

Defense Commissary Agency (DeCA)

FISCAL YEAR (FY) 2006/FY 2007
BUDGET ESTIMATES

OPERATING AND CAPITAL BUDGET



FEBRUARY 2005

DEFENSE COMMISSARY AGENCY (DeCA)

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**DEFENSE COMMISSARY AGENCY
(DeCA)**

**FISCAL YEAR (FY) 2006/FY 2007
BUDGET ESTIMATES
FEBRUARY 2005**

CORPORATE OVERVIEW

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

The Defense Commissary Agency (DeCA) operates a worldwide system of commissary stores. These commissaries sell food and related household items to active, reserve and guard members of the Military Departments, their families, retirees, and other authorized patrons. The items sold in the commissaries are priced to only recover product cost and, as a result, provide the commissary patron direct savings of approximately 30 percent from a typical commercial supermarket market basket purchase. These savings are the reason that the commissary system exists, as this benefit is a valuable non-pay component of the total military compensation package. The importance of the commissary benefit is heightened in overseas communities and remote locations where the commissaries provide the same U.S. quality and types of items found in a U.S. supermarket, but at substantial savings over a local overseas market. Government Accountability Office service member survey results, dated August 16, 1999, indicate that the commissary benefit is a major determinant in the recruitment and retention of military members in retention critical specialties. Additionally, the commissary benefit fosters a sense of community and is a core military family support element in quality of life enhancements. Thus, military members embrace this valuable contribution and consider it to be one of the most important non-pay compensations they receive.

In FY 2004 DeCA experienced its highest annual increase in sales over the previous year since its inception in FY 1992. Sales increased by \$197 million or 3.9 percent over the FY 2003 sales of \$5,038.1 million.

This submission continues the efficient delivery of the commissary benefit to Armed Services personnel and their families. DeCA continues its business process improvement through the use of Lean Six Sigma to improve performance and resource efficiencies. DeCA has instilled process ownership, greater accountability, efficiency, and effectiveness throughout the commissary system, enabling us to streamline processes at the headquarters, the region and the store levels, and ultimately improving store operations and the commissary benefit.

DeCA headquarters and field operating activities are located at Fort Lee, Virginia. There are three region offices, one each located in Virginia Beach, Virginia; Sacramento, California; and the Kapaun Air Station, Germany. The remaining operations of zones, commissary stores, combined commissary and exchange

stores, a meat packing plant and central distribution centers are located on, or close to, military installations worldwide. DeCA employs over 18,000 personnel, has annual sales of over \$5.2 billion, a total annual operating budget of approximately \$1.2 billion in DeCA Working Capital Fund (DeCA WCF) Commissary Operations, and \$11.0 million obligations in FY 2006 and \$6.6 million in FY 2007 for Capital Investments. The direct appropriation request is \$1,154.9 million for FY 2006 and \$1,187.5 million for FY 2007. As a result of process improvements, the level of funding for Commissary Operations in FY 2006 and FY 2007 remains approximately the same as identified in the FY 2005 President's Budget submission.

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

I. OPERATING AND CAPITAL BUDGETS

DeCA financially manages two activity groups within the DeCA WCF: Commissary Resale Stocks and Commissary Operations. DeCA is also responsible for cash management of this fund.

a. Commissary Resale Stocks finances the purchase of inventory for resale to authorized patrons. Products offered by commissaries include perishable food items such as: meat, poultry, fruits, vegetables, dairy products, non-perishable food items, and household products, which include laundry and cleaning products, batteries, light bulbs, and pet foods. There is no requirement for appropriated fund support. Projected sales for FY 2006 and FY 2007 are approximately \$5.3 billion per year.

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 funds appropriated by Congress. Commissary Operations also receives additional revenues, about \$29 million, from manufacturers' coupon redemption fees, handling fees for tobacco products, and reimbursements for other support. The Commissary Operations FY 2006 unit cost goal is approximately 22 cents per dollar of sales (operating costs divided by sales), which is a decrease of about 2 percent from the unit cost projected for FY 2006 in last year's budget submission.

c. Surcharge Collections represents a third major source of funding. Surcharge Collections is a trust fund primarily funded by a five percent surcharge applied to patron sales at the checkout counter. Title 10 United States Code - Armed Forces, established this fund. By paying the surcharge on their purchases, authorized patrons share responsibility for the infrastructure cost of the commissary facilities, including store information technology and the commissary construction programs. This fund also receives revenue from prompt payment discounts, collection of fees for dishonored patron checks, the sale of used cardboard, plastic and equipment, and proceeds from the transfer or disposal of commissary facilities on Base Realignment and Closure installations.

II. WORKLOAD ASSUMPTIONS

The annual sales forecast for FY 2006 is \$5,265.0 million. 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, distribution systems, and operating hours and days.

a. Patrons. DeCA's total authorized patron base is over 11.6 million. DeCA commissaries process over 90 million customer order transactions annually. DeCA's patrons include active duty military members, guard and reserve component members, retired personnel and their families, government departments or agencies, 100% disabled veterans, Medal of Honor recipients, and DoD civilians stationed on installations in overseas areas.

b. Organization. DeCA plans to begin FY 2006 with 273 commissaries. There are also 11 NEXMARTs, which combine commissary and exchange operations at small locations overseas. The Navy Exchange Command (NEXCOM) provides managerial oversight for the NEXMARTs, while DeCA provides the resale inventory and reimburses NEXCOM for total costs of commissary operations. DeCA operates 11 Central Distribution Centers (CDC) to support inventory requirements: 3 in Europe and 8 in the Western Pacific and 29 zones strategically located in the Continental United States (CONUS) and outside the Continental United States (OCONUS).

c. Location. Historically, operations in OCONUS and remote areas cost more per dollar of sales than the CONUS locations, due to relative costs of operating in foreign and remote environments. Often these locations service small-to-medium military populations, resulting in fewer sales and higher fixed costs. Additionally, there are significant support costs incurred in providing U.S. food products and household items to overseas locations. In spite of these cost considerations, the commissary operations overseas provide a critical quality of life benefit to the personnel serving the U.S., because DeCA's infrastructure provides economies that are not achievable by other alternatives. The investment of taxpayer's dollars in DeCA provides essential services, food safety, and a touch of home in many areas of the world where our patrons have little or no alternative for their grocery and household item purchases.

d. Hours of Operations. Commissary operating hours and days are determined by sales, patron demographics, and local installation needs, which include consideration for the families' needs during extended deployments.

e. Workforce. DeCA projects a civilian end-strength of 18,507 in FY 2006. The civilian full-time equivalent (FTE) level for FY 2006 is 14,912 (13,429 Direct Hire and 1,483 Foreign National Indirect Hire). The civilian FTEs are 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. Within DeCA's work culture, there is a continued emphasis on the increased use of part-time employees, including students, for increased flexibility in hiring and scheduling, as well as providing an ongoing recruitment pipeline for permanent hires. The flexibility to use other than full-time personnel is critical to enable commissaries to function in a business-like manner and to achieve the programmed efficiencies. Military personnel strength level for FY 2006 is five.

DeCA has been very successful in reducing FTEs by outsourcing certain functions and services under OMB Circular A-76 procedures. DeCA continues to pursue A-76 Commercial Activities and alternative mechanisms to A-76. Currently, DeCA has 119 A-76 contracts in effect for shelf stocking, custodial and warehousing functions. DeCA has completed competitions on 3,572 FTE's, and is scheduled to complete competitions on 3,570 FTE's between FY 2005 and FY 2011.

	FY 2004	FY 2005	FY 2006	FY 2007
Workload Indicators				
Commissaries (begin year)	275	273	273	274
Annual Sales (\$ Millions)	5,235.1	5,238.8	5,265.0	5,291.3
End Strength and Full-time Equivalents (FTEs)				
Civilian End Strength	17,613	18,499	18,507	18,502
Direct Hire	16,130	17,016	17,024	17,027
Indirect Hire	1,483	1,483	1,483	1,475
Military End Strength	13	13	5	5
Civilian FTEs	15,464	15,015	14,912	14,839
Direct Hire	13,981	13,532	13,429	13,364
Indirect Hire	1,483	1,483	1,483	1,475
Military FTEs	13	13	5	5

III. PRODUCTIVITY ASSUMPTIONS

DeCA contracted for an independent study on January 12, 2003, with the team of Dove Consulting and Willard Bishop Consulting Ltd, in order to assess the feasibility of using a variable pricing system in the commissary for a potential reduction in appropriated funding while continuing to maintain a patron savings of 30 percent. The result of the independent study indicated that DeCA's current pricing model is the most efficient method to maximize and transfer vendor support directly to DeCA patron savings and that variable pricing should not be implemented in the commissary system.

