

**DEFENSE COMMISSARY AGENCY
(DECA)**

**FISCAL YEAR (FY) 2021
BUDGET**



February 2020

DEFENSE COMMISSARY AGENCY (DeCA)

**Fiscal Year (FY) 2021
President's Budget
February 2020**

OPERATING AND CAPITAL BUDGET

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DEFENSE COMMISSARY AGENCY
DeCA WORKING CAPITAL FUND
FY 2021 EXECUTIVE SUMMARY
February 2020

OVERVIEW

The Defense Commissary Agency's (DeCA) mission is to deliver a vital benefit of the military pay system that sells grocery at significant savings while enhancing quality of life and readiness. It is DeCA's vision to understand our customers and deliver a 21st century commissary benefit.

The commissary benefit encompasses:

- Provides a safe, secure shopping environment overseas as well as stateside
- Provides brand name and private label groceries and household products at a significant savings
- Is efficient, effective, and provides customer satisfaction that exceeds commercial grocery stores
- Enhances readiness by enabling troops to focus on the mission while deployed and not worrying about their families' well-being
- Provides a "sense of community" for military personnel and their families

I. OPERATING AND CAPITAL BUDGETS

The DeCA includes three activities: Commissary Resale Stocks, Commissary Operations, and Surcharge Collections Trust Fund. Resale Stocks and Commissary Operations are managed in the DeCA working capital fund (WCF) (97X4930.004) while the Surcharge Collections account is managed through a separate trust revolving fund (97X8164).

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

The **Commissary Operations** business activity finances the operating costs of commissaries, headquarters operations, and field operating activities. The primary revenue source for this activity group is a direct appropriation. For FY 2021, DeCA's direct appropriation is proposed at \$1,146.66 million. Specific costs include civilian and military labor, labor contracts, transportation of commissary goods overseas, and other general and administrative support. Commissary Operations also receives limited additional revenues from manufacturers' coupon redemption fees, handling fees for tobacco products, and reimbursements for other support. These collections generate Reimbursable Authority within the business activity.

Significant changes are being made to our current operational model as we seek to achieve reduced reliance on appropriated funding. These changes include the planned use of \$15.5 million of positive accumulated operation result (AOR) in FY2021. Carrying a positive AOR

into subsequent years will support DeCA's strategy to sustain operations in light of potential further reductions to appropriated funding.

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

II. WORKLOAD ASSUMPTIONS

The annual sales forecast for FY 2021 is \$4,437.8 million. Sales are the foremost driving factor in determining DeCA's workload. We establish our sales projections based on factors such as the number of authorized patrons, the number and location of commissaries, distribution systems, operating hours and days and other factors that impact similar retail operations.

a. **Patrons:** The DeCA patron base includes approximately 3.1 million households and over 77 million customer transactions annually. Authorized commissary patrons include active duty military members, Guard and Reserve component members, retired personnel and their families 100 percent disabled veterans, specified other military services organizations and activities, DeCA employees and DoD civilians stationed on installations in overseas areas. The FY 19 NDAA expanded patronage to veterans awarded the Purple Heart, Medal of Honor recipients, former prisoners of war, veterans with service-connected disabilities, and caregivers for veterans.

b. **Organization:** The DeCA will begin FY 2021 with 236 commissaries, five Commissary and Exchange operations located overseas (NexMarts), nine distribution centers, and a meat processing plant located in Germany.

c. **Location:** DeCA's headquarters is located at Fort Lee, VA and operates a worldwide commissary system throughout the United States and in 13 countries.

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

e. **Workforce:** In FY 2021, DeCA projects a full-time equivalent (FTE) level of 12,112. The DeCA uses a mix of full-time and part-time employees to provide scheduling flexibility required by commissaries. Military personnel strength level for FY 2021 is four.

