

**DEFENSE COMMISSARY AGENCY
(DeCA)
WORKING CAPITAL FUND**

**FISCAL YEAR (FY) 2002 AMENDED BUDGET
SUBMISSION**

OPERATING AND CAPITAL BUDGET



**JUNE 2001
CONGRESSIONAL DATA**

DEFENSE COMMISSARY AGENCY - CORPORATE OVERVIEW
DeCA WORKING CAPITAL FUND
COMMISSARY RESALE STOCKS AND COMMISSARY OPERATIONS

The Defense Commissary Agency (DeCA) provides valuable non-pay compensation by operating military commissaries worldwide. Commissaries sell food and related household items to active and reserve members of the Military Departments, their families, retirees, and other authorized patrons. These items are priced to recover product cost and also provide the commissary patron direct savings of almost 30 percent off the typical market basket. This savings is an integral non-pay component of the total military compensation package and is instrumental in recruiting and retaining military members, for fostering a sense of community, and for maintaining a positive sense of quality of life, especially in overseas communities and remote locations. Fifty-six point eight percent of commissary shoppers selected the commissary benefit as their number one benefit in the 1999 DeCA survey. Additionally, the Commissary benefit ranked second for Enlisted members and third for Officers in the Rank Order of Quality of Life Factors that were Satisfiers and Reasons to Stay in the Military, in an August 1999 GAO Report. Military members have embraced this valuable contribution to their lifetime compensation package and consider it to be one of the most important non-pay compensations they receive.

DeCA headquarters and field operating activities are located at Fort Lee, Virginia. There are 4 region offices, 33 zones, 288 commissaries, and 12 Navy Exchange Marts (NEXMARTs) on military installations worldwide. DeCA employs approximately 18,000 personnel, has annual sales of \$5.2 billion, and has an annual operating budget of approximately \$1.4 billion (\$1.1 billion in DeCA Working Capital Fund (DeCA WCF) Commissary Operations, \$6.3 million in DeCA WCF Capital and \$268 million in Surcharge Collections).

DeCA also uses services from Defense Logistics Agency (DLA), Defense Finance and Accounting Service (DFAS), Defense Information Services Agency (DISA), US Transportation Command (USTRANSCOM), and the Military Departments for support in areas associated with procuring fresh fruits and vegetables, disbursing services, construction, transportation, and local base support.

I. OPERATING AND CAPITAL BUDGETS

DeCA financially manages two activity groups within the Defense Working Capital Fund (DWCF): Commissary Resale Stocks and Commissary Operations. DeCA is also responsible for cash management.

a. Commissary Resale Stocks finances the purchase of inventory for resale to authorized patrons. Authorized patrons are unlike the typical DoD customer, which is normally a government entity

financed by an appropriation. DeCA patrons are cash paying commissary customers who predicate their demand based on military paydays, i.e. the first and fifteenth of each month. Products offered by commissaries include groceries, meat, poultry, fruits, vegetables, dairy products, and household products. There is no requirement for appropriated fund support in FY 2002. Projected sales for FY 2002 are \$5.2 billion.

b. Commissary Operations finances operating costs for resale stores, agency and region headquarters, field operating activities, and support services. Specific costs include civilian and military labor, labor contracts, travel, transportation of commissary goods overseas, and other indirect support. The primary revenue source for this activity group is appropriated funds that are transferred from the Military Departments Operations and Maintenance Accounts. Commissary Operations also receives additional revenues, about \$40 million, from manufacturers' coupon redemption fees, handling fees for tobacco products, and reimbursements for other support. Commissary Operations unit cost goal is based on sales as the output.

Surcharge Collections represents a third major source for funding commissary operations. Surcharge Collections is a trust fund primarily funded by a five percent surcharge applied to patron sales at the check-out counter. This fund was established by law, so authorized patrons share responsibility for overall costs of commissary operations, including information management equipment and support, and commissary construction program. This fund also receives revenue from prompt payment discounts, the sale of used cardboard and equipment, and services provided to others.

A strategy was developed during FY 2000 to guide the future of DeCA and strengthen the commissary benefit. A cornerstone of the strategy is the infrastructure revitalization plan, which reduces costs, reverses the decline in stores' physical structure, and improves store operations. Operational expenses funded by surcharge have escalated to the point where funds available for store revitalization are inadequate. To reverse this trend, the FY 2001 National Defense Authorization Act (NDAA) consolidates all building, renovation, repair and maintenance costs to the surcharge fund, and funds all operational costs with appropriated funds beginning in FY 2002. This will substantially increase funds available for store infrastructure revitalization but results in more operational expenses (\$87.1 million in FY 2002). This funding increase and capital authority needed for information technology initiatives are reflected in this budget submission and complies with the FY 2001 NDAA.

II. WORKLOAD ASSUMPTIONS

The annual sales forecast for FY 2002 is \$5.2 billion. Sales are the primary factor in determining DeCA's workload; however, there are many other factors that influence workload; e.g., authorized patrons, number and location of commissaries, operating hours and days, distribution systems, information management systems, facility condition, and regulatory and statutory requirements.

a. DeCA's total authorized patron base is approximately nine million. DeCA's customers include active duty military members, reserve component members, retired personnel and their families, government departments or agencies, and DoD civilians in overseas areas.

b. DeCA plans to begin FY 2002 with 288 commissaries. There are also 12 NEXMARTs, which combine commissary and exchange operations at small locations overseas. The Navy Exchange Command (NEXCOM) manages these stores, but DeCA provides the resale inventory and reimburses NEXCOM for total costs of commissary operations.

c. DeCA operates 11 central distribution centers (CDC) to support inventory requirements: 3 in Europe and 8 in the Western Pacific.

d. DeCA reduced inventory investment by reducing the terms of days of supply by 39 percent through FY 2002 and decreasing the on-hand inventory level by over 30 percent from the levels maintained by the Military Departments prior to FY 1992.

Commissary operating hours and days are determined by sales, patron demographics, and local installation needs. Due to funding limitations, commissaries are open an average of 50 hours a week. This is significantly less than the commercial grocery store average of 117 hours. This high sales volume, coupled with limited hours, has an extensive impact on store construction, store layout, and overall operations.

Studies conducted by industries have identified limited operating hours as the number one area for improvement. Limited hours present a problem for two reasons: (1) “often can’t shop after work/evenings, when they need to shop” and (2) “forced to shop when everyone else is, adding to the crowding issue.” Accordingly, to make commissaries more accessible to patrons, DeCA sustained increased operating hours in 134 stores, including 39 stores which are now open seven days a week, by reallocating hours from existing stores and adding hours to the baseline. Change in operating hours was based on business results and required quality of life criteria providing improved accessibility for the patron. Sales growth at expanded operating hour locations, for the first ten months of FY 2000, was over \$44 million or almost three percent higher than those without expanded hours.

The Base Realignment and Closure (BRAC) program will impact commissary operations during this budget cycle. Four commissaries, Fort McClellan (Alabama), El Toro MCAS (California), Mallonee Village (North Carolina) and C. M. Price Support Center (Illinois), closed in FY 2000 while three new commissaries, Fort Bragg South, Ankara (Turkey), and Mineo (Italy) opened. Sugar Grove (West Virginia) will open and Sierra Army Depot (Nevada) will close in FY 2001.

