rotation/Obsolescence | 0.0       | 0.0              | 0.0          |
| d. Assemble/Disassemble        | 0.0       | 0.0              | 0.0          |
| e. Other                       | 0.0       | 0.0              | 0.0          |
| Total Request                  | 0.0       | 0.0              | 0.0          |



**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Energy Management Activity Group**  
**War Reserve Material (WRM) Stockpile**  
**Fiscal Year (FY) 2017 Budget Estimates**  
**February 2016**  
**(Dollars in Millions)**  
**FY 2016**

|                                | Total   | WRM<br>Protected | WRM<br>Other |
|--------------------------------|---------|------------------|--------------|
| 1. Inventory BOP @ Cost        | 3,263.5 | 3,263.5          | 0.0          |
| 2. Price Change (Memo)         | (632.2) | (632.2)          | 0.0          |
| 3. Reclassification            | 2,631.3 | 2,631.3          | 0.0          |
| 4. Inventory Changes           |         |                  |              |
| a. Receipts @ cost             | 0.0     | 0.0              | 0.0          |
| (1). Purchases                 | 0.0     | 0.0              | 0.0          |
| (2). Returns from customers    | 0.0     | 0.0              | 0.0          |
| b. Issues @ cost               | 0.0     | 0.0              | 0.0          |
| (1). Sales                     | 0.0     | 0.0              | 0.0          |
| (2). Returns to suppliers      | 0.0     | 0.0              | 0.0          |
| (3). Disposals                 | 0.0     | 0.0              | 0.0          |
| c. Adjustments @ cost          | 0.0     | 0.0              | 0.0          |
| (1). Capitalizations           | 0.0     | 0.0              | 0.0          |
| (2). Gains and Losses          | 0.0     | 0.0              | 0.0          |
| (3). Other                     | 0.0     | 0.0              | 0.0          |
| 5. Inventory EOP               | 2,631.3 | 2,631.3          | 0.0          |
| WRM STOCKPILE COSTS            |         |                  |              |
| 1. Storage                     | 0.0     |                  |              |
| 2. Management                  | 0.0     |                  |              |
| 3. Maintenance/Other           | 0.0     |                  |              |
| Total Cost                     | 0.0     | 0.0              | 0.0          |
| WRM BUDGET REQUEST             |         |                  |              |
| 1. Obligations @ Cost          | 0.0     | 0.0              | 0.0          |
| a. Additional WRM              | 0.0     | 0.0              | 0.0          |
| b. Replen. WRM                 | 0.0     | 0.0              | 0.0          |
| c. Stock Rotation/Obsolescence | 0.0     | 0.0              | 0.0          |
| d. Assemble/Disassemble        | 0.0     | 0.0              | 0.0          |
| e. Other                       | 0.0     | 0.0              | 0.0          |
| Total Request                  | 0.0     | 0.0              | 0.0          |

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Energy Management Activity Group**  
**War Reserve Material (WRM) Stockpile**  
**Fiscal Year (FY) 2017 Budget Estimates**  
**February 2016**  
**(Dollars in Millions)**  
**FY 2017**

|                                | Total   | WRM<br>Protected | WRM<br>Other |
|--------------------------------|---------|------------------|--------------|
| 1. Inventory BOP @ Cost        | 2,631.3 | 2,631.3          | 0.0          |
| 2. Price Change (Memo)         | 231.8   | 231.8            | 0.0          |
| 3. Reclassification            | 2,863.2 | 2,863.2          | 0.0          |
| 4. Inventory Changes           |         |                  |              |
| a. Receipts @ cost             | 0.0     | 0.0              | 0.0          |
| (1). Purchases                 | 0.0     | 0.0              | 0.0          |
| (2). Returns from customers    | 0.0     | 0.0              | 0.0          |
| b. Issues @ cost               | 0.0     | 0.0              | 0.0          |
| (1). Sales                     | 0.0     | 0.0              | 0.0          |
| (2). Returns to suppliers      | 0.0     | 0.0              | 0.0          |
| (3). Disposals                 | 0.0     | 0.0              | 0.0          |
| c. Adjustments @ cost          | 0.0     | 0.0              | 0.0          |
| (1). Capitalizations           | 0.0     | 0.0              | 0.0          |
| (2). Gains and Losses          | 0.0     | 0.0              | 0.0          |
| (3). Other                     | 0.0     | 0.0              | 0.0          |
| 5. Inventory EOP               | 2,863.2 | 2,863.2          | 0.0          |
| WRM STOCKPILE COSTS            |         |                  |              |
| 1. Storage                     | 0.0     |                  |              |
| 2. Management                  | 0.0     |                  |              |
| 3. Maintenance/Other           | 0.0     |                  |              |
| Total Cost                     | 0.0     | 0.0              | 0.0          |
| WRM BUDGET REQUEST             |         |                  |              |
| 1. Obligations @ Cost          | 0.0     | 0.0              | 0.0          |
| a. Additional WRM              | 0.0     | 0.0              | 0.0          |
| b. Replen. WRM                 | 0.0     | 0.0              | 0.0          |
| c. Stock Rotation/Obsolescence | 0.0     | 0.0              | 0.0          |
| d. Assemble/Disassemble        | 0.0     | 0.0              | 0.0          |
| e. Other                       | 0.0     | 0.0              | 0.0          |
| Total Request                  | 0.0     | 0.0              | 0.0          |

DEFENSE LOGISTICS AGENCY  
DEFENSE-WIDE WORKING CAPITAL FUND  
ENERGY MANAGEMENT ACTIVITY GROUP  
FISCAL YEAR (FY) 2017 BUDGET ESTIMATES  
ACTIVITY GROUP CAPITAL INVESTMENT SUMMARY  
(\$ IN MILLIONS)

