DCN 11599

Cleveland DFAS
New Building Options

- 350,000 square feet (based on DOD standards)
- Focus on available downtown sites.
- State-of-the art, exclusive use, secure
- Available adjacent parking for employees
- Best 2 options address DOD requirements and complement downtown development.
- Base rent of $9.10 - 9.50 ($14.30 currently) plus operating cost assumption of $5.00 (equal to current est.).
- Base rent locked in for 20 year term.
- Financial incentives provided by State, local and private sector.

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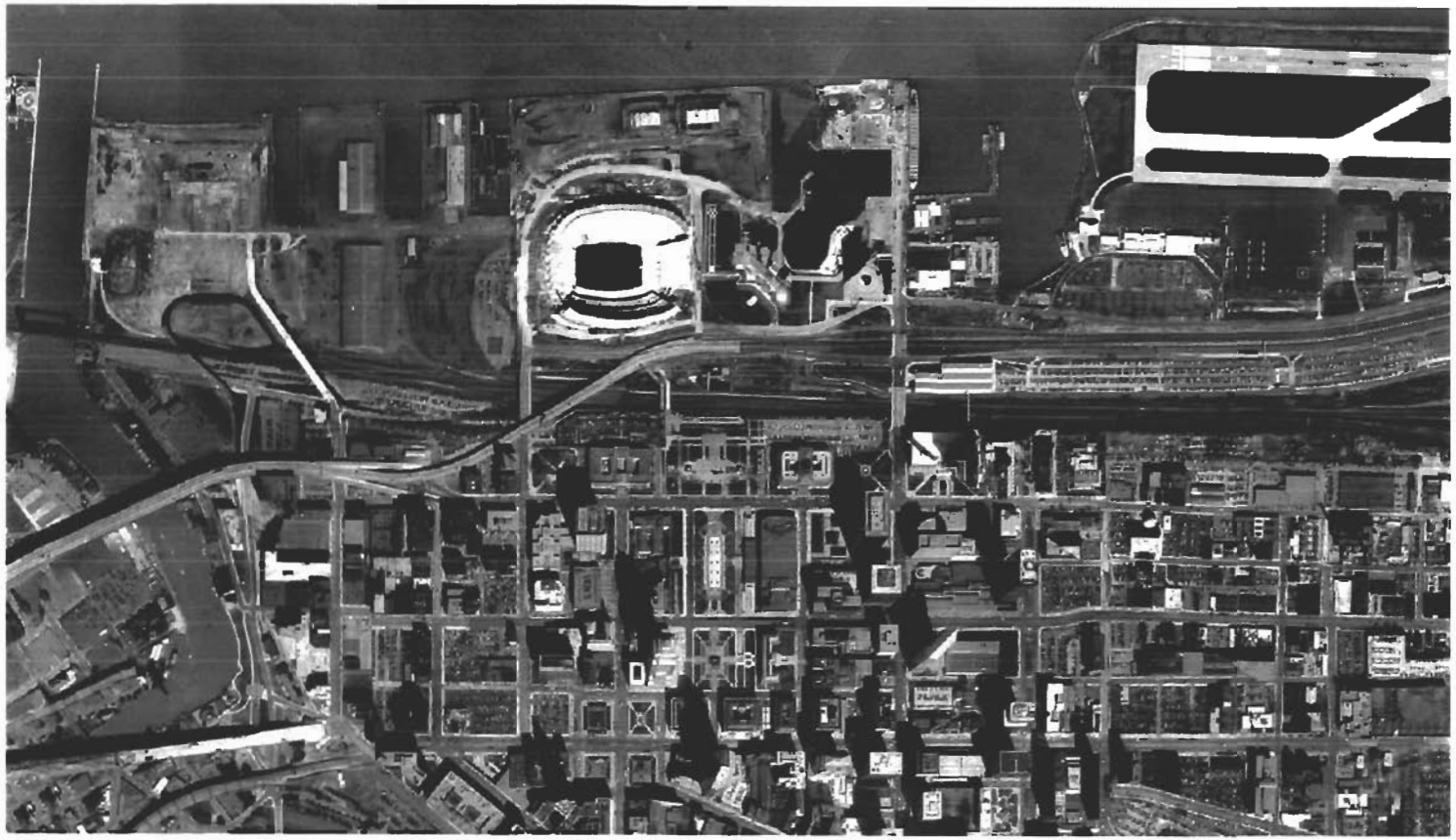
DFAS
New Office Building
Site Map