DeCA projects 17,987 civilians in FY 2002. Full-time equivalent (FTE) level for FY 2002 is 16,456. Civilian FTEs are consistently below the civilian end strength levels because DeCA uses a mix of full-time, part-time, and intermittent employees to provide scheduling flexibility required by commissaries. Military personnel strength will increase by 1, from 12 to 13, beginning in FY 2002 to account for the Director’s position. DeCA has been successful in reducing FTEs by outsourcing certain functions and services under OMB Circular A-76 procedures. DeCA plans to aggressively pursue, at every opportunity, competition and privatization A-76 cost studies. Currently DeCA has 191 A-76 contracts in effect for shelf stocking, custodial and warehousing functions. An A-76 Task Force has been established with primary responsibility of developing business strategy and determining the

direction of DeCA's commercial activities program. The program plays a major role in reducing store level unit costs. DeCA has complied with Program Decision Memorandum (PDM) direction on Competitive and Strategic Sourcing by including the directed studies in this budget submission.

OCONUS and remote locations cost more per dollar of sales than CONUS locations, using about 40 percent of available appropriated fund support to produce 19 percent of sales. These commissaries are more expensive because operating and support costs in foreign and remote locations are higher. Many locations service small-to-medium military populations with smaller sales and higher fixed costs. Additionally, there are significant support costs incurred in providing U.S. food products and household items to overseas locations, e.g., transportation of \$112.8 million in FY 2002.

a. In spite of these cost considerations, commissary operations overseas are efficient and effective because DeCA's infrastructure provides economies that are not achievable by other alternatives. The commissary system is also instrumental in reducing cost of living allowances (COLA) overseas by providing low-cost groceries.

b. The commissary system is critical in supporting military members and their families overseas. This military population does not have adequate alternative shopping available. OCONUS commissaries are more than a place for acquiring groceries. They are an essential "life-line" for the overseas military community and their quality of life.

III. PRODUCTIVITY ASSUMPTIONS:

DeCA is continuously looking to improve the quality of goods and services we provide our patrons while developing more cost effective business practices. FY 2000 is the second year where commissary sales have increased over prior year sales. Some of the initiatives that facilitate increasing sales include:

a. **Increased Customer Savings:** Beginning July 1, 2000 DeCA commissaries worldwide kicked off the Best Value Items (BVI) program. The BVI program ensures DeCA customers receive goods that are equal to or better than name brand items at the lowest price around. The BVI program responds to our customers demand for more price savings. The commissary system is making an effort to encourage single shoppers, military families and retirees on fixed incomes to take greater advantage of their benefit.

b. **Improved Convenience and Shopping Cycle Time of Customers:** DeCA Zone Managers and Store Directors are identifying convenience products that are frequently shopped by young active duty single shoppers and resetting these categories to the front of the store for customer convenience. In addition, commissaries that carry Home Meal Replacement products are moving these products to the front of the store to allow quick stop and shop access for commissary customers. Resetting commissaries to allow easier access to these types of convenience products will allow express customers to shop and checkout in twenty minutes or less and will make using the commissary benefit more attractive for the active duty customers. Additionally, Store Directors and Zone Managers are

working with installations to request reserved thirty-minute parking spaces for commissary customers.

c. Optimize Store Operating Hours: DeCA Regions are monitoring existing store hours to determine the average cost per output and will adjust store hours within current funding to maximize sales and cost per output. Stores with potential sales opportunities will implement early bird shopping. The commissary will open earlier with minimum staff to service customers wishing to purchase fifteen items or less.

d. Improved In Stock Rate: DeCA Stores Directors are working with distributors to ensure proper delivery schedules are developed to achieve a ninety nine percent in stock rate for commissaries throughout the shopping day. The in stock rate becomes significant when the ninety nine percent rate is achieved consistently throughout the shopping day. Stores will track distributor fill rates and report distributors that fall below the ninety nine percent threshold for appropriate action.

e. Improved Produce Customer Satisfaction: DeCA continues to work with the Defense Supply Center Philadelphia (DSCP) to ensure they deliver quality produce to our commissaries. Orders that do not meet our quality standards will be rejected at the time of delivery. DeCA is demanding superior support from DSCP for the replacement of rejected produce, with quality product, within a few hours of notification. In addition to procuring better produce, the merchandising of produce will be eye appealing to enhance the visual impact and quality of selections offered our customers. During FY 2000 DeCA created a produce team to make unannounced visits to stores and provide technical expertise and training to enhance the produce departments worldwide. Our goal is to make DeCA produce departments the place where our customers choose to shop for their produce needs.

f. Super Stores: DeCA plans to open twenty-two Super Store locations through FY 2001. Super Store locations offer our customers larger selections of popular items like vitamins, value items like DeCA's PowerBuys and an increased supply of products that people buy in large quantities. Customer comments about the Super Store that opened at Lackland AFB in Texas have been positive and sales have increased by an average of twenty percent since the new renovation and Super Store layout were implemented. The new store layout is designed to help busy active duty shoppers make a quick run through the store by placing baby food, snacks and other grab and go items at the front of the aisles. Heavier items will be placed earlier in the traffic flow so customers can put them in the bottom of their shopping cart instead of on top of their other purchases. Additionally, the new design will allow customers to find a few necessary items without having to shop the entire commissary. The Super Store program is new; only four stores were reset as of July 2000, however; twenty-two locations are identified for Super Store status.

The strategic goal cores, "Customer Satisfaction", "People Commitment", and "Sound Operational and Financial Management" provide the basis for this budget submission. DeCA continues to ensure that objectives of the Strategic Plan are fully integrated into financial planning. Building on these core strategic goals, the following core corporate objectives were adopted in mid-FY 2000:

Increase Savings: Achieve market basket savings of 30% over commercial grocery and superstore competition beginning in FY 2002.

Reduce Unit Cost: Define outputs, key performance indicators, and cost per unit of output. Execute a program of cost-based management that achieves a reduction in agency unit costs of goods and services.

Improve the Infrastructure: Support customer needs and store operations by FY 2009 with a capital infrastructure that is properly sized and maintained by initially completing all minor maintenance and repair requirements including the decor package upgrade, eliminating the capital investment backlog, improving the facility condition index to 95, and adjusting the inventory and sizes of stores to meet our customer needs.

Shape the Workforce: Define the appropriate skills and expertise mix to meet our mission requirements by FY 2001, and begin now to provide a trained, flexible, and sustained workforce in sufficient numbers and skill levels no later than FY 2004. Identify required human resource actions, benchmark against industry requirements, and develop products/programs needed to achieve a More Efficient and Effective Organization.

Leverage Technology: Zero-base existing Information Technology systems by FY 2001. Take immediate steps to achieve parity with commercial industry by FY 2004 in the employment of leading edge technology by investing in systems that meet established security requirements or have a payback period of at least four years. This will focus on systems that improve the benefit, reduce unit costs, and support a skilled workforce.

DeCA continuously strives to improve the quality of goods and services provided to its patrons while developing more cost effective business practices. To satisfy mission requirements, DeCA must modernize its operations to meet the changing demands of authorized patrons. With the pressure to retain a qualified workforce, the commissary system must adapt and provide services that are required by today's forces. Included in the effort to provide improved service at reduced cost to the taxpayer is the proposed FY 2002 Army/Marine Corps pilot program. This pilot will contract out the operation of certain commissaries. Contracting out this function will allow the application of commercial practices in food distribution, purchasing, and personnel. Savings in FY 2003 and the subsequent fiscal years as a result of the pilot will be addressed during the FY 2003 budget review. The Office of the Secretary of Defense (Comptroller), in conjunction with the Office of General Counsel, have proposed legislation authorizing the pilot program. This proposal is currently under review.