Full-time Equivalents (FTEs)	FY19	FY20	FY21
Civilian FTEs	12,229	12,612	12,112
Direct Hire – US	10,565	10,884	10,384
Direct Hire – FN	556	524	524
Indirect Hire - FN	1,108	1,204	1,204
Military FTEs	4	4	4

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

III. HIGHLIGHTS

The DeCA embodies a culture of efficiency and continually seeks to reduce costs thus demonstrating good stewardship of the taxpayer dollar. In FY 2021, DeCA continues efforts to make specific changes to our business model that will sustain patron savings and improve the shopping experience to ensure the commissary benefit remains relevant for generations to come. Several key elements in this transformation are:

1. Ensuring DeCA patrons save money on their groceries. For active and retired military personnel, the commissary is an important part of their benefits package. The DeCA measures patron savings by accounting for variances in the cost of living by geographic region. This is an update from the previous methodology in order to set a more accurate baseline for cost savings. In addition, the savings calculation is performed quarterly to ensure the comparison is relevant and current.
2. Utilizing best business practices when setting prices and negotiating costs with suppliers. The FY 2017 National Defense Authorization Act allowed DeCA to use practices known as "variable pricing authority" and "category performance improvement" that can reduce the amount of direct appropriation required and offer savings on core products in high demand.
3. Continuing to expand our commissary store-brand (private label) options. Based on customer demand, DeCA is offering a commissary brand to expand choices for its patrons and increase their opportunities to save on the same quality of products that name brands offer.
4. As an integral part to our transformation, DeCA is modernizing its supply chain and business processes with an Enterprise Business Solution (EBS) software suite. EBS is a business platform that will provide a better way for DeCA to collect and manage data and ultimately improve our ability to make the right decisions as we continue to deliver the commissary benefit of the future.

These and other ongoing efforts to seek efficiencies will provide the foundation for a successful transformation that will ensure a sustainable commissary benefit that remains a valued part of military life while maintaining the savings benefit offered to our soldiers, their families and other authorized shoppers.

“Your Commissary, it is worth the trip!”

FY 2021 President's Budget
DEFENSE COMMISSARY AGENCY
DECA WORKING CAPITAL FUND
COMMISSARY RESALE STOCKS

The Resale Stocks business activity collects revenues from product sales in our Commissary stores, which in turn provides the majority of funds for Commissary to replenish sold inventory. The Commissary Resale Stocks account directly supports the Defense Commissary Agency's (DeCA) primary mission of providing food and household products for the United States military and other authorized patrons worldwide.

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

The commissary benefit fosters a sense of community within military installations and has become a core family support and quality-of-life benefit for active duty soldiers, Guard and Reserve, retirees, and their families. In order to improve how it measures customer satisfaction, in FY 2019 DeCA rolled out the ForeSee program to augment the Commissary Customer Satisfaction Survey (CCSS). CCSS measured results annually. Through ForeSee, the DeCA receives customer feedback daily and promptly identifies areas to improve the shopping experience. Key customer service initiatives include:

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

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

<u>Workload Indicators</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Number of Commissaries (BOY)	237	236	236
Resale Stocks Sales (\$M)	4,485.8	4,482.1	4,437.8
Ending Inventory On Hand (\$M)	315.6	415.8	422.8

<u>Performance Measures</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Inventory Turns (Average # per Year)	11.9	12.9	12.2
Customer Savings	25.6%	23.7%	23.7%
Commissary Customer Satisfaction Survey (CCSS) Goal	A	A	TBD – based on new measure
American Customer Satisfaction Index (ACSI) <small>(Source for Supermarket Data is Supermarket Facts Industry)</small>	DeCA 70 Industry 78	DeCA Exceed Industry Average	DeCA Exceed Industry Average
<u>Financial Recap</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Revenue (\$ Millions)	4,483.7	4,489.1	4,444.8
Cost of Goods Sold (\$ Millions)	4,513.7	4,582.3	4,444.8
Net Operating Results (\$ Millions)	(30.0)	(93.2)	0.0
Accumulated Operating Results	93.2	0.0	0.0
Unit Cost (Per \$ of Sales)	0.3	1.00	1.00

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

FY 2021 President's Budget
Defense Commissary Agency
Commissary Resale Stocks
Source of New Orders and Revenue
(\$ in Millions)