Cleveland, Ohio



Legend

1. Flats East Bank Site
2. Davenport Site
3. Flats East Bank Renovation
4. Lake Erie
5. Cleveland Browns Stadium
6. Burke Lakefront Airport
7. Route 2

partnership

FORUM Architects, LLC

Site Map

6.22.2005

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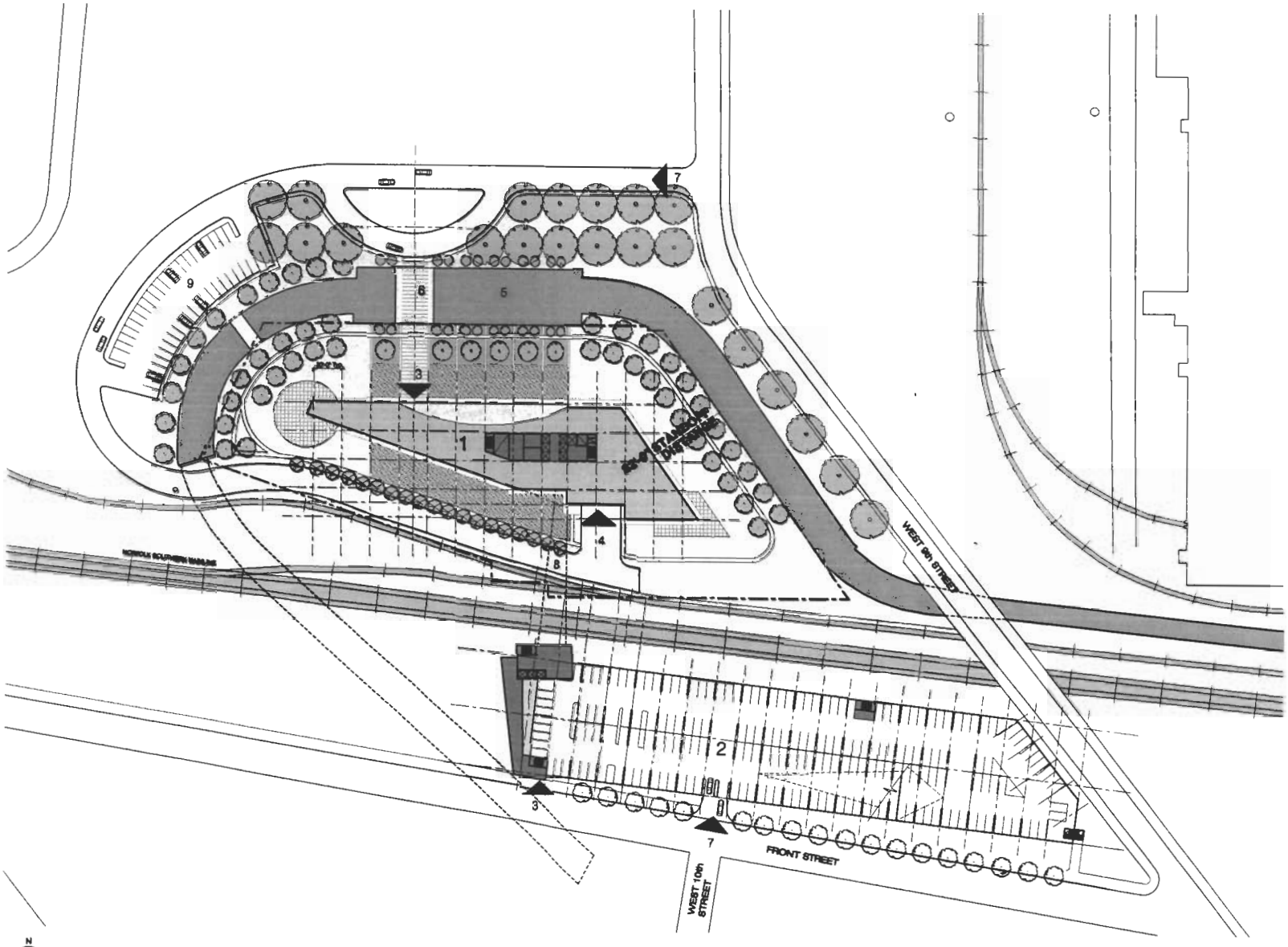
DFAS
New Office Building
Flats East Bank