	FY 2000	FY 2001	FY 2002
<i>Efficiencies/Closures</i>			
Commissary Operations (\$M) (Includes BRAC)	7.6	18.7	18.9
<i>Workload Indicators</i>			
Commissary (begin year)	289	288	288
Annual Sales (\$M)	5,030.1	5,080.0	5,200.0
Resale Inventory (\$M)	304.5	301.0	308.0
<i>Performance Indicators</i> <i>(Goals for FY00-FY02)</i>			
Inventory Turns	16.8	17.0	17.3
Customer Savings	27%	27%	30%
<i>End Strength and Full-time Equivalents (FTEs)</i>			
Civilian End Strength	19,255	17,987	17,987
Military End Strength	12	12	13
Civilian FTEs	17,117	16,456	16,456
Military FTEs	12	12	13

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

FUNCTIONAL DESCRIPTION

DeCA Resale Stocks finance inventory sold in the commissary system. DeCA's product assortment includes groceries, meat, poultry, fruits, vegetables, dairy products, and household goods. Sales of commissary products generate Resale Stock fund revenue that DeCA uses to replenish the resale inventory. DeCA Resale Stocks is self-sufficient, requiring no appropriated fund support, except for recovery of inventory losses due to natural disasters.

DeCA provides commissary patrons with an invaluable non-pay compensation. Authorized commissary patrons include: military members and their families, reserve forces personnel, retired personnel and annuitants. Other authorized sales include government civilian employees overseas, appropriated, non-appropriated fund activities, and U.S. State Department activities. DeCA's total authorized patron baseline is approximately nine million personnel.

DeCA adds a five percent surcharge to sales at the check out counter. This surcharge is required by Law and is used to finance certain commissary operation and construction costs. The DeCA Commissary Surcharge Collections account administers these funds.

BUDGET HIGHLIGHTS

Revenue of approximately \$5 billion consists primarily of cash, charge sales, and manufacturers coupons. Cash and coupon transactions to active duty and reserve military members and their families, retirees, foreign entities and non-appropriated funds represent over 99 percent of total revenue. Charge sales include NEXMARTS, National Guard; other appropriated and non-appropriated fund sales.

The unit cost goal for this activity group is \$1.00 per dollar of sales because resale products sold must recoup all costs to make the Resale Stock fund whole.

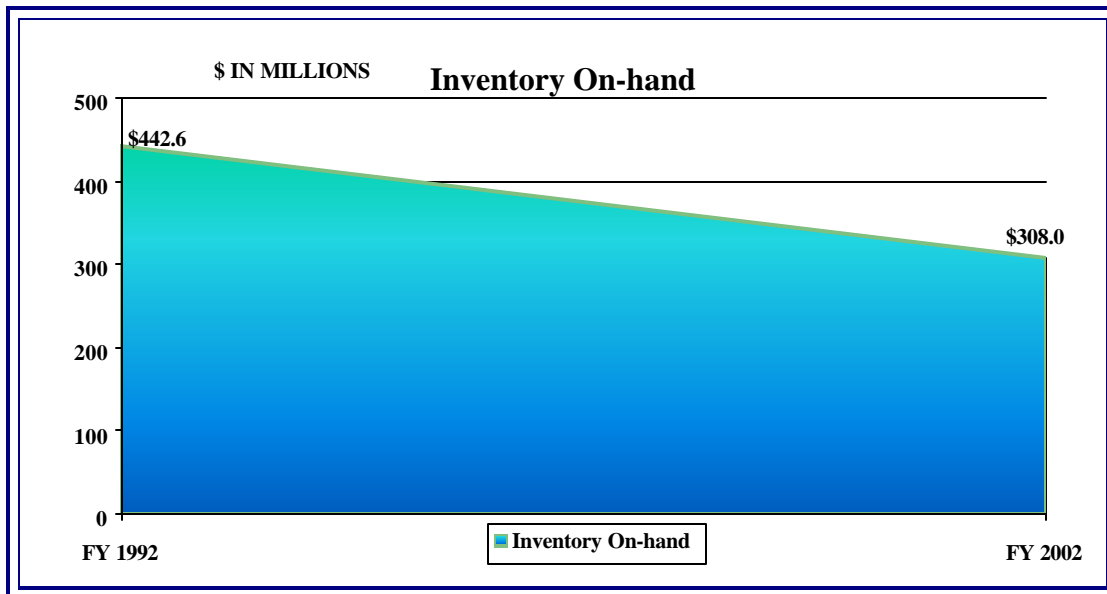
Fifty-six point eight percent of commissary shoppers selected the commissary benefit as their number one benefit in the 1999 DeCA survey. Additionally, the Commissary benefit ranked second for Enlisted members and third for Officers in the Rank Order of Quality of Life Factors that were Satisfiers and Reasons to Stay in the Military, in an August 1999 GAO Report.

CHANGES IN OPERATIONS

Department of Defense right-sizing efforts and efficiency reviews from FY 1992 through FY 2002 will result in the net closure of 122 Commissaries or a reduction of approximately 30 percent. Commissary sales for the same period are projected to decline by about 13.7 percent.

Since FY 1992, DeCA Point of Sale (POS) systems capitalized from the four Military Services' commissary systems were outdated, incompatible and unable to recoup normal grocery department losses. Implementation of the Commissary On-line Product Pricing System (COPPS) during FY 2000 has provided DeCA Resale Stocks with the mechanism to recover normal operating losses. Although Resale Stock fund losses for FY 2000 decreased significantly, recovering the full loss was not possible due to the phased scheduling of commissary inventories. Gains from the selling price change are realized through the physical inventory process and a twelve-month inventory period is required to recover the resale loss. FY 2001 inventories for DeCA locations will include twelve months of the selling price changes and this should enable the Resale Stock fund to be self-sufficient.

DeCA has reduced the investment in inventory operating and safety levels. The inventory levels are expressed in days of supply based on average daily sales. Projected average daily sales are \$14.2 million for FY 2002, with 22 days of supply. In comparison, average daily sales for FY 1991 were \$16.5 million with 36 days of supply. This represents a 39 percent reduction in terms of days of supply through FY 2002. DeCA will reduce the on-hand inventory level by 30 percent from the level maintained by the Military Departments at the end of FY 1991 as noted in the following chart:



Centralizing essential aspects of commissary management under field operating activities was accomplished to improve category management and to reduce costs to the Agency and the food

industry. The Marketing Business Unit has been instrumental in the success of the Agency's re-engineering efforts and in achieving overall cost reductions.

The Marketing Business Unit (MBU) performs centralized category management reviews for new, national brands and Regional/Local products. The MBU conducts category reviews to ensure product selections within the managed categories continue to provide our patrons with desired products.

Analysis of product movement data for both National and Regional items is used as the basis for refining product selection for category plans, plan-o-grams and store resets to ensure the right product facing and quantity are available for commissary patrons.