DeCA conducted an Agency level corporate reengineering review resulting in a provisional realignment of business areas and staff offices at the headquarters and field operating activities. Provisional realignment was implemented in April 2004. The review optimized the organization above and at store level. The realignment ensures the largest number of employees possible are in direct service positions that interact with commissary customers in order to improve commissary store support and productivity, while enhancing above store efficiency. Organization processes were realigned to enhance all functions and processes needed to support commissaries on a day-to-day basis and improve functional oversight and policy. The skills and leadership abilities of senior personnel were analyzed and reassignments were effected to maximize the current corporate force structure. This effort further enhanced DeCA's succession planning efforts by updating our inventory of highly skilled and

leadership focused candidates in the Agency's Corporate Successor Development Program. DeCA will cascade the reengineering effort down to regional and store level with a completion date of FY 2006/FY 2007.

In accordance with the President's Management Agenda initiatives and DoD's Balanced Scorecard concept, DeCA continues to further develop performance metrics to establish linkage between resource requirements and outputs. This effort provides meaningful information for program evaluation and the decision process and assists DeCA with strategic plan development and focusing on improving the quality of goods and services we provide our patrons while developing cost effective business practices. The following performance measures are used to determine how well DeCA is achieving its strategic plan goals and objectives and implementing the five initiatives under the PMA:

a. Sustain Customer Savings. The patron savings are calculated using a comprehensive database of actual prices for Universal Product Coded (UPC) items from commercial grocery stores and commissaries to perform the analysis for locations within the 48 contiguous states (over 30,000 items are compiled). All major supermarket chains (e.g., Kroger Co., Winn Dixie, Giant Foods, HEB, etc.), as well as super centers are included in the comparison. Because the database contains only items with a UPC, prices for fresh meat and produce are obtained by physical audit at randomly selected commissaries and nearby commercial grocery stores. This methodology was validated by the Air Force Audit Agency. DeCA's FY 2004 customer savings was 32.1 percent, which results in approximately \$2700 in annual savings for a family of four. The FY 2006 and FY 2007 customer saving goals are 30 percent.

b. Improved Customer Satisfaction. Customer satisfaction is evaluated by surveys based on statistically sound sampling techniques. Previously, the Commissary Customer Service Survey (CCSS) was conducted twice a year (spring and fall). During FY 2004, a decision was made to conduct the CCSS once per year to allow more time to complete the data collection and analysis. Surveys will now be conducted in September each year with reportable results in October or November. In addition, DeCA incorporated recommendations of a GAO audit by modifying the method of weighting the surveys. All scores are now weighted to account for differences in commissary size. The FY 2004 score of 4.47 exceeded the FY 2004 goal of 4.42 and is projected to improve in the future. The scale is 1-5 with 5 being the highest possible score. The American Customer Satisfaction Index (ACSI) is produced annually through a partnership of the University of Michigan Business School, the American Society for Quality, and the international consulting firm Claes Fornell International

(CFI) Group. The ACSI is a uniform independent measure that is general enough to be comparable across sectors, industries, and organizations of the U.S. economy. The ACSI is measured as a multivariable set of equations and utilizes cause and effect relationships to explain customer loyalty and ties that loyalty to customer satisfaction. The DeCA FY 2004 goal was 75. In the February 2004 report, DeCA received a score of 76. This score was above the grocery industry average of 74 and was above the score of 75, which DeCA received previously. DeCA's forecasted ACSI goals for FY 2006 and FY 2007 are 76.

c. Unit Costs. DeCA benchmarks well against industry, both operationally and financially. We are cognizant of the need to control costs, while at the same time improving performance. To this end, sweeping cultural, managerial, and organizational changes within DeCA are supported by the implementation of activity-based management concepts and process improvements throughout the organization, thus improving service and output and reducing unit costs. DeCA has produced significant cost savings and patron service improvements through personnel and processes restructuring, realignment, and reductions, while at the same time increasing sales to commissary customers.

d. Facilities Condition Index (FCI). The FCI is a numerical expression of the physical state of a commissary store. The FCI is a weighted measure of a commissary's condition, refrigeration system, and energy usage and efficiency. The FCI reflects the overall condition of commissary plant and facilities. Our patrons deserve to shop in well-designed, constructed, and maintained commissaries that are sized to handle the customer traffic and are conveniently located. Success in meeting these demands is measured annually using defined metrics for assessing the facility condition index and through analysis of the results of customer satisfaction surveys. The FCI is used as a leading indicator in assessing the effectiveness of the investment of surcharge funding in the physical facilities program. FY 2003 FCI results were 74.5 against the goal of 74.5. The FY 2004 FCI goal is 77.1, with results reportable in February 2005.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Customer Savings	32.1%	30%	30%	30%
Commissary Customer Service Survey (CCSS) (1-5 Scale)	4.47	4.47	4.47	4.48
Unit Costs (current year \$)	\$.2146	\$.2232	\$.2245	\$.2295
Unit Costs (FY00 Constant \$)	\$.1952	\$.1967	\$.1929	\$.1927
American Customer Satisfaction Index (ACSI) (0-100 Scale)	76	76	76	76
Facility Condition Index	77.1	79.7	82.2	84.8

e. Strategic Management of Human Capital. DeCA has increased its workforce population as follows: women - an increase of 170; Blacks - an increase of 121; Hispanics - an increase of 78; and Asians - an increase of 355. For career progression, primary concentration is placed to increase representation at the GS-12 through GS-15 senior grade levels. Throughout these grade levels, Blacks have the greatest increase at 23. Hispanics increased by four. Asians increased by 10. In FY 2002, DeCA hired a female into the SES ranks. Since FY 2001, DeCA has hired 67 students with disabilities under the Workforce Recruitment Program and increased its overall number of employees with disabilities by 10.

f. Competitive Sourcing. Using a combination of A-76 initiatives and alternative competition sourcing mechanisms, DeCA has completed competitions on 3,572 FTEs (637 FTEs as A-76 Commercial Activities studies and 2,935 FTEs as alternative mechanisms to A-76). DeCA's budgeted reductions for A-76 and Commercial Activities from FY 2001 through FY 2004 are 754 civilian FTEs for a savings of \$6.7 million. Additional savings are anticipated pending completion of the study phase.

g. Improved Financial Performance. DeCA received its third consecutive unqualified audit opinion for its FY 2004 Financial Statements (also received for FY 2002 and FY 2003 Financial Statements). An unqualified opinion was also received on the FY 2001 Balance Sheet. Travel card holder delinquency rates for FY 2004 were at 2.07 percent for Individually Billed Accounts (IBA's) compared to the DoD standard delinquency rate of not to

exceed 3 percent. DeCA also had a less than one 1 percent purchase card delinquency rate for FY 2004 against DoD's goal of 2 percent.

h. Expanded Electronic Government. DeCA is 100 percent compliant with DoD Information Technology Security Certification and Accreditation Process on all mission essential systems, platforms and networks. A secure environment ensures that data is kept safe during transmission and that customer's personal data is not compromised. In addition, DeCA uses Electronic Data Interchange (EDI) for ordering, receiving, and pricing. File Transfer Protocol has been added for DeCA's industry partners and EDI Internet (EDIINT) has been added as an alternative data access method. The current environment has resulted in equal and accurate data exchange with our trading partners, who supply commissary patrons with products valued over \$5 billion annually, thus bringing the best value to our government-business enterprise.

i. Budget and Integration. DeCA has linked employee performance plans to the strategic goals and objectives of the agency and associated measures in order to link, differentiate, and provide consequences for not meeting targets. DeCA Senior Executives meet at least quarterly to examine reports that integrate financial and performance information and utilize the information to make informed operational and resource decisions.

Through continued implementation of the PMA initiatives and the Balanced Scorecard concept, DeCA's performance against strategic goals and objectives indicates positive progress in meeting our deliverables. DeCA is improving the Quality of Life Social Compact for our Service members while operating in a cost efficient and effective manner utilizing best business practices.