| Line Number | Item Description                           | FY 2015  |            | FY 2016  |            | FY 2017  |            |
|-------------|--------------------------------------------|----------|------------|----------|------------|----------|------------|
|             |                                            | Quantity | Total Cost | Quantity | Total Cost | Quantity | Total Cost |
| NEW 200-01  | Fuel Terminal Automation                   | 6        | 6.586      | 6        | 13.140     | 7        | 12.600     |
| NEW 200-02  | Inventory Accuracy                         | 2        | 3.019      | 2        | 4.700      | 1        | 3.000      |
| REP 200-02  | Inventory Accuracy                         | 1        | 0.072      | 1        | 2.000      | 1        | 1.300      |
|             | <u>TOTAL EQUIPMENT (Non ADP/T)</u>         | 9        | 9.677      | 9        | 19.840     | 9        | 16.900     |
| SWD 200     | Electronic Point of Sale Device (EPoSD)    |          | 0.000      |          | 4.000      |          | 0.000      |
|             | <u>TOTAL SOFTWARE DEVELOPMENT</u>          |          | 0.000      |          | 4.000      |          | 0.000      |
| REP/ENV 200 | Minor Construction \$250,000 - \$1,000,000 |          | 31.341     |          | 39.952     |          | 47.288     |
|             | <u>TOTAL MINOR CONSTRUCTION</u>            |          | 31.341     |          | 39.952     |          | 47.288     |
|             | <u>TOTAL AGENCY CAPITAL INVESTMENTS</u>    | 9        | 41.018     | 9        | 63.792     | 9        | 64.188     |
|             | Total Capital Outlays                      |          | 47.829     |          | 58.154     |          | 60.577     |
|             | Total Depreciation Expense                 |          | 88.493     |          | 68.466     |          | 69.005     |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |          |           |            |                                                                              |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |  |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------------|------------------------------------------------------------------------------|-----------|------------|----------|-----------|------------|-------------------------------------------------------------------|--|--|
| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Energy Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |          |           |            | C. Line Number & Item Description<br>NEW 200 Non-ADP Equipment – New Mission |           |            |          |           |            | D. Activity Identification<br>DLA Energy                          |  |  |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | FY 2015  |           |            | FY 2016                                                                      |           |            | FY 2017  |           |            |                                                                   |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Quantity | Unit Cost | Total Cost | Quantity                                                                     | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |  |  |
| <u>NEW 200-01</u><br>Fuel Terminal Automation – New Mission                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 6        | 1,097     | 6,586      | 6                                                                            | 2,190     | 13,140     | 7        | 1,800     | 12,600     |                                                                   |  |  |
| <p><b>Narrative Justification:</b></p> <p>The Automated Fuel Handling Equipment (AFHE) allows large bulk fuel locations to monitor and control fuel operations from a central location on site, via dedicated network communications, through an installed computer application. The fuel terminal automation projects will include automation of valves, fuel transfer pumps, tank gauging, fuel metering systems, and pipeline instrumentation. As the integral component of the AFHE system, the Supervisory Control and Data Acquisition (SCADA) systems will be installed in the Operations Control Center (OCC) optimally located on the base. The SCADA system will provide remote control of fuel transfer operations and alarms in response to abnormal conditions; enhanced capabilities for inventory control and accounting; enhanced leak detection capabilities; remote monitoring and data exchange. The entire operations of the terminal, such as, receiving and issuing fuel will be controlled from the OCC. The communication infrastructure and other devices required for the transfer of alarm and inventory data and control signals from the field equipment to the OCC will also be provided. The primary cost benefit of these projects is the prevention of oil spills, avoiding costly cleanup expenses and minimizing environmental risks.</p> <p>The following sites are planned for AFHE installations and lifecycle upgrades in FY 2016 – FY 2017:<br/> FY 2016 – FLC Yokosuka, JP, FLC Jacksonville, FL, FLC Pearl Harbor, HI, CA, NAS Pensacola, FL, NAS North Island, CA &amp; Travis AFB, CA<br/> FY 2017 – FLC Yokosuka, JP, NAS Pensacola, FL, NAS North Island, CA, Ramstein AB Germany, MCAS Cherry Point, MCAS Beaufort &amp; Travis AFB, CA</p> <p>Hydrant Automation Monitoring Systems (HAMS) have been authorized by the DLA Energy Executive Agent Office in November 2012 to integrate existing hydrant pump house system monitoring back into the sites Fuels Service Centers (FSC) allowing for 24/7 monitoring of all alarms and activities associated with the hydrant systems. The budgeted amount includes design and review costs associated with the integration of the required equipment and testing of these efforts. DLA DS-FEI coordinates with the SCPs to identify and prioritize HAMS locations.</p> <p>Due to changing operating scenarios and construction requirements, the order of installations may change and other sites may be substituted.</p> |          |           |            |                                                                              |           |            |          |           |            |                                                                   |  |  |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |          |           |            |                                                                                        |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |  |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------------|----------------------------------------------------------------------------------------|-----------|------------|----------|-----------|------------|-------------------------------------------------------------------|--|--|
| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Energy Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |          |           |            | C. Line Number & Item Description<br>NEW 200 Non-ADP Equipment-New Mission/Replacement |           |            |          |           |            | D. Activity Identification<br>DLA Energy                          |  |  |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | FY 2015  |           |            | FY 2016                                                                                |           |            | FY 2017  |           |            |                                                                   |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Quantity | Unit Cost | Total Cost | Quantity                                                                               | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |  |  |
| <u>NEW &amp; REP 200-02</u><br>Inventory Accuracy<br>New Mission and Replacement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 3        | 1,030     | 3,091      | 3                                                                                      | 2,233     | 6,700      | 2        | 2,150     | 4,300      |                                                                   |  |  |
| <p>Narrative Justification:</p> <p>There are more than 400 fuel terminals worldwide for which DLA is the DoD Executive Agent. In all of these terminals there are various types of fuel tanks, each with Automated Tank Gauges (ATG). ATG systems are permanently installed in storage tanks to measure and monitor fuel levels and inventories. The devices efficiently provide information regarding the amount of product, temperature, and water in fuel tanks. These gauges have connectivity to the Business Systems Modernization (BSM) Energy system, FuelsManager Defense (FMD), which will capture all the data with regard to fuel stored and maintain accurate inventory records. The various Service Stations in DoD facilities have equipment to capture the quantity of fuel stored and also have connectivity to the same BSM Energy system, FMD. A study was completed back in 2005 that provided final recommendations with regards to the type and corresponding sites where ATG systems will be installed. DS-IM provided the Automatic Tank Gauge (ATG) Installation Policy in December 2009 to execute this program. The budgeted amount also includes design and review costs in conjunction with implementation. The primary cost benefit of this investment is accurate inventory records and fuel loss control procedures.</p> <p>Temperature Compensating Meters (TCM) are required at fuel terminals to measure the exact amount of fuel received and issued after the required compensation for differences in temperature. The meters will be installed at various custody transfer points in the fuel terminal to ensure that accurate charges for the fuel received and issued are recorded and that sufficient amounts of fuel are maintained and protected. The budgeted amount also includes design and review costs in connection with the installation of this equipment. DLA DS-FEI has been coordinating closely with DLA DS-FENAA and the SCPs to identify and prioritize TCM locations.</p> <p>Due to changing operating scenarios and construction requirements, the order of installations may change and other sites may be substituted.</p> |          |           |            |                                                                                        |           |            |          |           |            |                                                                   |  |  |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |          |           |            |          |                                                                                  |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------------|----------|----------------------------------------------------------------------------------|------------|----------|-----------|------------|-------------------------------------------------------------------|-----------|------------|
| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Energy Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |          |           |            |          | C. Line Number & Item Description<br>SWD 200 Software Development \$1.0 and Over |            |          |           |            | D. Activity Identification<br>DLA Energy                          |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | FY 2015  |           |            | FY 2016  |                                                                                  |            | FY 2017  |           |            | Quantity                                                          | Unit Cost | Total Cost |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost                                                                        | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |           |            |
| <u>SWD 200</u><br>Electronic Point of Sale Device (EPoSD)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |          |           |            |          |                                                                                  | 4,000      |          |           |            |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>DLA Energy has a requirement for an EPoSD turn-key solution for capturing military fleet management fuel sale transactions at unattended military service stations and mobile ground and aviation fuel transactions for mobile airfield / flight line operation. The proposed system will create an output file in a format that will comply with cybersecurity requirements for DoD information technologies in accordance with DoDI 8500.01, and DoDI 8510.01 and be able to achieve accreditation consistent with the principals established by National Institute of Standards and Technology in NIST SP 800-37.</p> <p>Return On Investment for the procurement, deployment, and sustainment of this capability will meet DLA Energy Audit Readiness requirements, provide a secure Information Technology System Capability, maintain and expand existing electronic data capture capabilities at DLA Energy Retail sites, and have no major capabilities degradation impact or change of Business Rules. Acquiring these capabilities through a competitive process is expected to result in lower cost and/or better value to the Government versus existing systems in place.</p> |          |           |            |          |                                                                                  |            |          |           |            |                                                                   |           |            |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |           |            |                                                                                               |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |  |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------------|-----------------------------------------------------------------------------------------------|-----------|------------|----------|-----------|------------|-------------------------------------------------------------------|--|--|
| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Energy Management Activity Group February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |          |           |            | C. Line Number & Item Description<br>Minor Construction Capability -Replacement/Environmental |           |            |          |           |            | D. Activity Identification<br>DLA Energy                          |  |  |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | FY 2015  |           |            | FY 2016                                                                                       |           |            | FY 2017  |           |            |                                                                   |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Quantity | Unit Cost | Total Cost | Quantity                                                                                      | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |  |  |
| REP & ENV 200<br>Minor Construction<br>Replacement/Environmental                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |          |           | 31,341     |                                                                                               |           | 39,952     |          |           | 47,288     |                                                                   |  |  |
| <p>Narrative Justification:</p> <p>The minor construction investment for projects (costing between \$250,000 and \$1,000,000 each) will construct new, replace existing, or modify current facilities to enhance mission performance and increase the level of protection of the workforce and the mission stock. These projects include:</p> <ol style="list-style-type: none"> <li>1. Upgrading fuel receipt, storage, pipeline, pumping, and filtration facilities.</li> <li>2. Upgrades to utility systems for environmental compliance, energy efficiency, and fire protection standards.</li> <li>3. Incidental improvements associated with facilities repair projects</li> </ol> <p>The minor construction capital is for execution of backlogged prior year projects, emerging requirements for aging petroleum infrastructures, and to match funding increases in operations and maintenance as many projects require both funding sources. Other contributing factors include inflation in construction material, labor, and transportation costs, dollar devaluation against foreign currencies mainly for OCONUS projects, and older facilities exceeding the 70% plant replacement value to repair.</p> <p>Benefits include continued safe, compliant and efficient facility operations.</p> |          |           |            |                                                                                               |           |            |          |           |            |                                                                   |  |  |

**DEFENSE LOGISTICS AGENCY**  
**ENERGY MANAGEMENT ACTIVITY GROUP**  
**FISCAL YEAR (FY) 2017 BUDGET ESTIMATES**  
**CAPITAL BUDGET EXECUTION**  
**February 2016**  
**(DOLLARS IN MILLIONS)**

| Major Category           | Initial Request | Current Proj Cost | Approved Change | Explanation                                                        |
|--------------------------|-----------------|-------------------|-----------------|--------------------------------------------------------------------|
| Non-ADPE Equipment:      | 19.775          | 9.677             | (10.098)        | carryover obligation authority for the remaining projects/balance. |
| ADPE & TELCOM Equipment: | 0.000           | 0.000             | 0.000           |                                                                    |
| Software Development:    | 0.000           | 0.000             | 0.000           |                                                                    |
| Minor Construction:      | 45.720          | 31.341            | (14.379)        | reduced requirements                                               |
| <b>Total FY 2015</b>     | <b>65.495</b>   | <b>41.018</b>     | <b>(24.477)</b> |                                                                    |

| Major Category           | Initial Request | Current Proj Cost | Approved Change | Explanation                      |
|--------------------------|-----------------|-------------------|-----------------|----------------------------------|
| Non-ADPE Equipment:      | 17.340          | 19.840            | 2.500           | increase requirements            |
| ADPE & TELCOM Equipment: | 0.000           | 0.000             | 0.000           |                                  |
| Software Development:    | 0.000           | 4.000             | 4.000           | new software development program |
| Minor Construction:      | 46.452          | 39.952            | (6.500)         | reduced requirements             |
| <b>Total FY 2016</b>     | <b>63.792</b>   | <b>63.792</b>     | <b>0.000</b>    |                                  |

| Major Category           | Initial Request | Current Proj Cost | Approved Change | Explanation |
|--------------------------|-----------------|-------------------|-----------------|-------------|
| Non-ADPE Equipment:      | 16.900          | 16.900            | 0.000           |             |
| ADPE & TELCOM Equipment: | 0.000           | 0.000             | 0.000           |             |
| Software Development:    | 0.000           | 0.000             | 0.000           |             |
| Minor Construction:      | 47.288          | 47.288            | 0.000           |             |
| <b>Total FY 2017</b>     | <b>64.188</b>   | <b>64.188</b>     | <b>0.000</b>    |             |



DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Energy Management Activity Group  
Source of New Orders and Revenue  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
(Dollars in Millions)  
FY 2015 - FY 2017

|                                                 | <u>FY 2015</u>  | <u>FY 2016</u> | <u>FY 2017</u> |
|-------------------------------------------------|-----------------|----------------|----------------|
| <b>1. New Orders</b>                            |                 |                |                |
| <b>a. Orders from DoD Components</b>            | <b>11,510.2</b> | <b>9,683.4</b> | <b>8,624.1</b> |
| <b>Army</b>                                     | <b>1,299.2</b>  | <b>928.8</b>   | <b>845.7</b>   |
| O&M, Army                                       | 1,065.4         | 761.7          | 693.5          |
| O&M - Recovery Act, Army                        | 0.0             | 0.0            | 0.0            |
| O&M, Army Reserve                               | 24.7            | 17.7           | 16.1           |
| O&M - Recovery Act, Army Reserve                | 0.0             | 0.0            | 0.0            |
| O&M, Army National Guard                        | 132.9           | 95.0           | 86.5           |
| Army National Guard                             | 0.0             | 0.0            | 0.0            |
| RDT&E, Army                                     | 40.2            | 28.8           | 26.2           |
| Aircraft Procurement, Army                      | 2.8             | 2.0            | 1.8            |
| Missile Procurement, Army                       | 0.9             | 0.7            | 0.6            |
| Procurement of Weapons & Tracked Vehicles, Army | 0.1             | 0.1            | 0.0            |
| Procurement of Ammunition, Army                 | 0.1             | 0.1            | 0.1            |
| Other Procurement, Army                         | 0.2             | 0.1            | 0.1            |
| Military Construction, Army                     | 5.8             | 4.1            | 3.8            |
| Military Construction, Army Reserve             | 0.5             | 0.4            | 0.3            |
| Military Construction, Army National Guard      | 3.1             | 2.2            | 2.0            |
| Family Housing Construction, Army               | 1.2             | 0.9            | 0.8            |
| Family Housing, O&M, Army                       | 0.2             | 0.1            | 0.1            |
| Military Personnel, Army                        | 19.5            | 13.9           | 12.7           |
| National Guard Personnel, Army                  | 0.5             | 0.3            | 0.3            |
| Reserve Personnel, Army                         | 1.1             | 0.8            | 0.7            |
| Afghanistan Infrastructure Fund                 | 0.0             | 0.0            | 0.0            |
| Iraq Security Forces Fund                       | 0.0             | 0.0            | 0.0            |
| Army Other                                      | 0.1             | 0.0            | 0.0            |
| <b>Navy</b>                                     | <b>3,602.2</b>  | <b>3,170.2</b> | <b>2,716.9</b> |
| O&M, Navy                                       | 3,418.2         | 3,008.2        | 2,578.1        |
| O&M, Navy Reserve                               | 176.1           | 155.0          | 132.8          |
| Aircraft Procurement, Navy                      | 2.2             | 2.0            | 1.7            |
| Weapons Procurement, Navy                       | 0.8             | 0.7            | 0.6            |
| Procurement of Ammunition, Navy & MC            | 0.0             | 0.0            | 0.0            |
| Other Procurement, Navy                         | 1.2             | 1.1            | 0.9            |
| Shipbuilding & Conversion, Navy                 | 2.9             | 2.5            | 2.2            |
| RDT&E, Navy                                     | 0.9             | 0.8            | 0.7            |
| Military Construction, Navy & MC                | 0.0             | 0.0            | 0.0            |
| Family Housing, O&M, Navy & MC                  | 0.0             | 0.0            | 0.0            |
| Other Navy Appropriations                       | 0.0             | 0.0            | 0.0            |
| National Defense Sealift Fund, Navy             | 0.0             | 0.0            | 0.0            |
| Military Personnel, Navy                        | 0.0             | 0.0            | 0.0            |
| Reserve Personnel, Navy                         | 0.0             | 0.0            | 0.0            |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Energy Management Activity Group  
Source of New Orders and Revenue  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
(Dollars in Millions)  
FY 2015 - FY 2017