DeCA is continuously looking to improve the quality of goods and services we provide our patrons while developing more cost effective business practices. FY 2000 is the second year where commissary sales have increased over prior year sales. Some of the initiatives that facilitate increasing sales include:

a. Increased Customer Savings: Beginning July 1, 2000 DeCA commissaries worldwide kicked off the Best Value Items (BVI) program. The BVI program ensures DeCA customers receive goods that are equal to or better than name brand items at the lowest price around. We want our customers to understand that products marked as Best Value Items are the best prices around. The BVI program responds to our customers demand for more price savings. The commissary system is making an effort to encourage single shoppers, military families and retirees on fixed incomes to take greater advantage of their benefit. DeCA customers have earned their benefit and DeCA is committed to ensuring they get the best prices through the BVI program.

b. Improved Convenience and Shopping Cycle Time of Customers: DeCA Zone Managers and Store Directors are identifying convenience products that are frequently shopped by young active duty single shoppers and resetting these categories to the front of the store for customer convenience. In addition, commissaries that carry Home Meal Replacement products are moving these products to the front of the store to allow quick stop and shop access for commissary customers. Resetting commissaries to allow easier access to these types of convenience products will allow express customers to shop and checkout in twenty minutes or less and will make using the commissary benefit more attractive for the active duty customers. Additionally, Store Directors and Zone Managers are working with installations to request reserved thirty-minute parking spaces for commissary customers.

c. Optimize Store Operating Hours: DeCA Regions are monitoring existing store hours to determine the average cost per output and will adjust store hours within current funding to maximize sales and cost per output. Stores with potential sales opportunities will implement early bird shopping, commissary store will open up earlier with minimum staff to support foot traffic, for fifteen items or less.

d. Improved In Stock Rate: DeCA Stores Directors are working with distributors to ensure proper delivery schedules are developed to achieve a ninety nine percent in stock rate for commissaries throughout the shopping day. The in stock rate becomes significant when the ninety nine percent rate is

achieved consistently throughout the shopping day. Commissaries need to have stocked shelves in order to generate sales and keep customers satisfied. Stores will track distributor fill rates and report distributors that fall below the ninety nine percent threshold for appropriate action.

e. Improved Produce Customer Satisfaction: DeCA continues to work with the Defense Supply Center Philadelphia (DSCP) to ensure they deliver quality produce to our commissaries. Orders that do not meet our quality standards will be rejected at the time of delivery. DeCA is demanding superior support from DSCP for the replacement of rejected produce, with quality product, within a few hours of notification. In addition to procuring better produce, the merchandising of produce will be eye appealing to enhance the visual impact and quality of selections offered our customers. During FY 2000 DeCA created a produce team to make unannounced visits to stores and provide technical expertise and training to enhance the produce departments worldwide. Produce department inspections focus on quality of product received from DSCP, merchandising of products, fixtures and equipment condition, proper handling and culling techniques to include technical assistance vital to improving our produce departments throughout DeCA. The produce team will take immediate action to help resolve any deficiencies that may exist in the stores they review. Our goal is to make DeCA produce departments the place where our customers choose to shop for their produce needs.

f. Super Stores: DeCA plans to open twenty-two Super Store locations through FY 2001. Super Store locations offer our customers larger selections of popular items like vitamins, value items like DeCA's PowerBuys and an increased supply of products that people buy in large quantities. Customer comments about the Super Store that opened at Lackland AFB in Texas have been positive and sales have increased by an average of twenty percent since the new renovation and Super Store layout were implemented. The new store layout is designed to help busy active duty shoppers make a quick run through the store by placing baby food, snacks and other grab and go items at the front of the aisles. Heavier items will be placed earlier in the traffic flow so customers can put them in the bottom of their shopping cart instead of on top of their other purchases. Additionally, the new design will allow customers to find a few necessary items without having to shop the entire commissary. The Super Store program is new; only four stores are reset as of July 2000, twenty-two locations are identified for Super Store status.

g. Improve Store Infrastructure: DeCA has realigned operating costs that were previously paid out of the Surcharge Collections Account, into the Commissary Operations Account. The realignment should free up surcharge funding to re-energize the construction program and help reduce some of the construction backlog that currently exists. Because the new store layout designed for the Super Stores seems to work so well, DeCA plans to implement this design in all commissaries. Implementation of the new store design throughout DeCA commissaries will take a few years. Standardizing the commissary layout will allow our customers to travel around the world and still feel right at home when they shop their commissary. The improved facility conditions and store layouts will enhance our customers shopping experience and should help to generate additional sales.

Productivity in DeCA is best illustrated by comparing workload data between commercial supermarkets and the commissary system. This comparison clearly demonstrates that commissaries are cost effective and highly used by their patrons.

(Source for Supermarket Data: Supermarket Facts Industry Overview 1999)

<i>WORKLOAD MEASURE</i>	<i>COMMISSARY</i>	<i>SUPERMARKET</i>
Average Weekly Sales per Store	\$ 421,389	\$ 331,411
Weekly Sales Per Square Foot	\$ 15.58	\$10.16
Sales Per Customer Transaction	\$ 56.38	\$ 21.50

(Commissary data for CONUS locations used for comparison.)

<u>Workload Indicators</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>
Number Commissaries (begin year)	289	288	288
Annual Sales (\$M)	5,030.1	5,080.0	5,200.0
Ending Inventory On-Hand (\$M)	304.5	301	308

<u>Performance Measures</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>
Inventory Turns	16.8	17.0	17.3
Customer Savings	27%	27%	30%
Customer Service Evaluation System (CSES)	4.23	4.20	4.25

<u>Financial Indicators</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>
Revenue (\$M)	5,068.3	5,075.0	5,195.0
Cost of Goods Sold (\$M)	5,035.5	5,064.1	5,195.0
Net Operating Results (\$M) *	32.8	10.9	0.0
Accumulated Operating Results	(10.9)	0.0	0.0
Unit Cost (Per \$ of Sales)**	1.00	1.00	1.00

* FY 2000 Net Operating Results reflect a \$43.7M transfer from the Surcharge Collections Account to offset the FY 1999 Commissary Resale Stock fund loss.

** FY 2000 Unit Cost calculation is based on reduced revenue (\$43.7M) for the Surcharge Collections transfer.

DeCA WORKING CAPITAL FUND
ACTIVITY GROUP: COMMISSARY RESALE STOCKS
REVENUE AND EXPENSES
(Dollars in Millions)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Revenue:			
Gross Sales	5,030.1	5,080.0	5,200.0
Operations	5,030.1	5,080.0	5,200.0
Capital Surcharge			
Depreciation excluding Major Construction			
Other Income	43.5		
Refunds/Discounts	(5.3)	(5.0)	(5.0)
Total Income:	5,068.3	5,075.0	5,195.0
Expenses:			
Cost of Material Sold from Inventory	5,035.5	5,064.1	5,195.0
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	5,035.5	5,064.1	5,195.0
Operating Result	32.8	10.9	0.0
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	32.8	10.9	0.0
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	(10.9)	0.0	0.0

**ACTIVITY GROUP ANALYSIS
DEFENSE COMMISSARY AGENCY/COMMISSARY RESALE STOCKS
SOURCE OF NEW ORDERS AND REVENUE**

(Dollars in Millions)

	<u>FY2000</u>	<u>FY2001</u>	<u>FY2002</u>
1. New Orders			
a. Orders from DoD Components:			
Army	1.2	1.2	1.2
Navy	6.1	6.2	6.3
Air Force	0.8	0.8	0.8
Marine Corps	-	-	-
Other	1.6	1.6	1.6
b. Orders from Other Fund Activity Groups	-	-	-
c. Total DoD	9.7	9.8	9.9
d. Other Orders:			
Other Federal Agencies	1.6	1.6	1.6
Trust Fund	-	-	-
Non Federal Agencies	5,018.8	5,068.6	5,188.5
Foreign Military Sales	-	-	-
Total New Orders	5,030.1	5,080.0	5,200.0
2. Carry-in Orders	-	-	-
3. Total Gross Orders	5,030.1	5,080.0	5,200.0
4. Revenue	-	-	-
5. End of Year Work-in-Progress	-	-	-
6. Direct Contract Obligations	5,049.4	5,080.0	5,200.0
7. Non DoD, BRAC, FMS, and DWCF Orders	-	-	-
8. Funded Carry-over	-	-	-
9. Months of Carryover	-	-	-