**DEFENSE COMMISSARY AGENCY
(DeCA)**

**FISCAL YEAR (FY) 2006/FY 2007
BUDGET ESTIMATES
FEBRUARY 2005**

OPERATING BUDGET

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

FUNCTIONAL DESCRIPTION

DeCA Commissary Resale Stocks account finances resale inventory sold in the commissary system. DeCA's product assortment includes non-perishable food items, as well as perishable food items; i.e., meat, poultry, fruits, vegetables, dairy products, and assorted household goods, i.e., laundry products, bleach, cleaners, batteries, pet foods, etc. Sales of commissary products generate revenue that DeCA uses to replenish the resale inventory. DeCA Commissary Resale Stocks is self-sufficient, requiring no appropriated fund support, except for recovery of inventory losses due to natural disasters.

DeCA continuously strives to improve our operations while providing one of the top-rated military non-pay benefits. The investment of taxpayer's dollars in DeCA provides essential services and a touch of home in many areas of the world where our patrons have little or no alternative for which to obtain U.S. grocery and household items. 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 and non-appropriated fund activities, and the U.S. State Department activities. DeCA's total authorized patron baseline is approximately 11.6 million personnel. DeCA commissaries process over 90 million customer transactions annually.

By statute, Title 10, United States Code - Armed Forces, directs a five percent surcharge on purchases at the point of sale. By paying the surcharge, commissary patrons share in the responsibility of the overall costs of the commissary system. The surcharge is used to finance categories of commissary store infrastructure, such as information technology and equipment, and construction and maintenance costs. These funds as well as revenue from prompt payment discounts, the sale of used cardboard and equipment, and proceeds from the transfer or disposal of commissary facilities on Base Realignment and Closure installations are managed through the Surcharge Collections Trust fund.

BUDGET HIGHLIGHTS

In FY 2004, DeCA experienced its greatest sales growth increase over a previous fiscal year since DeCA's inception in FY 1992. Sales increased \$197 million or 3.9 percent over FY 2003 sales of \$5,038.1 million. Patron transactions also increased by 1.8 percent over the previous year. DeCA successfully maintained operating costs within budget while increasing sales.

Revenue from the sale of commissary products of approximately \$5.3 billion consists primarily of cash, charge sales, and manufacturer coupons. Cash and coupon transactions from active duty and reserve military members and their families, retirees, foreign entities and non-appropriated funds represent over 99 percent of total resale stocks revenue. DeCA also sells products to dining facilities, exchange operations, National Guard activities, and 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 Commissary Resale Stocks fund whole.

In the September 2004 DeCA Commissary Customer Service Survey (CCSS), 55.1 percent of patrons selected the commissary benefit as their number one benefit. Additionally, the General Accounting Office service member survey results, dated August 16, 1999, indicate that the commissary benefit is a major determinant in the recruitment and retention of military members in retention critical specialties. The commissary benefit fosters a sense of community and is a core military family support element in quality of life enhancements. Thus, military members embrace this valuable contribution and consider it to be one of the most important non-pay compensations they receive.

CHANGES IN OPERATIONS

Department of Defense right-sizing efforts and efficiency reviews from FY 1992 through FY 2007 result in the net closure of 138 commissaries or a reduction of approximately 33 percent. Commissary sales projections declined by about 12 percent over the same period. Based on sales achieved during FY 2004, DeCA sales projections for FY 2006 through FY 2007 have been adjusted upward. Increased sales are the result of increased usage by commissary patrons, as evidenced by a 1.8% growth in patron

transactions during FY 2004, and inflationary pressure in the grocery industry as a result of increased oil/gasoline and meat prices.

DeCA strives to continuously improve the quality of goods and services we provide our patrons while developing more cost effective business practices. Some of the initiatives that facilitate increasing sales include:

a. Buying Process: The Sales Process Area of DeCA is one of the key players in the success of the Agency's efforts to keep customer prices at commissaries significantly below those in the commercial sector. This process area performs centralized category management reviews for new, national brands, and Regional/Local products. Category reviews are conducted to ensure product selections within the managed categories continue to provide our patrons with desired products at the lowest prices available. Analysis of product movement and price data ensures optimum price negotiations for both national and regional products. The category review and analysis also serves 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.

b. Inventory Management: Through the deployment of information technology computer assisted ordering, DeCA has effectively reduced its inventory for operating and safety levels. The inventory levels are expressed in days of supply based on average daily sales. Projected average daily sales are \$14.4 million for FY 2006 and \$14.5 million for FY 2007, with 22 days of supply. In comparison, average daily sales for FY 1991 were \$16.5 million with 27 days of supply. This represents a 19 percent reduction in terms of days of supply through FY 2007. On-hand inventory has declined 29 percent from the level maintained by the Military Departments at the end of FY 1991.

c. Sustain Customer Savings. DeCA provides our authorized patrons product savings through Manager's Specials and the new Savings You've Earned Program. Manager's Specials are generally top-selling, recognizable brands at deeply discounted prices for a short period of time. Manager's Specials provide our patrons greater savings than the already low prices offered in the commissary. DeCA Commissaries rolled out the new red, white, and blue Savings You've Earned program in May 2004. Three new "signs of savings" are red, white and blue starbursts framing product prices. 'Every Day Savings' indicates an item is on sale at an everyday low price; 'Value Savings' indicate the lowest prices when compared to like items at the commissary or at commercial grocery stores and 'Extra Savings' means the price is so

fantastic, the product is only on sale for a limited time, in limited quantities. Through Manager's Specials and the Savings You've Earned Program, DeCA is responding to our patrons needs with quality products and greater savings. Through our savings program, DeCA makes a concerted effort to encourage single shoppers, military families, and retirees to take advantage of their benefit and realize an increase in their personal disposable income.

d. Patron Outreach. DeCA continues its patron outreach initiative through case lot sales, single service member tours, special Guard and Reserve events, the launch of the Commissary Connection customer newsletter, and the Savings You've Earned Program. Semiannual worldwide case lot sale events are held in May and September, which have proven successful in highlighting the yearlong commissary benefit. Case lot sale events allow patrons to purchase products in bulk quantities at substantial savings. Selected products include paper products, laundry detergent, soups, juices, canned vegetables, pet food, etc. During Commissary Awareness Month conducted annually in May each year, commissaries make a concerted effort to reach new customers through "show and tell" tours for single service members, new service members and Guard and Reserve families. The Commissary Connection newsletter is a customer newsletter delivered via e-mail to proactively communicate with customers and keep them informed of "what's happening" in commissaries. Commissary Connection keeps customers abreast of news about promotions and sales and even offers links to manufacturer and vendor sites where patrons can enter shopping sprees and contests, or sign up for commercial newsletters. The Savings You've Earned Program was accompanied by an awareness campaign that included banners, posters and employee buttons as well as "shelf talkers" - Savings You've Earned images that were posted in all commissaries worldwide. This new program has been well received by patrons and helps to acknowledge that commissary savings of 30 percent or more is not only savings they deserve, but also savings they have earned.

e. Computer Assisted Ordering (CAO): CAO is providing the mechanism necessary to maintain sufficient in-stock rates that enables DeCA to provide the right product at the right time throughout the shopping day, which improves our patrons' satisfaction.

f. Improve Convenience and Shopping Cycle Time of Customers: Through feedback from our patrons, DeCA is aware that many of our patrons are struggling to balance work and personal responsibilities and respond to convenience shopping and ways to save time. In response, DeCA has identified frequently purchased

convenience products and Home Meal Replacement items and relocated these products at the front of the store for quick shopping access. DeCA provides popular and nutritious grab and go meals, as well as introducing new products to patrons before or at the same time as commercial retailers. We are designing our commissaries to allow quicker access for customers to shop and checkout, with the goal of the enticing more of our authorized patrons to use their commissary benefit. Product stock assortment is constantly reviewed in an effort to make the service even better. DeCA has received many positive responses for this service. Where possible express commissary parking is available for that quick stop-and-shop patron. DeCA is effectively designing the layout of the commissary facility to allow easier access for grab and go products with the goal of twenty minutes or less to shop and checkout.

g. Optimize Store Operating Hours: DeCA Regions and stores continuously evaluate and adjust store hours to provide maximum convenience for our customers. Stores with potential sales opportunities will implement early bird shopping, where the commissary store opens earlier with minimum staff supporting express purchases of fifteen items or less. Implementation of early bird shopping hours provides additional access and greater convenience for our customers. In support of Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF), DeCA is operating with expanded hours/days for specific commissaries where large and extended deployments left families with a sole parent who needed access to the commissary after their work day hours.

DeCA productivity 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 2003)

WORKLOAD DATA - AVERAGES	DeCA COMMISSARIES	COMMERCIAL SUPERMARKETS
Weekly Sales per Store	\$ 473,772	\$ 348,130
Weekly Sales Per Square Foot	\$ 15.95	\$9.29
Sales Per Customer Transaction	\$ 58.85	\$ 25.28

(Calendar year 2003 commissary data for stateside locations.)