	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>
1. New Orders			
a. Orders from DoD Components:			
Army			
Navy			
Air Force			
Marine Corps			
Other	0.0	0.0	0.0
b. Orders from Other Fund Activity Groups			
c. Total DoD	0.0	0.0	0.0
d. Other Orders:			
Other Federal Agencies	0.5	0.6	0.5
Non Federal Agencies	4,485.3	4,481.5	4,437.3
Total New Orders	4,485.8	4,482.1	4,437.8
2 . Carry-in Orders			
3. Total Gross Orders	4,485.8	4,482.1	4,437.8
4. Carry-Out Orders			
5. Gross Sales	4,485.8	4,482.1	4,437.8
6. Credit	(2.1)	7.0	7.0
7. Net Sales	4,483.7	4,489.1	4,444.8

FY 2021 President's Budget
Defense Commissary Agency
Commissary Resale Stocks
Revenue and Expense
(\$ in Millions)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Revenue:			
Gross Sales	4,485.8	4,482.1	4,437.8
Operations	4,485.8	4,482.1	4,437.8
Capital Surcharge			
Depreciation excluding Major Construction			
Other Income			
Refunds/Discounts	(2.1)	7.0	7.0
Total Income:	4,483.7	4,489.1	4,444.8
Expenses:			
Cost of Material Sold from Inventory	4,513.7	4,582.3	4,444.8
Salaries and Wages:			
Military Personnel Compensation & Benefits			
Civilian Personnel Compensation & Benefits			
Travel & Transportation of Personnel			
Materials & Supplies (for Internal Operations)			
Equipment			
Transportation of Things			
Depreciation			
Printing & Reproduction			
Advisory & Assistance Services			
Rent, Communication, Utilities, & Misc. Charges			
Other Purchased Services			
Total Expenses	4,513.7	4,582.3	4,444.8
Operating Result	-30.0	-93.2	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	-30.0	-93.2	0.0
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	93.2	0.0	0.0

FY 2021 President's Budget
Defense Commissary Agency
Supply Management by Division
(\$ in Millions)

FY 2019									
Obligation Targets									
Business Division	Net Customer Orders	Net Sales	Operating	Mobilization	Direct Appn	Total Operating Obligations	Total Capital Obligations	Varability Target	Target Total
Commissary Resale Stock	4,513.7	4,485.8	4,513.7			4,513.7			4,513.7

FY 2020									
Obligation Targets									
Business Division	Net Customer Orders	Net Sales	Operating	Mobilization	Direct Appn	Total Operating Obligations	Total Capital Obligations	Varability Target	Target Total
Commissary Resale Stock	4,582.3	4,482.1	4,582.3			4,582.3			4,582.3

FY 2021									
Obligation Targets									
Business Division	Net Customer Orders	Net Sales	Operating	Mobilization	Direct Appn	Total Operating Obligations	Total Capital Obligations	Varability Target	Target Total
Commissary Resale Stock	4,444.8	4,437.8	4,444.8			4,444.8			4,444.8

	FY 2019 BUDGET			DIVISION	February 2020	
				Commissary Resale Stocks		
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT						
					PEACETIME	PEACETIME
	INVENTORY STATUS		TOTAL	MOBILIZATION	OPERATING	OTHER
1.	INVENTORY BOP		294.8		294.8	
2.	BOP INVENTORY ADJUSTMENTS					
	a. RECLASSIFICATION CHANGE (Memo)					
	b. PRICE CHANGE AMOUNT (Memo)					
	c. INVENTORY RECLASSIFIED AND REPRICED					
3.	RECEIPTS AT STANDARD		4,513.7		4,513.7	
4.	SALES AT STANDARD		4,485.8		4,485.8	
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)		(7.1)		(7.1)	
	h. TOTAL ADJUSTMENTS					
6.	INVENTORY EOP		315.6		315.6	
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)		1.0		1.0	
9.	NARRATIVE (Explanation of unusual changes)					
5g. Net Inventory Allowance Gains or loss						

	FY 2020 BUDGET			DIVISION	February 2020	
				Commissary Resale Stocks		
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT						
					PEACETIME	PEACETIME
	INVENTORY STATUS		TOTAL	MOBILIZATION	OPERATING	OTHER
1.	INVENTORY BOP		315.6		315.6	
2.	BOP INVENTORY ADJUSTMENTS					
	a. RECLASSIFICATION CHANGE (Memo)					
	b. PRICE CHANGE AMOUNT (Memo)					
	c. INVENTORY RECLASSIFIED AND REPRICED					
3.	RECEIPTS AT STANDARD		4,582.3		4,582.3	
4.	SALES AT STANDARD		4,482.1		4,482.1	
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)				-	
	h. TOTAL ADJUSTMENTS					
6.	INVENTORY EOP		415.8		415.8	
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)		1.9		1.9	
9.	NARRATIVE (Explanation of unusual changes)					
5g. Net Inventory Allowance Gains or loss						