FY 2000 BUDGET				DIVISION		June 2001	
				Commissary Resale		Stocks	
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT							
INVENTORY STATUS				TOTAL	MOBILIZATION	PEACETIME OPERATING	PEACETIME OTHER
1. INVENTORY BOP				311.3		311.3	
2. BOP INVENTORY ADJUSTMENTS							
a. RECLASSIFICATION CHANGE (Memo)							
b. PRICE CHANGE AMOUNT (Memo)							
c. INVENTORY RECLASSIFIED AND REPRICED							
3. RECEIPTS AT STANDARD				5,030.5		5,030.5	
4. SALES AT STANDARD				5,030.1		5,030.1	
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)				4.1		4.1	
h. TOTAL ADJUSTMENTS							
6. INVENTORY EOP				307.6		307.6	
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)				2.2		2.2	
9. NARRATIVE (Explanation of unusual changes)							
5.g. Bad Debt/Inventory loss							

FY 2001 BUDGET				DIVISION		June 2001	
				Commissary Resale Stocks			
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT							
INVENTORY STATUS				TOTAL	MOBILIZATION	PEACETIME OPERATING	PEACETIME OTHER
1. INVENTORY BOP				307.6		307.6	
2. BOP INVENTORY ADJUSTMENTS							
a. RECLASSIFICATION CHANGE (Memo)							
b. PRICE CHANGE AMOUNT (Memo)							
c. INVENTORY RECLASSIFIED AND REPRICED							
3. RECEIPTS AT STANDARD				5,080.0		5,080.0	
4. SALES AT STANDARD				5,080.0		5,080.0	
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)				5.0		5.0	
h. TOTAL ADJUSTMENTS							
6. INVENTORY EOP				312.6		312.6	
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)				5.0		5.0	
9. NARRATIVE (Explanation of unusual changes)							
5g. Increased inventory in support of sales.							

FY 2002 BUDGET			DIVISION			June 2001	
			Commissary Resale Stocks				
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT						PEACETIME	PEACETIME
INVENTORY STATUS			TOTAL	MOBILIZATION	OPERATING	OTHER	
1. INVENTORY BOP			312.6		312.6		
2. BOP INVENTORY ADJUSTMENTS							
a. RECLASSIFICATION CHANGE (Memo)							
b. PRICE CHANGE AMOUNT (Memo)							
c. INVENTORY RECLASSIFIED AND REPRICED							
3. RECEIPTS AT STANDARD			5,200.0		5,200.0		
4. SALES AT STANDARD			5,200.0		5,200.0		
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)			7.0		7.0		
h. TOTAL ADJUSTMENTS							
6. INVENTORY EOP			319.6		319.6		
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)			5.0		5.0		
9. NARRATIVE (Explanation of unusual changes)							

5g. Increased inventory in support of sales.

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

FUNCTIONAL DESCRIPTION

Commissary Operations finances 288 resale stores, 11 central distribution centers, 12 NEXMARTs, 33 zones, 4 region offices, field operating activities, headquarters, and related support services. Areas of significant cost include U.S. and foreign national civilian labor, A-76 and other support contracts, travel and PCS, transportation of commissary goods overseas and in-theater, DoD service providers like DFAS, DISA, and DLA, and base operations support.

Commissaries sell products at acquisition cost to authorized patrons, while maintaining high standards for quality, facilities, products, and services. The appropriation is an essential part of this process and is the foundation that allows military members and their families to receive direct savings of at approximately 30 percent below the typical market basket. The commissary has become an integral segment of the entitlement and lifetime military compensation package used in recruiting and retaining military members.

BUDGET HIGHLIGHTS

The appropriation request represents about 97 percent of required revenue. Remaining revenue is obtained through other sources such as, fees paid by grocery manufacturers for redemption of manufacturers coupons, cost recovery fees for selling tobacco in commissaries, and funds from the Government of Korea as part of their agreement to share costs.

This FY 2002 Amended Budget Submission requests cost authority of \$1,144.2. The planned FY 2002 Accumulated Operating Result (AOR) is breakeven with a unit cost goal of .2200.

DeCA projects 17,987 civilians in FY 2002. Full-time equivalent (FTE) levels for FY 2002 are 16,456. Civilian FTEs are consistently below the civilian end strength levels because DeCA uses a mix of full-time, part-time, and intermittent employees to provide scheduling flexibility required by commissaries. Military personnel strength will increase by 1, from 12 to 13, beginning in FY 2002 to account for the Director's position.

a. DeCA has complied with Program Decision Memorandum (PDM) direction on Competitive and Strategic Sourcing. Detailed plans for all competitive sourcing and strategic sourcing studies are being developed.

b. DeCA has developed engineered staffing standards to support the new

commissary organizational structure. The standards support both department level and total store staffing requirements to realize unit cost reductions.

c. DeCA has been successful in reducing FTEs by outsourcing certain functions and services under OMB Circular A-76 procedures. DeCA plans to aggressively pursue, at every opportunity, competition and privatization A-76 cost studies. Currently DeCA has 191 A-76 contracts in effect for shelf stocking, custodial and warehousing functions. An A-76 Task Force has been established with primary responsibility of developing business strategy and determining the direction of DeCA's commercial activities program. The program plays a major role in reducing store level unit costs.

The chart below summarizes revenue and expenses during this budget cycle.

	FY 2000	FY 2001	FY 2002
REVENUE (\$M):			
APF Transfer	1,009.1	916.3	1,103.3
APF Adjustment	(0.4)	(2.0)	0
Other Reimbursements	38.7	34.6	39.5
Other Adj. (Depreciation)	0	1.3	2.6
Total Revenue	1,047.4	950.2	1,145.4
EXPENSES \$M	1,018.7	1,020.1	1,144.2
Less Capital Reserve	0	(2.2)	(3.7)
NOR \$M	28.7	(72.1)	(2.5)
AOR \$M	74.6	2.5	0

CHANGES IN OPERATIONS

A strategy was developed during FY 2000 to guide the future of DeCA and strengthen the commissary benefit. A cornerstone of the strategy is the infrastructure revitalization plan, which reduces costs, reverses the decline in stores' physical structure, and improves store operations. Operational expenses funded by surcharge have escalated to the point where funds available for store revitalization are inadequate. To reverse this trend, the FY 2001 National Defense Authorization Act (NDAA) consolidates all building, renovation, repair and maintenance costs to the surcharge fund, and funds all operational costs with appropriated funds beginning in FY 2002. This will substantially increase funds available for store infrastructure revitalization but results in more

operational expenses (\$87.1 million in FY 2002). This funding increase and capital authority needed for information technology initiatives are reflected in this budget submission and complies with the FY 2001 NDAA.

Studies conducted by industries have identified limited operating hours as the number one area for improvement. Limited hours present a problem for two reasons: (1) “often can’t shop after work/evenings, when they need to shop” and (2) “forced to shop when everyone else is, adding to the crowding issue.”

Accordingly, to make commissaries more accessible to patrons, DeCA sustained increased operating hours in 134 stores, including 39 stores which are now open seven days a week, by reallocating hours from existing stores and adding hours to the baseline. Change in operating hours was based on business results and required quality of life criteria providing improved accessibility for the patron. Sales growth at expanded operating hour locations for FY 2000 was over \$110 million or 1.5 percent higher than those without expanded hours.

DeCA is making the job of bargain hunting easier for shoppers by ensuring they get the best prices on products ranging from snacks to paper goods. The Best Value Item, or BVI program, began in commissaries worldwide on July 1, 2000 with about 100 items in popular sizes. Posters greet customers at the door and flyers are handed out explaining that a Best Value Item sign means that product has been identified as the best price available on grocery shelves anywhere.