|                                                          | <u>FY 2015</u>   | <u>FY 2016</u>   | <u>FY 2017</u>   |
|----------------------------------------------------------|------------------|------------------|------------------|
| <b>Air Force</b>                                         | <b>6,423.6</b>   | <b>5,385.8</b>   | <b>4,880.7</b>   |
| O&M, Air Force                                           | 4,498.8          | 3,772.0          | 3,418.2          |
| O&M, Air Force Reserve                                   | 578.4            | 485.0            | 439.5            |
| O&M, Air National Guard                                  | 1,241.5          | 1,040.9          | 943.3            |
| RDT&E, Air Force                                         | 100.9            | 84.6             | 76.7             |
| Air Force Procurement Accounts                           | 0.0              | 0.0              | 0.0              |
| Aircraft Procurement, Air Force                          | 0.1              | 0.1              | 0.1              |
| Missile Procurement, Air Force                           | 1.4              | 1.2              | 1.1              |
| Other Procurement, Air Force                             | 0.0              | 0.0              | 0.0              |
| Military Construction, Air Force                         | 0.0              | 0.0              | 0.0              |
| Family Housing, O&M, Air Force                           | 2.4              | 2.0              | 1.8              |
| Military Personnel, Air Force                            | 0.0              | 0.0              | 0.0              |
| Reserve Personnel, Air Force                             | 0.0              | 0.0              | 0.0              |
| National Guard Personnel, Air Force                      | 0.0              | 0.0              | 0.0              |
| Air Force Other                                          | 0.0              | 0.0              | 0.0              |
| <br><b>Marine Corps</b>                                  | <br><b>63.9</b>  | <br><b>74.3</b>  | <br><b>67.7</b>  |
| O&M, MC                                                  | 59.6             | 69.3             | 63.1             |
| O&M, MC Reserve                                          | 1.9              | 2.2              | 2.0              |
| Procurement, MC                                          | 2.4              | 2.8              | 2.5              |
| Military Personnel, MC                                   | 0.0              | 0.0              | 0.0              |
| Marine Corp Other                                        | 0.0              | 0.0              | 0.0              |
| <br><b>DoD Appropriated Accounts</b>                     | <br><b>121.2</b> | <br><b>124.2</b> | <br><b>113.1</b> |
| O&M, Defense Wide, Defense                               | 102.5            | 105.1            | 95.7             |
| RDT&E, Defense-Wide                                      | 1.4              | 1.5              | 1.3              |
| Procurement, Defense-Wide                                | 0.6              | 0.6              | 0.5              |
| National Guard & Reserve Equipment, Defense              | 0.0              | 0.0              | 0.0              |
| Military Construction, Defense-Wide                      | 0.0              | 0.0              | 0.0              |
| Family Housing, Defense-Wide                             | 0.0              | 0.0              | 0.0              |
| Defense Health Program, Defense                          | 3.3              | 3.3              | 3.0              |
| DoD, Base Closure Account 1990                           | 9.4              | 9.6              | 8.8              |
| DoD, Base Closure Account 2005                           | 0.0              | 0.0              | 0.0              |
| Defense Emergency Response Fund, Defense                 | 2.1              | 2.2              | 2.0              |
| Support for International Sporting Competitions, Defense | 1.2              | 1.2              | 1.1              |
| Employee & Employer Contributions, Foreign Govt Social   | 0.0              | 0.0              | 0.0              |
| Security & Related Programs, OSD                         | 0.0              | 0.0              | 0.0              |
| OSD Appropriated                                         | 0.7              | 0.7              | 0.7              |
| DoD, Acquisition Workforce Development Fund              | 0.0              | 0.0              | 0.0              |

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Energy Management Activity Group**  
**Source of New Orders and Revenue**  
**Fiscal Year (FY) 2017 Budget Estimates**  
**February 2016**  
**(Dollars in Millions)**  
**FY 2015 - FY 2017**

|                                                | <u>FY 2015</u>  | <u>FY 2016</u>  | <u>FY 2017</u>  |
|------------------------------------------------|-----------------|-----------------|-----------------|
| <b>b. Orders from Other Activity Groups</b>    | <b>2,359.6</b>  | <b>1,978.2</b>  | <b>1,756.1</b>  |
| Civil Corps of Engineers, Revolving Fund       | 0.0             | 0.0             | 0.0             |
| OSD, Defense Working Capital Fund              | 0.0             | 0.0             | 0.0             |
| Defense Agencies, Defense Working Capital Fund | 0.0             | 0.0             | 0.0             |
| Army Working Capital Funds                     | 73.2            | 55.9            | 50.9            |
| Navy Working Capital Funds                     | 726.8           | 743.2           | 636.8           |
| Air Force Working Capital Funds                | 1,550.9         | 1,179.1         | 1,068.3         |
| DLA, Defense Working Capital Fund              | 7.8             | 0.0             | 0.0             |
| DFAS, Defense Working Capital Fund             | 0.0             | 0.0             | 0.0             |
| DECA, Defense Working Capital Fund             | 0.3             | 0.0             | 0.0             |
| Other Working Capital Funds                    | 0.0             | 0.0             | 0.0             |
| National Defense Stockpile Transaction Fund    | 0.0             | 0.0             | 0.0             |
| Other DoD (no system report)                   | 0.6             | 0.0             | 0.0             |
| <b>c. Total DoD</b>                            | <b>13,869.8</b> | <b>11,661.6</b> | <b>10,380.2</b> |
| <b>d. Other Orders:</b>                        | <b>1,340.9</b>  | <b>1,216.1</b>  | <b>1,131.1</b>  |
| Other Federal Agencies                         | 385.4           | 389.5           | 366.2           |
| Non-Federal Agencies                           | 281.9           | 355.1           | 335.8           |
| Foreign Military Sales                         | 673.6           | 471.5           | 429.2           |
| <b>e. Total New Orders</b>                     | <b>15,210.7</b> | <b>12,877.7</b> | <b>11,511.3</b> |
| <b>2. Carry-In Orders</b>                      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      |
| <b>3. Total Gross Orders</b>                   | <b>15,210.7</b> | <b>12,877.7</b> | <b>11,511.3</b> |
| <b>4. Carry-Out Orders (-)</b>                 | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      |
| <b>5. Sales Proceeds</b>                       | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      |
| <b>6. Gross Sales (-)</b>                      | <b>15,210.7</b> | <b>12,877.7</b> | <b>11,511.3</b> |
| <b>7. Credits &amp; Allowances (-)</b>         | <b>-368.0</b>   | <b>-743.4</b>   | <b>-630.0</b>   |
| <b>8. Net Sales</b>                            | <b>14,842.7</b> | <b>12,134.3</b> | <b>10,881.3</b> |
| <b>9. Reimbursable Sales/Other Income</b>      | <b>31.8</b>     | <b>60.4</b>     | <b>61.5</b>     |
| <b>10. Total Revenue</b>                       | <b>14,874.5</b> | <b>12,194.7</b> | <b>10,942.8</b> |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Energy Management Activity Group  
Revenue and Costs  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016  
(Dollars in Millions)  
FY 2015 - FY 2017

| <b>Revenue:</b>                            | <u>FY 2015</u>  | <u>FY 2016</u>  | <u>FY 2017</u>  |
|--------------------------------------------|-----------------|-----------------|-----------------|
| Gross Sales @ Standard Operations          | 15,210.7        | 12,877.7        | 11,511.3        |
| Capital Surcharge                          | 18.7            | -10.3           | -8.4            |
| Depreciation                               | 81.0            | 68.5            | 69.0            |
| Other Income                               | 31.8            | 60.4            | 61.5            |
| Refunds/Discounts (-)                      | -368.0          | -743.4          | -630.0          |
| <b>Total Income</b>                        | <b>14,874.5</b> | <b>12,194.7</b> | <b>10,942.8</b> |
| Adjusted Income                            |                 |                 |                 |
| <b>Total Income (allocated)</b>            | <b>14,874.5</b> | <b>12,194.7</b> | <b>10,942.8</b> |
| <b>Expenses:</b>                           |                 |                 |                 |
| Cost of Materiel Sold from Inventory       | 11,231.7        | 8,314.4         | 8,657.4         |
| Inventory Gains/Losses                     | 47.8            | 176.0           | 88.0            |
| Salaries and Wages:                        | 172.0           | 196.6           | 200.4           |
| Military Personnel Costs                   | 13.5            | 13.7            | 13.9            |
| Civilian Personnel Compensation            | 158.4           | 182.9           | 186.5           |
| Travel & Transportation of Personnel       | 5.6             | 9.2             | 9.3             |
| Materials & Supplies (For internal use)    | -0.1            | 0.6             | 0.6             |
| Equipment                                  | 0.0             | 1.7             | 1.7             |
| Other Purchases from Revolving Funds       | 170.3           | 213.5           | 372.2           |
| Transportation of Things                   | 538.8           | 435.6           | 444.6           |
| Depreciation - Capital                     | 81.0            | 68.5            | 69.0            |
| Printing and Reproduction                  | 0.2             | 0.5             | 0.5             |
| Advisory and Assistance Services           | 13.3            | 21.1            | 21.5            |
| Rent, Communication, and Utility           | 3.8             | 18.2            | 18.6            |
| Other Purchased Services                   | 936.0           | 1,029.8         | 1,024.6         |
| <b>Total Expenses (System)</b>             | <b>13,200.3</b> | <b>10,485.6</b> | <b>10,908.3</b> |
| Allocated Expenses                         |                 |                 |                 |
| <b>Total Expenses (Allocated)</b>          | <b>13,200.3</b> | <b>10,485.6</b> | <b>10,908.3</b> |
| <b>Operating Results</b>                   | <b>1,674.2</b>  | <b>1,709.1</b>  | <b>34.4</b>     |
| Plus Passthroughs or Other                 | 0.0             | 0.0             | 0.0             |
| Other Changes Affecting NOR                | -1,177.4        | -979.7          | 78.4            |
| Cash Surcharge                             | 0.0             | 0.0             | 0.0             |
| Capital Surcharge                          | -18.7           | 10.3            | 8.4             |
| Transfers                                  | -1,158.7        | -990.0          | 70.0            |
| <b>Net Operating Results</b>               | <b>496.8</b>    | <b>729.4</b>    | <b>112.9</b>    |
| Prior Year AOR                             | -337.2          | 159.5           | 888.9           |
| Other Changes Affecting AOR (Retained AOR) | 0.0             | 0.0             | -1,001.8        |
| <b>Accumulated Operating Results (AOR)</b> | <b>159.5</b>    | <b>888.9</b>    | <b>0.0</b>      |