	FY 2021 BUDGET			DIVISION	February 2020	
				Commissary Resale Stocks		
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT						
					PEACETIME	PEACETIME
	INVENTORY STATUS		TOTAL	MOBILIZATION	OPERATING	OTHER
1.	INVENTORY BOP		415.8		415.8	
2.	BOP INVENTORY ADJUSTMENTS					
	a. RECLASSIFICATION CHANGE (Memo)					
	b. PRICE CHANGE AMOUNT (Memo)					
	c. INVENTORY RECLASSIFIED AND REPRICED					
3.	RECEIPTS AT STANDARD		4,444.8		4,444.8	
4.	SALES AT STANDARD		4,437.8		4,437.8	
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		422.8		422.8	
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)		1.9		1.9	
9.	NARRATIVE (Explanation of unusual changes)					
5g. Net Inventory Allowance Gains or loss						

**FY 2021 President's Budget
DEFENSE COMMISSARY AGENCY
DeCA WORKING CAPITAL FUND
COMMISSARY OPERATIONS**

FUNCTIONAL DESCRIPTION

The DeCA Operations Working Capital Fund (WCF) activity provides appropriated resources for the personnel costs, headquarters and administrative costs and other operating support costs associated with the 236 commissaries (FY 2021). In addition, DeCA Operations include five joint Commissary and Exchange operations (NEXMARTS) located overseas, nine distribution centers, and a meat processing plant located in Germany. Commissary Operations is divided into five area groups with a dedicated area director who assists Commissary stores to respond quickly to patron needs and installation command requirements. Oversight is provided by representatives from each of the Military Services who serve on the DeCA Board of Directors. The Board conducts quarterly meetings to review performance and financial information, the status of construction projects, and proposed changes to operations.

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

A direct appropriation of \$1,146.7 million for FY 2021 provides the Commissary's operational funds. The appropriation allows patron access to fully-stocked shelves of high-quality products in a clean and safe facility that offers exceptional customer service each and every day. In addition to the appropriation, reimbursable income of approximately \$130.8 million is generated through sources such as fees paid by the grocery industry for redemption of manufacturers' coupons, cost recovery fees for selling tobacco in commissaries, private label goods and variable pricing. Provisions of the Status of Forces agreements with Korea and Japan provide labor and utility burden sharing costs in the operation of Commissary stores in those countries.

BUDGET HIGHLIGHTS:

Service Reimbursement	FY 2019	FY 2020	FY 2021
Transferred	1,266.2		
Total Appropriation		995.0	
Previous Transfers			
Services Transfer (Appropriation request)			1,146.7
Army			429.4
Air Force			391.6
Navy			237.8
Marines			87.9

FY 2021 President's Budget
Defense Commissary Agency
Commissary Operations
Changes in the Costs of Operation
(\$ in Millions)

	<u>Costs</u>
1. FY 2019 Actual	1,240.4
2. FY 2020 in President's Budget Submission	1,285.9
3. Pricing Adjustments	17.9
4. Program Changes	0.0
5. Productivity Initiatives and Other Efficiencies	0.0
6. Other Changes	0.0
7. FY 2020 Current Estimate:	1,303.8
8. Pricing Adjustments:	
Pay Inflation	5.9
General Purchase Inflation	10.3
9. Program Changes:	
Worker's Compensation	(1.7)
ADP Maintenance	1.6
Purchased Services	(3.5)
10. Productivity Initiatives and Other Efficiencies	
FTE Reduction	(28.6)
11. Other Changes	
12 FY 2021 Estimate:	1,287.8