Cleveland, Ohio



Key Facts - Office Building

Level 1 -	27,000 s.f.
Level 2	27,000 s.f.
Level 3 - 11	27,000 s.f.
Level 12 - 13	26,500 s.f.
Office Area	350,000 s.f.

Key Facts - Parking

Parking Garage @ 6 Levels	1,200 spaces
Surface Parking	46 spaces
Total Parking	1,246 spaces

Legend

1. Office Building
2. Parking Garage
3. Pedestrian Entrance
4. Service Entrance
5. RTA Water line
6. Existing Platform Passage
7. Vehicle Entrance
8. Pedestrian Bridge, (2nd Floor Office to 3rd Floor Garage)
9. Surface Parking

N

0 25 50 100 200 feet

Ground Floor and Site Plan

6.22.2005

partnership

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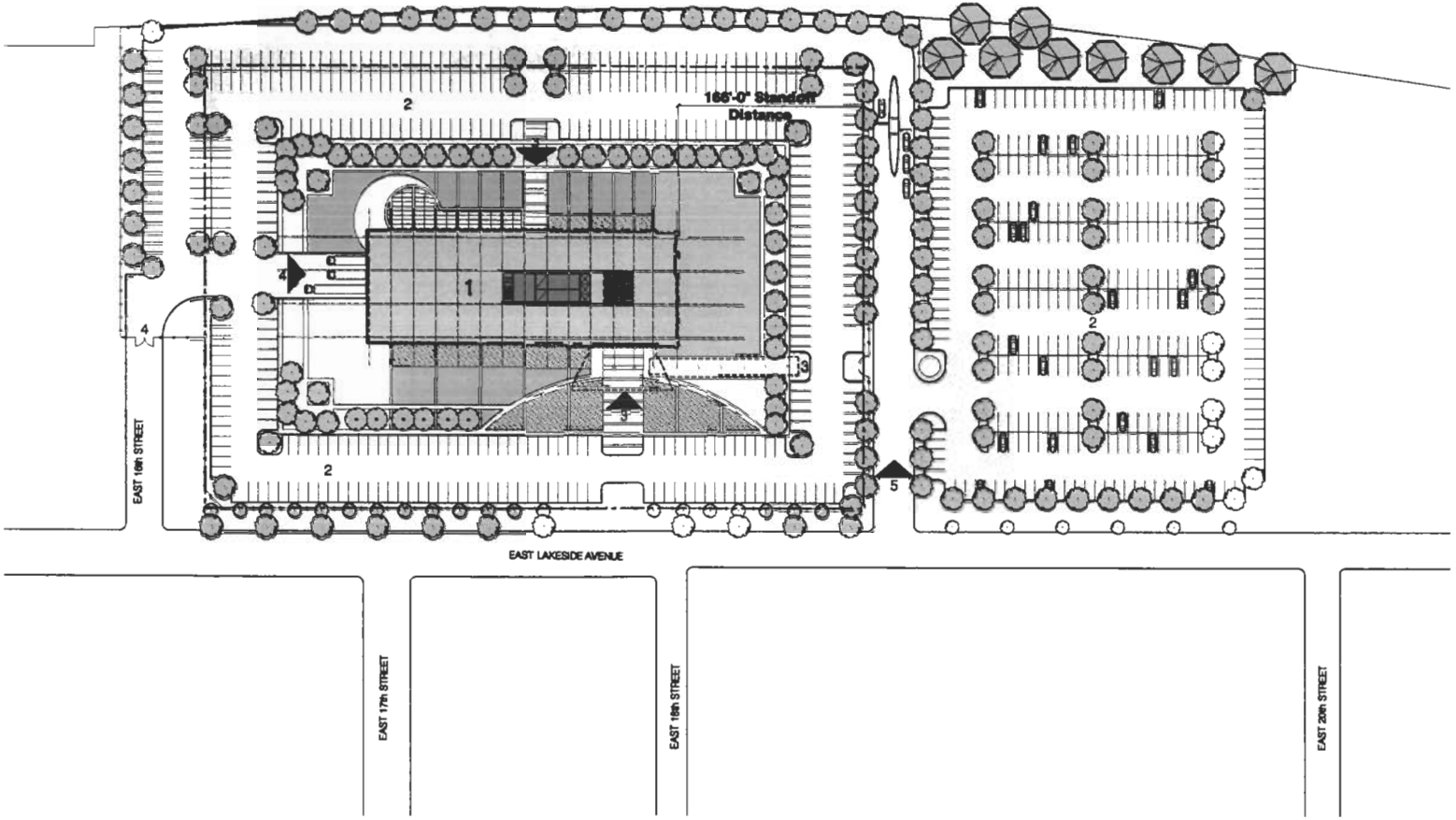
DFAS
New Office Building
Davenport Bluffs