<u>Workload Indicators</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Number of Commissaries (begin year)	275	273	273	274
Resale Stocks Sales (\$ Millions)	5,235.1	5,238.8	5,265.0	5,291.3
Ending Inventory (\$ Millions)	340.2	340.2	341.8	343.4

Performance Measures

Inventory Turns (Average # of Days)	16.6	15.8	15.9	16.0
Customer Savings	32.1%	30%	30%	30%
Commissary Customer Satisfaction Survey (CCSS)	4.47	4.47	4.47	4.48
American Customer Satisfaction Index (ACSI)	76	76	76	76

Financial Recap

Revenue (\$ Millions)	5,230.5	5,232.6	5,258.8	5,285.1
Cost of Goods Sold (\$ Millions)	5,213.4	5,248.0	5,274.1	5,285.1
Net Operating Results (\$ Millions)	17.1	(15.4)	(15.3)	0.0
Accumulated Operating Results (AOR) ⁽¹⁾	30.7	15.3	0.0	0.0
Unit Cost (Per \$ of Sales)	1.00	1.00	1.00	1.00

⁽¹⁾ AOR includes an accounting adjustment posted in the FY 2004 Financial Statement footnote to reflect transfers in/out between stores and CDC's for FY92 through FY96 that adjusted the nonrecoverable AOR at the end of this same period.

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

(Dollars in Millions)

	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>
1. New Orders				
a. Orders from DoD Components:				
Army	0.2	0.1	0.1	0.1
Navy	0.6	0.4	0.4	0.4
Air Force	0.1	0.1	0.1	0.1
Marine Corps				
Other	0.4	0.2	0.2	0.2
b. Orders from Other Fund Activity Groups				
c. Total DoD	1.3	0.8	0.8	0.8
d. Other Orders:				
Other Federal Agencies	1.2	1.0	1.0	1.0
Trust Fund				
Non Federal Agencies	5,229.9	5,237.0	5,263.2	5,289.5
Foreign Military Sales				
Total New Orders	5,232.4	5,238.8	5,265.0	5,291.3
2. Carry-in Orders				
3. Total Gross Orders	5,232.4	5,238.8	5,265.0	5,291.3
4. Revenue	5,230.5	5,232.6	5,258.8	5,285.1
5. End of Year Work-in-Progress				
6. FMS, BRAC, Other Federal and Non-Federal orders				
7. Funded Carry-over				

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

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue:				
Gross Sales	5,235.1	5,238.8	5,265.0	5,291.3
Operations	5,235.1	5,238.8	5,265.0	5,291.3
Capital Surcharge				
Depreciation excluding Major Construction				
Other Income				
Refunds/Discounts	(4.6)	(6.2)	(6.2)	(6.2)
Total Income:	5,230.5	5,232.6	5,258.8	5,285.1
Expenses:				
Cost of Material Sold from Inventory	5,213.4	5,248.0	5,274.1	5,285.1
Salaries and Wages:				
Military Personnel Compensation & Benefits				
Civilian Personnel Compensation & Benefits				
Travel & Transportation of Personnel				
Materials & Supplies (for Internal Operations)				
Equipment				
Other Purchases from Revolving Funds				
Transportation of Things				
Depreciation - Capital				
Printing & Reproduction				
Advisory & Assistance Services				
Rent, Communication, Utilities, & Misc. Charges				
Other Purchased Services				
Total Expenses	5,213.4	5,248.0	5,274.1	5,285.1
Operating Result	17.1	(15.4)	(15.3)	0.0
Less Capital Surcharge Reservation	0.0	0.0	0.0	0.0
Plus Passthroughs or Other Appropriations Affecting NOR	0.0	0.0	0.0	0.0
Other Adjustments Affecting NOR	0.0	0.0	0.0	0.0
Net Operating Result	17.1	(15.4)	(15.3)	0.0
Prior Year Adjustments	0.0	0.0	0.0	0.0
Other Changes Affecting AOR(1)	(12.5)	0.0	0.0	0.0
Accumulated Operating Result	30.7	15.3	0.0	0.0
Non Recoverable Adjustment Impacting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result for Budget Purposes	30.7	15.3	0.0	0.0

(1) Accounting adjustment to reflect transfers in/out between stores and CDC's for FY 92 through FY96. Footnoted in September 2004 Accounting Report (M) 1307 - Line 15 Cumulative Results of Operations

FY 2004 BUDGET				DIVISION			February 2005	
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT				Commissary Resale Stocks				
INVENTORY STATUS				TOTAL	MOBILIZATION	PEACETIME OPERATING	PEACETIME OTHER	
1.	INVENTORY BOP			328.9		328.9		
2.	BOP INVENTORY ADJUSTMENTS							
	a. RECLASSIFICATION CHANGE (Memo)							
	b. PRICE CHANGE AMOUNT (Memo)							
	c. INVENTORY RECLASSIFIED AND REPRICED							
3.	RECEIPTS AT STANDARD			5,222.5		5,222.5		
4.	SALES AT STANDARD			5,235.1		5,235.1		
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)			23.9		23.9		
	h. TOTAL ADJUSTMENTS							
6.	INVENTORY EOP			340.2		340.2		
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)			4.3		4.3		
9.	NARRATIVE (Explanation of unusual changes)							
5g. Net gain from inventory gains and loss adjustments.								

FY 2005 BUDGET				DIVISION		February 2005	
				Commissary Resale Stocks			
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT							
						PEACETIME	PEACETIME
INVENTORY STATUS				TOTAL	MOBILIZATION	OPERATING	OTHER
1.	INVENTORY BOP			340.2		340.2	
2.	BOP INVENTORY ADJUSTMENTS						
	a. RECLASSIFICATION CHANGE (Memo)						
	b. PRICE CHANGE AMOUNT (Memo)						
	c. INVENTORY RECLASSIFIED AND REPRICED						
3.	RECEIPTS AT STANDARD			5,238.8		5,238.8	
4.	SALES AT STANDARD			5,238.8		5,238.8	
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)					-	
	h. TOTAL ADJUSTMENTS						
6.	INVENTORY EOP			340.2		340.2	
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)			7.9		7.9	
9.	NARRATIVE (Explanation of unusual changes)						

FY 2006 BUDGET				DIVISION		February 2005	
				Commissary Resale Stocks			
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT							
						PEACETIME	PEACETIME
	INVENTORY STATUS			TOTAL	MOBILIZATION	OPERATING	OTHER
1.	INVENTORY BOP			340.2		340.2	
2.	BOP INVENTORY ADJUSTMENTS						
	a. RECLASSIFICATION CHANGE (Memo)						
	b. PRICE CHANGE AMOUNT (Memo)						
	c. INVENTORY RECLASSIFIED AND REPRICED						
3.	RECEIPTS AT STANDARD			5,265.0		5,265.0	
4.	SALES AT STANDARD			5,265.0		5,265.0	
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)			1.6		1.6	
	h. TOTAL ADJUSTMENTS						
6.	INVENTORY EOP			341.8		341.8	
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)			7.9		7.9	
9.	NARRATIVE (Explanation of unusual changes)						
5g. Increased inventory in support of sales.							

FY 2007 BUDGET				DIVISION		February 2005	
				Commissary Resale Stocks			
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT							
						PEACETIME	PEACETIME
	INVENTORY STATUS			TOTAL	MOBILIZATION	OPERATING	OTHER
1.	INVENTORY BOP			341.8		341.8	
2.	BOP INVENTORY ADJUSTMENTS						
	a. RECLASSIFICATION CHANGE (Memo)						
	b. PRICE CHANGE AMOUNT (Memo)						
	c. INVENTORY RECLASSIFIED AND REPRICED						
3.	RECEIPTS AT STANDARD			5,291.3		5,291.3	
4.	SALES AT STANDARD			5,291.3		5,291.3	
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)			1.6		1.6	
	h. TOTAL ADJUSTMENTS						
6.	INVENTORY EOP			343.4		343.4	
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)			7.9		7.9	
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 273 commissaries, 11 central distribution centers, 11 Navy Exchange Marts (NEXMARTS), 29 zones, three 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, operating supplies, utilities, transportation of commissary goods overseas and in-theater, DoD service providers like the Defense Finance and Accounting Service (DFAS), Defense Information Systems Agency (DISA), and Defense Logistics Agency (DLA), U.S. Transportation Command (USTRANSCOM), and base operations support.