FY 2021 President's Budget
Defense Commissary Agency
Commissary Operations
Source of New Orders and Revenue
(\$ in Thousands)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
1. New Orders			
a. Orders from DoD Components:			
Army Operations and Maintenance			
Air Force Operations and Maintenance			
Navy Operations and Maintenance			
Marine Corps Operations and Maintenance			
OSD Burdensharing Contribution, Defense	8,938.1	8,882.2	9,871.1
DoD Civilian Expeditionary Workforce Program	197.5	180.8	180.8
DAU Acquisition Services	(3.2)	42.8	43.3
b. Orders from other Fund Activity Group	548.5	739.7	752.3
c. Total DoD	9,680.9	9,845.5	10,847.5
d. Other Orders:			
Other Federal Agencies	3,273.5	2,931.2	3,940.0
Non Federal Agencies	56,657.5	97,256.8	126,862.3
Total New Orders	69,611.9	110,033.5	130,802.2
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	69,611.9	110,033.5	130,802.2

Fund 11 Source of New Orders and Revenue
February 2020

FY 2021 President's Budget
Revenue and Expenses
Defense Commissary Agency
Commissary Operations
(Dollars in Thousands)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Revenue:			
Operations			
Services Reimbursement	1,266,200.0	995,030.0	1,146,660.0
Army			429,424.0
Air Force			391,584.0
Navy			237,817.8
United States Marine Corps			87,834.2
Other Income	69,611.9	110,033.5	130,802.2
Total Income:	1,335,811.9	1,105,063.5	1,277,462.2
Expenses:			
Salaries and Wages:			
Military Personnel Compensation & Benefits	464.6	489.8	524.5
Civilian Personnel Compensation & Benefits	734,759.4	751,388.0	728,976.8
Travel & Transportation of Personnel	8,160.2	11,443.7	11,660.2
Materials & Supplies (for Internal Operations)	40,006.4	43,923.9	44,807.8
Other Purchases from Revolving Funds	33,734.5	40,907.7	41,826.9
Transportation of Things	79,027.0	89,322.3	91,210.4
Depreciation - Capital	10,941.9	11,745.5	11,980.4
Printing & Reproduction	2.7	275.3	280.8
Advisory & Assistance Services	0.0	0.0	0.0
Rent, Communication & Misc. Charges	109,379.1	116,108.1	119,520.1
Other Purchased Services	223,888.7	238,161.4	236,982.8
Total Expenses	1,240,364.4	1,303,765.8	1,287,770.8
Operating Result	95,447.5	(198,702.3)	(10,308.6)
Plus Other Revenues Affecting NOR/AOR	0.0	(80,000.0)	(71,112.4)
Net Operating Result	95,447.5	(278,702.3)	(81,421.0)
Accumulated Operating Result	375,571.5	96,869.2	15,448.2

Fund 14 Revenue and Expenses
February 2020

FY 2021 President's Budget
Defense Commissary Agency
Commissary Operations Capital Investment Summary
(\$ in Millions)

Line Number	Item Description	FY 2019		FY 2020		FY 2021	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	PY requires Line Item detail for all categories						
	Non-ADPE Equipment						
	- Vehicles						
	- Material Handling						
	- Installation Security						
	- Quality Control Security						
	- Medical Equipment						
	- Machinery						
2000	ADPE & Telecomm Equipment						
	- Computer Hardware (Production)						
2003	Corp Server III			1	2.716	1	3.000
2005	Enterprise Business Solution	1	0.201	1	0.330	1	0.870
2010	Network Infrastructure			1	0.950	1	0.500
	- Computer Hardware (Network)						
	- Computer Software (Operating System)						
2003	Corp Server III	1	0.750				
2005	Enterprise Business Solution			1	0.107	1	0.359
	Software Development >250K						
	- Internally Developed						
	- Externally Developed						
	Minor Construction						
	- Replacement						
	- Environmental						
	TOTAL OBLIGATIONS *	2	0.951	4	4.1029	4	4.7290
	Total Capital Outlays		5.777		7.823		6.476
	Total Depreciation Expense		10.942		11.746		11.980
	* Differences are due to rounding						

Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				FY 2021 President's Budget					
C. Line No & Item Description 2003. CORP Servers				D. Activity ID Defense Commissary Agency (DeCA)					
			FY 2019	FY 2020			FY 2021		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE & Telecom Capability Replacement Productivity New Mission Environmental									
ADPE and Telecommunications Capability Computer Hardware (Replacement) Project Name >=\$1M CORP Servers Computer Software (Operating System) Project Name >=\$1M CORP Servers Telecoms, Other Computer & Telecom Equip	1	750.0	750.0	1	2,716.0	2,716.0	1	3,000.0	3,000.0
Software (Named Line Items > \$1M)									
Minor Construction Capability Replacement Productivity New Mission Environmental									
<p><u>Narrative Justification:</u> DeCA currently uses multiple HP-Unix servers and Dell server to run DeCA's critical financial and business applications, database and agency COOP operations. FY 2016 Capital funding was used to replace unsupported, EOL HP-Unix Itanium II) and end of life Dell servers. In FY 2018 and FY 2019 Capital funding will be used to replace EOL server hardware and adding to the agency storage capacity in support of the agency's growing VM and system space requirements. In FY 2020-2021 Capital funding will be used to continue replacement of EOL server hardware and adding to the agency storage capacity in support of the agency's growing VM and system space requirements.</p> <p><u>Economic Analysis Summary:</u> Prior DeCA initiatives focused on replacing individual systems and/or addressing specific functional requirements, resulting in point based technical solution. CORP is bringing transformational changes through standardization, simplification, elimination of functional and systematic stovepipes, and enabling end-to-end business processes with the implementation of a redundant VM environment. This will significantly improve DeCA operations.</p> <p><u>Impact of Proposed Capital Investment Disapproval:</u> DeCA's Corp Servers are at End of Life (EOL) and continued usage places the agency at risk of failing their mission to provide the Commissary benefit to Armed Services patrons. DoD Information Assurance standards and policy cannot be supported with EOL hardware. Replacement of Corp Servers with new Virtual Machines is aligned with Federal Data Center Consolidation Initiative (FDCCI) to reduce energy costs and increase DeCA's security posture on the DoD Global Information Grid (GIG). DeCA will continue to incur increased maintenance and sustainment costs for outdated hardware; not reduce system integration complexities and redundancies; not compliant with business enterprise architecture standards; and will not support business process reengineering efforts. DOD and Agency requirements such as Time and Attendance (TAS), Warehouse Management (WMS), Guard and Reserve Sales, etc. will be shut down.</p>									

Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				FY 2021 President's Budget					
C. Line No & Item Description				D. Activity ID Defense Commissary Agency (DeCA)					
2005. Enterprise Business Solution System (EBS)									
	FY 2019			FY 2020			FY 2021		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE & Telecom Capability Replacement Productivity New Mission Environmental									
ADPE and Telecommunications Capability Computer Hardware (Production) Project Name >=\$1M EBS	1	200.6	200.6	1	330.0	330.0	1	869.7	869.7
Computer Software (Operating System) Project Name >=\$1M EBS Telecoms, Other Computer & Telecom Equip				1	106.9	106.9	1	358.6	358.6
Software (Named Line Items > \$1M) Computer Software (Operating System) Project Name >=\$1M EBS									
Minor Construction Capability Replacement Productivity New Mission Environmental									
<p><u>Narrative Justification:</u> The Enterprise Business Solution (EBS) modernizes and transforms DeCA financial and supply chain management capabilities of DeCA. Through BPR activities, DeCA determined that current business processes and systems are neither integrated nor interoperable. Information systems contain redundant and inconsistent data and lack adequate business analytics and reporting capabilities across the enterprise. Furthermore, the technology that supports the core business systems is old and inflexible, with resources to maintain it becoming scarce. EBS addresses resale supply chain management: all E2E processes associated with the cataloging, ordering, receiving and inventory management of resale items and consumable supplies including space management, promotions, electronic and mobile commerce. It also addresses non-resale asset management that includes the purchase, management, accountability, maintenance, retirement and disposal of non-resale property. Constraints include the contractual structure of agreements with resale item vendors; compliance with laws, regulations and policies; legacy system limitations; lack of documentation.</p> <p><u>Economic Analysis Summary:</u> Rigid and inefficient processes lead to heavy reliance on manual processing which leads to inefficient resource utilization, repetitive data entry, information repository silos, rework due to errors, and manual, intensive error-prevention efforts. Aging business critical systems have serious shortcomings. DeCA faces daily challenges in managing data, information, analytics and reporting.</p> <p><u>Impact of Proposed Capital Investment Disapproval:</u> DeCA will continue to incur increased maintenance and sustainment costs for outdated legacy software; fail to reduce system integration complexities and redundancies; delay system interoperability through data standardization and business enterprise architecture standards; fall short in supporting business process reengineering efforts; would fail to meet public law, and e-government statutes. EBS will result in elimination of stove-pipe applications and redundant systems, improved business performance management, improved data accuracy and integrity, improved information access and visibility across the enterprise and improved analytics to better support decision making.</p>									

