

**DEFENSE COMMISSARY AGENCY (DeCA)**

**Fiscal Year (FY) 2018  
President's Budget  
May 2017**

**OPERATING AND CAPITAL BUDGET**

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**DEFENSE COMMISSARY AGENCY  
DeCA WORKING CAPITAL FUND  
FY 2018 PRESIDENT'S BUDGET  
May 2017**

**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 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 groceries and household products at 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

The commissaries received from our patrons an overall score of 4.5 out of 5 in the Commissary Customer Satisfaction Survey (CCSS). The FY 2018 CCSS goal is  $\geq$  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 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 \$1,389.3 million for FY 2018. 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 2018 is \$5,145.5 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 5.4 million households. Defense commissaries process over 86.7 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 2018 with 238 commissaries, five Commissary and Exchange operations located overseas (NexMarts), nine distribution centers, and a meat processing plant located in Germany.

c. Location: 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 2018 DeCA projects a civilian end-strength of 16,169 and a full-time equivalent (FTE) level of 14,167 (12,957 Direct Hire and 1,210 Foreign National Indirect Hire). 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 2018 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.

<b>End Strength and Full-time Equivalents (FTEs)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Civilian End Strength	15,763	16,097	16,169
Direct Hire - US	13,953	14,247	14,247
Direct Hire - FN	616	547	612
Indirect Hire - FN	1,194	1,303	1,310
Military End Strength	4	4	4
Civilian FTEs	13,719	14,330	14,167
Direct Hire - US	11,948	12,480	12,406
Direct Hire - FN	584	547	551
Indirect Hire - FN	1,187	1,303	1,210
Military FTEs	4	4	4

The DeCA's foreign currency (FC) submission for FY 2018 is based on the Department of Defense guidance that rates should be based on DeCA's most recent experience. The DeCA sets its own foreign currency rates because of the unique nature of its operating environment and its ability to return any gains to the Services (the source of funding) and seek additional funding from the Services for losses.

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

<b>DeCA</b>	<b>Current</b>	<b>Proposed</b>
Euro	0.7232	0.8900
Pound	0.6239	0.7500
Lira	2.0200	2.8300
Won	1112.8100	1151.0000
Yen	97.0800	111.5000

### **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 on "going green" is part of an ongoing culture at DeCA. The agency recycled almost 1.12 million pounds of cardboard, over 3.7 million pounds of plastic, almost 421,000 pounds of metal, nearly 854, 000 pounds of wood and over 9.5 million pounds of pallets. Commissaries also recycled almost 1.5 million pounds of bones and fats, almost 30,000 pounds of kitchen grease and recovered over 5 million pounds of organic products.

The DeCA embodies a culture of efficiency and continually seeks to reduce costs thus being good stewards of the taxpayer dollar. The FY 2018 request includes efforts to make some specific changes to operations that will sustain patron savings and improve the shopping experience to ensure the commissary benefit is sustained 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 will be 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 allows 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.

The success of these transformation efforts will ensure the commissary benefit remains relevant while offering savings to our soldiers and their families.

"Your Commissary, it is worth the trip!"

**DEFENSE COMMISSARY AGENCY  
DECA WORKING CAPITAL FUND  
COMMISSARY RESALE STOCKS  
FY 2018 PRESIDENT'S BUDGET  
May 2017**

The Defense Commissary Agency's (DeCA) Resale Stocks activity funds the acquisition of groceries and other household items to stock the 238 Commissaries around the world. Commissaries provide considerable savings over commercial grocery stores. Historically, DeCA measured savings across the enterprise by comparing prices for the entire country. In FY 2018, a new methodology will be implemented to account for variances in cost of living, by geographic region, to improve the accuracy of this metric. Commissary stores 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 utilizes contract authority to purchase inventory items and is reimbursed by customer sales collections. The DeCA requests budget authority of \$5,155.6 million in FY 2018 for the Resale Stocks account, which includes contract authority and the authority to accept offsetting collections (i.e., sales).

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 2016 patrons gave the commissaries an overall score of 4.5 out of 5 in the Customer Service Survey (CCSS). The FY 2018 CCSS goal is  $\geq 4.6$ . 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?)