| DEFENSE LOGISTICS AGENCY                 |                          |                          |                           |                       |                         |                           |                     |
|------------------------------------------|--------------------------|--------------------------|---------------------------|-----------------------|-------------------------|---------------------------|---------------------|
| Defense-Wide Working Capital Fund        |                          |                          |                           |                       |                         |                           |                     |
| Energy Management Activity Group         |                          |                          |                           |                       |                         |                           |                     |
| Fuel Data                                |                          |                          |                           |                       |                         |                           |                     |
| Fiscal Year (FY) 2017 Budget Estimates   |                          |                          |                           |                       |                         |                           |                     |
| February 2016                            |                          |                          |                           |                       |                         |                           |                     |
| (Dollars in Millions)                    |                          |                          |                           |                       |                         |                           |                     |
| FY 2015                                  |                          |                          |                           |                       |                         |                           |                     |
| Budget Petroleum Data                    | PROCURED FROM DLA ENERGY |                          |                           | PROCURED BY SERVICE   |                         |                           |                     |
| Petroleum Products                       | Barrels<br>(Millions)    | Price Per<br>Barrel (\$) | Extended<br>Price (\$Mil) | Barrels<br>(Millions) | Cost Per<br>Barrel (\$) | Extended<br>Price (\$Mil) | Stabilized<br>Price |
| AVGAS (CONUS) - 130                      | 0.0                      | \$163.88                 | \$1.3                     |                       |                         |                           |                     |
| AVGAS (OCONUS) - 100(LL)                 | 0.0                      | \$612.78                 | \$15.1                    |                       |                         |                           |                     |
| Diesel Fuel:                             |                          |                          |                           |                       |                         |                           |                     |
| Distillates - F76                        | 13.2                     | \$143.98                 | \$1,893.6                 |                       |                         |                           |                     |
| High Sulfur - DF1                        | 0.0                      | \$143.69                 | \$0.0                     |                       |                         |                           |                     |
| Generic (High Sulfur) - DF2              | 0.9                      | \$128.93                 | \$113.8                   |                       |                         |                           |                     |
| Ultra Low Sulfur - DS1                   | 0.2                      | \$146.63                 | \$27.5                    |                       |                         |                           |                     |
| Ultra Low Sulfur - DS2                   | 0.7                      | \$138.64                 | \$94.8                    |                       |                         |                           |                     |
| Burner Grade - FS1                       | 0.1                      | \$140.19                 | \$7.1                     |                       |                         |                           |                     |
| Burner Grade - FS2                       | 0.2                      | \$123.49                 | \$23.0                    |                       |                         |                           |                     |
| Biodiesel - BDI                          | 0.1                      | \$138.51                 | \$14.5                    |                       |                         |                           |                     |
| Jet Fuel:                                |                          |                          |                           |                       |                         |                           |                     |
| JP8 & JAL                                | 41.9                     | \$144.40                 | \$6,057.3                 |                       |                         |                           |                     |
| JAA                                      | 15.5                     | \$143.56                 | \$2,221.2                 |                       |                         |                           |                     |
| JP5                                      | 9.8                      | \$145.66                 | \$1,423.0                 |                       |                         |                           |                     |
| JTS                                      | 0.1                      | \$223.30                 | \$22.3                    |                       |                         |                           |                     |
| Kerosene - KS1                           | 0.0                      | \$141.74                 | \$0.0                     |                       |                         |                           |                     |
| Motor Gasoline:                          |                          |                          |                           |                       |                         |                           |                     |
| Regular, Unleaded - MUR                  | 0.3                      | \$140.19                 | \$41.8                    |                       |                         |                           |                     |
| Midgrade, Unleaded - MUM                 | 0.2                      | \$148.35                 | \$36.9                    |                       |                         |                           |                     |
| Premium, Unleaded - MUP                  | 0.0                      | \$165.82                 | \$1.3                     |                       |                         |                           |                     |
| Gasohol - GUM                            | 0.0                      | \$148.35                 | \$1.3                     |                       |                         |                           |                     |
| Ethanol - E85                            | 0.1                      | \$140.19                 | \$17.8                    |                       |                         |                           |                     |
| Residual:                                |                          |                          |                           |                       |                         |                           |                     |
| Burner Grade - FS4                       | 0.0                      | \$90.87                  | \$1.0                     |                       |                         |                           |                     |
| Residual (Burner Grade) - FS6            | 0.1                      | \$72.23                  | \$10.5                    |                       |                         |                           |                     |
| FOR                                      | 0.1                      | \$39.90                  | \$2.4                     |                       |                         |                           |                     |
| Bunkers - Marine - MGO                   | 1.8                      | \$147.34                 | \$265.2                   |                       |                         |                           |                     |
| Bunkers - Intermediate Grade - 180, 380  | 0.0                      | \$107.96                 | \$4.9                     |                       |                         |                           |                     |
| Intoplane - Jet Fuel - IAL, IAA, IAB, IP | 4.0                      | \$163.88                 | \$659.9                   |                       |                         |                           |                     |
| Local Purchase Jet Fuel - NAL, NAA       | 0.8                      | \$176.31                 | \$137.2                   |                       |                         |                           |                     |
| Local Purchase Ground Fuel - NLS, NMU    | 0.4                      | \$150.68                 | \$60.3                    |                       |                         |                           |                     |
| Afghanistan - NNJ                        | 2.8                      | \$315.00                 | \$872.1                   |                       |                         |                           |                     |
| Afghanistan - NNF                        | 0.4                      | \$304.50                 | \$127.1                   |                       |                         |                           |                     |
| Rounding Factor & Other Products         | 8.1                      | N/A                      | \$711.0                   |                       |                         |                           |                     |
| <b>TOTAL</b>                             | <b>101.8</b>             | <b>\$144.40</b>          | <b>\$14,865.1</b>         |                       |                         |                           |                     |

