

DEFENSE COMMISSARY AGENCY (DeCA)

**Fiscal Year (FY) 2017
President's Budget
February 2016**

OPERATING AND CAPITAL BUDGET

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**DEFENSE COMMISSARY AGENCY
DeCA WORKING CAPITAL FUND
FY 2017 PRESIDENT'S BUDGET
FEBRUARY 2016**

OVERVIEW

The Defense Commissary Agency's (DeCA) mission is to deliver a vital benefit of the military pay system that sells grocery items at cost while enhancing quality of life and readiness:

The commissary benefit:

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

The commissaries received from our patrons an overall score of 4.44 in the Commissary Customer Satisfaction Survey (CCSS), which has a range from one (low) to five (high). The FY 2017 CCSS goal is ≥ 4.6 .

I. OPERATING AND CAPITAL BUDGETS

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) while the Surcharge Collections account is managed through a separate trust revolving fund.

The Resale Stocks business area collects revenues from the sale of products by the commissary stores. Resource authority for Resale Stocks is based on annual sales projections in the most recent President's Budget.

The Commissary Operations business area finances the operating costs of commissaries, headquarters operations, and field operating activities. The primary revenue source for this activity group is a direct appropriation to the Defense WCF, which in turn transfers the funds to the DeCA WCF. DeCA'S appropriation for FY 2017 is \$1,214.0 million. Specific costs include civilian and military labor, labor contracts, transportation of commissary goods overseas, and other indirect support. Commissary Operations also receives limited additional revenues from manufacturers' coupon redemption fees, handling fees for tobacco products, and reimbursements for other support.

Funding for DeCA's Surcharge Collections Trust Fund comes from a 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 2017 is \$5,589.2 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: DeCA's patron base includes 5.4 million households. DeCA commissaries process over 88.6 million customer transactions annually. DeCA's 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: DeCA will begin FY 2017 with 240 commissaries, five Commissary and Exchange operations located overseas (NexMarts), ten distribution centers, and a meat processing plant located in Germany.

c. Location: Overseas operations and operations in remote areas (such as Livorno) 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 2017 DeCA projects a civilian end-strength of 16,097 and a full-time equivalent (FTE) level of 14,330 (13,027 Direct Hire and 1,303 Foreign National Indirect Hire). DeCA uses a mix of full-time and part-time employees to provide scheduling flexibility required by commissaries. Military personnel strength level for FY 2017 is four.

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.

| End Strength and Full-time Equivalents (FTEs) | FY15 | FY16 | FY17 |
|--|-------------|-------------|-------------|
| Civilian End Strength | 15,730 | 16,254 | 16,097 |
| Direct Hire - US | 13,894 | 14,336 | 14,247 |
| Direct Hire - FN | 637 | 595 | 547 |
| Indirect Hire - FN | 1,199 | 1,323 | 1,303 |
| Military End Strength | 4 | 4 | 4 |
| Civilian FTEs | 13,761 | 14,336 | 14,330 |
| Direct Hire - US | 11,987 | 12,418 | 12,480 |
| Direct Hire - FN | 585 | 595 | 547 |
| Indirect Hire - FN | 1,188 | 1,323 | 1,303 |
| Military FTEs | 4 | 4 | 4 |

DeCA's foreign currency (FC) submission for FY 2017 is based on the Department of Defense guidance that rates should be based on DeCA's most recent experience.

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

| DeCA | Current | Proposed |
|-------------|----------------|-----------------|
| Euro | 0.7232 | 0.7232 |
| Pound | 0.6239 | 0.6239 |
| Lira | 2.0200 | 2.0200 |
| Won | 1112.8100 | 1112.8100 |
| Yen | 97.0800 | 97.0800 |

III. HIGHLIGHTS

Changes affecting our operations budget include changes to transportation costs, commercial activities (CA) contracts, utility rates, and the effects of changes in global re-stationing, combined with new store openings and closures.

The emphasis to increase efficiency and reduce costs is continual. The FY 17 request includes a \$40 million dollar reduction to the second destination transportation program. The practice of airlifting fresh fruits and vegetables to the Pacific Theater has been replaced with a system of procuring those items locally. This method not only provides a savings, it reduces our carbon footprint.