Cleveland, Ohio



Key Facts - Office Building

Level 1-12	29,200 s.f./ per. fl.
Total Building Area	350,400 s.f.

Key Facts - Parking

Total Surface Parking	728 spaces

Legend

1. Office Building
2. Surface Parking
3. Pedestrian Entrance
4. Service Entrance
5. Vehicle Entrance

N

0 25 50 100 200 feet

Ground Floor and Site Plan

6.25.2005

partnership

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(4)

- Community Brief

- Agreed with concept of consolidating sites
  but don't agree with 3 sites only

- Feel BRAC focused on operating costs - not labor costs
  feel DTS unique -
  - Perf + Productivity is a key measure for drug ROI.

- Training is often the most underestimated cost in a consolidation.

- Consolidation in terms of labor pool -
  Private Sector found that mega center concept does not work

- Feel should optimize -

  key weighted criteria -
  occupancy costs -
  - Feel prohibitive + bad for morale in Cleveland - loss of res.

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(5)

— Cleveland. DFAS New Bldg options.

— Trying to develop option — for lower rent +
Would like Cleveland to be compared with this rate.

— 350,000 sq Ft —
A little less than current space here at Cleveland —

200 sq Ft per employee sizing
- hold 1600 people — (includes contractors)
but could add space — would like to add sats here

— Buildable sites available today

— Bratenahl site —
— Federally owned —
Feds — Bldg can be built here also.

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(6)

— feel bring to rent down
— 29.16-39.50 —
with 5.00 sq Ft —
Operating cost
This is what he ~~feel~~ of Mes Center are in ball park
Loose locked down for 20 years

Income Questions Provided by
State, Local + Private Sector

— Construction cost + Financing people have been consulted.

If the
Goal is Center of Excellence.
—
Lasagoul 300,000 people in to area
with the job occupying needed

(B) What can expand to beyond current
work force —
— sized up to 600,000 sq Ft.
— can build larger —
home —
Current are just sized to current
work force.