| DEFENSE LOGISTICS AGENCY<br>Defense-Wide Working Capital Fund<br>Energy Management Activity Group<br>Fuel Data<br>Fiscal Year (FY) 2017 Budget Estimates<br>February 2016<br>(Dollars in Millions)<br>FY 2016 |                          |                          |                           |                       |                         |                           |                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|---------------------------|-----------------------|-------------------------|---------------------------|---------------------|
| Budget Petroleum Data                                                                                                                                                                                         | PROCURED FROM DLA ENERGY |                          |                           | PROCURED BY SERVICE   |                         |                           |                     |
| Petroleum Products                                                                                                                                                                                            | Barrels<br>(Millions)    | Price Per<br>Barrel (\$) | Extended<br>Price (\$Mil) | Barrels<br>(Millions) | Cost Per<br>Barrel (\$) | Extended<br>Price (\$Mil) | Stabilized<br>Price |
| AVGAS (CONUS) - 130                                                                                                                                                                                           | 0.0                      | \$141.12                 | \$1.1                     |                       |                         |                           |                     |
| AVGAS (OCONUS) - 100(LL)                                                                                                                                                                                      | 0.0                      | \$554.40                 | \$13.1                    |                       |                         |                           |                     |
| Diesel Fuel:                                                                                                                                                                                                  |                          |                          |                           |                       |                         |                           |                     |
| Distillates - F76                                                                                                                                                                                             | 12.6                     | \$124.74                 | \$1,569.9                 |                       |                         |                           |                     |
| High Sulfur - DF1                                                                                                                                                                                             | 0.0                      | \$123.90                 | \$0.0                     |                       |                         |                           |                     |
| Generic (High Sulfur) - DF2                                                                                                                                                                                   | 0.8                      | \$111.30                 | \$94.0                    |                       |                         |                           |                     |
| Ultra Low Sulfur - DS1                                                                                                                                                                                        | 0.2                      | \$126.84                 | \$22.8                    |                       |                         |                           |                     |
| Ultra Low Sulfur - DS2                                                                                                                                                                                        | 0.7                      | \$119.70                 | \$78.3                    |                       |                         |                           |                     |
| Burner Grade - FS1                                                                                                                                                                                            | 0.0                      | \$120.96                 | \$5.8                     |                       |                         |                           |                     |
| Burner Grade - FS2                                                                                                                                                                                            | 0.2                      | \$106.68                 | \$19.0                    |                       |                         |                           |                     |
| Biodiesel - BDI                                                                                                                                                                                               | 0.1                      | \$119.70                 | \$12.0                    |                       |                         |                           |                     |
| Jet Fuel:                                                                                                                                                                                                     |                          |                          |                           |                       |                         |                           |                     |
| JP8 & JA1                                                                                                                                                                                                     | 40.1                     | \$123.90                 | \$4,973.7                 |                       |                         |                           |                     |
| JAA                                                                                                                                                                                                           | 14.8                     | \$123.06                 | \$1,822.1                 |                       |                         |                           |                     |
| JP5                                                                                                                                                                                                           | 9.3                      | \$125.16                 | \$1,170.1                 |                       |                         |                           |                     |
| JTS                                                                                                                                                                                                           | 0.1                      | \$192.36                 | \$18.4                    |                       |                         |                           |                     |
| Kerosene - KS1                                                                                                                                                                                                | 0.0                      | \$122.22                 | \$0.0                     |                       |                         |                           |                     |
| Motor Gasoline:                                                                                                                                                                                               |                          |                          |                           |                       |                         |                           |                     |
| Regular, Unleaded - MUR                                                                                                                                                                                       | 0.3                      | \$120.96                 | \$34.5                    |                       |                         |                           |                     |
| Midgrade, Unleaded - MUM                                                                                                                                                                                      | 0.2                      | \$128.10                 | \$30.5                    |                       |                         |                           |                     |
| Premium, Unleaded - MUP                                                                                                                                                                                       | 0.0                      | \$142.80                 | \$1.1                     |                       |                         |                           |                     |
| Gasohol - GUM                                                                                                                                                                                                 | 0.0                      | \$128.10                 | \$1.0                     |                       |                         |                           |                     |
| Ethanol - E85                                                                                                                                                                                                 | 0.1                      | \$120.96                 | \$14.7                    |                       |                         |                           |                     |
| Residual:                                                                                                                                                                                                     |                          |                          |                           |                       |                         |                           |                     |
| Burner Grade - FS4                                                                                                                                                                                            | 0.0                      | \$78.54                  | \$0.9                     |                       |                         |                           |                     |
| Residual (Burner Grade) - FS6                                                                                                                                                                                 | 0.1                      | \$62.16                  | \$8.6                     |                       |                         |                           |                     |
| FOR                                                                                                                                                                                                           | 0.1                      | \$39.90                  | \$2.3                     |                       |                         |                           |                     |
| Bunkers - Marine - MGO                                                                                                                                                                                        | 1.7                      | \$133.56                 | \$230.1                   |                       |                         |                           |                     |
| Bunkers - Intermediate Grade - 180, 380                                                                                                                                                                       | 0.0                      | \$93.24                  | \$4.0                     |                       |                         |                           |                     |
| Intoplane - Jet Fuel - IAL, IAA, IAB, IP                                                                                                                                                                      | 3.9                      | \$141.12                 | \$543.8                   |                       |                         |                           |                     |
| Local Purchase Jet Fuel - NAL, NAA                                                                                                                                                                            | 0.7                      | \$152.04                 | \$113.2                   |                       |                         |                           |                     |
| Local Purchase Ground Fuel - NLS, NMU                                                                                                                                                                         | 0.4                      | \$129.78                 | \$49.7                    |                       |                         |                           |                     |
| Afghanistan - NNJ                                                                                                                                                                                             | 2.6                      | \$315.00                 | \$834.5                   |                       |                         |                           |                     |
| Afghanistan - NNF                                                                                                                                                                                             | 0.4                      | \$304.50                 | \$121.6                   |                       |                         |                           |                     |
| Rounding Factor & Other Products                                                                                                                                                                              | 7.7                      | N/A                      | \$279.7                   |                       |                         |                           |                     |
| <b>TOTAL</b>                                                                                                                                                                                                  | <b>97.4</b>              | <b>\$123.90</b>          | <b>\$12,070.6</b>         |                       |                         |                           |                     |

| DEFENSE LOGISTICS AGENCY                 |                          |                          |                           |                       |                         |                           |                     |
|------------------------------------------|--------------------------|--------------------------|---------------------------|-----------------------|-------------------------|---------------------------|---------------------|
| Defense-Wide Working Capital Fund        |                          |                          |                           |                       |                         |                           |                     |
| Energy Management Activity Group         |                          |                          |                           |                       |                         |                           |                     |
| Fuel Data                                |                          |                          |                           |                       |                         |                           |                     |
| Fiscal Year (FY) 2017 Budget Estimates   |                          |                          |                           |                       |                         |                           |                     |
| February 2016                            |                          |                          |                           |                       |                         |                           |                     |
| (Dollars in Millions)                    |                          |                          |                           |                       |                         |                           |                     |
| FY 2017                                  |                          |                          |                           |                       |                         |                           |                     |
| Budget Petroleum Data                    | PROCURED FROM DLA ENERGY |                          |                           | PROCURED BY SERVICE   |                         |                           |                     |
| Petroleum Products                       | Barrels<br>(Millions)    | Price Per<br>Barrel (\$) | Extended<br>Price (\$Mil) | Barrels<br>(Millions) | Cost Per<br>Barrel (\$) | Extended<br>Price (\$Mil) | Stabilized<br>Price |
| AVGAS (CONUS) - 130                      | 0.0                      | \$119.70                 | \$0.9                     |                       |                         |                           |                     |
| AVGAS (OCONUS) - 100(LL)                 | 0.0                      | \$469.98                 | \$10.9                    |                       |                         |                           |                     |
| Diesel Fuel:                             |                          |                          |                           |                       |                         |                           |                     |
| Distillates - F76                        | 12.3                     | \$105.84                 | \$1,306.1                 |                       |                         |                           |                     |
| High Sulfur - DF1                        | 0.0                      | \$105.00                 | \$0.0                     |                       |                         |                           |                     |
| Generic (High Sulfur) - DF2              | 0.8                      | \$94.50                  | \$78.3                    |                       |                         |                           |                     |
| Ultra Low Sulfur - DS1                   | 0.2                      | \$107.94                 | \$19.0                    |                       |                         |                           |                     |
| Ultra Low Sulfur - DS2                   | 0.6                      | \$101.22                 | \$64.9                    |                       |                         |                           |                     |
| Burner Grade - FS1                       | 0.0                      | \$102.48                 | \$4.9                     |                       |                         |                           |                     |
| Burner Grade - FS2                       | 0.2                      | \$90.30                  | \$15.7                    |                       |                         |                           |                     |
| Biodiesel - BDI                          | 0.1                      | \$101.22                 | \$9.9                     |                       |                         |                           |                     |
| Jet Fuel:                                |                          |                          |                           |                       |                         |                           |                     |
| JP8 & JAL                                | 39.4                     | \$105.00                 | \$4,133.0                 |                       |                         |                           |                     |
| JAA                                      | 14.5                     | \$104.16                 | \$1,512.3                 |                       |                         |                           |                     |
| JP5                                      | 9.2                      | \$106.26                 | \$974.1                   |                       |                         |                           |                     |
| JTS                                      | 0.1                      | \$162.96                 | \$15.3                    |                       |                         |                           |                     |
| Kerosene - KS1                           | 0.0                      | \$103.74                 | \$0.0                     |                       |                         |                           |                     |
| Motor Gasoline:                          |                          |                          |                           |                       |                         |                           |                     |
| Regular, Unleaded - MUR                  | 0.3                      | \$102.48                 | \$28.6                    |                       |                         |                           |                     |
| Midgrade, Unleaded - MUM                 | 0.2                      | \$108.36                 | \$25.3                    |                       |                         |                           |                     |
| Premium, Unleaded - MUP                  | 0.0                      | \$120.96                 | \$0.9                     |                       |                         |                           |                     |
| Gasohol - GUM                            | 0.0                      | \$108.36                 | \$0.9                     |                       |                         |                           |                     |
| Ethanol - E85                            | 0.1                      | \$102.48                 | \$12.2                    |                       |                         |                           |                     |
| Residual:                                |                          |                          |                           |                       |                         |                           |                     |
| Burner Grade - FS4                       | 0.0                      | \$66.36                  | \$0.7                     |                       |                         |                           |                     |
| Residual (Burner Grade) - FS6            | 0.1                      | \$52.50                  | \$7.1                     |                       |                         |                           |                     |
| FOR                                      | 0.1                      | \$39.48                  | \$2.2                     |                       |                         |                           |                     |
| Bunkers - Marine - MGO                   | 1.7                      | \$109.20                 | \$184.5                   |                       |                         |                           |                     |
| Bunkers - Intermediate Grade - 180, 380  | 0.0                      | \$78.96                  | \$3.3                     |                       |                         |                           |                     |
| Intoplane - Jet Fuel - IA1, IAA, IAB, IP | 3.8                      | \$119.70                 | \$452.3                   |                       |                         |                           |                     |
| Local Purchase Jet Fuel - NAL, NAA       | 0.7                      | \$128.94                 | \$94.2                    |                       |                         |                           |                     |
| Local Purchase Ground Fuel - NLS, NMU    | 0.4                      | \$110.04                 | \$41.3                    |                       |                         |                           |                     |
| Afghanistan - NNJ                        | 2.6                      | \$252.00                 | \$654.6                   |                       |                         |                           |                     |
| Afghanistan - NNF                        | 0.4                      | \$291.90                 | \$114.3                   |                       |                         |                           |                     |
| Rounding Factor & Other Products         | 7.6                      | N/A                      | \$262.5                   |                       |                         |                           |                     |
| <b>TOTAL</b>                             | <b>95.5</b>              | <b>\$105.00</b>          | <b>\$10,030.2</b>         |                       |                         |                           |                     |

**Defense Logistics Agency  
Defense Wide Working Capital Fund (DWWCF)  
DLA Document Services  
Fiscal Year (FY) 2017 Budget Estimates  
February 2016**

**FUNCTIONAL DESCRIPTION:** DLA Document Services is responsible for Department of Defense (DoD) printing, duplicating, and document automation programs. This responsibility encompasses the full range of automated services to include: conversion, electronic storage and output, and distribution of hard copy and digital documents. DLA Document Services provides time sensitive, competitively priced, high quality products and services that are produced either in-house or procured through the Government Printing Office.

DLA Document Services' value to DoD is characterized by two elements. First, DLA Document Services provides a full portfolio of best value document services ranging from traditional offset printing, through on-demand output, to online document management services. Second, DLA Document Services actively functions as a transformation agent moving DoD toward the use of online documents and services. These services include building libraries of digital documents to permit online access, providing multifunctional devices (that print from networks, copy, fax, and scan) in customer workspaces, and converting paper documents to digital formats.

DLA Document Services manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, and 140 production facilities.

**CUSTOMERS:** DLA Document Services' primary customers by revenue are Army (19.4 percent), Navy (33.7 percent), Air Force (12.0 percent), Defense Agencies (31.8 percent), and non-DoD customers (3.1 percent). Both appropriated and DWWCF-funded activities are included in each Service's revenue percentage.