"Your Commissary, it is worth the trip!"

**FY 2017 PRESIDENT'S BUDGET
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 to provide food and household products for the United States military worldwide by funding the purchase of commissary inventory. This submission requests budget authority of \$5.589 billion in FY 2017 for the Resale Stocks account.

DeCA provides considerable savings over commercial grocery stores. Commissaries offer an average of 25,000 products in each store, depending on store size and the number of locally procured items. Items available span an array of perishable and non-perishable food and household goods.

The Commissary Resale Stocks account provides patrons with brand name groceries and household products they want at cost. The commissary benefit is one of the highest-valued, top-rated military non-pay benefits. Commissaries provide essential services to military families with a touch of home in locations throughout the world where patrons have little or no alternative for obtaining U.S. made goods.

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, and their families. Patrons gave the commissaries an overall score of 4.44 (in the FY 2015 Commissary Customer Service Survey (CCSS), which has a range from 1 (low) to 5 (high). The FY 2017 CCSS goal is ≥ 4.6 . 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?)

Standardization of store-level practices and procedures has improved store operations. Standardization helps maintain sales levels, improve inventory control, and ensure high customer satisfaction levels.

| Workload Indicators | FY 2015 | FY 2016 | FY 2017 |
|--|----------------|----------------|----------------|
| Number of Commissaries (BOY) | 241 | 240 | 240 |
| Resale Stocks Sales (\$ Millions) | 5,509.9 | 5,568.5 | 5,589.2 |
| Ending Inventory On Hand (\$ Millions) | 406.1 | 392.2 | 394.2 |

| Performance Measures | FY 2015 | FY 2016 | FY 2017 |
|--|--------------------------------|-----------------------------|-----------------------------|
| Inventory Turns (Average # Per Year) | 14.6 | 15.3 | 15.4 |
| Customer Savings (approximate) | 30.0% | 30.0% | 30.0% |
| Commissary Customer Satisfaction Survey (CCSS) | 4.44 | ≥4.6 | ≥4.6 |
| American Customer Satisfaction Index (ACSI) | Actual 72 Industry 76 | Meet Industry Average | Meet Industry Average |

| Financial Recap | FY 2015 | FY 2016 | FY 2017 |
|-------------------------------------|----------------|----------------|----------------|
| Revenue (\$ Millions) | 5,523.7 | 5,581.5 | 5,600.2 |
| Cost of Goods Sold (\$ Millions) | 5,527.7 | 5,595.7 | 5,619.3 |
| Net Operating Results (\$ Millions) | (4.0) | (14.2) | (19.1) |
| Accumulated Operating Results | 33.3 | 19.1 | 0.0 |
| Unit Cost (Per \$ of Sales) | 1.00 | 1.00 | 1.00 |

FY 2017 President's Budget
Defense Commissary Agency
Commissary Resale Stocks
Source of New Orders and Revenue
(\$ in Millions)

| | <u>FY2015</u> | <u>FY2016</u> | <u>FY2017</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 | 0.8 | 0.6 | 0.8 |
| Non Federal Agencies | 5,522.9 | 5,567.9 | 5,588.4 |
| Total New Orders | 5,523.7 | 5,568.5 | 5,589.2 |
| 2. Carry-in Orders | | | |
| 3. Total Gross Orders | 5,523.7 | 5,568.5 | 5,589.2 |
| 4. Carry-Out Orders | | | |
| 5. Gross Sales | 5,509.9 | 5,568.5 | 5,589.2 |
| 6. Credit | 13.8 | 13.0 | 11.0 |
| 7. Net Sales | 5,523.7 | 5,581.5 | 5,600.2 |

