

**DEFENSE COMMISSARY AGENCY (DeCA)**

**Fiscal Year (FY) 2019  
President's Budget  
February 2018**

**OPERATING AND CAPITAL BUDGET**

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**DEFENSE COMMISSARY AGENCY  
DeCA WORKING CAPITAL FUND  
FY 2019 EXECUTIVE SUMMARY  
February 2018**

**OVERVIEW**

The Defense Commissary Agency's (DeCA) mission is to provide vital support to America's service members as an indirect benefit component of the military pay system. The DeCA achieves its mission by selling grocery items at a reduced cost, which enhances patrons' quality of life and overall force readiness:

The commissary benefit:

- Provides a safe, secure shopping environment overseas as well as stateside
- Provides brand name and private label groceries and household products at a reduced cost
- Provides considerable savings as compared to commercial grocery stores
- Is efficient, effective, and provides customer satisfaction that exceeds commercial grocery stores
- Enhances readiness by enabling troops to focus on the mission while deployed and not worrying about their families' well-being
- Is an integral part of the military compensation package and a top retention factor for staying in the military
- Provides a "sense of community" for military personnel and families

DeCA's latest overall customer satisfaction received a score of 4.4 out of 5 in the Commissary Customer Satisfaction Survey (CCSS). This score is representative of the importance of the commissary benefit to our patrons. We remain committed to our patrons by identifying our FY 2019 CCSS goal at  $\geq 4.6$ .

**I. OPERATING AND CAPITAL BUDGETS**

The DeCA includes three activities: Commissary Resale Stocks, Commissary Operations, and Surcharge Collections Trust Revolving Fund. Resale Stocks and Operation are managed in the DeCA working capital fund (WCF) (97X4930.004) while the

Surcharge Collections account is managed through a separate trust revolving fund (97X8164).

The **Resale Stocks** business activity collects revenues from product sales in commissary stores. Contract Authority provides the budgetary authority to replenish Resale Stocks and is based on annual sales projections in the most recent President's Budget.

The **Commissary Operations** business activity finances the operating costs of commissaries, headquarters operations, and field operating activities. The primary revenue source for this activity group is a direct appropriation. The DeCA requests a direct appropriation of \$1,266.2 million for FY 2019. Specific costs include civilian and military labor, labor contracts, transportation of commissary goods overseas, and other general and administrative support. Commissary Operations also receives limited additional revenues from manufacturers' coupon redemption fees, handling fees for tobacco products, and reimbursements for other support. These collections generate Reimbursable Authority within the business activity.

Funding for DeCA's **Surcharge Collections Trust Fund** comes from the five percent surcharge applied to patron sales. The fund also derives revenue from prompt payment discounts to vendor, sale of recycled cardboard and plastic, and a return on the sale of used surcharge-purchased equipment when replaced in the stores. The surcharge revenue pays for sustainment, modernization and replacement of store-level construction, maintenance/repair, and equipment (including store level IT equipment).

## **II. WORKLOAD ASSUMPTIONS**

The annual sales forecast for FY 2019 is \$4,759.7 million. Sales are the foremost driving factor in determining DeCA's workload. We establish our sales projections based on factors such as the number of authorized patrons, the number and location of commissaries, distribution systems, and operating hours and days.

a. **Patrons:** The DeCA patron base includes approximately 5.4 million households and over 81 million customer transactions annually. Authorized commissary patrons include active duty military members, Guard and Reserve component members, retired personnel and their families, government departments or agencies, 100 percent disabled veterans, Medal of Honor recipients, and DoD civilians stationed on installations in overseas areas.

b. **Organization:** The DeCA will begin FY 2019 with 237 commissaries, five Commissary and Exchange operations located overseas (NexMarts), nine distribution centers, and a meat processing plant located in Germany.

c. **Location:** DeCA commissaries are operated throughout the United States and in 13 countries. Overseas operations and operations in remote areas (such as Livorno, Italy) cost more per dollar of sales than U.S.-based locations due to higher costs for transportation and labor. Often overseas locations service small to medium-sized military populations, resulting in fewer sales and higher fixed costs. In addition, DeCA incurs significant transportation costs to ship U.S. food products and household items to overseas locations.

d. **Hours of Operations:** Sales, patron demographics, and local installation needs, (which include consideration of families' needs during extended deployments) determine commissary operating hours and days of operation.

e. **Workforce:** In FY 2019 DeCA projects a full-time equivalent (FTE) level of 14,152. The DeCA uses a mix of full-time and part-time employees to provide scheduling flexibility required by commissaries. Military personnel strength level for FY 2019 is four.

Full-time Equivalents (FTEs)	FY17	FY18	FY19
Civilian FTEs	13,767	14,167	14,152
Direct Hire - US	12,034	12,406	12,391
Direct Hire - FN	578	551	551
Indirect Hire - FN	1,155	1,210	1,210
Military FTEs	4	4	4

Sales projections reflect historical and demographic data, sales days, tobacco sales, new store openings, and, outreach programs for onsite visits to Guard and Reserve locations, and the economics of the Commissary customer base.

The DeCA's foreign currency (FC) submission for FY 2019 is based on the Department of Defense foreign currency guidance.