Items sold in the commissaries are priced to only recover product cost and, as a result, provide the commissary patron direct savings while maintaining high standards for products, service, quality, and operating facilities. A direct appropriation received from Congress is an essential part of this process and is the foundation that allows military members and their families to receive direct savings of approximately 30 percent below the typical commercial market basket purchase. The commissary is an integral part of the non-pay compensation package used in recruiting and retaining military members and in a recent Commissary Customer Service Survey (CCSS), approximately 55 percent of patrons selected the commissary benefit as their number one benefit.

BUDGET HIGHLIGHTS

Appropriated fund requests represent 97.6 percent of required revenue to operate the commissaries. The 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 from the Governments of Korea and Japan as part of their burden sharing agreement to share costs for commissaries located in these countries.

The Military Departments, that provide oversight of the commissary system, have committed to retaining the commissary benefit to include mission changes due to previous base realignment and closure actions, quality of life concerns, expansion of operating hours and other business-like considerations. This submission reflects this commitment by requesting direct appropriations of \$1,154.9 million for FY 2006 and \$1,187.5 million in FY 2007. The planned Accumulated Operating Result (AOR) is breakeven for FY 2006 with an operating unit cost goal for FY 2006 of \$.2245 per dollar of sales and \$.2295 per dollar of sales for FY 2007. The Commissary Operations unit cost goal is approximately 22 cents per dollar of sales (operating costs divided by sales), which is a decrease of about 2 percent from the unit cost projected for FY 2006 in last year's President's Budget Submission. The Capital Purchase authority requests are \$11 million and \$6.6 million for FY 2006 and FY 2007 respectively.

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

REVENUE

(\$ MILLIONS):	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Direct				
Appropriations	1,089.2	1,174.9	1,154.9	1,187.5
Other Reimbursements	27.7	28.8	29.0	26.7
Total Revenue	1,116.9	1,203.7	1,183.9	1,214.2
EXPENSES				
(\$ MILLIONS)	1,123.4	1,169.4	1,181.8	1,214.2
Net Operating Results	(6.5)	34.3	2.1	0.0
Accumulated Operating Results	(36.4)	(2.1)	0.0	0.0
Capital Budget Program Authority	7.8	5.6	11.0	6.6

DeCA projects 18,507 civilian end strength in FY 2006 and 18,502 in FY 2007. Full-time equivalent (FTE) levels for FY 2006 are 14,912 and 14,839 in FY 2007. 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.

a. DeCA has developed engineered staffing standards to support the commissary organizational structure. The standards support both department level and total store staffing requirements to realize unit cost reductions.

b. 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 over 170 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.

CHANGES IN OPERATIONS

DeCA annually evaluates and determines whether to establish, continue or downsize commissary stores. Criteria used in the evaluation are: the active duty mission of the installation, the active duty military assigned to an installation and served by the commissary, and the availability of other commissaries in the general area (within 30-minute travel time). In addition, the needs and welfare of the military community are also given primary consideration.

This submission includes cost savings initiatives aimed at improving processes while reducing costs and ultimately reducing the amount of direct appropriations needed to operate the commissary system. This is indicative of DeCA's commitment to the proper stewardship of taxpayer funds and also acknowledges our responsibility to spend economically and prudently. DeCA continues to work closely with local installation commanders to ensure we are providing adequate support for the service members and families of deployed service members supporting Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF).

DeCA has also conducted an Agency level corporate reengineering review resulting in a provisional realignment of business areas and staff offices at the headquarters and field operating activities. Provisional realignment was implemented in April 2004. The review optimized the organization above and at store level. The realignment ensures the largest number of

employees possible is in direct service positions that interact with commissary customers in order to improve commissary store support and productivity, while enhancing above store efficiency. Organization processes were realigned to enhance all functions and processes needed to support commissaries on a day-to-day basis and improve functional oversight and policy. The skills and leadership abilities of senior personnel were analyzed and reassignments were effected to maximize the current corporate force structure. This effort further enhanced DeCA's succession planning efforts by updating our inventory of highly skilled and leadership focused candidates in the Agency's Corporate Successor Development Program. DeCA will cascade the reengineering effort down to regional and store level with a completion date of FY 2006/FY 2007.

MISSION EFFECTIVENESS

DeCA has successfully demonstrated its ability to operate an efficient commissary system that provides a non-pay benefit, improves the quality of life of authorized patrons and enhances military readiness by retaining quality personnel. Customer surveys have found that the military member and their families, the reserve components and retirees consistently rank the commissary system as one of their top rated nonpay benefits ahead of other nonpay benefits such as medical and Moral Welfare and Recreation programs. More than 55 percent of commissary shoppers selected the commissary as their number one benefit in the September 2004 customer service survey. This perception of the commissary benefit greatly assists the Department in retaining a quality military force.

DeCA's goal is to continue to deliver an important quality of life benefit for our military efficiently and effectively. This overarching goal is directly supported by strategic objectives and action plans to fulfill the goal. Together, these metrics are guiding improvements throughout the commissary system and provide the foundation of this budget submission.

a. Improve Customer Service. DeCA continues to seek improved customer service by analyzing survey data from its annual Commissary Customer Service Survey (CCSS) and the American Customer Satisfaction Index (ACSI). Both survey feedback consistently show the positive results of a customer service focus, with continued improvement noted each year. On the FY 2004, CCSS, patrons rated all areas at "good" or "better"

on a scale from zero to five, with improved scores in every survey item. Improvements to the CCSS methodology, recommended by the Government Accountability Office (GAO) audit (GAO 03-060) were initiated to weight the survey scores based on the differences in commissary size. The ASCI survey model uses a cause and effect relationship to explain customer loyalty, which is tied to customer satisfaction. DeCA's FY2004 rating from ASCI was both higher than the average grocery industry rating and the ratings received by the three military exchange systems.

b. Sustain Customer Savings. The patron savings are calculated using a comprehensive database of actual prices for Universal Product Coded (UPC) items from commercial grocery stores and commissaries to perform the analysis for locations within the 48 contiguous states (over 30,000 items are compiled). Major supermarket chains (e.g., Kroger Co., Winn Dixie, Giant Foods, HEB, etc.), as well as super centers are included in the comparison. Because the database contains only items with a UPC, prices for fresh meat and produce are obtained by physical audit at randomly selected commissaries and nearby commercial grocery stores. This methodology was validated by the Air Force Audit Agency. DeCA's FY 2004 customer savings of 32.1 percent results in an approximate annual savings of \$2700 for a family of four. Customer savings for FY 2005 will be available in October or November 2005.

c. Unit Costs. DeCA benchmarks well against industry, both operationally and financially. We are cognizant of the need to control costs, while at the same time improving performance. To this end, sweeping cultural, managerial, and organizational changes within DeCA are supported by the implementation of activity-based management concepts and process improvements throughout the organization, thus improving service and output and reducing unit costs. DeCA has produced significant cost savings and patron service improvements through personnel and processes restructuring, realignment, reductions and outreach efforts.

<u>Workload Indicators</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Commissaries (begin year)	275	273	273	274
Annual Sales (\$ Millions)	5,235.1	5,238.8	5265.0	5,291.3
<u>Performance Measures/Targets</u>				
Customer Savings	32.1%	30%	30%	30%
Commissary Customer Service Survey (CCSS)	4.47	4.47	4.47	4.48
American Customer Satisfaction Index (ASCI)	76	76	76	76
Unit Costs (current year \$)	\$.2146	\$.2232	\$.2245	\$.2295
Unit Costs (FY 2000 \$)	\$.1952	\$.1967	\$.1929	\$.1927
<u>End Strength and Full-Time Equivalents (FTEs)</u>				
Civilian End Strength	17,613	18,499	18,507	18,502
Military End Strength	13	13	5	5
Civilian FTEs	15,464	15,015	14,912	14,839
Military FTEs	13	13	5	5