FY 2017 President's Budget
 Defense Commissary Agency
 Commissary Resale Stocks
 Revenue and Expenses
 (\$ in Millions)

| | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|---|----------------|----------------|----------------|
| Revenue: | | | |
| Gross Sales | 5,509.9 | 5,568.5 | 5,589.2 |
| Operations | 5,509.9 | 5,568.5 | 5,589.2 |
| Capital Surcharge | | | |
| Depreciation excluding Major Construction | | | |
| Other Income | | | |
| Refunds/Discounts | 13.8 | 13.0 | 11.0 |
| Total Income: | 5,523.7 | 5,581.5 | 5,600.2 |
| | | | |
| Expenses: | | | |
| Cost of Material Sold from Inventory | 5,527.7 | 5,595.7 | 5,619.3 |
| | | | |
| 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 | 5,527.7 | 5,595.7 | 5,619.3 |
| | | | |
| Operating Result | (4.0) | (14.2) | (19.1) |
| | | | |
| Less Cash Surcharge Reservation | - | - | - |
| Plus Appropriations Affecting NOR/AOR | - | - | - |
| Other Adjustments Affecting NOR | - | - | - |
| | | | |
| Net Operating Result | (4.0) | (14.2) | (19.1) |
| | | | |
| Other Changes Affecting AOR | - | - | - |
| | | | |
| Accumulated Operating Result | 33.3 | 19.1 | 0.0 |

| FY 2015 BUDGET | | DIVISION | | February 2016 | |
|---|---|--------------------------|--------------|---------------------|-----------------|
| | | Commissary Resale Stocks | | | |
| DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT | | | | | |
| INVENTORY STATUS | | TOTAL | MOBILIZATION | PEACETIME OPERATING | PEACETIME OTHER |
| 1. | INVENTORY EOP | 388.6 | | 388.6 | |
| 2. | BOP INVENTORY ADJUSTMENTS | | | | |
| | a. RECLASSIFICATION CHANGE (Memo) | | | | |
| | b. PRICE CHANGE AMOUNT (Memo) | | | | |
| | c. INVENTORY RECLASSIFIED AND REPRICED | | | | |
| 3. | RECEIPTS AT STANDARD | 5,527.7 | | 5,527.7 | |
| 4. | SALES AT STANDARD | 5,509.9 | | 5,509.9 | |
| 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) | (0.3) | | (0.3) | |
| | h. TOTAL ADJUSTMENTS | | | | |
| 6. | INVENTORY EOP | 406.1 | | 406.1 | |
| 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) | (1.5) | | (1.5) | |
| 9. | NARRATIVE (Explanation of unusual changes) | | | | |
| 5g. Net Inventory Allowance Gains or loss | | | | | |

| FY 2016 BUDGET | | DIVISION | | February 2016 | |
|---|---|--------------------------|--------------|---------------------|-----------------|
| | | Commissary Resale Stocks | | | |
| DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT | | | | | |
| INVENTORY STATUS | | TOTAL | MOBILIZATION | PEACETIME OPERATING | PEACETIME OTHER |
| 1. | INVENTORY EOP | 406.1 | | 406.1 | |
| 2. | BOP INVENTORY ADJUSTMENTS | | | | |
| | a. RECLASSIFICATION CHANGE (Memo) | | | | |
| | b. PRICE CHANGE AMOUNT (Memo) | | | | |
| | c. INVENTORY RECLASSIFIED AND REPRICED | | | | |
| 3. | RECEIPTS AT STANDARD | 5,595.7 | | 5,595.7 | |
| 4. | SALES AT STANDARD | 5,568.5 | | 5,568.5 | |
| 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) | (40.9) | | (40.9) | |
| | h. TOTAL ADJUSTMENTS | | | | |
| 6. | INVENTORY EOP | 392.4 | | 392.4 | |
| 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) | 1.9 | | 1.9 | |
| 9. | NARRATIVE (Explanation of unusual changes) | | | | |
| 5g. Net Inventory Allowance Gains or loss | | | | | |

| FY 2017 BUDGET | | DIVISION | | February 2017 | |
|---|---|--------------------------|--------------|---------------------|-----------------|
| | | Commissary Resale Stocks | | | |
| DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT | | | | | |
| INVENTORY STATUS | | TOTAL | MOBILIZATION | PEACETIME OPERATING | PEACETIME OTHER |
| 1. | INVENTORY EOP | 392.4 | | 392.4 | |
| 2. | BOP INVENTORY ADJUSTMENTS | | | | |
| | a. RECLASSIFICATION CHANGE (Memo) | | | | |
| | b. PRICE CHANGE AMOUNT (Memo) | | | | |
| | c. INVENTORY RECLASSIFIED AND REPRICED | | | | |
| 3. | RECEIPTS AT STANDARD | 5,619.3 | | 5,619.3 | |
| 4. | SALES AT STANDARD | 5,589.2 | | 5,589.2 | |
| 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) | (28.3) | | (28.3) | |
| | h. TOTAL ADJUSTMENTS | | | | |
| 6. | INVENTORY EOP | 394.2 | | 394.2 | |
| 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) | 1.9 | | 1.9 | |
| 9. | NARRATIVE (Explanation of unusual changes) | | | | |
| 5g. Net Inventory Allowance Gains or loss | | | | | |