Defense Commissary Agency CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				FY 2021 President's Budget					
C. Line No & Item Description 2010. Network Infrastructure (NI)				D. Activity ID Defense Commissary Agency (DeCA)					
			FY 2019	FY 2020			FY 2021		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE & Telecom Capability Replacement Productivity New Mission Environmental									
ADPE and Telecommunications Capability Computer Hardware (Production) Project Name >=\$1M NI Computer Software (Operating System) Project Name >=\$1M NI Telecoms, Other Computer & Telecom Equip				1	950.0	950.0	1	500.0	500.0
Software (Named Line Items > \$1M) Computer Software (Operating System) Project Name >=\$1M NI									
Minor Construction Capability Replacement Productivity New Mission Environmental									
<p><u>Narrative Justification:</u> DeCA maintains a Network Security Operations Center as well as a Cybersecurity Service Provider (CSSP) accreditation through USCYBERCOM to ensure worldwide network monitoring, protection, and reaction to known malicious threats and vulnerabilities that could negatively impact the Agency's business operations and the DOD Information Network (DODIN). The purchase of additional Test Access Point (TAP) hardware in FY19 and FY21 will correct forecasted processing capacity limitations for existing Intrusion Detection Sensors/Intrusion Prevention (IDS/IPS) Sensors. These capabilities will enable the Agency to properly protect its business operations and ensure a safe and secure transaction medium for commissary patrons. The purchase of Cybersecurity Monitoring and Sensor (CMS) hardware and software in FY20 to refresh DeCA's network monitoring equipment will enable the collection, storage and analysis of DeCA's network traffic in real time as well as improve investigation of internal and external cyber events.</p> <p><u>Economic Analysis Summary:</u> As an entity of the Department of Defense and a accredited CSSP, DeCA is mandated to maintained required network security and monitoring capabilities on a 24/7/365 basis. Failure to do so would result in DoD non-compliance and removal of the Agency's authority to operate (ATO) as a CSSP.</p> <p><u>Impact of Proposed Capital Investment Disapproval:</u> The Agency's business operations and commissary patron information would be placed in jeopardy of potential unlawful compromise.</p>									

FY 2021 President's Budget
Defense Commissary Agency
Capital Budget Execution
(\$ in Millions)

Major Category	<u>Initial Request</u>	<u>Current Proj Cost</u>	<u>Approved Change</u>	<u>Explanation</u>
Non-ADPE	0.0	0.0	0.0	
ADPE and Telecom	2.1	1.0	1.1	EBS and CORP Initiatives were accomplished at a more efficient rate than projected.
Software Development	0.0	0.0	0.0	
Minor Construction	0.0	0.0	0.0	
Total FY 2019	2.1	1.0	1.1	

Major Category	<u>Initial Request</u>	<u>Current Proj Cost</u>	<u>Approved Change</u>	<u>Explanation</u>
Non-ADPE	0.0	0.0	0.0	
ADPE and Telecom	4.1	4.1	0.0	
Software Development	0.0	0.0	0.0	
Minor Construction	0.0	0.0	0.0	
Total FY 2020	4.1	4.1	0.0	

Major Category	<u>Initial Request</u>	<u>Current Proj Cost</u>	<u>Approved Change</u>	<u>Explanation</u>
Non-ADPE	0.0	0.0	0.0	
ADPE and Telecom	4.7	0.0	0.0	
Software Development	0.0	0.0	0.0	
Minor Construction	0.0	0.0	0.0	
Total FY 2021	4.7	0.0	0.0	