DeCA's rates for this submission are \$1 US=

DeCA	Current	Proposed
Euro	0.8900	0.8582
Pound	0.7500	0.7651
Lira	2.8300	3.6022
Won	1151.0000	1128.1127
Yen	111.5000	111.5938

### III. HIGHLIGHTS

The DeCA embodies a culture of efficiency and continually seeks to reduce costs thus being good stewards of the taxpayer dollar. The FY 2019 request includes efforts to make specific changes to operations that will sustain patron savings and improve the shopping experience to ensure the commissary benefit remains relevant for generations to come. The three key elements in this transformation are:

1. Ensuring DeCA patrons save money on their groceries. For active and retired military personnel, the commissary is an important part of their benefits package. The DeCA measures patron savings by accounting for variances in the cost of living by geographic region. This is an update from the previous methodology in order to set a more accurate baseline for cost savings. In addition, the savings calculation is performed quarterly to ensure the comparison is relevant and current.
2. Utilizing best business practices when setting prices and negotiating costs with suppliers. The FY 2017 National Defense Authorization Act allowed DeCA to use practices known as "variable pricing authority" and "category performance improvement" that if successful, will reduce the amount of direct appropriation required and offer savings on core products in high demand.

3. Establishing store-brand (private label) options. Based on customer demand, DeCA is launching a commissary brand to expand choices for its patrons and increase their opportunities to save on same quality products as name brand.

Alongside the transformation projects, DeCA is modernizing its supply chain and business processes with the Enterprise Business Solution (EBS) software suite. EBS is a business platform that will provide a better way for DeCA to collect and manage data and ultimately improve our ability to make the right decisions as we continue to deliver the commissary benefit of the future.

The success of these transformation projects will ensure the commissary benefit remains relevant to our shoppers, while maintaining the savings benefit offered to our soldiers and their families.

"Your Commissary, it is worth the trip!"

**DEFENSE COMMISSARY AGENCY  
DECA WORKING CAPITAL FUND  
COMMISSARY RESALE STOCKS**

The Commissary Resale Stocks account directly supports the Defense Commissary Agency's (DeCA) primary mission of providing food and household products for the United States military worldwide.

DeCA provides considerable savings over commercial grocery stores. Historically, DeCA measured savings across the enterprise by comparing prices for the entire country. To account for variances in cost of living, DeCA now measures savings regionally. DeCA facilities offer up to 25,000 product line items depending on store size and the number of locally procured items. Items available span an array of perishable and non-perishable foods and household goods. The Resale Stocks account funds the purchase of that inventory.

The commissary benefit fosters a sense of community within military installations and has become a core family support and quality-of-life benefit for active duty soldiers, Guard and Reserve, retirees, and their families. In FY 2017 patrons gave the commissaries an overall score of 4.40, which has a range from 1 (low) to 5 (high). Key customer service initiatives include:

- Low prices, overall savings with fully stocked shelves which offer special promotions highlighting quality selections in produce, meat, deli and bakery departments
- Attractive displays and efficient store layout that offers a wide variety of product selection
- Convenient hours with clean entrances, sales areas, and restrooms
- Minimized checkout time, self-checkout in all stores
- Courteous, friendly and helpful employees
- Overall satisfaction (asking customers how well are we doing?)

DeCA demonstrates industry-leading efficiency and the continued standardization of store-level practices and procedures has improved store operations. Standardization practices have aided with improved inventory control levels.

<b><u>Workload Indicators</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>
Number of Commissaries (BOY)	238	238	237
Resale Stocks Sales (\$M)	4,918.6	5,145.5	4,759.7
Ending Inventory On Hand (\$M)	358.7	378.2	361.0

<b><u>Performance Measures</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>
Inventory Turns (Average # per Year)	13.9	14.1	13.3
Customer Savings	23.7%	23.7%	23.7%
Commissary Customer Satisfaction Survey (CCSS)	≥4.4	≥4.5	≥4.5
American Customer Satisfaction Index (ACSI) <small>(Source for Supermarket Data is Supermarket Facts Industry)</small>	DeCA 74 Industry 78	DeCA Exceed Industry Average	DeCA Exceed Industry Average
<b><u>Financial Recap</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>
Revenue (\$ Millions)	5,016.2	5,154.5	4,769.7
Cost of Goods Sold (\$ Millions)	4,925.5	5,155.6	4,879.5
Net Operating Results (\$ Millions)	90.7	(1.1)	(109.8)
Accumulated Operating Results	10.9	109.8	0.0
Unit Cost (Per \$ of Sales)	1.00	1.00	1.00

The Commissary Resale Stocks account provides a well-rounded inventory of products, one of the highest-valued, top-rated military non-pay benefits. DeCA continues to provide necessary and essential services for the military family with a touch of home in locations throughout the world where patrons have little or no alternative for obtaining U.S. grown and manufactured grocery and household supplies.