**DEFENSE COMMISSARY AGENCY
DeCA WORKING CAPITAL FUND
COMMISSARY OPERATIONS**

FUNCTIONAL DESCRIPTION

The DeCA Working Capital Fund (WCF) is composed of operations and headquarters administrative management of 240 commissary stores (FY 2017), five joint Commissary and Exchange operations (NEXMARTS) located overseas, ten distribution centers and a meat processing plant located in Germany. The commissary system is divided into five area groups that each have 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, as well as commercial activities service contracts, second destination transportation on inventory products shipped overseas and in-theatre, utilities, and store supplies. 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 \$1,214.0 million in FY 2017 provides the majority of the Commissary's operational funds. The appropriation gives patrons access to high-quality products on fully-stocked shelves in a clean and safe facility offering exceptional customer service each and every day. In addition to the appropriation, \$25.4 million in revenue is generated through sources such as fees paid by the grocery industry for redemption of manufacturers' coupons and cost recovery fees for selling tobacco in commissaries. 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.

| Service Reimbursement | FY 2015 | FY 2016 | FY 2017 |
|---|----------------|----------------|----------------|
| Transferred | 1,304.7 | 1,435.4 | |
| Total Appropriation | | | 1,214.0 |
| Previous Transfers | | | |
| Services Transfer (Appropriation request) | | | 1,214.0 |
| Army | | | 506.2 |
| Air Force | | | 339.9 |
| Navy | | | 264.7 |
| Marines | | | 103.2 |

BUDGET HIGHLIGHTS

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

FY 2017 President's Budget
Defense Commissary Agency
Commissary Operations
Changes in the Costs of Operation
(\$ in Millions)

| | <u>Costs</u> |
|---|--------------|
| 1. FY 2015 Estimated Actual | 1,327.2 |
| 2. FY 2016 in President's Budget Submission | 1,412.8 |
| 3. Pricing Adjustments | |
| 4. Program Changes | 0.0 |
| 5. Productivity Initiatives and Other Efficiencies | 0.0 |
| 6. Other Changes | 0.0 |
| 7. FY 2016 Current Estimate: | 1,412.8 |
| 8. Pricing Adjustments: | |
| Civilian Personnel Pay Raises | 4.8 |
| General Purchase Inflation | 2.3 |
| 9. Program Changes: | |
| Reduced SDT (local purchases of FF&V) | (40.0) |
| Major HQ Activity Adjustment | (0.1) |
| 10. Productivity Initiatives and Other Efficiencies | |
| 11. Other Changes | |
| 12. FY 2017 Estimate: | 1,379.8 |

FY 2017 President's Budget
 Defense Commissary Agency
 Commissary Operations
 Source of New Orders and Revenue
 (\$ in Thousands)

| | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</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 | 8,681.6 | 8,883.9 | 9,314.1 |
| IMCOM MWR FF&V Transport | 575.9 | 887.0 | 891.5 |
| DLA Troop Support | 8.1 | 75.1 | 75.5 |
| DoD Civilian Expeditionary Workforce Program | 160.1 | 156.5 | 178.1 |
| DAU Acquisition Services | 98.8 | 1,241.7 | 0.0 |
| b. Orders from other Fund Activity Group | 958.1 | 787.9 | 787.9 |
| c. Total DoD | 10,482.5 | 12,032.1 | 11,247.1 |
| d. Other Orders: | | | |
| Other Federal Agencies | 2,570.0 | 3,169.4 | 3,131.8 |
| Non Federal Agencies | 9,236.3 | 14,732.3 | 11,024.9 |
| Total New Orders | 22,288.8 | 29,933.8 | 25,403.8 |
| 2. Carry-In Orders | 0.0 | 0.0 | 0.0 |
| 3. Total Gross Orders | 22,288.8 | 29,933.8 | 25,403.8 |