ACTIVITY GROUP ANALYSIS
COMPONENT: DEFENSE COMMISSARY AGENCY
ACTIVITY GROUP: COMMISSARY OPERATIONS
SOURCE OF NEW ORDERS AND REVENUE
(Dollars in Millions)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders				
a. Orders from DoD Components:				
OSD Burdensharing Contribution, Defense	7.4	6.9	7.0	7.0
Other Reimbursements (Non-Appropriated Funds				
and Trust Funds)	5.6	5.5	5.5	5.5
b. Orders from other Fund Activity Group	0.0	0.0	0.0	0.0
c. Total DoD	13.0	12.4	12.5	12.5
d. Other Orders:				
Other Federal Agencies	1.8	2.0	2.0	2.1
Non Federal Agencies	12.9	14.4	14.5	12.1
Total New Orders	27.7	28.8	29.0	26.7
2. Carry-In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders	27.7	28.8	29.0	26.7
4. Revenue	27.7	28.8	29.0	26.7
5. End of Year Work-in-Process	0.0	0.0	0.0	0.0
6. FMS, BRAC, Other Federal, and Non-Federal Orders	0.0	0.0	0.0	0.0
7. Funded Carry-over	0.0	0.0	0.0	0.0

DeCA WORKING CAPITAL FUND
COMPONENT: DEFENSE COMMISSARY AGENCY
ACTIVITY GROUP: COMMISSARY OPERATIONS
REVENUE AND EXPENSES
(DOLLARS IN MILLIONS)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue:				
Operations				
Other Income	27.7	28.8	29.0	26.7
Total Income:	27.7	28.8	29.0	26.7
Expenses:				
Salaries and Wages:				
Military Personnel Compensation & Benefits	1.0	1.0	0.4	0.4
Civilian Personnel Compensation & Benefits	669.8	687.5	693.6	707.2
Travel & Transportation of Personnel	9.9	11.2	12.1	13.7
Materials & Supplies (For Internal Operations)	57.4	48.6	48.6	49.2
Other Purchases from Revolving Funds	28.1	24.1	26.4	25.7
Transportation of Things	81.0	107.5	113.1	123.9
Depreciation - Capital	4.4	5.9	7.0	7.8
Printing & Reproduction	0.5	0.8	0.8	0.9
Advisory & Assistance Services	0.3	0.6	0.6	0.6
Rent, Communication & Misc. Charges	55.6	55.1	56.8	57.7
Other Purchased Services	215.4	227.1	222.4	227.1
Total Expenses	1,123.4	1,169.4	1,181.8	1,214.2
Operating Result	(1,095.7)	(1,140.6)	(1,152.8)	(1,187.5)
Plus Appropriations Affecting NOR/AOR	1,089.2	1,174.9	1,154.9	1,187.5
Net Operating Result	(6.5)	34.3	2.1	0.0
Accumulated Operating Result	(36.4)	(2.1)	0.0	0.0

Changes in the Costs of Operation
 Defense Commissary Agency/Commissary Operations
 February 2005
 (Dollars in Millions)

	<u>Expenses</u>
1. FY 2004 Actual	1,123.4
2. FY 2005 President's Budget	1,174.9
3. Pricing Adjustments	
FY 2005 Civilian Pay Raise	5.3
General Purchase Inflation	5.8
DFAS Rate Adjustment	(5.7)
4. Program Changes:	
Operating Efficiencies	(13.4)
Coupon and Tobacco Handling Fee	(3.2)
Store Closure	(2.3)
Conversion to Independent Exchange	(0.4)
Continuity of Operations Plan (COOP)/Radio Frequency Identification (RFID)/IT Security	6.7
PCS - Redistricting (One-Time)	0.4
European Deli-Bakery Operation (One Quarter)	1.3
5. FY 2005 Current Estimate:	1,169.4
6. Pricing Adjustments	
Annualization of Prior Year Pay Raise	5.7
FY 2006 Civilian Pay Raises	13.0
General Purchase Inflation	10.4
Transportation Fuel Rate Increase	6.0
7. Productivity Initiatives and Other Efficiencies:	
Process Reengineering	(13.1)
Operating Efficiencies	(3.4)
8. Program Changes:	
VSIP/VERA	(7.4)
Store Closure	(1.2)
European Deli-Bakery Operation (One Quarter)	(1.3)
PCS - Redistricting (One-Time)	(0.4)
Store Opening	1.5
Radio Frequency Identification (RFID)	1.5
9. Other Changes:	
Depreciation	1.1
10. FY 2006 Current Estimate:	1,181.8
11. Pricing Adjustments	
Annualization of Prior Year Pay Raise	3.7
FY 2007 Civilian Pay Raises	13.1
General Purchase Inflation	7.2
Department of Labor (DOL) Wage Rate	1.0
Transportation Fuel Rate Increase	10.8
12. Productivity Initiatives and Other Efficiencies:	
Process Engineering	(4.4)
13. Program Changes:	
Store Closure	(0.3)
Store Opening	0.6
14. Other Changes:	
Depreciation	0.7
15. FY 2007 Current Estimate:	1,214.2

**DEFENSE COMMISSARY AGENCY
(DeCA)**

**FISCAL YEAR (FY) 2006/FY 2007
BUDGET ESTIMATES
FEBRUARY 2005**

CAPITAL BUDGET

Activity Group Capital Investment Summary
Component: Defense Commissary Agency
Activity Group: Commissary Operations
Date: February 2005
(\$ in Millions)

Line Number	Item Description	FY 2004		FY 2005		FY 2006		FY 2007	
		Quantity	Total Cost						
1000	Equipment, Other Than ADPE and Telecommunications Resources								
2000	ADPE and Telecommunications Equipment								
2001	ADP Equipment (<500K)								
2002	ADP Equipment (\$500K-999K) - Located at DeCA HQ					14	1.3		
	ADP Equipment \$1,000K and Over								
2003	Enterprise Data Warehouse	1	2.0	1	3.8	1	2.0	1	3.0
2004	Corporate Server III	1	2.8	1	1.0	1	1.0	1	2.2
2005	DeCA Electronic Records Management & Archive	1	3.0	1	0.8	1	0.6	1	0.7
2006	Telephone Modernization					1	4.0		
3000	Software Development/Modernization								
4000	Minor Construction								
4001	New Roof - DeCA HQ Building					1	0.4	1	0.7
4002	Command Conference Room Renovation					1	0.3		
4003	Refurbish HQ's Computer Room					1	1.4		
	TOTAL CAPITAL PURCHASE PROGRAM	3	7.8	3	5.6	21	11.0	4	6.6
	Total Capital Outlays		4.8		6.5		7.7		8.6
	Total Depreciation Expense		4.4		5.9		7.0		7.8

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES						
B. DeCA WCF/ Commissary Operations February 2005		C. Line No. & Item Description 2001. Various ADP Equipment \$500-\$999K			D. Activity Identification								
		FY 2004			FY 2005			FY 2006			FY 2007		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
HP Replacement (5-year life cycle)							1	316	316				
Dell Farm Replacement (5-year life cycle)							1	295	295				
Web Server (PD2-V4.2.2)							1	40	40				
HP Unix servers for DCPDS							2	255	510				
Microsoft Windows servers for CHRIS							9	20	184				
<p>Narrative Justification: Procurement Desktop - Defense (PD2) which is a DoD mandated system provides automated strategic and streamlined contract management support for the procurement professional within a complete workflow management solution. PD2 is an integral part of the Department of Defense's (DoD) Standard Procurement System (SPS) which is integrating acquisition, logistics, and financial management within one end-to-end enterprise business system. As SPS has been deployed throughout DoD contracting communities, it is providing the technology and business process foundation necessary for DoD to achieve its procurement business goals by eliminating multiple outdated legacy systems and automating manual business processes. Facilitating the standardization of efficient business processes to improve management across the enterprise; and expanding the software functionality necessary to effectively award and manage contracts in the rapidly evolving eCommerce environment.</p> <p>DCPDS - The hard disk space, RAM, memory, number of processors and speed specifications of the current hardware will not be adequate to meet system growth and requirements in FY06. DCPDS is DoD's personnel database system of record. The number of database records grows by 2-5% every day. Growth of the database; processor and memory intensive application processing and database queries; changes to the DCPDS software applications and system architecture; hardware limitations for expansion; DoD guidance to consolidate HW; and costs for hardware/software and operating system maintenance require this hardware to be refreshed. FY06 CHRIS Server Refresh: The hard disk space, RAM, memory, number of processors and speed specifications of the current hardware will not be adequate to meet system growth and requirements in FY06. The number of users will double from 110 to 220 by FY05. These users will be competing for processors, memory and space with running processor intensive database queries. The Business Objects server software has been re-engineered with a different architecture and provides new features that use more server resources. Currently space to store required EEO statistical documents is limited. More hard disk space or fiber connection to a storage unit will be required in this refresh.</p>													