The DeCA demonstrates industry-leading efficiency by the continued standardization of store-level practices and procedures which have improved store operations. Standardization practices in particular have improved inventory control levels.

<b><u>Workload Indicators</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>
Number of Commissaries (BOY)	240	238	238
Resale Stocks Sales (\$M)	5,251.6	5,589.2	5,145.5
Ending Inventory On Hand (\$M)	398.2	404.7	374.4

<b><u>Performance Measures</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>
Inventory Turns (Average # per Year)	14.0	15.4	14.1
Customer Savings	23.7%	23.7%	23.7%
Commissary Customer Satisfaction Survey (CCSS)	4.5	≥4.6	≥4.6
American Customer Satisfaction Index (ACSI) <small>(Source for Supermarket Data is Supermarket Facts Industry)</small>	DeCA 74 Industry 73	DeCA Exceed Industry Average	DeCA Exceed Industry Average

<b><u>Financial Recap</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>
Revenue (\$ Millions)	5,266.5	5,600.2	5,154.5
Cost of Goods Sold (\$ Millions)	5,277.0	5,619.3	5,155.6
Net Operating Results (\$ Millions)	(10.5)	(19.1)	(1.1)
Accumulated Operating Results	0.0	0.0	0.0
Unit Cost (Per \$ of Sales)	1.00	1.00	1.00

The Commissary Resale Stocks account provides one of the highest-valued, top-rated military non-pay benefits as well as a balanced inventory of products. The DeCA continues to provide essential services for the military family. Military service members receive a secure and familiar 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 2018 President's Budget**  
**Defense Commissary Agency**  
**Commissary Resale Stocks**  
**Source of New Orders and Revenue**  
**(\$ in Millions)**

	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</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	0.7	0.7	0.7
Non Federal Agencies	5,250.8	5,588.5	5,144.8
Total New Orders	5,251.6	5,589.2	5,145.5
2 . Carry-in Orders			
3. Total Gross Orders	5,251.6	5,589.2	5,145.5
4. Carry-Out Orders			
5. Gross Sales	5,251.6	5,589.2	5,145.5
6. Credit	14.9	11.0	9.0
7. Net Sales	5,266.5	5,600.2	5,154.5

FY 2018 President's Budget  
 Defense Commissary Agency  
 Commissary Resale Stocks  
 Revenue and Expense  
 (\$ in Millions)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
<b>Revenue:</b>			
Gross Sales	5,251.6	5,589.2	5,145.5
Operations	5,251.6	5,589.2	5,145.5
Capital Surcharge			
Depreciation excluding Major Construction			
Other Income			
Refunds/Discounts	14.9	11.0	9.0
Total Income:	5,266.5	5,600.2	5,154.5
<b>Expenses:</b>			
Cost of Material Sold from Inventory	5,277.0	5,619.3	5,155.6
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	5,277.0	5,619.3	5,155.6
Operating Result	(10.5)	(19.1)	-1.1
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	(10.5)	(19.1)	-1.1
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	20.2	1.1	0.0



FY 2018  
 President's Budget  
 Defense Commissary Agency  
 Supply Management by Division  
 (\$ in Millions)

FY 2017									
Obligation Targets									
Business Division	Net Customer Orders	Net Sales	Operating	Mobilization	Direct Appn	Total Operating Obligations	Total Capital Obligations	Varability Target	Target Total
Commissary Resale Stock	5,619.3	5,600.2	5,619.3			5,619.3			5,619.3

FY 2018  
 President's Budget  
 Defense Commissary Agency  
 Supply Management by Division  
 (\$ in Millions)

FY 2018									
Obligation Targets									
Business Division	Net Customer Orders	Net Sales	Operating	Mobilization	Direct Appn	Total Operating Obligations	Total Capital Obligations	Varability Target	Target Total
Commissary Resale Stock	5,155.6	5,154.5	5,155.6			5,155.6			5,155.6