FY 2017 President's Budget
Revenue and Expenses
Defense Commissary Agency
Commissary Operations
(Dollars in Thousands)

| | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|--|--------------------|--------------------|--------------------|
| Revenue: | | | |
| Operations | | | |
| Services Reimbursement | 1,114,731.2 | 876,154.0 | 1,214,045.0 |
| Army | | | 506,256.8 |
| Air Force | | | 339,932.6 |
| Navy | | | 264,661.8 |
| United States Marine Corps | | | 103,193.8 |
| Adjustment 1 | 190,000.0 | 278,000.0 | |
| Adjustment 2 | | 281,200.0 | |
| Other Income | 22,288.8 | 29,933.8 | 25,403.8 |
| Total Income: | 1,327,020.0 | 1,465,287.8 | 1,239,448.8 |
| Expenses: | | | |
| Salaries and Wages: | | | |
| Military Personnel Compensation & Benefits | 457.9 | 471.1 | 479.6 |
| Civilian Personnel Compensation & Benefits | 735,910.8 | 766,658.0 | 762,593.8 |
| Travel & Transportation of Personnel | 5,717.3 | 8,749.8 | 8,921.4 |
| Materials & Supplies (for Internal Operations) | 48,715.7 | 52,598.1 | 53,319.4 |
| Other Purchases from Revolving Funds | 33,360.4 | 37,890.9 | 38,917.0 |
| Transportation of Things | 172,408.1 | 163,047.9 | 127,413.8 |
| Depreciation - Capital | 5,985.5 | 8,324.7 | 8,357.5 |
| Printing & Reproduction | 207.7 | 282.5 | 282.2 |
| Advisory & Assistance Services | 2,078.8 | 0.0 | 0.0 |
| Rent, Communication & Misc. Charges | 121,234.7 | 146,245.9 | 147,643.9 |
| Other Purchased Services | 201,121.8 | 228,571.7 | 231,903.3 |
| Total Expenses | 1,327,198.6 | 1,412,840.7 | 1,379,831.8 |
| Operating Result | (178.6) | 52,447.1 | (140,383.0) |
| Plus Other Revenues Affecting NOR/AOR | 0.0 | 0.0 | 0.0 |
| Net Operating Result | (178.6) | 52,447.1 | (140,383.0) |
| Accumulated Operating Result | 213,003.5 | 265,450.6 | 125,067.5 |

Fund 14 Revenue and Expenses
February 2016

FY 2017 President's Budget
 Defense Commissary Agency
 Commissary Operations Capital Investment Summary
 (\$ in Millions)

| Line Number | Item Description | FY 2015 | | FY 2016 | | FY 2017 | |
|-------------|---|----------|------------|----------|------------|----------|------------|
| | | Quantity | Total Cost | Quantity | Total Cost | Quantity | Total Cost |
| | PY requires Line Item detail for all categories | | | | | | |
| | Non-ADPE Equipment | | | | | | |
| | - Vehicles | | | | | | |
| | - Material Handling | | | | | | |
| | - Installation Security | | | | | | |
| | - Quality Control Security | | | | | | |
| | - Medical Equipment | | | | | | |
| | - Machinery | | | | | | |
| 2000 | ADPE & Telecomm Equipment | | | | | | |
| | - Computer Hardware (Production) | | | | | | |
| 2003 | Corp Server III | 1 | 4.191 | 1 | 2.818 | 3 | 3.702 |
| 2005 | Enterprise Business Solution | | | 1 | 5.418 | 1 | 1.567 |
| 2008 | Enterprise Data Warehouse | | | | | 1 | 5.143 |
| 2009 | CARTS Resource Management | 1 | 11.266 | | | | |
| 2010 | Network Infrastructure | | | | | 1 | 0.300 |
| | - Computer Hardware (Network) | | | | | | |
| 2006 | COOP | | | 1 | 1.000 | 1 | 1.000 |
| | - Computer Software (Operating System) | | | | | | |
| 2008 | Enterprise Data Warehouse | | | | | 1 | 1.925 |
| | Software Development >250K | | | | | | |
| | - Internally Developed | | | | | | |
| | - Externally Developed | | | | | | |
| 2005 | Enterprise Business Solution | | | | | 1 | 6.343 |
| | Minor Construction | | | | | | |
| | - Replacement | | | | | | |
| | - New Construction (Staircase) | 1 | 0.286 | | | | |
| | - Environmental | | | | | | |
| | TOTAL OBLIGATIONS * | 2 | 15.743 | 3 | 9.236 | 9 | 19.980 |
| | Total Capital Outlays | | 14.993 | | 10.537 | | 17.831 |
| | Total Depreciation Expense | | 5.986 | | 8.325 | | 8.366 |
| | * Differences are due to rounding | | | | | | |

| Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands) | | | | FY 2017 President's Budget | | | | | |
|--|----------|-----------|--|----------------------------|-----------|------------|----------|-----------|------------|
| C. Line No & Item Description 2009. CARTS CAP | | | D. Activity ID Defense Commissary Agency (DeCA) | | | | | | |
| Element of Cost | FY 2015 | | | FY 2016 | | | FY 2017 | | |
| | 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 CARTS Computer Software (Operating System) Project Name >=\$1M CARTS Telecoms, Other Computer & Telecom Equip | 1 | 11,265.8 | 11,265.8 | | | | | | |
| Software (Named Line Items > \$1M) | | | | | | | | | |
| Minor Construction Capability Replacement Productivity New Mission Environmental | | | | | | | | | |
| <p><u>Narrative Justification:</u> In FY15, the CARTS Sustainment Program received \$11,265.8M in capital funds for a technological advance and Presidential Mandate to increase security features on payment systems. The BuySecure Executive Order 13681 enhanced security features in Chip and PIN technology. The upgraded technology provided end-to-end encryption, enterprise pin pad replacement, and an upgrade of self-checkout registers to accept Europay, MasterCard, and Visa (EMV).</p> <p><u>Economic Analysis Summary:</u> This effort was an Executive Order.</p> <p><u>Impact of Proposed Capital Investment Disapproval:</u> If not approved, DeCA would increase patron's exposure to payment breaches through its pin pads.</p> | | | | | | | | | |

| Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands) | | | | FY 2017 President's Budget | | | | | |
|---|----------|-----------|--|----------------------------|-----------|------------|----------|-----------|------------|
| C. Line No & Item Description 2006. COOP | | | D. Activity ID Defense Commissary Agency (DeCA) | | | | | | |
| Element of Cost | FY 2015 | | | FY 2016 | | | FY 2017 | | |
| | 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 | | | | 1 | 1,000.0 | 1,000.0 | 1 | 1,000.0 | 1,000.0 |
| Computer Software (Operating System) Project Name >=\$1M COOP | | | | | | | | | |
| Telecoms, Other Computer & Telecom Equip | | | | | | | | | |
| Software (Named Line Items > \$1M) | | | | | | | | | |
| Minor Construction Capability Replacement Productivity New Mission Environmental | | | | | | | | | |
| <p><u>Narrative Justification:</u> 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 due to be completed in Oct 2013.</p> <p><u>Economic Analysis Summary:</u> 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><u>Impact of Proposed Capital Investment Disapproval:</u></p> <ul style="list-style-type: none"> • 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 Continuty planning Guidance Homeland Security Presidential Directive (HSPD)-5 | | | | | | | | | |

| Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands) | | | | FY 2017 President's Budget | | | | | |
|---|----------|-----------|------------|--|-----------|------------|----------|-----------|------------|
| C. Line No & Item Description 2003. CORP Servers | | | | D. Activity ID Defense Commissary Agency (DeCA) | | | | | |
| Element of Cost | FY 2015 | | | FY 2016 | | | FY 2017 | | |
| | 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 | 1 | 4,191.0 | 4,191.0 | 1 | 2,818.1 | 2,818.1 | 3 | 1,234.0 | 3,702.0 |
| Software (Named Line Items > \$1M) | | | | | | | | | |
| Minor Construction Capability Replacement Productivity New Mission Environmental | | | | | | | | | |
| <p><u>Narrative Justification:</u> 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 2015, Capital funding was used to replace existing outdated, unsupported HP-Unix servers (Itanium I) and end of life (EOL) Dell Servers. FY 2016 Capital funding will be used to replace unsupported, EOL HP-Unix Itanium II) and end of life Dell servers. In FY 2017 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><u>Economic Analysis Summary:</u> 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><u>Impact of Proposed Capital Investment Disapproval:</u> 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 2017 President's Budget | | | | | |
|---|----------|-----------|------------|--|-----------|------------|----------|-----------|------------|
| C. Line No & Item Description 2005. Enterprise Business Solution System (EBS) | | | | D. Activity ID Defense Commissary Agency (DeCA) | | | | | |
| Element of Cost | FY 2015 | | | FY 2016 | | | FY 2017 | | |
| | 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 Computer Software (Operating System) Project Name >=\$1M EBS Telecoms, Other Computer & Telecom Equip | | | | 1 | 5,418.0 | 5,418.0 | 1 | 1,566.5 | 1,566.5 |
| 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>Narrative Justification: 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>Economic Analysis Summary: 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. EBS standardization, simplify, eliminate stovepipes, and enable End-To-End business processes that improve DeCA operations. The MSSM IRB has approved \$16.24M in FY12 for EBS with an estimated obligation date of 1Mar2013.</p> <p>Impact of Proposed Capital Investment Disapproval: 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 2017 President's Budget | | | | | |
|---|----------|-----------|------------|--|-----------|------------|----------|-----------|------------|
| C. Line No & Item Description 2008. Enterprise Data Warehouse (EDW) | | | | D. Activity ID Defense Commissary Agency (DeCA) | | | | | |
| Element of Cost | FY 2015 | | | FY 2016 | | | FY 2017 | | |
| | 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 |
| Computer Software (Operating System) Project Name >=\$1M EDW Telecoms, Other Computer & Telecom Equip | | | | | | | | | |
| Software (Named Line Items > \$1M) Computer Software (Operating System) Project Name >=\$1M EDW | | | | | | | 1 | 1,925.0 | 1,925.0 |
| Minor Construction Capability Replacement Productivity New Mission Environmental | | | | | | | | | |
| <p><u>Narrative Justification:</u> 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 FY17, \$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. 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 FY22.</p> <p><u>Economic Analysis Summary:</u> 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><u>Impact of Proposed Capital Investment Disapproval:</u> 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 2017 President's Budget | | | | | |
|--|----------|-----------|------------|--|-----------|------------|----------|-----------|------------|
| C. Line No & Item Description 2010. Network Infrastructure (NI) | | | | D. Activity ID Defense Commissary Agency (DeCA) | | | | | |
| Element of Cost | FY 2015 | | | FY 2016 | | | FY 2017 | | |
| | 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 |
| Software (Named Line Items > \$1M) Computer Software (Operating System) Project Name >=\$1M NI | | | | | | | | | |
| Minor Construction Capability Replacement Productivity New Mission Environmental | | | | | | | | | |
| <p><u>Narrative Justification:</u> 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><u>Economic Analysis Summary:</u> 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><u>Impact of Proposed Capital Investment Disapproval:</u> The Agency's business operations and commissary patron information would be placed in jeopardy of potential unlawful compromise.</p> | | | | | | | | | |

FY 2017 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 | 15.5 | 15.5 | 0.0 | |
| Software Development | 0.0 | 0.0 | 0.0 | |
| Minor Construction | 0.3 | 0.3 | 0.0 | |
| Total FY 2015 | 15.7 | 15.7 | 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 | 9.2 | 9.2 | 0.0 | |
| Software Development | 0.0 | 0.0 | 0.0 | |
| Minor Construction | 0.0 | 0.0 | 0.0 | |
| Total FY 2016 | 9.2 | 9.2 | 0.0 | |

FY 2017 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 | 0.0 | 0.0 | |
| Software Development | 6.3 | 0.0 | 0.0 | |
| Minor Construction | 0.0 | 0.0 | 0.0 | |
| Total FY 2017 * | 20.0 | 0.0 | 0.0 | |

* Differences are due to rounding