**BUDGET HIGHLIGHTS**

The submission reflects growth in the Equipment Management Solutions (EMS) program by providing the management of office print devices, respective supplies and services specific to individual organizational needs. . The program driver is the Department of Navy (DON) DLA Mandatory Print Device Initiative. The DON policy on office document devices – Copiers, Printers, Fax Machines, Scanners and Multi-functional Devices (MFD) Policy – was signed by the DON Chief Information Officer (CIO) in January 2013. The policy established DLA Document Services as the single manager for Navy and Marine Corps office document devices. When fully implemented, DLA will manage the approximately 70,000 printing-related devices throughout the DON and the USMC. Additionally, the submission reflects projected increases from the US Coast Guard and Defense Logistics Agency based on requirement assessments performed by Document Services in fiscal year 2015.



The submission also reflects DLA Document Services efforts with the National Geospatial-Intelligence Agency (NGA). Phase I of this initiative resulted in the transition of bulk printing, warehousing and shipping to remote on-demand output, ultimately providing a cost savings to the Department. Phase II, which commenced in June 2015, involved the production of DoD Flight Information Publications (FLIP) products. FLIP includes books, publications and charts to support DoD and non-DoD customers requiring these products for worldwide aeronautical navigation safety. Document Services accomplishes this workload using a combination of in-house capability and contract work.

**PERFORMANCE INDICATORS**

DLA Document Services conducts quarterly reviews of all facilities’ performance and ability to recover direct and overhead costs. As a result of these reviews, Document Services closed four facilities in FY2015. FY 2016 data will be presented in the FY 2018 President’s Budget request.

**1) Customer Satisfaction:** This performance metric measures satisfied customers as the percentage of customers ranking DLA Document Services performance as “satisfied” or “very satisfied.” DLA Document Services uses a survey, professionally prepared and administered by an independent entity, to determine an overall customer satisfaction rating. The overall satisfaction rate of 89.8% for FY 2015, with a margin of error of 2%, was below the 93% goal.

**2) Quality of Products and Services:** This performance metric measures customer satisfaction with quality of finished product as a percentage of customers ranking DLA Document Services quality performance as “satisfied” or “very satisfied.” DLA Document Services uses a survey, professionally prepared and administered by an independent entity, to determine quality of finished product rating. During FY 2015 DLA Document Services achieved its goal of 95%, with a weighted overall quality of products and services rating of 93.8% and a 2% margin of error.

|                             | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|-----------------------------|----------------|----------------|----------------|
| Customer Satisfaction       | 89.8%          | N/A            | N/A            |
| Quality of Finished Product | 93.8%          | N/A            | N/A            |

**UNIT COST AND PRICING**

|                                               | <u>FY 2015 Goal</u> | <u>FY 2015 Actual</u> |
|-----------------------------------------------|---------------------|-----------------------|
| <b>Unit Cost per In-house Production Unit</b> | 0.1738              | 0.1598                |

DLA measures the effectiveness of program budgeting and execution with a unit cost performance measure. DLA Document Services’ Annual Operating Budget (AOB) calculates this performance by dividing the total in-house cost by the total units. During FY 2015 DLA Document Services exceeded its unit cost goal due to a reduction in facility-level overhead. DLA Document Services produced 3% less in-house units than planned (714 million actual versus 735 million planned). Traditional unit-based print production is transitioning to digital output services, which changes the way we evaluate unit cost. Actual in-house costs were 11% lower than planned (\$114.1 million actual versus \$127.7 million planned).

|                                       | <u>FY 2015 Goal</u> | <u>FY 2015 Actual</u> |
|---------------------------------------|---------------------|-----------------------|
| <b>Composite Customer Rate Change</b> | 5.65%               | 6.53%                 |

The composite customer rate change is the weighted average of the in-house production unit revenue change and the commercial program revenue change. The in-house production unit revenue change is calculated by dividing in-house revenue by the in-house production units. Commercial program revenue is cost-plus. The non-labor inflation rate is used as the price change for the cost plus fixed fee commercial program. The primary driver for the higher than planned composite customer rate change in FY 2015 is Document Services’ shift from unit-based output to digital output services.

|                                | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|--------------------------------|----------------|----------------|----------------|
| Unit Cost                      |                |                |                |
| In-House Production            | 0.1598         | 0.2042         | 0.2031         |
| Customer Rate                  | 0.1706         | 0.1762         | 0.2133         |
| Composite Customer Rate Change | 6.53%          | -2.17%         | 1.47%          |

## **ANALYSIS OF BUDGET STATEMENTS**

### **Net Operating Result (NOR)/Accumulated Operating Result (AOR):**

The NOR measures a single fiscal year impact of revenue and expenses incurred by the business. A positive NOR demonstrates that revenues exceeded expenses for the business activity.

AOR reflects multi-year results of annual NORs. It measures the accumulated effects of NORs from the inception of the business unit and demonstrates fiscal strength over a longer time. The recoverable AOR reflects AOR based on Accounting NOR.

DLA Document Services ended FY 2015 with a NOR gain of \$2.5 million against a PB16 goal of a \$13.7 million gain. The lower than goal FY 2015 results are primarily driven by lower than planned sales. The FY 2016 and FY2017 positive NOR projections are to recover negative AOR.

|                                          | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|------------------------------------------|----------------|----------------|----------------|
| Revenue                                  | 287.581        | 383.602        | 402.726        |
| Cost of Goods Sold                       | 290.009        | 378.317        | 394.062        |
| Cash Surcharge                           |                |                |                |
| Capital Surcharge                        |                |                |                |
| Inventory Surcharge                      |                |                |                |
| Other Changes Affecting NOR              | 0              | 0              | 0              |
| Net Operating Results                    | (2.428)        | 5.285          | 8.664          |
| Prior Year Accumulated Operating Results | (16.495)       | (13.949)       | (8.664)        |
| Non-Recoverable Adjustment Impacting AOR | 4.974          |                |                |
| Ending Accumulated Operating Result      | (13.949)       | (8.664)        | 0.000          |
| Workload                                 |                |                |                |
| In-House Production (Units)              | 714.4          | 657.5          | 646.8          |

**OUTLAYS:** Net outlays measure the difference between collections and disbursements. Negative net outlays reflect collections in excess of disbursements. Positive net outlays reflect disbursements in excess of collections. Disbursements are driven primarily by expense and the change in accounts payable. Collections are driven primarily by revenue and the change in accounts receivable. Positive numbers in accounts payable and receivable indicate an increase while negative numbers represents a decrease.

|                             | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|-----------------------------|----------------|----------------|----------------|
| Expense (less depreciation) | 283.155        | 375.650        | 392.815        |
| Capital Disbursements       | 0.000          | 1.936          | 1.943          |
| Accounts Payable Change     | 1.831          | 5.821          | 2.741          |
| Disbursements               | 281.324        | 371.765        | 392.017        |
|                             |                |                |                |
| Revenue                     | 287.581        | 383.602        | 402.726        |
| Accounts Receivable Change  | (9.841)        | 3.109          | .426           |
| Collections                 | 297.422        | 380.493        | 402.300        |
|                             |                |                |                |
| Net Outlays                 | (16.098)       | (8.728)        | (10.283)       |
|                             |                |                |                |

The overall net outlays reflect positive NOR for fiscal years 2015-2017. Accounts payable and accounts receivable projected to increase in fiscal years 2016 and 2017 due to the increased Equipment Management Solutions (EMS) requirements.

**PERSONNEL:** This submission reflects full-time equivalents required to produce the projected workload.

|  | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|--|----------------|----------------|----------------|
|  |                |                |                |

|                                |     |     |     |
|--------------------------------|-----|-----|-----|
| Civilian End Strength          | 660 | 712 | 712 |
| Civilian Full-Time Equivalents | 669 | 702 | 702 |

**CAPITAL BUDGET:** The capital budget is the account used to fund investments exceeding the \$250,000 expense/investment criteria for: (1) Automated Data Processing Equipment (ADPE); (2) Non-ADPE; and (3) software developed for operational and management information systems. The equipment (ADPE) and software development capital support DLA Document Services function as a transformation agent moving DoD toward the use of online documents and services. Capital for minor construction projects are used to fund investments exceeding \$250,000. A capital budget item is assumed to have zero salvage value and is depreciated on a straight-line basis over its useful life. Depreciation is expensed and recovered as business related cost in DLA Document Services prices.

| (\$M)                      | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|----------------------------|----------------|----------------|----------------|
| Capital Budget Program     |                |                |                |
| Equipment (Non-ADPE)       | 0.000          | 0.000          | 0.000          |
| Equipment (ADPE)           | 0.000          | 0.665          | 0.000          |
| Software Development (SWD) | 0.000          | 2.572          | 0.000          |
| <u>Minor Construction</u>  | <u>0.000</u>   | <u>0.318</u>   | <u>0.324</u>   |
| Total                      | 0.000          | 3.555          | 0.324          |

Beginning in fiscal year 2016, all Non-ADPE requirements will be below the \$250,000 capital threshold and not require capital funds. Commencing in fiscal year 2017, Document Services will no longer have requirements for ADPE and SWD. Minor construction will support renovations and alterations to administrative and operational facilities.

## **SERVICE LEVEL BILLING TO SERVICES**

DLA Document Services performs service level billing for both the Electronic Document Access (EDA) and Wide Area Workflow programs. EDA total expense is allocated at 25% for each Service plus DLA. WAWF billing allocation is based on contract payment transactions used by each Service.