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES						
B. DeCA WCF/ Commissary Operations February 2005		C. Line No. & Item Description 2002. Corporate Decision Support System					D. Activity Identification						
		FY 2004			FY 2005			FY 2006			FY 2007		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
ADP Equipment (Productivity) > \$1M	1	2,000	2,000	1	3,800	3,800	1	2,000	2,000	1	3,000	3,000	
<p>Narrative Justification: Corporate Decision Support System (CDSS)/Enterprise Data Warehouse (EDW) provides DeCA with a single version of the truth for sales data across the enterprise empowering end-users to make informed business decisions, accomplish a competitive advantage and achieve parity with industry. To meet the Agency's Strategic Objectives: increase sales, reduce unit cost and improve savings to customers, the EDW must be populated with additional data elements (i.e., cost, savings, demographics and Capital Investment). EDW is the keeper of the Agency's corporate data. After the EDW is fully populated, the data will be used by all levels of management within DeCA HQs, Regions, and stores to make better-informed business decisions. In accordance with the Warehouse Centric vision, DeCA must acquire contractor services for skill sets unavailable within the Agency. Teradata Data Base Administrators, Data Architects and Data Management specialists for design, development, test and deployment are critical to the success of this corporate initiative. DeCA is currently loading an average of 8 million records per day into the EDW. With an estimated 300% increase in growth in data elements, the configuration was expanded in FY03 to an eight-node, 14 Terabyte system. DeCA is heavily invested in the current Warehouse Centric system, with complete corporate sponsorship. For this reason, \$3.8M in FY05 and \$2.0M in FY06 is needed to fund the current configuration. In FY07, \$3M is required to initiate a hardware/software refresh to allow continued growth in the Warehouse Centric environment.</p> <p>Economic Analysis Summary: To accomplish the Agency's Strategic Initiatives, DeCA requires state-of-the-art processing capability to sustain savings for our customers and to decrease costs associated with providing the benefit. DeCA must ensure continuity of operations and support for its business systems in order to continue to reduce unit costs, sustain its initial investment in EDW and avoid costs that would be incurred if compatible hardware and software were not acquired. Comparative analysis indicates an investment (or cost avoidance) of \$12.5M would be required to replace all hardware, software, licensing fees and re-development services.</p> <p>Impact of Project Disapproval: DeCA will be unable to meet it's Strategic Initiatives, i.e., sustain customer savings, reduce unit costs, improve technology and improve the infrastructure. Therefore, DeCA will be unable to provide the benefit to our soldiers, airman, seamen, marines, their families and our retirees, if this requirement is not fully funded..</p>													

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES							
B. DeCA WCF/ Commissary Operations February 2005			C. Line No. & Item Description 2003. Corporate Server III				D. Activity Identification							
			FY 2004			FY 2005			FY 2006			FY 2007		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost		
ADP Equipment (Productivity) > \$1M	1	2,800	2,800	1	1,000	1,000	1	1,000	1,000	1	2,200	2,200		
<p>Narrative Justification: DeCA is planning enterprise hardware and software upgrades to enable compliance with the DoD Enterprise Architecture Framework, the DeCA Enterprise Architecture Plan and the DeCA Strategic Plan. We have embarked on a program to provide continual technical refresh and seamless Continuity of Operations (COOP) capability. With the current migration and consolidation of enterprise servers, we intend to increase the processing of current applications while providing COOP capability, migrating legacy systems, and adhering to a net centric data management strategy. We have planned migration of applications to the new enterprise servers based on the criticality of the application and the urgency to utilize new technology features to improve functionality or efficiency of the applications. These mission essential systems include DeCA's Interactive Business System (DIBS), Computer Assisted Ordering, bill paying, electronic data interchange, data warehousing, and item movement. The corporate servers are the backbone of DeCA's enterprise computing initiative. Efficient upgrades and a four year refresh cycle will allow us to continue to adopt and utilize the most efficient technological enhancements while maintaining low maintenance costs. During FY 2005 through FY 2007, we will complete a technology refresh of the corporate servers, and the tape backup archiving system. The refresh of the backup and archiving system will use state of the art technology to enhance disaster recovery preparedness, provide a reliable means to archive historical data, and provide a restore capability to the corporate servers, in the event of data corruption.</p> <p>Economic Analysis Summary: The recommended alternative is based on a comparison of current hardware maintenance and operating costs versus a technology refresh with maintenance. DeCA requires corporate server hardware and software to upgrade its obsolete production, test, and development environments that can no longer be supported. During FY 2005 through FY 2007, DeCA intends to acquire data replication hardware, replace the backup and archiving system, and refresh corporate servers. This will accomplish DeCA's objectives for business continuance, legacy migration, and net centric data storage while providing additional capacity for testing and production. This equipment will be located at the Agency's headquarters and Western Pacific processing centers. DeCA will also enhance the backup capabilities at the alternate processing center in the event of a disaster. During FY 2007 through FY 2010, DeCA will be repeating the technology refresh cycle initiated in 2003 and 2004 replacing the Corporate / Enterprise Server environment with state of the art technology.</p> <p>Impact of Project Disapproval: Disapproval of the technology refresh of the corporate servers, COOP solutions, and storage and archiving systems, would result in an increased risk to operations and maintenance of critical DeCA systems. As the equipment reaches the end of its life cycle, maintenance costs will increase annually and spare parts will become difficult to acquire. Aging systems and outdated technology will severely limit our ability to adopt to changes in DoD and the net-centric environment. Our ability to continue to perform mission critical functions such as bill paying, inventory management and electronic commerce could be imperiled. Additionally, the Agency will be unable to provide disaster recovery or COOP capability for additional applications to address new business requirements. Not approving FY 2005 through FY 2007 funding will greatly compromise DeCA's ability to comply with the OSD mandate to implement and maintain the architecture for disaster recovery and continuity of operations of the Commissary benefit in the event of a disaster at either of DeCA's two processing centers. Our ability to leverage technology to provide the cost saving benefit to our Armed Services Patrons would be at significant risk.</p>														

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)	A. FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES
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B. DeCA WCF/ Commissary Operations February 2005	C. Line No. & Item Description 2004. DeCA Electronic Records Management & Archive	D. Activity Identification
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Element of Cost	FY2004			FY2005			FY2006			FY2007		
	Quantity	Unit Cost	Total Cost									
ADP Equipment (Productivity) > \$1M	1	2,969	2,969	1	849	849	1	622	622	1	664	664

Narrative Justification: Recommend implementation of a fully certified Electronic Records Management System (DERMAS). In the mid-90's the Defense Commissary Agency (DeCA) Information Systems Review Council (DAISRC) approved the total electronic records management concept for DeCA. The system is mandated by several e-Government initiatives from the President's Management Agenda (PMA). Currently the agency has a legacy records management system that is not fully compliant and no longer support the need. That legacy system is the DeCA's Document Management System (DDMS). This portion of the electronic records management concept was pilot tested and has been totally implemented throughout all commissaries. DDMS currently houses the financial records only. The PMA e-Government initiative is stressing the electronic records management program for all government agencies.

Economic Analysis Summary: The records management application (RMA) software that DeCA is requesting to purchase is fully compliant with DoD Standard 5015.2 and certified by DISA for use up to Top Secret. The RMA also meets ISO 9000/9001 standards and DITSCAP requirements for secure and authorized use. The current software application is outdated and does not fully meet agency needs. Disaster recovery and maintenance of the existing system is costly. Implementation of this fully integrated system will reduce overall agency costs, will expand its use, is fully compliant with federal mandates, and is in line with the agency's strategic objectives. In FY04 we began putting together a proposal package allowing us to obtain program approval. Resources required are \$1.050M for software and \$1.919M for hardware to implement this project. In FY05 there is an additional requirement of \$294K for hardware and \$555K for software.