FY 2019 President's Budget  
Defense Commissary Agency  
Commissary Resale Stocks  
Source of New Orders and Revenue  
(\$ in Millions)

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>
1. New Orders			
a. Orders from DoD Components:			
Army			
Navy			
Air Force			
Marine Corps			
Other	0.0	0.0	0.0
b. Orders from Other Fund Activity Groups			
c. Total DoD	0.0	0.0	0.0
d. Other Orders:			
Other Federal Agencies	(0.5)	0.7	0.2
Non Federal Agencies	4,918.6	5,145.5	4,759.7
Total New Orders	4,918.1	5,146.2	4,759.9
2. Carry-in Orders			
3. Total Gross Orders	4,918.1	5,146.2	4,759.9
4. Carry-Out Orders			
5. Gross Sales	4,918.1	5,146.2	4,759.7
6. Credit	(2.4)	9.0	8.2
7. Net Sales	4,915.7	5,155.2	4,767.9

FY 2019 President's Budget  
Defense Commissary Agency  
Commissary Resale Stocks  
Revenue and Expense  
(\$ in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Revenue:			
Gross Sales	4,918.6	5,145.5	4,759.7
Operations	4,918.6	5,145.5	4,759.7
Capital Surcharge			
Depreciation excluding Major Construction			
Other Income	100.0		
Refunds/Discounts	(2.4)	9.0	10.0
Total Income:	5,016.2	5,154.5	4,769.7
Expenses:			
Cost of Material Sold from Inventory	4,925.5	5,155.6	4,879.5
Salaries and Wages:			
Military Personnel Compensation & Benefits			
Civilian Personnel Compensation & Benefits			
Travel & Transportation of Personnel			
Materials & Supplies (for Internal Operations)			
Equipment			
Transportation of Things			
Depreciation			
Printing & Reproduction			
Advisory & Assistance Services			
Rent, Communication, Utilities, & Misc. Charges			
Other Purchased Services			
Total Expenses	4,925.5	5,155.6	4,879.5
Operating Result	90.7	(1.1)	(109.8)
Less Cash Surcharge Reservation	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Adjustments Affecting NOR	0.0	0.0	0.0
Net Operating Result	90.7	(1.1)	(109.8)
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	110.9	109.8	0.0

Fund 14 Revenue and Expenses  
February 2018

FY 2019 President's Budget  
Defense Commissary Agency  
Supply Management by Division  
(\$ in Millions)

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FY 2019 President's Budget  
Defense Commissary Agency  
Supply Management by Division  
(\$ in Millions)

[illegible]

FY 2019 President's Budget  
Defense Commissary Agency  
Supply Management by Division  
(\$ in Millions)

[illegible]

	FY 2017 BUDGET			DIVISION	February 2018	
				Commissary Resale Stocks		
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT						
					PEACETIME	PEACETIME
	INVENTORY STATUS		TOTAL	MOBILIZATION	OPERATING	OTHER
1.	INVENTORY BOP		384.3		384.3	
2.	BOP INVENTORY ADJUSTMENTS					
	a. RECLASSIFICATION CHANGE (Memo)					
	b. PRICE CHANGE AMOUNT (Memo)					
	c. INVENTORY RECLASSIFIED AND REPRICED					
3.	RECEIPTS AT STANDARD		4,925.5		4,925.5	
4.	SALES AT STANDARD		4,918.6		4,918.6	
5.	INVENTORY ADJUSTMENTS					
	a. CAPITALIZATIONS + or (-)					
	b. RETURNS FROM CUSTOMERS FOR CREDIT +					
	c. RETURNS FROM CUSTOMERS WITHOUT CREDIT					
	d. RETURNS TO SUPPLIERS (-)					
	e. TRANSFERS TO PROPERTY DISPOSAL (-)					
	f. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)					
	g. OTHER (LIST/EXPLAIN)		(32.5)		(32.5)	
	h. TOTAL ADJUSTMENTS					
6.	INVENTORY EOP		358.7		358.7	
7.	INVENTORY EOP, REVALUED (LAC, DISCOUNTED)					
	a. ECONOMIC RETENTION (Memo)					
	b. CONTINGENCY RETENTION (Memo)					
	c. POTENTIAL DOD REUTILIZATION (Memo)					
8.	INVENTORY ON ORDER EOP (Memo)		-		-	
9.	NARRATIVE (Explanation of unusual changes)					
5g. Net Inventory Allowance Gains or loss						

	FY 2018 BUDGET			DIVISION	February 2018	
				Commissary Resale Stocks		
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT						
					PEACETIME	PEACETIME
	INVENTORY STATUS		TOTAL	MOBILIZATION	OPERATING	OTHER
1.	INVENTORY BOP		358.7		358.7	
2.	BOP INVENTORY ADJUSTMENTS					
	a. RECLASSIFICATION CHANGE (Memo)					
	b. PRICE CHANGE AMOUNT (Memo)					
	c. INVENTORY RECLASSIFIED AND REPRICED					
3.	RECEIPTS AT STANDARD		5,155.6		5,155.6	
4.	SALES AT STANDARD		5,145.5		5,145.5	
5.	INVENTORY ADJUSTMENTS					
	a. CAPITALIZATIONS + or (-)					
	b. RETURNS FROM CUSTOMERS FOR CREDIT +					
	c. RETURNS FROM CUSTOMERS WITHOUT CREDIT					
	d. RETURNS TO SUPPLIERS (-)					
	e. TRANSFERS TO PROPERTY DISPOSAL (-)					
	f. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)					
	g. OTHER (LIST/EXPLAIN)		19.5		19.5	
	h. TOTAL ADJUSTMENTS					
6.	INVENTORY EOP		388.3		388.3	
7.	INVENTORY EOP, REVALUED (LAC, DISCOUNTED)					
	a. ECONOMIC RETENTION (Memo)					
	b. CONTINGENCY RETENTION (Memo)					
	c. POTENTIAL DOD REUTILIZATION (Memo)					
8.	INVENTORY ON ORDER EOP (Memo)		2.7		2.7	
9.	NARRATIVE (Explanation of unusual changes)					
5g. Net Inventory Allowance Gains or loss						