### **Electronic Document Access**

| <b>(\$M)</b> | <b>FY 15</b> | <b>FY 16</b> | <b>FY 17</b> | <b>FY 18</b> | <b>FY 19</b> | <b>FY 20</b> |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Army         | 1.912        | 3.792        | 2.750        | 2.831        | 2.881        | 2.968        |
| Navy         | 1.408        | 2.654        | 2.062        | 2.123        | 2.195        | 2.261        |
| Air Force    | 1.912        | 3.792        | 2.750        | 2.831        | 2.881        | 2.968        |
| Marine Corps | 0.504        | 0.948        | 0.687        | 0.708        | 0.823        | 0.848        |
| DLA          | 1.912        | 3.602        | 2.750        | 2.831        | 2.881        | 2.968        |
| Total        | 7.648        | 14.788       | 10.999       | 11.324       | 11.662       | 12.013       |

### **Wide Area Workflow\***

| <b>(\$M)</b> | <b>FY 15</b> | <b>FY 16</b> | <b>FY 17</b> | <b>FY 18</b> | <b>FY 19</b> | <b>FY 20</b> |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Army         | 5.197        | 3.693        | 3.877        | 4.051        | 4.163        | 4.200        |
| Navy         | 4.099        | 2.935        | 3.031        | 3.167        | 3.271        | 3.300        |
| Air Force    | 3.094        | 2.096        | 2.256        | 2.357        | 2.453        | 2.500        |
| Marine Corps | 0.697        | 0.449        | 0.564        | 0.589        | 0.669        | 0.800        |
| DLA          | 0.000        | 4.800        | 4.800        | 4.800        | 4.900        | 5.100        |
| DCMA         | 4.295        | 3.109        | 3.172        | 3.314        | 3.420        | 3.532        |
| Total        | 17.382       | 17.082       | 17.701       | 18.278       | 18.876       | 19.498       |

\* Totals may not match due to rounding

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 DLA Document Services  
 Fiscal Year (FY) 2017 Budget Estimates  
 Changes in the Cost of Operation  
 (\$ in Millions)

|                                              | <u>Cost</u> |
|----------------------------------------------|-------------|
| FY 15 Actual:                                | 290.0       |
| FY 16 Estimate in President's Budget         | 359.5       |
| Estimated Impact in FY 16 of Actual          |             |
| FY 15 Experience                             |             |
| Civilian Personnel                           | (3.0)       |
| Travel of Persons                            | (0.5)       |
| Material & Supplies                          | (0.3)       |
| Equipment Purchases                          | (1.4)       |
| Other Purchased Services from Revolving Fund | 2.8         |
| Transportation of things                     | (0.1)       |
| Printing and Reproduction                    | (5.7)       |
| Advisory and Assistance Services             | (1.8)       |
| Rent, Communications, Utilities, and Misc    | (16.0)      |
| Other Purchased Services                     | (6.4)       |
| Depreciation                                 | 2.6         |
| Pricing Adjustments:                         |             |
| Annualization of FY 15 Pay Raise             | 0.0         |
| FY 16 Pay Raise                              | 0.0         |
| General Purpose Inflation                    | (0.5)       |
| Program Changes:                             |             |
| Civilian Personnel                           | 1.5         |
| Travel of Persons                            | 0.3         |
| Material & Supplies                          | 0.4         |
| Equipment Purchases                          | (0.8)       |
| Other Purchased Services from Revolving Fund | 4.4         |
| Transportation of things                     | 0.1         |
| Printing and Reproduction                    | 25.2        |
| Advisory and Assistance Services             | 0.5         |
| Rent, Communications, Utilities, and Misc    | 15.7        |
| Other Purchased Services                     | 4.7         |
| Depreciation                                 | (2.9)       |
| FY 16 Current Estimate                       | 378.3       |
| Pricing Adjustments                          |             |
| Annualization of Prior Year Pay Raises       | 0.2         |
| FY 16 Pay Raise                              | 0.6         |
| General Purpose Inflation                    | 5.8         |
| Program Changes:                             |             |
| Civilian Personnel                           | (0.1)       |
| Travel of Persons                            | 0.0         |
| Material & Supplies                          | (0.2)       |
| Commercial Equipment Purchases               | (0.7)       |
| Other Purchased Services from Revolving Fund | (8.3)       |
| Transportation of things                     | 0.0         |
| Printing and Reproduction                    | (1.3)       |
| Advisory and Assistance Services             | 0.1         |
| Rent, Communications, Utilities, and Misc    | 10.4        |
| Other Purchased Services                     | 10.7        |
| Depreciation                                 | (1.4)       |
| FY 17 Current Estimate                       | 394.1       |

DEFENSE LOGISTICS AGENCY  
DEFENSE-WIDE WORKING CAPITAL FUND  
DLA DOCUMENT SERVICES ACTIVITY GROUP  
FISCAL YEAR (FY) 2017 BUDGET ESTIMATES  
ACTIVITY GROUP CAPITAL INVESTMENT SUMMARY  
(\$ IN MILLIONS)

| Line Number | Item Description                                                | FY 2015  |            | FY 2016  |            | FY 2017  |            |
|-------------|-----------------------------------------------------------------|----------|------------|----------|------------|----------|------------|
|             |                                                                 | Quantity | Total Cost | Quantity | Total Cost | Quantity | Total Cost |
|             | NON-ADPE EQUIPMENT                                              |          |            |          |            |          |            |
| REP 100     | Digitization Duplication Equipment                              | 0        | 0.000      | 0        | 0.000      | 0        | 0.000      |
|             | <u>TOTAL EQUIPMENT (Non ADP)</u>                                | 0        | 0.000      | 0        | 0.000      | 0        | 0.000      |
|             | ADPE & TELECOM EQUIPMENT                                        |          |            |          |            |          |            |
| PRD 100     | Computer Hardware (Production)                                  | 0        | 0.000      | 1        | 0.665      | 0        | 0.000      |
|             | <u>TOTAL EQUIPMENT (ADP/T)</u>                                  | 0        | 0.000      | 1        | 0.665      | 0        | 0.000      |
|             | SOFTWARE DEVELOPMENT                                            |          |            |          |            |          |            |
| SWD 100     | Net-Centric Hubs \$1.0M and Over-Electronic Document Management |          | 0.000      |          | 2.572      |          | 0.000      |
|             | <u>TOTAL SOFTWARE DEVELOPMENT</u>                               |          | 0.000      |          | 2.572      |          | 0.000      |
|             | MINOR CONSTRUCTION                                              |          |            |          |            |          |            |
| REP 200     | Minor Construction \$250,000 - \$750,000                        |          | 0.000      |          | 0.318      |          | 0.324      |
|             | <u>TOTAL MINOR CONSTRUCTION</u>                                 |          | 0.000      |          | 0.318      |          | 0.324      |
|             | <u>TOTAL AGENCY CAPITAL INVESTMENTS</u>                         | 0        | 0.000      | 1        | 3.555      | 0        | 0.324      |
|             | Total Capital Outlays                                           |          | 0.000      |          | 1.936      |          | 1.943      |
|             | Total Depreciation Expense                                      |          | 6.854      |          | 2.667      |          | 1.247      |



| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |          |           |            |                                                                            |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |  |  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------------|----------------------------------------------------------------------------|-----------|------------|----------|-----------|------------|-------------------------------------------------------------------|--|--|
| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Document Services February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |          |           |            | C. Line Number & Item Description<br>REP 100 Replacement Non-ADP Equipment |           |            |          |           |            | D. Activity Identification:<br>DLA Document Services              |  |  |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | FY 2015  |           |            | FY 2016                                                                    |           |            | FY 2017  |           |            |                                                                   |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Quantity | Unit Cost | Total Cost | Quantity                                                                   | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |  |  |
| REP 100<br>Digitization Duplication Equipment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 0        | 0         | 0          | 0                                                                          | 0         | 0          | 0        | 0         | 0          |                                                                   |  |  |
| <p>Narrative Justification:</p> <p>This investment was for high speed duplicating equipment that replaced existing equipment that has reached or exceeded the useful life established for these categories. Based on guidance contained in various Department of Defense (DoD) governing policies, the Defense Logistics Agency (DLA) has established replacement and life expectancy standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to various categories of equipment. Commencing in FY16 all requirements are below the capital threshold.</p> |          |           |            |                                                                            |           |            |          |           |            |                                                                   |  |  |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |          |           |            |                                                                       |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |  |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------------|-----------------------------------------------------------------------|-----------|------------|----------|-----------|------------|-------------------------------------------------------------------|--|--|
| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Document Services February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |          |           |            | C. Line Number & Item Description<br>PRD 100 Production ADP Equipment |           |            |          |           |            | D. Activity Identification<br>DLA Document Services               |  |  |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | FY 2015  |           |            | FY 2016                                                               |           |            | FY 2017  |           |            |                                                                   |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Quantity | Unit Cost | Total Cost | Quantity                                                              | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |  |  |
| PRD 100<br>Production Hardware<br>Electronic Document Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 0        | 0         | 0          | 1                                                                     | 665       | 665        |          | 0         | 0          |                                                                   |  |  |
| <p>Narrative Justification:</p> <p>Electronic Document Management (EDM) is a transformational, capabilities-based capital planning initiative. It allows for the rapid acquisition of hardware, software and technical labor services for the deployment and implementation of various data management solutions for emergent customer requirements. EDM provides the customer with the ability to manage their content via electronic storage, workflow, web-based retrieval and certified records management. Document Services must be able to react quickly to emergent customer fact-of-life needs, usually within one year, or less.</p> <p>The FY 2016 projection was developed based on the number, size and scope of projects Document Services has already installed, as well as those anticipated. The equipment replacement strategy not only ensures the highest quality equipment is purchased to refresh the original equipment but also minimizes equipment related costs by taking advantage of discounts available for high quantity buys. Examples of the equipment generally required are database, archive and web servers, document scanners, workstations, uninterruptible power supplies, miscellaneous switches, cables, and connectors. Commencing in FY17 all requirements will be below the capital threshold.</p> |          |           |            |                                                                       |           |            |          |           |            |                                                                   |  |  |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |          |           |            |                                                                                  |           |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |  |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------------|----------------------------------------------------------------------------------|-----------|------------|----------|-----------|------------|-------------------------------------------------------------------|--|--|
| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Document Services February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |          |           |            | C. Line Number & Item Description<br>SWD 100 Software Development \$1.0 and Over |           |            |          |           |            | D. Activity Identification<br>DLA Document Services               |  |  |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | FY 2015  |           |            | FY 2016                                                                          |           |            | FY 2017  |           |            |                                                                   |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Quantity | Unit Cost | Total Cost | Quantity                                                                         | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |                                                                   |  |  |
| <u>SWD 100</u><br>Net-Centric Hubs<br>Electronic Document Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |          |           | 0          |                                                                                  |           | 2,572      |          |           | 0          |                                                                   |  |  |
| <p><b>Narrative Justification:</b></p> <p>Electronic Document Management (EDM) is a transformational, capabilities-based capital planning initiative. EDM provides the customer with the ability to manage their content via electronic storage, workflow, web-based retrieval and certified records management. DLA Document Services must be able to react quickly to emergent customer fact-of-life needs, usually within one year, or less.</p> <p>The FY 2016 projection was developed based on the number, size and scope of projects DLA Document Services has already installed, as well as those anticipated. Software requirements are for COTS application software licenses and contract labor to perform integration, testing, and training.</p> |          |           |            |                                                                                  |           |            |          |           |            |                                                                   |  |  |

| Activity Group Capital Investment Justification<br>(Dollars in Thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |          |           |            |          |                                                                 |            |          |           |            | A. Budget Submission<br>Fiscal Year (FY) 2017<br>Budget Estimates |           |            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|------------|----------|-----------------------------------------------------------------|------------|----------|-----------|------------|-------------------------------------------------------------------|-----------|------------|
| B. Component/Business Area/Date<br>Defense Logistics Agency<br>Document Services February 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |          |           |            |          | C. Line Number & Item Description<br>Rep 200 Minor Construction |            |          |           |            | D. Activity Identification<br>DLA Document Services               |           |            |
| Element of Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | FY 2015  |           |            | FY 2016  |                                                                 |            | FY 2017  |           |            |                                                                   |           |            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost                                                       | Total Cost | Quantity | Unit Cost | Total Cost | Quantity                                                          | Unit Cost | Total Cost |
| REP 200<br>Minor Construction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |           | 0          |          |                                                                 | 318        |          |           | 324        |                                                                   |           |            |
| <p>Narrative Justification:</p> <p>The minor construction investment for projects (between \$250,000 and \$1,000,000) will construct new, replace existing, or modify current facilities to implement mission consolidations and allow for operational improvements. These projects consist of:</p> <ol style="list-style-type: none"> <li>(1) Renovations and alterations of administrative facilities.</li> <li>(2) Renovations and alterations to mission operational facilities such as printing, blueprint and microfilm facilities.</li> </ol> <p>These investments will result in cost effective facilities to support the mission.</p> |          |           |            |          |                                                                 |            |          |           |            |                                                                   |           |            |