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(7)

Labor market - can handle an increased workforce

— And the moving costs would be cheaper.

(2) Asked at modeled at for other Federal agencies.

— 2 days ago passed state budget + Brought legislation for the BRAC sites to get funds
The Port Authority would give the lands

— Kusinski asked as a result will GSA look to drive their cost down

(GW) — Specialists stats combined to project
— 100 jobs in Cleveland which are needed

Supervisor log —
— 5 tribe allocation stats
Income tax & gender
So to employees that stay
to lower the cost of the bldg
He will sign next week

— Feel opportunity of retaining a team of people in Cleveland that have done good job —

Feel Toomb people will be creative solutions

Good people able to take a new look at the site (Cuyahoga)
with fewer people

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Your Financial Partner @ Work

BRAC Commission Update

DFAS Cleveland Mission Brief

Kenneth R. Sweitzer
Center Director
June 23, 2005

Agenda

- DFAS at a glance
- DFAS customer service matrix and organization
- DFAS success stories
- DFAS Cleveland information
- The road ahead

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DFAS at a glance -- The big picture

- Mr. Zack E. Gaddy's priorities:
  - ✓ Take care of our customers
  - ✓ Improve our operations to become world-class in all we do
  - ✓ Deliver the best value that excites our customers & motivates our employees

"These are exciting times for DFAS as we continue to transform & assert our role as the finance & accounting leader in the Department of Defense & ultimately in the federal government. NOW is the time for us to make a difference. I know I can count on you."

DFAS at a glance -- Our mission, vision & values

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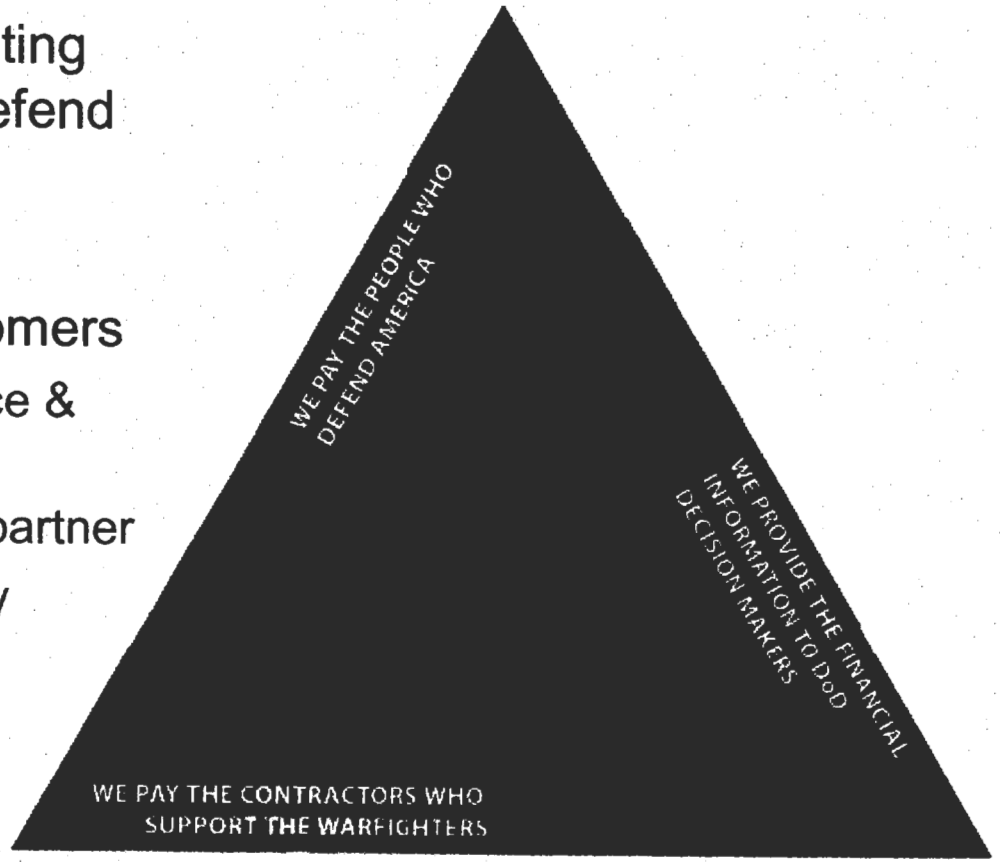
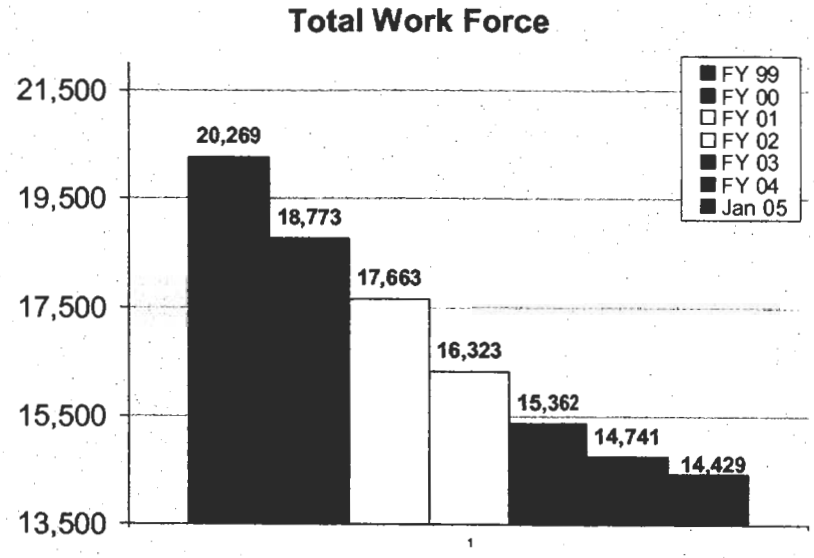
- *Mission:* Provide responsive, professional finance & accounting services for the people who defend America