	FY 2019 BUDGET			DIVISION	February 2018	
				Commissary Resale Stocks		
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT						
					PEACETIME	PEACETIME
	INVENTORY STATUS		TOTAL	MOBILIZATION	OPERATING	OTHER
1.	INVENTORY BOP		388.3		388.3	
2.	BOP INVENTORY ADJUSTMENTS					
	a. RECLASSIFICATION CHANGE (Memo)					
	b. PRICE CHANGE AMOUNT (Memo)					
	c. INVENTORY RECLASSIFIED AND REPRICED					
3.	RECEIPTS AT STANDARD		4,879.5		4,879.5	
4.	SALES AT STANDARD		4,759.7		4,759.7	
5.	INVENTORY ADJUSTMENTS					
	a. CAPITALIZATIONS + or (-)					
	b. RETURNS FROM CUSTOMERS FOR CREDIT +					
	c. RETURNS FROM CUSTOMERS WITHOUT CREDIT					
	d. RETURNS TO SUPPLIERS (-)					
	e. TRANSFERS TO PROPERTY DISPOSAL (-)					
	f. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)					
	g. OTHER (LIST/EXPLAIN)		(7.2)		(7.2)	
	h. TOTAL ADJUSTMENTS					
6.	INVENTORY EOP		500.9		500.9	
7.	INVENTORY EOP, REVALUED (LAC, DISCOUNTED)					
	a. ECONOMIC RETENTION (Memo)					
	b. CONTINGENCY RETENTION (Memo)					
	c. POTENTIAL DOD REUTILIZATION (Memo)					
8.	INVENTORY ON ORDER EOP (Memo)		2.7		2.7	
9.	NARRATIVE (Explanation of unusual changes)					
5g. Net Inventory Allowance Gains or loss						

**FY 2019 President's Budget  
DEFENSE COMMISSARY AGENCY  
DeCA WORKING CAPITAL FUND  
COMMISSARY OPERATIONS**

**FUNCTIONAL DESCRIPTION**

The DeCA Operations Working Capital Fund (WCF) activity provides appropriated resources for the personnel costs, headquarters and administrative costs and other operating support costs associated with the 237 commissaries (FY 2019). In addition DeCA Operations include five joint Commissary and Exchange operations (NEXMARTS) located overseas, nine distribution centers and a meat processing plant located in Germany. Commissary Operations is divided into five area groups with a dedicated area director who assists commissary stores to respond quickly to patron needs and installation command requirements. Oversight is provided by representatives from each of the Military Services who serve on the DeCA Board of Directors. The Board conducts quarterly meetings to review performance and financial information, the status of construction projects, and proposed changes to operations.

The primary cost categories are labor, both continental U.S. and foreign national civilian personnel, commercial service contracts, second destination transportation for inventory products shipped overseas, utilities, and miscellaneous store supplies. The DeCA also pays DoD service providers such as the Defense Finance and Accounting Service (DFAS), the Defense Information Systems Agency (DISA), the U.S. Transportation Command (USTRANSCOM), and base operations support at installations worldwide where commissary stores are located.

A direct appropriation of \$1,266.2 million in FY 2019 provides the Commissary's operational funds. The appropriation allows patron access to fully-stocked shelves of high-quality products in a clean and safe facility that offers exceptional customer service each and every day. In addition to the appropriation, reimbursable income of approximately \$91.7 million is generated through sources such as fees paid by the grocery industry for redemption of manufacturers' coupons, cost recovery fees for selling tobacco in commissaries, private label goods and variable pricing. Provisions of the Status of Forces agreements with Korea and Japan provide labor and utility burden

sharing costs in the operation of commissary stores in those countries.

**BUDGET HIGHLIGHTS:**

Service Reimbursement	FY 2017	FY 2018	FY 2019
Transferred	1,114.0		
Total Appropriation		1,389.3	1,266.2
Previous Transfers			
Services Transfer (Appropriation request)			1,266.2
Army			478.6
Air Force			431.8
Navy			260.8
Marines			95.0

DeCA has a sixteen year history of clean audit opinions and has proven year after year to be a noteworthy steward of taxpayer money.