**DEFENSE LOGISTICS AGENCY**  
**DEFENSE-WIDE WORKING CAPITAL FUND**  
**DLA DOCUMENT SERVICES ACTIVITY GROUP**  
**FISCAL YEAR (FY) 2017 BUDGET ESTIMATES**  
**CAPITAL BUDGET EXECUTION**  
 February 2016  
 (DOLLARS IN MILLIONS)

| Major Category           | Initial Request | Current Proj Cost | Approved Change | Explanation                               |
|--------------------------|-----------------|-------------------|-----------------|-------------------------------------------|
| Non-ADPE Equipment:      | 0.600           | 0.000             | (0.600)         | Projects were under the capital threshold |
| ADPE & TELCOM Equipment: | 0.665           | 0.000             | (0.665)         | No Projects                               |
| Software Development:    | 2.572           | 0.000             | (2.572)         | Reduced requirements                      |
| Minor Construction:      | 0.312           | 0.000             | (0.312)         | Projects were under the capital threshold |
| <b>Total FY 2015</b>     | <b>4.149</b>    | <b>0.000</b>      | <b>(4.149)</b>  |                                           |

| Major Category           | Initial Request | Current Proj Cost | Approved Change | Explanation                              |
|--------------------------|-----------------|-------------------|-----------------|------------------------------------------|
| Non-ADPE Equipment:      | 0.600           | 0.000             | (0.600)         | Projects are under the capital threshold |
| ADPE & TELCOM Equipment: | 0.665           | 0.665             | 0.000           |                                          |
| Software Development:    | 2.572           | 2.572             | 0.000           |                                          |
| Minor Construction:      | 0.318           | 0.318             | 0.000           |                                          |
| <b>Total FY 2016</b>     | <b>4.155</b>    | <b>3.555</b>      | <b>(0.600)</b>  |                                          |

| Major Category           | Initial Request | Current Proj Cost | Approved Change | Explanation |
|--------------------------|-----------------|-------------------|-----------------|-------------|
| Non-ADPE Equipment:      | 0.000           | 0.000             | 0.000           |             |
| ADPE & TELCOM Equipment: | 0.000           | 0.000             | 0.000           |             |
| Software Development:    | 0.000           | 0.000             | 0.000           |             |
| Minor Construction:      | 0.324           | 0.324             | 0.000           |             |
| <b>Total FY 2017</b>     | <b>0.324</b>    | <b>0.324</b>      | <b>0.000</b>    |             |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
DLA Document Services  
Fiscal Year (FY) 2017 Budget Estimates  
Source of New Orders and Revenue  
(\$ in Millions)

|                                           | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|-------------------------------------------|----------------|----------------|----------------|
| 1. New Orders                             |                |                |                |
| a. Orders from DoD Components             | 202.405        | 273.512        | 294.643        |
| Department of the Navy                    | 87.028         | 144.858        | 147.010        |
| Operations and Maintenance, Navy          | 50.366         | 86.574         | 89.217         |
| Operations and Maintenance, Marine Corps  | 20.911         | 35.533         | 35.713         |
| O&M, Navy Reserve                         | 1.852          | 2.951          | 2.864          |
| O&M, Marine Corps Reserve                 | 1.150          | 1.873          | 1.817          |
| Aircraft Procurement, Navy                | 0.921          | 0.848          | 0.823          |
| Shipbuilding & Conversion, Navy           | 2.614          | 0.421          | 0.409          |
| Research, Development, Test & Eval, Navy  | 0.403          | 0.402          | 0.391          |
| Military Construction, Navy               | 0.000          | 0.000          | 0.000          |
| Other Navy Appropriations                 | 1.568          | 2.906          | 2.819          |
| Credit Card Purchases, Navy               | 7.243          | 13.350         | 12.957         |
| Department of the Army                    | 52.393         | 53.809         | 58.996         |
| Army Operation and Maintenance            | 39.840         | 40.029         | 45.610         |
| O&M, Army Reserve                         | 1.262          | 0.441          | 0.429          |
| Army National Guard                       | 1.589          | 1.633          | 1.586          |
| Army Res, Dev, Test & Eval Accounts       | 1.320          | 1.426          | 1.385          |
| Army Procurement Accounts                 | 0.520          | 0.573          | 0.556          |
| Army Other                                | 0.016          | 0.310          | 0.301          |
| Credit Card Purchases, Army               | 7.846          | 9.397          | 9.129          |
| Department of the Air Force               | 27.668         | 38.714         | 42.683         |
| Air Force Operation & Maintenance         | 20.956         | 30.350         | 34.557         |
| O&M, Air Force Reserve                    | 0.396          | 0.410          | 0.398          |
| Air Force National Guard                  | 0.349          | 0.560          | 0.544          |
| Air Force Res, Dev, Test & Eval Accounts  | 0.571          | 0.344          | 0.334          |
| Air Force Procurement Accounts            | 1.086          | 0.692          | 0.673          |
| Air Force Other                           | 0.498          | 1.322          | 1.285          |
| Credit Card Purchases, Air Force          | 3.812          | 5.036          | 4.892          |
| DoD Appropriated Accounts                 | 35.316         | 36.131         | 45.954         |
| Operation & Maintenance Accounts          | 15.675         | 13.636         | 24.102         |
| Res, Dev, Test & Eval Accounts            | 0.976          | 0.002          | 0.002          |
| Procurement Accounts                      | 0.010          | 0.095          | 0.092          |
| Military Construction, Defense            | 0.000          | 0.003          | 0.003          |
| Defense Health Program                    | 13.895         | 17.120         | 16.631         |
| DoD Other                                 | 0.535          | 0.498          | 0.483          |
| Credit Card Purchases, Defense            | 4.225          | 4.777          | 4.641          |
| b. Orders from other Fund Activity Groups | 82.552         | 89.618         | 87.020         |
| Navy                                      | 12.178         | 14.700         | 14.274         |
| Army                                      | 4.562          | 5.361          | 5.206          |
| Air Force                                 | 7.656          | 7.804          | 7.578          |
| Other DoD                                 | 58.156         | 61.753         | 59.962         |
| c. Total DoD                              | 284.957        | 363.130        | 381.663        |
| d. Other Orders                           | 9.073          | 24.137         | 23.497         |
| Other Federal Agencies                    | 8.091          | 23.114         | 22.454         |
| Credit Card Purchases                     | 0.774          | 0.819          | 0.835          |
| Non-Federal Agencies and Other            | 0.208          | 0.204          | 0.208          |
| Total New Orders                          | 294.030        | 387.267        | 405.160        |
| 2. Carry-In Orders                        | 30.645         | 37.094         | 40.759         |
| 3. Total Gross Orders                     | 324.675        | 424.361        | 445.919        |
| 4. Funded Carry-Over                      | 37.094         | 40.759         | 43.193         |
| 5. Total Gross Sales                      | 287.581        | 383.602        | 402.726        |

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
DLA Document Services  
Fiscal Year (FY) 2017 Budget Estimates  
Revenue and Cost  
(\$ in Millions)

|                                                   | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|---------------------------------------------------|----------------|----------------|----------------|
| <b>Revenue</b>                                    |                |                |                |
| Gross Sales                                       | 287.581        | 383.602        | 402.726        |
| Operations                                        | 0.000          | 0.000          | 0.000          |
| Capital Surcharge                                 | 0.000          | 0.000          | 0.000          |
| Depreciation excluding Major Construction         | 0.000          | 0.000          | 0.000          |
| Major Construction Depreciation                   | 0.000          | 0.000          | 0.000          |
| Other Income                                      | 0.000          | 0.000          | 0.000          |
| Refunds/Discounts (-)                             | 0.000          | 0.000          | 0.000          |
| Total Income:                                     | 287.581        | 383.602        | 402.726        |
| <b>Cost</b>                                       |                |                |                |
| Cost of Material Sold from Inventory              | 0.000          | 0.000          | 0.000          |
| <b>Salaries and Wages:</b>                        |                |                |                |
| Military Personnel Compensation & Benefits        | 0.000          | 0.000          | 0.000          |
| Civilian Personnel Compensation & Benefits        | 53.053         | 55.313         | 56.025         |
| Travel & Transportation of Personnel              | 0.362          | 0.689          | 0.703          |
| Materials & Supplies (For Internal Operations)    | 16.978         | 17.549         | 17.714         |
| Equipment Purchases                               | 9.569          | 8.181          | 7.595          |
| Other Purchases from Revolving Funds              | 11.712         | 16.791         | 8.790          |
| Transportation of Things                          | 1.767          | 1.832          | 1.858          |
| Depreciation - Capital                            | 6.854          | 2.667          | 1.247          |
| Printing and Reproduction                         | 55.885         | 79.881         | 80.030         |
| Advisory and Assistance Services                  | 0.415          | 0.889          | 1.008          |
| Rent, Communications, Utilities, & Misc. Charges  | 68.212         | 115.030        | 127.484        |
| Other Purchased Services                          | 65.202         | 79.495         | 91.608         |
| Total Expenses:                                   | 290.009        | 378.317        | 394.062        |
| Operating Result                                  | (2.428)        | 5.285          | 8.664          |
| Net Operating Result                              | (2.428)        | 5.285          | 8.664          |
| <b>Prior Year Adjustments</b>                     |                |                |                |
| Prior Year AOR                                    | (16.495)       | (13.949)       | (8.664)        |
| Accumulated Operating Result                      | (18.923)       | (8.664)        | 0.000          |
| <b>Non-Recoverable Adjustment Impacting AOR:</b>  |                |                |                |
| Deferred Operating Results and Depreciation       | 4.974          |                |                |
| Accumulated Operating Results for Budget Purposes | (13.949)       | (8.664)        | 0.000          |