Popular products and sizes were chosen to kick off the program, but shoppers can expect to see changes in the products marked as BVI (Best Value Item) every time they shop. Product selection and variety will change rapidly in a continuing effort to drive commissary prices down even further.

DeCA is currently working to make produce more appealing to customers by focusing on quality products, support through direct interface with the Defense Subsistence Offices (DSOs), and networking with regional produce specialists. Additionally, DeCA's Function Training Department has established a Produce Department Operations Course and trained produce department and staff in the latest handling and merchandising techniques.

Executive Order 13150, dated April 21, 2000, established the Federal Mass Transit Incentive Program. Deputy Secretary of Defense memorandum, October 13 2000, SUBJECT: Department of Defense Transportation Incentive Program, established the following provisions effective 1 October 2000:

Inside the National Capital Region (NCR) encompasses Washington, DC, and its contiguous surrounding counties. Employees working within this area, using mass transit (Metro, subways, buses, rail and vanpools) to commute to work, are eligible to obtain a tax-free subsidy for their actual monthly commutation expenses, up to \$65/monthly. This amount increases to \$100/month on January 1, 2002 and will be

increased annually, thereafter, based on a consumer price index. The Department of Transportation (DOT) will administer the government wide program and will issue Metrocheks, the universal fare media for all modes of transportation operating within the NCR. DeCA's FY 2002 requirements, reimbursed to DOT, are \$85,000.

Outside the National Capital Region (NCR) includes the United States and its territories. The program will operate the same as within the NCR, except, cash reimbursement procedures will apply for employees in locations where the availability of transit passes and vouchers "are not readily available." In such instances, reimbursement for monthly commutation expenses will be obtained using SF 1164 – Claim for Reimbursement for Expenditures on Official Business. DeCA's FY 2002 requirements are \$80,000.

MISSION EFFECTIVENESS

DeCA has successfully demonstrated its ability to operate an efficient and cost effective commissary system that provides a valuable non-pay benefit, improves the quality of life of authorized patrons, and enhances military readiness by retaining quality personnel.

a. Customer surveys have found that the military member and their families, the reserve components, and retirees consistently rank the commissary system as their number one non-pay benefit, ahead of other non-pay benefits such as medical and MWR programs. This perception of the commissary benefit greatly assists the Department in retaining a quality military force.

b. DeCA has established a consumer advocate position for commissary shoppers as a first step in marketing the benefit. The advocate will bring customer's points of view to decision making and will report regularly to the Commissary Operating Board.

To continue satisfying its mission requirements, DeCA must continue modernizing commissary operations. The patron of today is much different than of yesterday; e.g., over 67 percent of the active duty population is married. Given the mobile and deployable force of today, family considerations are extremely important to the modern volunteer military member. With the pressure to retain a qualified workforce, the commissary system must better understand customer expectations and provide services that are required by today's forces.

DeCA continues to seek improved customer service by conducting surveys at all stores annually and analyzing results using the Customer Service Evaluation System (CSES). The scores consistently show the positive results of a customer service focus. Patrons now rate all areas at "good" or "better" on a zero to five scales. Quality of produce, while scoring the lowest at 4.09, increased by .04 in FY 1999 and by .09 in FY 2000. The courteous/helpful employee score, currently at 4.56 has been the highest rated survey item each year. Indicative of DeCA's response to customer concerns is the rating for satisfaction with store hours of operation, which increased by .15 in FY 1999 and by

.06 in FY 2000 following expansion of operating hours in FY 1999. The following key demographics, resulting from the survey, will be an integral part of future operational decisions:

	<u>1999</u>	<u>2000</u>
Percent spending \$250 or more at commissaries each month	53.0	53.3
Percent shopping four or more times per month	54.0	55.8
Percent from households with three or more persons	61.9	61.0
Percent in grades E-1 through E-9	80.3	80.4
Percent living five or more miles from the commissary	63.1	63.2

Improvements to the CCSS were initiated during FY 2000 to shift emphasis from demographics to customer satisfaction. This approach focuses on responding quickly to customer survey concerns and maximizes customer input in operational decisions.

The strategic goal cores, "Customer Satisfaction", "People Commitment", and "Sound Operational and Financial Management" provide the basis for this Budget Estimates Submission. DeCA continues to ensure that objectives of the Strategic Plan are fully integrated into financial planning.

Building on the core strategic goals, the following core corporate objectives were adopted in mid-FY 2000:

Increase Savings:

-Achieve market basket savings of 30% over commercial grocery and superstore competition beginning FY 2002; sustain and improve through FY 2007. Buyers will monitor the 500 top selling products by manufacturer and product category to ensure lowest prices are obtained.

-Achieve double-digit sales increases of at least 10 percent by FY 2004 by maintaining full shelves, improving distributor fill rates and vendor shelf stocking, optimizing operating hours, reducing checkout time and marketing the benefit.

Reduce Unit Cost:

-Define outputs, key performance indicators, and cost per unit of output.

-Establish energy audits of each facility and incentive programs for energy conservation suggestions.

-Execute a program of cost-based management that achieves a reduction in agency unit costs of goods and services.

-Implement quarterly Business Area Reviews to monitor unit cost savings.

Improve the Infrastructure:

-Support customer needs and store operations by FY 2009 with a capital infrastructure that is properly sized and maintained by initially completing all minor maintenance and repair requirements including the decor package upgrade, eliminating the capital investment backlog, improving the facility condition index to 95, and adjusting the inventory and sizes of stores to meet our customer needs,

-Revitalize the Surcharge Account. The main purpose of the surcharge fund is the recapitalization of the infrastructure; however, many operating expenses are currently funded by the surcharge. As a result the fund needs to be realigned by moving certain categories of expense currently funded out of surcharge to appropriated funds. These changes contained in the National Defense Authorization Act of FY 2001, are implemented in this submission.

Shape the Workforce:

-Define the appropriate skills and expertise mix to meet our mission requirements by FY 2001, and begin now to provide a trained, flexible, and sustained workforce in sufficient numbers and skill levels no later than FY 2004.

-Identify required human resource actions, benchmark against industry requirements, and develop products/programs needed to achieve a More Efficient and Effective Organization.

-Expand computer-based training (CBT) software to afford state of the art training to commissary employees.

Leverage Technology:

-Zero-base existing Information Technology systems by FY 2001. Take immediate steps to achieve parity with commercial industry by FY 2004 in the employment of leading edge technology by investing in systems that meet established security requirements or have a payback period of at least four years. This will focus on systems that improve the benefit, reduce unit costs, and support a skilled workforce.

-Expand web-based applications, i.e., on-line advertising, shopping lists, menu planners and recipes.

-Integrate financial and workforce resources to provide the most efficient means of budgeting, bill paying, asset and cash management, and nurturing of a vigorous workforce to meet challenges of the future.

-Improve infrastructure/capital investments by blending technology with real estate management, acquisition, and administration.