FY 2016 BUDGET		DIVISION		May 2017	
		Commissary Resale Stocks			
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT					
INVENTORY STATUS		TOTAL	MOBILIZATION	PEACETIME OPERATING	PEACETIME OTHER
1.	INVENTORY BOP	372.5		372.5	
2.	BOP INVENTORY ADJUSTMENTS				
	a. RECLASSIFICATION CHANGE (Memo)				
	b. PRICE CHANGE AMOUNT (Memo)				
	c. INVENTORY RECLASSIFIED AND REPRICED				
3.	RECEIPTS AT STANDARD	5,277.0		5,277.0	
4.	SALES AT STANDARD	5,251.6		5,251.6	
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)	0.3		0.3	
	h. TOTAL ADJUSTMENTS				
6.	INVENTORY EOP	398.2		398.2	
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)	-		-	
9.	NARRATIVE (Explanation of unusual changes)				
5g. Net Inventory Allowance Gains or loss					

FY 2017 BUDGET		DIVISION		May 2017	
		Commissary Resale Stocks			
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT					
INVENTORY STATUS		TOTAL	MOBILIZATION	PEACETIME OPERATING	PEACETIME OTHER
1.	INVENTORY BOP	398.2		398.2	
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)	(23.6)		(23.6)	
	h. TOTAL ADJUSTMENTS				
6.	INVENTORY EOP	404.7		404.7	
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)	1.9		1.9	
9.	NARRATIVE (Explanation of unusual changes)				

5g. Net Inventory Allowance Gains or loss

FY 2018 BUDGET		DIVISION		May 2017	
		Commissary Resale Stocks			
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT					
INVENTORY STATUS		TOTAL	MOBILIZATION	PEACETIME OPERATING	PEACETIME OTHER
1.	INVENTORY BOP	404.7		404.7	
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)	(40.4)		(40.4)	
	h. TOTAL ADJUSTMENTS				
6.	INVENTORY EOP	374.4		374.4	
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



**DEFENSE COMMISSARY AGENCY  
DeCA WORKING CAPITAL FUND  
COMMISSARY OPERATIONS  
FY 2018 PRESIDENT'S BUDGET  
MAY 2017**

**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 238 commissaries (FY 2018). 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 \$1,389.3 million in FY 2018 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 \$21.2 million 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.

**BUDGET HIGHLIGHTS:**

<b>Service Reimbursement</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Transferred	1,435.4		
Total Appropriation		1,214.0	1,389.3
Previous Transfers			
Services Transfer (Appropriation request)			1,389.3
Army			579.4
Air Force			389.0
Navy			302.9
Marines			118.1

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

**FY 2018 President's Budget**  
**Defense Commissary Agency**  
**Commissary Operations**  
**Changes in the Costs of Operation**  
**(\$ in Millions)**

	<u>Costs</u>
1. FY 2016 Actual	1,270.4
2. FY 2017 in President's Budget Submission	1,379.8
3. Pricing Adjustments	
4. Program Changes	0.0
5. Productivity Initiatives and Other Efficiencies	0.0
6. Other Changes	0.0
7. FY 2017 Current Estimate:	1,379.8
8. Pricing Adjustments:	
Civilian Personnel Pay Raises	4.6
General Purchase Inflation	0.6
9. Program Changes:	
10. Productivity Initiatives and Other Efficiencies	
SRRB	(1.3)
11. Other Changes	
12. FY 2018 Estimate:	1,383.7

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

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</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	8,506.1	9,314.1	8,707.2
IMCOM MWR FF&V Transport	(202.8)	891.5	0.0
DLA Troop Support	0.0	75.5	0.0
DoD Civilian Expeditionary Workforce Program	0.0	178.1	179.0
DAU Acquisition Services	53.7	0.0	374.1
b. Orders from other Fund Activity Group	753.8	787.9	799.6
c. Total DoD	9,110.8	11,247.1	10,059.9
d. Other Orders:			
Other Federal Agencies	3,627.1	3,131.8	3,015.2
Non Federal Agencies	8,110.1	11,024.9	8,101.6
Total New Orders	20,848.0	25,403.8	21,176.7
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	20,848.0	25,403.8	21,176.7