Impact of Project Disapproval: Offsite storage of these records has impacted the agency's overall cost of normal operations support. In addition, word has been received from the Fort Lee Installation Records Holding Area (RHA) that no paper-based records (except for permanent records that are transferred to a records center immediately upon receipt) will be accepted due to elimination of all Army RHA facilities. DeCA has a RHA, but without the ability to transfer temporary records to the installation, RHA saturation will be reached during 2004. Implementation of the remaining portion of the electronic records system will greatly eliminate storage problems that are anticipated.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES						
B. DeCA WCF/ Commissary Operations February 2005		C. Line No. & Item Description 2005. Telephone Modernization					D. Activity Identification						
		FY 2004			FY 2005			FY 2006			FY 2007		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
ADP Equipment (Productivity) > \$1M							1	4,000	4,000				
<p>Narrative Justification: The HQ and Region HQ Telephone System Replacement Project will provide the following for HQ (3 buildings), the East, West and Europe Region Headquarters, and possibly the Midwest and Far East Support Centers.</p> <p>1) replacement of core telephone system switches 2) replacement of all telephone sets 3) an integrated call director to allow trouble calls to be distributed between the HQ, West & EU support centers 4) an integrated voice mail system that is part of the telephone system</p> <p>Economic Analysis Summary: We have done a preliminary market analysis of possible solutions from several vendors. The DeCA HQ phone system is 12 years old and utilizes a standalone voice mail system. Replacement of this system is in keeping with the 10 year life cycle management (LCM) program for Agency telephone systems and is estimated to cost \$2,500,000. The DeCA West phone system is 5-6 years old with 4-5 years of useful life left. The DeCA East phone system is 3-4 years old with 6-7 years of useful life left. The DeCA Europe phone system is 4-5 years old with 5-6 years of useful life left. Replacement of these 3 phone systems is estimated to cost \$500,000 each, for a total of \$1,500,000. The monetary cost for replacing these 3 phone systems prior to the end of their 10 year life-cycle will be offset by two factors: 1) money received for the trade-in and/or auction value of the old phone systems, and more significantly, 2) the money saved by migrating the Agency to voice-over-IP (VOIP) technology. Current costs for replacing commissary telephone systems run from \$35,000 to \$45,000 per store, depending on the store size. With a VOIP implementation, the Agency will realize a reduced operations cost by maintaining a primary cable plant and perhaps a very limited scope contingency cable plant. Further costs savings will be realized by eliminating the need to maintain both a telephone system and network hardware at all locations. For example, the FY05 telephone system replacement budget, using traditional replacement technology, will replace approximately 30 telephone systems at an average cost of \$39,000 each. If a VOIP implementation were in place, the FY05 budget would allow the replacement of approximately 45 phone systems at an average cost of \$25,000 each. The Agency would realize a conservative savings estimate of approximately 10,000 per phone system replaced. Replacement of the remaining 190 phone systems with VOIP would result in a conservative estimated program savings of \$190,000. Numerous other operational efficiencies will be realized by the Agency that cannot be easily quantified. For instance, all internal Agency telephone calls will be carried on the existing network infrastructure; consequently, there will be no long distance charges for this traffic. Commercial long distance calls outside the Agency will be centrally managed through the server and support centers; only local and possibly DSN calls will be permitted from the local commissaries. VOIP will permit voicemail to be incorporated on desktop PCs along with email. Part of this implementation will include an automatic call director (ACD) to support "follow the sun" help desk support that will allow calls to be passed on to other support centers. If this technology were implemented by itself, it would cost \$350,000 to \$450,000. It is important to note, however, that none of these operational efficiencies can be realized without the replacement of the core phone systems at HQ, DeCA East, DeCA West, and DeCA Europe, as requested by this project.</p> <p>Impact of Project Disapproval: Failure to comply w/ public law 107-314. All DSN connected telephone systems must operate on certified switches. DeCA uses DSN to communicate with all commissary stores. If we do not migrate to certified switches, DeCA will lose the ability to use DSN for voice communications with all commissaries, worldwide.</p>													

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES						
B. DeCA WCF/ Commissary Operations February 2005		C. Line No. & Item Description 4001. New Roof			D. Activity Identification								
		FY 2004			FY 2005			FY 2006			FY 2007		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
								1	350	350	1	750	750
<p>Narrative Justification: The flat rubber roof at the DeCA Headquarters building has developed significant leaks over the past several years. Patching and sealing of the roof have stemmed some of the leaks but new leaks materialize with each rainfall. The leaks have caused personnel movements and damage to office equipment and furniture.</p> <p>Economic Analysis Summary: As noted above, the present roof continues to develop leaks with each rainfall. Additionally, the leaks cause damage to the office furniture, equipment, carpets, and wall systems. These areas are continually requiring remodeling and replacement due to the water damage.</p> <p>Impact of Project Disapproval: Funds to remodel, replace and repair equipment will continue to be spent to return the office space to condition whereas the employees can continue their mission.</p>													

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES							
B. DeCA WCF/ Commissary Operations February 2005			C. Line No. & Item Description 4002. Remodel the Command Conference Room				D. Activity Identification							
			FY 2004			FY 2005			FY 2006			FY 2007		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost		
							1	275	275					
<p>Narrative Justification: The present command conference room was constructed in 1990 and has not undergone any renovation since its construction. Besides having virtually no technological upgrades since its construction, the conference room is too small to meet the needs of the command group at the Headquarters. With the reengineering of the Headquarters, the size of groups that meet in the command conference room have increased. To remedy the room size problem we will be moving one wall which will make the conference room 25% larger. Additionally, the upgrade will install video teleconferencing capability linked to our Regions and Zones and install state of the art video capabilities for Directorate level briefings and presentations.</p> <p>Economic Analysis Summary: The installation of the video teleconferencing capability will serve to tie in the Regions and Zones with the Headquarters. Meetings that would require travel will now be conducted over the VTC.</p> <p>Impact of Project Disapproval: Stated above, meetings will be conducted through the VTC instead of traveling to the site. This will allow our senior leadership to remain at the Headquarters instead of being on the road. Additionally, presentations and briefings conducted in the Headquarters will be made in areas less conducive for presentations.</p>														

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES						
B. DeCA WCF/ Commissary Operations February 2005		C. Line No. & Item Description 4003. Computer Room Refurbishment, 2nd Floor, Nichols Bldg.			D. Activity Identification								
		FY 2004			FY 2005			FY 2006			FY 2007		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
Refurbish Computer Facility							1	1,375	1,375				
<p>Narrative Justification: Computer facility has exceeded original designed capability and must be upgraded to accommodate new and existing systems requirements.</p> <p>Economic Analysis Summary: Continued costly piecemeal repairs and modifications to computer facility have resulted in an inefficient system that can no longer meet requirements. Cooling capacity of the facility has been exceeded and will not meet the requirements of new equipment. Accommodation of equipment in the existing facility has resulted in a disorganized and inefficient layout. Failure to refurbish the facility will result in limited ability to support replacement of more efficient systems. Upgrade of HVAC is necessary to ensure proper operating environment and preclude premature system failures.</p> <p>Impact of Project Disapproval: Premature system failures due to insufficient HVAC. Inability to support system upgrades or replacement components due to power constraints. Negative impact on daily business operations.</p>													

Defense Commissary Agency
 Activity Group: Commissary Operations
 FY 2004
 FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES

PROJECTS ON THE FY 2006/2007 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>
2004	Equipment except ADPE and TELCOM	0.000	0.000	0.000	0.000	
2004	Equipment - ADPE and TELCOM	0.000	7.769	7.769	0.000	
2004	Software Development	0.000	0.000	0.000	0.000	
2004	Minor Construction	0.000	0.000	0.000	0.000	
	Total FY 2004	0.000	7.769	7.769	0.000	

Defense Commissary Agency
 Activity Group: Commissary Operations
 FY 2005
 FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES

PROJECTS ON THE FY 2006/2007 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>
2005	Equipment except ADPE and TELCOM	0.000	0.000	0.000	0.000	
2005	Equipment - ADPE and TELCOM	0.000	5.649	5.649	0.000	
2005	Software Development	0.000	0.000	0.000	0.000	
2005	Minor Construction	0.000	0.000	0.000	0.000	
	Total FY 2005	0.000	5.649	5.649	0.000	

Defense Commissary Agency
 Activity Group: Commissary Operations
 FY 2006
 FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES

PROJECTS ON THE FY 2006/2007 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>
2006	Equipment except ADPE and TELCOM	0.000	0.000	0.000	0.000	
2006	Equipment - ADPE and TELCOM	0.000	8.967	8.967	0.000	
2006	Software Development	0.000	0.000	0.000	0.000	
2006	Minor Construction	0.000	2.000	2.000	0.000	
	Total FY 2006	0.000	10.967	10.967	0.000	

Defense Commissary Agency
 Activity Group: Commissary Operations
 FY 2007
 FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES

PROJECTS ON THE FY 2006/2007 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>
2007	Equipment except ADPE and TELCOM	0.000	0.000	0.000	0.000	
2007	Equipment - ADPE and TELCOM	0.000	5.864	5.864	0.000	
2007	Software Development	0.000	0.000	0.000	0.000	
2007	Minor Construction	0.000	0.750	0.750	0.000	
	Total FY 2007	0.000	6.614	6.614	0.000	