<u>Workload Indicators</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Commissaries (begin year)	289	288	288
Annual Sales (\$M)	5,030.1	5,080.0	5,200.0
Resale Inventory (\$M) On-hand	304.5	301.0	308.0

<u>Performance Indicators</u> (Goals for FY00-FY03)	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Inventory Turns	16.8	17.0	17.3
Customer Savings	27%	27%	30%
CSES Score	4.23	4.20	4.25

<u>Financial Indicators</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Operating Budget (\$M)	1,018.7	1,020.1	1,144.2
Capital Budget	0	3.5	6.3
Net Operating Results (\$M)	28.7	(72.1)	(2.5)
Accum Operating Results (\$M)	74.6	2.5	0
Unit Costs (Per \$ of Sales)	.2025	.2008	.2200

<u>End Strength and Full-time Equivalents (FTEs)</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Civilian End Strength	19,255	17,987	17,987
Military End Strength	12	12	13
Civilian FTEs	17,117	16,456	16,456
Military FTEs	12	12	13

DeCA WORKING CAPITAL FUND
ACTIVITY GROUP: COMMISSARY OPERATIONS
REVENUE AND EXPENSES
(Dollars in Millions)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Revenue:			
Depreciation (Excluding Major Construction)	0.0	1.3	2.6
Other Income	38.7	34.6	39.5
Total Income:	38.7	35.9	42.1
Expenses:			
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.7	0.8	1.0
Civilian Personnel Compensation & Benefits	642.0	649.6	674.6
Travel & Transportation of Personnel	9.2	9.6	9.8
Materials & Supplies (for Internal Operations)	4.3	2.6	48.1
Other Purchases from Revolving Funds	35.4	37.7	47.9
Transportation of Things	126.2	109.1	112.8
Depreciation	0.9	1.3	2.6
Printing & Reproduction	0.2	0.3	0.3
Advisory & Assistance Services	0.4	0.6	0.7
Rent, Communication & Misc. Charges	3.1	3.1	4.0
Other Purchased Services	196.3	205.4	242.4
Total Expenses	1,018.7	1,020.1	1,144.2
Operating Result	(980.0)	(984.2)	(1,102.1)
Less Capital Reservation	0.0	(2.2)	(3.7)
Plus Appropriations Affecting NOR/AOR	1,009.1	916.3	1,103.3
Other Adjustments Affecting NOR	(0.4)	(2.0)	0.0
Net Operating Result	28.7	(72.1)	(2.5)
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	74.6	2.5	0.0

Defense Commissary Agency/Commissary Operations
Changes in the Costs of Operation
June 2001
(Dollars in Millions)

	<u>Expenses</u>
1. FY 2000 Actual Costs	1,018.7
2. FY 2001 PB	1,020.4
3. Pricing Adjustments	
General Purchases Inflation	0.3
4. Program Changes	
Sales Increase	7.2
Coupon Processing	0.3
Depreciation	0.7
Store Closures: (CM Price, Mallonee, Sierra)	(2.5)
Store Openings: (Ft Bragg South, Ankara, Sugar Grove)	2.5
5. Productivity Initiatives and Other Efficiencies	
Savings Initiatives	(8.8)
6. FY 2001 Current Estimate	1,020.1
7. Pricing Adjustments	
Annualization of Prior Year Pay Raise	5.7
FY 2002 Pay Raises	
Civilian Personnel	19.3
General Purchases Inflation	6.0
Utilities Rate Increase	2.1
8. Program Changes	
Surcharge Revitalization	87.1
Sales Increase	11.0
Coupon Processing	0.3
Military Pay	0.2
Store Closures: (Sierra)	(0.2)
Transportation	1.9
Depreciation	1.3
Real Property Maintenance	8.1
9. Productivity Initiatives and Other Efficiencies	
Savings Initiatives	(18.7)
10. FY 2002 Current Estimate	1,144.2

Activity Group Capital Investment Summary
Component: Defense Commissary Agency
Activity Group: Commissary Operations
Date: June 2001
(\$ in Millions)

<u>Line Number</u>	<u>Item Description</u>	FY 2000		FY 2001		FY 2002	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1001	Non-ADP Equipment		0.0		0.0		0.0
2001	Total ADP Equipment (<500K)					3	0.5
5001	Total ADP Equipment (\$500K-999K)					3	1.7
6001	Defense Civilian Personnel Data System			1	3.5	1	0.5
6002	Corporate Decision Support System Software & Hardware					1	1.5
6003	Corporate Server III					1	2.1
	Total ADP Equipment (>\$1M)			1	3.5	3	4.1
	Total ADP Equipment		0.0	1	3.5	9	6.3
3001	Software Development		0.0		0.0		0.0
4001	Minor Construction		0.0		0.0		0.0
	TOTAL CAPITAL PURCHASE PROGRAM	0	0.0	1	3.5	9	6.3

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY 2002 Amended Budget Submission			
B. Component / Business Area / Date DeCA WCF/ Commissary Operations/June 2001		C. Line No. & Item Description 2001. Various ADP Equipment \$100-\$499K			D. Activity Identification					
		FY 2000			FY 2001			FY 2002		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Various ADP Equipment \$100K-\$499K								3	500.0	500.0
<p><u>FY 2002</u></p> <p>Standardize Shared Tape Storage - \$100,000 Expand Connectivity to Shared Disk - \$300,000 Upgrade Shared Disk Storage - \$100,000</p>										

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY 2002 Amended Budget Submission			
B. Component / Business Area / Date DeCA WCF/ Commissary Operations/June 2001		C. Line No. & Item Description 5001. Various ADP Equipment \$500-\$999K			D. Activity Identification					
		FY 2000			FY 2001			FY 2002		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Various ADP Equipment \$500K-\$999K								3		1,708.0
<u>FY 2002</u>										
Public Key Infrastructure Computer Software (Operating System) - \$508,000										
Enterprise Storage - \$600,000										
Software										
Information Brokering Software - \$600,000										

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY 2002 Amended Budget Submission		
B. Component / Business Area / Date DeCA WCF/ Commissary Operations/June 2001			C. Line No. & Item Description 6001.Defense Civilian Personnel Data System				D. Activity Identification		
Element of Cost	FY 2000			FY 2001			FY 2002		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP Equipment (Productivity) > \$1M				1	3,511.0	3,511.0	1	500.0	500.0
<p><u>Narrative Justification:</u> FY2001 funds are needed to support the mandated modern Defense Civilian Personnel Data System (DCPDS) system. Without this equipment in FY2001 no personnel actions for DeCA can be processed. The equipment in the amount of \$3.5M identified are the requirements set forth by Civilian Personnel Management Service (CPMS) to support the mandated modern. In FY 2002 additional hardware in the amount of \$90K will be required to support worldwide reporting to DeCA's managers. FY2002 will allow the DeCA managers to view the reports generated by the OLAP tools. The San Antonio Defense Mega Center currently maintains the equipment for the existing system, which will not support the modern DCPDS. In FY 2001 Resumix software at a cost of \$485K is a required portion set forth by CPMS to support the mandated modern DCPDS. Without the designated software, personnel actions may not be processed. In FY 2001 Business Objects in the amount of \$370K is required by CPMS the Program Manager for DCPDS. Each agency is required to select an OLAP tool; Business Objects is DeCA's reporting software package of choice. In FY 2002 \$360K is to enable support worldwide for the reporting function. In FY 2001 telecommunications hardware and software costs in the amount of \$550K identified by CPMS dictates enhancements to the network support by DeCA for the DCPDS. Without the appropriate equipment DeCA personnel will not have the network needed to access the system. Without connectivity DeCA would not be able to transmit and complete personnel actions. The current system does not have the network requirements that the modern DCPDS system has. In FY 2001 DCPDS services at a cost of \$350K are required, DeCA does not have the manpower to configure and install the equipment identified by CPMS to support the mandated DCPDS.</p> <p><u>Economic Analysis Summary:</u> The ASD for Personnel & Readiness directed all DoD components use the modern DCPDS. The Deputy Director of CPMS who is also the Chief, Vendor Management Office for Deployment and Management of DCPDS directed on August 10, 2000 that WHS would be DeCA's region and technical support for modern DCPDS. The DCPDS modernization system was designed to operate on the proposed hardware that DeCA defined in this requirement. Regardless of the service provider, the hardware and software system requirements are the same. The HP UNIX hardware requirement is driven by the standard DCPDS modernization software application. The proponent that directed us to use the DCPDS modernization system should be contacted for an economic analysis.</p> <p><u>Impact of Project Disapproval:</u> Without the required hardware, software, telecommunications, and the appropriate support to configure and start-up DCPDS, DeCA will not be able to process personnel actions in FY 2001.</p>									