FY 2018 President's Budget  
Revenue and Expenses  
Defense Commissary Agency  
Commissary Operations  
(Dollars in Thousands)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
<b>Revenue:</b>			
<b>Operations</b>			
<b>Services Reimbursement</b>	876,154.0	1,214,045.0	1,389,340.0
Army			579,354.8
Air Force			389,015.2
Navy			302,876.1
United States Marine Corps			118,093.9
Adjustment 1	278,000.0		
Adjustment 2	281,200.0		
Other Income (Reimbursements)	20,848.0	25,403.8	21,176.7
<b>Total Income:</b>	<b>1,456,202.0</b>	<b>1,239,448.8</b>	<b>1,410,516.7</b>
<b>Expenses:</b>			
<b>Salaries and Wages:</b>			
Military Personnel Compensation & Benefits	475.6	479.6	489.1
Civilian Personnel Compensation & Benefits	750,372.5	762,593.8	785,348.4
Travel & Transportation of Personnel	6,182.6	8,921.4	8,932.1
Materials & Supplies (for Internal Operations)	48,128.6	53,319.4	53,477.6
Other Purchases from Revolving Funds	32,675.6	38,917.0	38,825.3
Transportation of Things	108,320.1	127,413.8	127,491.9
Depreciation - Capital	7,780.5	8,357.5	8,407.0
Printing & Reproduction	193.6	282.2	282.7
Advisory & Assistance Services	3,966.1	0.0	0.0
Rent, Communication & Misc. Charges	109,303.0	147,643.9	130,215.7
Other Purchased Services	203,002.8	231,903.3	230,252.7
<b>Total Expenses</b>	<b>1,270,401.0</b>	<b>1,379,831.9</b>	<b>1,383,722.5</b>
<b>Operating Result</b>	<b>185,801.0</b>	<b>(140,383.1)</b>	<b>26,794.2</b>
<b>Plus Other Revenues Affecting NOR/AOR</b>	<b>0.0</b>	<b>0.0</b>	<b>-50,000.0</b>
<b>Net Operating Result</b>	<b>185,801.0</b>	<b>(140,383.1)</b>	<b>-23,205.8</b>
<b>Accumulated Operating Result</b>	<b>352,932.7</b>	<b>212,549.6</b>	<b>189,343.8</b>

FY 2018 President's Budget Submission  
 Defense Commissary Agency  
 Commissary Operations Capital Investment Summary  
 (\$ in Millions)

Line <u>Number</u>	Item <u>Description</u>	FY 2016		FY 2017		FY 2018	
		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	1	2.043	3	3.702	1	2.750
2005	Enterprise Business Solution	1	1.078	1	1.567	1	1.538
2008	Enterprise Data Warehouse			1	5.143	1	5.143
2009	CARTS Resource Management						
2010	Network Infrastructure			1	0.300	1	1.200
2011	DERMAS					1	0.116
	- Computer Hardware (Network)						
2006	COOP	1	0.774	1	1.000		
	- Computer Software (Operating System)						
2005	Enterprise Business Solution	1	4.309			1	1.277
2006	COOP	1	0.062				
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>	5	8.267	9	19.980	7	16.3485
	<b>Total Capital Outlays</b>		27.630		17.831		31.754
	<b>Total Depreciation Expense</b>		7.781		8.366		9.244
	* Differences are due to rounding						

Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				FY 2018 President's Budget					
C. Line No & Item Description 2006. COOP				D. Activity ID Defense Commissary Agency (DeCA)					
Element of Cost	FY 2016			FY 2017			FY 2018		
	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	774.4	774.4	1	1,000.0	1,000.0			
Computer Software (Operating System) Project Name >=\$1M COOP Telecoms, Other Computer & Telecom Equip	1	62.3	62.3						
Software (Named Line Items > \$1M)									
Minor Construction Capability Replacement Productivity New Mission Environmental									
<p><b>Narrative Justification:</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>Economic Analysis Summary:</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>Impact of Proposed Capital Investment Disapproval:</b></p> <ul style="list-style-type: none"> <li>• DeCA will continue to incur increased maintenance and sustainment costs for outdated infrastructure.</li> <li>• DeCA will not reduce system integration complexities.</li> <li>• DeCA will not have COOP/DR capabilities.</li> <li>• DeCA will not comply with DoD and/or Federal Standards:</li> <li>• DeCA Non-Compliant:DIACAP</li> <li>• DeCA Non-Compliant:FISMA</li> <li>• National Institute of Standards and Technology (NIST) Special Publication 800-34</li> <li>• Federal Emergency Management Agency (FEMA) Business Continuity planning Guidance Homeland Security Presidential Directive (HSPD)-5</li> </ul>									

Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				FY 2018 President's Budget					
C. Line No & Item Description 2003. CORP Servers				D. Activity ID Defense Commissary Agency (DeCA)					
Element of Cost	FY 2016			FY 2017			FY 2018		
	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	2,042.8	2,042.8	3	1,234.0	3,702.0	1	2,750.0	2,750.0
Software (Named Line Items > \$1M)									
Minor Construction Capability Replacement Productivity New Mission Environmental									
<p><b>Narrative Justification:</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>Economic Analysis Summary:</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>Impact of Proposed Capital Investment Disapproval:</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 2018 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 2016			FY 2017			FY 2018		
	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	1,078.3	1,078.3	1	1,566.5	1,566.5	1	1,537.5	1,537.5
Computer Software (Operating System) Project Name >=\$1M EBS	1	4,309.0	4,309.0				1	1,276.7	1,276.7
Telecoms, Other Computer & Telecom Equip									
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>Narrative Justification:</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>Economic Analysis Summary:</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>Impact of Proposed Capital Investment Disapproval:</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 2018 President's Budget					
C. Line No & Item Description 2008. Enterprise Data Warehouse (EDW)				D. Activity ID Defense Commissary Agency (DeCA)					
Element of Cost	FY 2016			FY 2017			FY 2018		
	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)				1	5,143.0	5,143.0	1	5,143.0	5,143.0
Project Name >=\$1M EDW									
Computer Software (Operating System)				1	1,925.0	1,925.0	1	1,925.0	1,925.0
Project Name >=\$1M EDW									
Telecoms, Other Computer & Telecom Equip									
Software (Named Line Items > \$1M)									
Computer Software (Operating System)									
Project Name >=\$1M EDW									
Minor Construction Capability									
Replacement									
Productivity									
New Mission									
Environmental									
<p>Narrative Justification: 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>Economic Analysis Summary: 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>Impact of Proposed Capital Investment Disapproval: 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 2018 President's Budget					
C. Line No & Item Description 2011. DERMAS				D. Activity ID Defense Commissary Agency (DeCA)					
Element of Cost	FY 2016			FY 2017			FY 2018		
	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							1	116.3	116.3
Computer Software (Operating System) Project Name >=\$1M DERMAS Telecoms, Other Computer & Telecom Equip									
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>Narrative Justification: 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>Economic Analysis Summary: 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>Impact of Proposed Capital Investment Disapproval: 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 2018 President's Budget					
C. Line No & Item Description 2010. Network Infrastructure (NI)				D. Activity ID Defense Commissary Agency (DeCA)					
Element of Cost	FY 2016			FY 2017			FY 2018		
	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
Software (Named Line Items > \$1M) Computer Software (Operating System) Project Name >=\$1M NI									
Minor Construction Capability Replacement Productivity New Mission Environmental									
<p><b>Narrative Justification:</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>Economic Analysis Summary:</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>Impact of Proposed Capital Investment Disapproval:</b> The Agency's business operations and commissary patron information would be placed in jeopardy of potential unlawful compromise.</p>									

**FY 2018 President's Budget Submission**  
**Defense Commissary Agency**  
**Capital Budget Execution**  
**(\$ in Millions)**

<b>Major Category</b>	<b><u>Initial Request</u></b>	<b><u>Current Proj Cost</u></b>	<b><u>Approved Change</u></b>	<b><u>Explanation</u></b>
Non-ADPE	0.0	0.0	0.0	
ADPE and Telecom	10.2	8.3	1.9	COOP and CORP Initiatives were accomplished at a more efficient rate than projected for.
Software Development	0.0	0.0	0.0	
Minor Construction	0.0	0.0	0.0	
Total FY 2016	10.2	8.3	1.9	

<b>Major Category</b>	<b><u>Initial Request</u></b>	<b><u>Current Proj Cost</u></b>	<b><u>Approved Change</u></b>	<b><u>Explanation</u></b>
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 2018 President's Budget Submission  
 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	

\* Differences are due to rounding