FY 2019 President's Budget  
Defense Commissary Agency  
Commissary Operations  
Changes in the Costs of Operation  
(\$ in Millions)

	<u>Costs</u>
1. FY 2017 Estimate	1,342.6
2. FY 2018 in President's Budget Submission	1,383.7
3. Pricing Adjustments	(1.7)
4. Program Changes	0.0
5. Productivity Initiatives and Other Efficiencies	0.0
6. Other Changes	0.0
7. FY 2018 Current Estimate:	1,382.0
8. Pricing Adjustments:	
Civilian Personnel Pay Raises	(11.5)
General Purchase Inflation	10.0
9. Program Changes:	
Plastic and Paper Bags	(2.3)
Utilities	(6.7)
Workers Compensation	(2.1)
Supplies	(1.8)
Purchased Services	(3.2)
10. Productivity Initiatives and Other Efficiencies	
11. Other Changes	
12 FY 2019 Estimate:	1,364.4

FY 2019 President's Budget  
Defense Commissary Agency  
Commissary Operations  
Source of New Orders and Revenue  
(\$ in Thousands)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
1. New Orders			
a. Orders from DoD Components:			
Army Operations and Maintenance			
Air Force Operations and Maintenance			
Navy Operations and Maintenance			
Marine Corps Operations and Maintenance			
OSD Burdensharing Contribution, Defense	10,040.9	8,707.2	8,794.3
IMCOM MWR FF&V Transport	(203.5)	0.0	0.0
DLA Troop Support	0.0	0.0	0.0
DoD Civilian Expeditionary Workforce Program	0.0	179.0	179.9
DAU Acquisition Services	62.2	374.1	410.4
b. Orders from other Fund Activity Group	516.9	799.6	811.4
c. Total DoD	10,416.5	10,059.9	10,196.0
d. Other Orders:			
Other Federal Agencies	2,230.2	3,015.2	3,068.9
Non Federal Agencies	7,057.0	8,101.6	78,468.6
Total New Orders	19,703.7	21,176.7	91,733.5
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	19,703.7	21,176.7	91,733.5

FY 2019 President's Budget  
Revenue and Expenses  
Defense Commissary Agency  
Commissary Operations  
(Dollars in Thousands)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Revenue:			
Operations			
Services Reimbursement	1,214,045.0	1,389,340.0	1,266,200.0
Army			478,623.6
Air Force			431,774.2
Navy			260,837.2
United States Marine Corps			94,965.0
Other Income	19,703.7	21,176.7	91,733.5
Total Income:	1,233,748.7	1,410,516.7	1,357,933.5
Expenses:			
Salaries and Wages:			
Military Personnel Compensation & Benefits	478.6	487.7	496.7
Civilian Personnel Compensation & Benefits	770,925.8	796,356.3	784,995.8
Travel & Transportation of Personnel	7,763.0	8,279.4	8,316.9
Materials & Supplies (for Internal Operations)	44,710.5	50,554.2	48,743.7
Other Purchases from Revolving Funds	33,515.9	36,608.6	36,773.2
Transportation of Things	116,812.8	117,228.0	116,055.2
Depreciation - Capital	11,669.1	10,381.9	10,450.6
Printing & Reproduction	198.9	268.5	268.1
Advisory & Assistance Services	28,511.8	10,000.0	10,080.0
Rent, Communication & Misc. Charges	106,876.5	123,313.3	121,094.9
Other Purchased Services	221,113.0	228,551.8	227,155.0
Total Expenses	1,342,576.1	1,382,029.8	1,364,430.2
Operating Result	(108,827.3)	28,486.9	(6,496.7)
Plus Other Revenues Affecting NOR/AOR	(100,000.0)	(50,000.0)	0.0
Net Operating Result	(208,827.3)	(21,513.1)	(6,496.7)
Accumulated Operating Result	176,838.6	155,325.4	148,828.7

Fund 14 Revenue and Expenses  
February 2018

FY 2019 President's Budget  
Defense Commissary Agency  
Commissary Operations Capital Investment Summary  
(\$ in Millions)

Line Number	Item Description	FY 2017		FY 2018		FY 2019	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	PY requires Line Item detail for all categories						
	<b>Non-ADPE Equipment</b>						
	- Vehicles						
	- Material Handling						
	- Installation Security						
	- Quality Control Security						
	- Medical Equipment						
	- Machinery						
2000	<b>ADPE &amp; Telecomm Equipment</b>						
	- Computer Hardware (Production)						
2003	Corp Server III	3	3.702	1	2.750	1	0.750
2005	Enterprise Business Solution	1	1.567	1	1.538	1	0.437
2008	Enterprise Data Warehouse	1	5.143	1	5.143		
2010	Network Infrastructure	1	0.300	1	1.200	1	0.900
2011	DERMAS			1	0.116		
	- Computer Hardware (Network)						
2006	COOP	1	1.000				
	- Computer Software (Operating System)						
2005	Enterprise Business Solution			1	1.277		
2006	COOP						
2008	Enterprise Data Warehouse	1	1.925	1	1.925		
	<b>Software Development &gt;250K</b>						
	- Internally Developed						
	- Externally Developed						
2005	Enterprise Business Solution	1	6.343				
2011	DERMAS			1	2.400		
	<b>Minor Construction</b>						
	- Replacement						
	- Environmental						
	<b>TOTAL OBLIGATIONS *</b>	9	19.980	7	16.3485	3	2.0869
	<b>Total Capital Outlays</b>		17.831		31.754		14.714
	<b>Total Depreciation Expense</b>		8.366		9.244		10.497
	* Differences are due to rounding						

Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				FY 2019 President's Budget					
C. Line No & Item Description 2006. COOP				D. Activity ID Defense Commissary Agency (DeCA)					
	FY 2017			FY 2018			FY 2019		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE & Telecom Capability Replacement Productivity New Mission Environmental									
ADPE and Telecommunications Capability Computer Hardware (Replacement) Project Name >=\$1M COOP Computer Software (Operating System) Project Name >=\$1M COOP Telecoms, Other Computer & Telecom Equip	1	1,000.0	1,000.0						
Software (Named Line Items > \$1M)									
Minor Construction Capability Replacement Productivity New Mission Environmental									
<p><b><u>Narrative Justification:</u></b> Section 301, Public Law 107-347, Title III, "Federal Information Security Management Act of 2002," December 17, 2002, of the E-Government Act of 2002 requires each Federal agency to develop, document, and implement an agency-wide information security program. The Federal Information Security Management Act requires that Federal agency information security programs provide, among other things, plans and procedures for the continuity of operations for agency information systems to continue operations during a disruptive or catastrophic event. DoD Information Assurance Certification and Accreditation Process (DIACAP), November 28, 2007, requires that system owners prepare contingency plans as part of the information assurance certification and accreditation process of a system. A Business Impact Analysis (BIA) was performed on IT's Continuity of Operation (COOP)/Disaster Recovery (DR) for the Agency. The BIA provides planning for all phases of disaster recovery to include continuity planning and business resumption. The two are interrelated and impacts each other. Based on the completed BIA, a major refresh at the Alternate Processing Center (APC)/COOP site was performed and completed in 2016.</p> <p><b><u>Economic Analysis Summary:</u></b> The APC has gone through a major refresh however; the insatiable need to provide a secure virtual environment for mission critical systems/applications along with the need to adhere to DoD and other Federal standards, means more than ever it is imperative DeCA maintains its APC to keep current and not fall into the same predicament that preceded the project.</p> <p><b><u>Impact of Proposed Capital Investment Disapproval:</u></b> • DeCA will continue to incur increased maintenance and sustainment costs for outdated infrastructure.  • DeCA will not reduce system integration complexities.  • DeCA will not have COOP/DR capabilities.  • DeCA will not comply with DoD and/or Federal Standards:  • DeCA Non-Compliant:DIACAP  • DeCA Non-Compliant:FISMA  • National Institute of Standards and Technology (NIST) Special Publication 800-34  • Federal Emergency Management Agency (FEMA) Business Continuity planning Guidance Homeland Security Presidential Directive (HSPD)-5</p>									

Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				FY 2019 President's Budget					
C. Line No & Item Description 2003. CORP Servers				D. Activity ID Defense Commissary Agency (DeCA)					
			FY 2017	FY 2018			FY 2019		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE & Telecom Capability Replacement Productivity New Mission Environmental									
ADPE and Telecommunications Capability Computer Hardware (Replacement) Project Name >=\$1M CORP Servers Computer Software (Operating System) Project Name >=\$1M CORP Servers Telecoms, Other Computer & Telecom Equip	3	1,234.0	3,702.0	1	2,750.0	2,750.0	1	750.0	750.0
Software (Named Line Items > \$1M)									
Minor Construction Capability Replacement Productivity New Mission Environmental									
<p><b><u>Narrative Justification:</u></b> DeCA currently uses multiple HP-Unix servers and Dell server to run DeCA's critical financial and business applications, database and agency COOP operations. FY 2016 Capital funding was used to replace unsupported, EOL HP-Unix Itanium II) and end of life Dell servers. In FY 2017 and FY 2018 Capital funding will be used to replace EOL server hardware and adding to the agency storage capacity in support of the agency's growing VM and system space requirements.</p> <p><b><u>Economic Analysis Summary:</u></b> Prior DeCA initiatives focused on replacing individual systems and/or addressing specific functional requirements, resulting in point based technical solution. CORP is bringing transformational changes through standardization, simplification, elimination of functional and systematic stovepipes, and enabling end-to-end business processes with the implementation of a redundant VM environment. This will significantly improve DeCA operations.</p> <p><b><u>Impact of Proposed Capital Investment Disapproval:</u></b> DeCA's Corp Servers are at End of Life (EOL) and continued usage places the agency at risk of failing their mission to provide the Commissary benefit to Armed Services patrons. DoD Information Assurance standards and policy cannot be supported with EOL hardware. Replacement of Corp Servers with new Virtual Machines is aligned with Federal Data Center Consolidation Initiative (FDCCI) to reduce energy costs and increase DeCA's security posture on the DoD Global Information Grid (GIG). DeCA will continue to incur increased maintenance and sustainment costs for outdated hardware; not reduce system integration complexities and redundancies; not compliant with business enterprise architecture standards; and will not support business process reengineering efforts. DOD and Agency requirements such as Time and Attendance (TAS), Warehouse Management (WMS), Guard and Reserve Sales, etc. will be shut down.</p>									

Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				FY 2019 President's Budget					
C. Line No & Item Description				D. Activity ID Defense Commissary Agency (DeCA)					
2005. Enterprise Business Solution System (EBS)									
Element of Cost	FY 2017			FY 2018			FY 2019		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE & Telecom Capability Replacement Productivity New Mission Environmental									
ADPE and Telecommunications Capability Computer Hardware (Production) Project Name >=\$1M EBS	1	1,566.5	1,566.5	1	1,537.5	1,537.5	1	436.9	436.9
Computer Software (Operating System) Project Name >=\$1M EBS Telecoms, Other Computer & Telecom Equip				1	1,276.7	1,276.7			
Software (Named Line Items > \$1M) Computer Software (Operating System) Project Name >=\$1M EBS	1	6,343.3	6,343.3						
Minor Construction Capability Replacement Productivity New Mission Environmental									
<p><b><u>Narrative Justification:</u></b> The Enterprise Business Solution (EBS) modernizes and transforms DeCA financial and supply chain management capabilities of DeCA. Through BPR activities, DeCA determined that current business processes and systems are neither integrated nor interoperable. Information systems contain redundant and inconsistent data and lack adequate business analytics and reporting capabilities across the enterprise. Furthermore, the technology that supports the core business systems is old and inflexible, with resources to maintain it becoming scarce. EBS addresses resale supply chain management: all E2E processes associated with the cataloging, ordering, receiving and inventory management of resale items and consumable supplies including space management, promotions, electronic and mobile commerce. It also addresses non-resale asset management that includes the purchase, management, accountability, maintenance, retirement and disposal of non-resale property. Constraints include the contractual structure of agreements with resale item vendors; compliance with laws, regulations and policies; legacy system limitations; lack of documentation.</p> <p><b><u>Economic Analysis Summary:</u></b> Rigid and inefficient processes lead to heavy reliance on manual processing which leads to inefficient resource utilization, repetitive data entry, information repository silos, rework due to errors, and manual, intensive error-prevention efforts. Aging business critical systems have serious shortcomings. DeCA faces daily challenges in managing data, information, analytics and reporting.</p> <p><b><u>Impact of Proposed Capital Investment Disapproval:</u></b> DeCA will continue to incur increased maintenance and sustainment costs for outdated legacy software; fail to reduce system integration complexities and redundancies; delay system interoperability through data standardization and business enterprise architecture standards; fall short in supporting business process reengineering efforts; would fail to meet public law, and e-government statutes. EBS will result in elimination of stove-pipe applications and redundant systems, improved business performance management, improved data accuracy and integrity, improved information access and visibility across the enterprise and improved analytics to better support decision making.</p>									

Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				FY 2019 President's Budget					
C. Line No & Item Description 2008. Enterprise Data Warehouse (EDW)				D. Activity ID Defense Commissary Agency (DeCA)					
			FY 2017	FY 2018			FY 2019		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE & Telecom Capability Replacement Productivity New Mission Environmental									
ADPE and Telecommunications Capability Computer Hardware (Production) Project Name >=\$1M EDW	1	5,143.0	5,143.0	1	5,143.0	5,143.0			
Computer Software (Operating System) Project Name >=\$1M EDW Telecoms, Other Computer & Telecom Equip	1	1,925.0	1,925	1	1,925.0	1,925.0			
Software (Named Line Items > \$1M) Computer Software (Operating System) Project Name >=\$1M EDW									
Minor Construction Capability Replacement Productivity New Mission Environmental									
<p><b><u>Narrative Justification:</u></b> The Enterprise Data Warehouse (EDW) is a corporate data repository, providing a single, unified view of product, sales and human resources data across DeCA allowing end users to make informed business decisions. EDW obtains data from DeCA human resources and business systems and then transforms the data into an appropriate format using business rules defined by functional experts. The transformed data provides quick access to required raw data, summary data and reports. As required, data is conveyed to DeCA's industry partners and other Department of Defense (DoD).DeCA is mandated and committed to becoming a net-centric environment and is currently utilizing a Teradata platform to support that effort. In FY18, \$7.1M is scheduled to refresh the hardware and operating environment required to provide improved performance, increased data availability and increased threshold of data storage. FY 17 approved funding cannot be executed this FY because current EDW Hardware Software Contract does not expire until April 30,2018(FY18). The refresh effort allows continued growth in the net-centric environment and will support future data interface requirements for EBS. The lifecycle of this hardware and software is expected through FY23.</p> <p><b><u>Economic Analysis Summary:</u></b> The refresh recommendation was based on a comparison of previous hardware maintenance and operating costs versus a technology refresh with maintenance. DeCA required EDW hardware, software and support services be upgraded from an obsolete and aging production, test, and development environment that was cost prohibitive to support. The refresh facilitates DeCA's objectives for business continuance, legacy migration, and net-centric data storage while providing additional capacity for testing and production.</p> <p><b><u>Impact of Proposed Capital Investment Disapproval:</u></b> Disapproval of this technology refresh would result in an increased risk to operations and maintenance of critical DeCA systems. DeCA's ability to continue to perform mission critical functions such as pricing, bill paying, inventory management and electronic commerce could be imperiled. Additionally, the Agency would be unable to provide disaster recovery or COOP capability and address new business requirements within the net-centric environment. Not approving this funding would greatly compromise DeCA's ability to be compliant with the DoD mandate to become net-centric and maintain the architecture for disaster recovery and continuity of operations of the Commissary benefit in the event of a disaster. Our ability to leverage technology to provide the cost saving benefit to our Armed Services Patrons would be at significant risk.</p>									

Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				FY 2019 President's Budget					
C. Line No & Item Description 2011. DERMAS				D. Activity ID Defense Commissary Agency (DeCA)					
			FY 2017	FY 2018			FY 2019		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE & Telecom Capability Replacement Productivity New Mission Environmental									
ADPE and Telecommunications Capability Computer Hardware (Production) Project Name >=\$1M DERMAS Computer Software (Operating System) Project Name >=\$1M DERMAS Telecoms, Other Computer & Telecom Equip				1	116.3	116.3			
Software (Named Line Items > \$1M) Computer Software (Operating System) Project Name >=\$1M DERMAS				1	2,400.0	2,400.0			
Minor Construction Capability Replacement Productivity New Mission Environmental									
<p><b><u>Narrative Justification:</u></b> DERMAS is DeCA's Enterprise Records Management and Archival System. It serves as a workflow between the commissaries worldwide and the centralized accounting departments at the region and Headquarters level as a unified repository for management of content. The intent of this acquisition is to replace DERMAS' current software, eDOCS, with a certified, customizable, and scalable enterprise solution that will meet the Department of Defense, National Archives and Records Administration, and DeCA's records management requirements. In FY18, request approval for funding for replacement of OpenText eDOCS software with new Enterprise Records Management, Email Archive, and Task Management software solution.</p> <p><b><u>Economic Analysis Summary:</u></b> The solution recommendation was based on market research of current Enterprise Records Management solutions utilized in other DoD Agencies and can provide DeCA's Records Management requirements and needs. DeCA's current outdated, software solution does not afford growth, scalability, nor the ability to satisfy DECA's future needs of compliancy. The new required solution will replace an obsolete system that has reached the end of its lifecycle. It will be cost efficient to replace the current solution with an industry standard solution that will provide future growth, efficiency, compliancy, and the capacity to meet additional agency initiatives.</p> <p><b><u>Impact of Proposed Capital Investment Disapproval:</u></b> Disapproval of this software/hardware purchase would result in DeCA's inability to meet compliancy of Federal Records Management mandates, to include DoD 5015.02 and OMB-M-12-18. It is also an increased risk to the maintenance, storage, retrieval, and transmittal of critical DeCA records. Disapproval of this funding would put DeCA at continued risk of utilizing system that cannot provide the necessary and optimal services of it agency's records management needs. Our ability to leverage technology to provide the cost saving benefit to our Armed Services Patrons would be at significant risk.</p>									

Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				FY 2019 President's Budget					
C. Line No & Item Description 2010. Network Infrastructure (NI)				D. Activity ID Defense Commissary Agency (DeCA)					
Element of Cost	FY 2017			FY 2018			FY 2019		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE & Telecom Capability Replacement Productivity New Mission Environmental									
ADPE and Telecommunications Capability Computer Hardware (Production) Project Name >=\$1M NI Computer Software (Operating System) Project Name >=\$1M NI Telecoms, Other Computer & Telecom Equip	1	300.0	300.0	1	1,200.0	1,200.0	1	900.0	900.0
Software (Named Line Items > \$1M) Computer Software (Operating System) Project Name >=\$1M NI									
Minor Construction Capability Replacement Productivity New Mission Environmental									
<p><b><u>Narrative Justification:</u></b> DeCA Maintains a Network Security Operations Center, as well as, a Computer Network Defense Service Provider accreditation through USCYBERCOM which provides worldwide network monitoring, protection, and reaction to known malicious threats and vulnerabilities that could impose negative impact on the Agency's business operations. The purchase of subject SourceFire Network sensors will enable the Agency to continue the proper protection of its business operations and ensure a safe and secure transaction medium for the commissary patrons.</p> <p><b><u>Economic Analysis Summary:</u></b> As an entity of the Department of Defense and a certified Computer Network Defense Service Provider, DeCA is mandated to maintained required network security and monitoring capabilities on a 24/7/365 basis. Failure to do so would result in DoD non-compliance and removal of the Agency's Computer Network Defense authority.</p> <p><b><u>Impact of Proposed Capital Investment Disapproval:</u></b> The Agency's business operations and commissary patron information would be placed in jeopardy of potential unlawful compromise.</p>									

FY 2019 President's Budget  
Defense Commissary Agency  
Capital Budget Execution  
(\$ in Millions)

Major Category	<u>Initial Request</u>	<u>Current Proj Cost</u>	<u>Approved Change</u>	<u>Explanation</u>
Non-ADPE	0.0	0.0	0.0	
ADPE and Telecom	13.6	13.6	0.0	
Software Development	6.3	6.3	0.0	
Minor Construction	0.0	0.0	0.0	
Total FY 2017	20.0	20.0	0.0	

FY 2019 President's Budget  
Defense Commissary Agency  
Capital Budget Execution  
(\$ in Millions)

Major Category	<u>Initial Request</u>	<u>Current Proj Cost</u>	<u>Approved Change</u>	<u>Explanation</u>
Non-ADPE	0.0	0.0	0.0	
ADPE and Telecom	13.9	13.9	0.0	
Software Development	2.4	2.4	0.0	
Minor Construction	0.0	0.0	0.0	
Total FY 2018	16.3	16.3	0.0	

Major Category	<u>Initial Request</u>	<u>Current Proj Cost</u>	<u>Approved Change</u>	<u>Explanation</u>
Non-ADPE	0.0	0.0	0.0	
ADPE and Telecom	2.1	2.1	0.0	
Software Development	0.0	0.0	0.0	
Minor Construction	0.0	0.0	0.0	
Total FY 2019	2.1	2.1	0.0	