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY 2002 Amended Budget Submission			
B. Component / Business Area / Date DeCA WCF/ Commissary Operations/June 2001		C. Line No. & Item Description 6002. Corporate Decision Support System			D. Activity Identification					
		FY 2000			FY 2001			FY 2002		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP Equipment (Productivity) > \$1M								1	1,500.0	1,500.0
<p><u>Narrative Justification:</u> These NCR WorldMark upgrades are required for the sustainment of the DeCA Corporate Decision Support System (CDSS) located at DeCA Headquarters, Ft Lee Virginia. DeCA is currently loading 6GB of raw data per day into the CDSS housed on an NCR WorldMark 4700 platform. The present configuration will no longer be in production and have limited vendor support. With increased growth of DeCA CDSS processing requirements the current equipment will not be able to keep up with demand. DeCA is already heavily invested in the current system; it is imperative that the current structure be continued by purchasing only hardware and software that is precisely compatible with what DeCA presently has installed.</p> <p><u>Economic Analysis Summary:</u> In accordance with DeCA's Strategic Goals and Objectives DeCA requires replacement of this equipment to help determine and calculate shelf replenishments and to satisfy other contracting requirements. To maintain operational continuity, this upgrade will be an optimally configured, cost-effective solution compatible with the present DeCA system. DeCA's plan is to purchase 2 NCR nodes to upgrade 2 of the NCR 4700 computers at a cost of \$350K per node at a total cost of \$700K and \$500K for the necessary O/S software, also \$300K for required disc storage in FY 2002. Economic Analysis: DeCA must ensure continuity of operations and support for its enterprise business systems in order to continue to reduce unit costs, sustain its initial investment in the NCR data warehouse and avoid costs that would be incurred if compatible hardware and software were not acquired. Comparative analysis indicates an investment (or cost avoidance) of \$5.2M would be required to replace all hardware, software, licensing fees, and re-development services to convert to a different hardware platform and a different database environment at this time</p> <p><u>Impact of Project Disapproval:</u> It is anticipated that maintenance of the NCR 4700 computers will not be available after FY 2002. Therefore if the NCR 4700's are not upgraded to NCR 4800's the old equipment will not be under maintenance and production will stop on the NCR 4700's.</p>										

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY 2002 Amended Budget Submission			
B. Component / Business Area / Date DeCA WCF/ Commissary Operations/June 2001		C. Line No. & Item Description 6003. Corporate Server III			D. Activity Identification					
		FY 2000			FY 2001			FY 2002		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
ADP Equipment (Productivity) > \$1M							1	2,113.0	2,113.0	
<p>Narrative Justification: In the mid-90's DeCA embarked on a program to provide continuous technical refresh of its corporate servers. The original servers (Corporate I) were purchased in early 1995. When these servers reached capacity, DeCA elected to purchase newer technology in 1998 (Corporate II). The Agency intends to refresh its corporate servers on a four-year cycle. This will mean that a server is eight years old when removed from the inventory. Industry standards determine that a server has depleted its value in eight years. The speed of technological change determines that servers lose value much faster. DeCA will migrate applications to new corporate servers based on the criticality of the application and the urgency to utilize new technology features to improve functionality or efficiency of the applications. The Corporate I and II Servers are the platforms on which the development, testing and production for many of DeCA's most critical information systems are accomplished. These systems include bill paying, electronic data interchange, data warehousing, and item movement, and are essential to DeCA's mission. The Corporate I Server has reached the end of its lifecycle and requires maintenance and contracted technical support expenditures of over \$.6M per year. The Corporate Servers are the backbone of DeCA's Enterprise Computing initiative. This initiative will bring a multitude of stovepipe systems into a single operating environment and drastically cut operating costs. DeCA will consolidate systems that are dispersed on multiple smaller servers. The maintenance and contracted technical support of these smaller servers exceeds \$1.7M annually. These platforms have reached the end of their lifecycles. They are no longer being manufactured and are difficult to maintain. Due to their age these platform's maintenance costs continue to increase. The Corporate III Server will also be utilized to host new requirements that are generated by DoD or by business requirements of the Agency. The Corporate III Server hardware cost of \$2.113M is required in FY 2002—this amount is compensated by elimination of maintenance and technical support for the Corporate I server and the smaller servers in the first year alone. The Corporate III Server will utilize the latest technology and its' maintenance costs will be lower. The purchase of the Corporate III server is part of a planned technology refresh.</p> <p>Economic Analysis Summary: The recommended alternative is based on comparison of current hardware maintenance and operating costs versus a technology refresh with maintenance. DeCA requires Corporate Server hardware and software to replace obsolete production equipment platforms that can no longer be supported. The Corporate III suite will include a server for developing and testing systems to ensure configuration management prior to publishing the system to the production server. DeCA intends to refresh its corporate servers in FY 2002. This equipment will be located at the Agency's alternate operation site. The DeCA technical support staff will be able to perform the work that is now accomplished by contractors because the new Corporate III platform will utilize DeCA standard operating system and utilities for which the DeCA staff is trained and experienced.</p> <p>Impact of Project Disapproval: Not purchasing the Corporate III servers means continuing critical DeCA systems on platforms that are no longer supported. The maintenance costs will increase annually and spare parts may no longer be available. The ability of the Agency to continue to perform mission critical functions such as bill paying, inventory management and electronic commerce will be imperiled. Additionally, the Agency will be unable to develop additional applications to address new business requirements.</p>										

**Defense Commissary Agency
Activity Group: Commissary Operation
FY 2000
FY 2002 Amended Budget Submission**

PROJECTS ON THE FY 2001 PRESIDENT'S BUDGET

(Dollars in Millions)

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
	Equipment except ADPE and TELCOM	0	0	0	0	
	Equipment - ADPE and TELCOM	0	0	0	0	
	Software Development	0	0	0	0	
	Minor Construction	0	0	0	0	
	Total FY 2000	0	0	0	0	

Defense Commissary Agency
Activity Group: Commissary Operation
FY 2001
FY 2002 Amended Budget Submission

PROJECTS ON THE FY 2001 PRESIDENT'S BUDGET

(Dollars in Millions)

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation</u>
	Equipment except ADPE and TELCOM	0	0	0	0	
	Equipment - ADPE and TELCOM	0	0	3.5	0	
	Software Development	0	0	0	0	
	Minor Construction	0	0	0	0	
	Total FY 2001	0	0	3.5	0	

**Defense Commissary Agency
Activity Group: Commissary Operation
FY 2002
FY 2002 Amended Budget Submission**

PROJECTS ON THE FY 2001 PRESIDENT'S BUDGET

(Dollars in Millions)

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
	Equipment except ADPE and TELCOM	0	0	0	0	
	Equipment - ADPE and TELCOM	0	0	6.3	0	
	Software Development	0	0	0	0	
	Minor Construction	0	0	0	0	
	Total FY 2002	0	0	6.3	0	