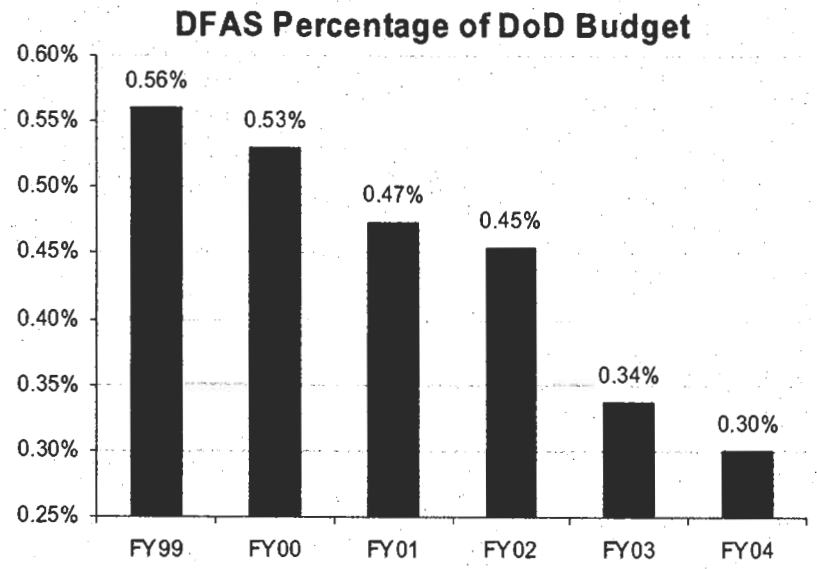
- *Vision:* Best value to our customers
  - ✓ World-class provider of finance & accounting services
  - ✓ Trusted, innovative financial partner
  - ✓ One organization, one identity
  - ✓ Employer of choice, providing a progressive & professional work environment

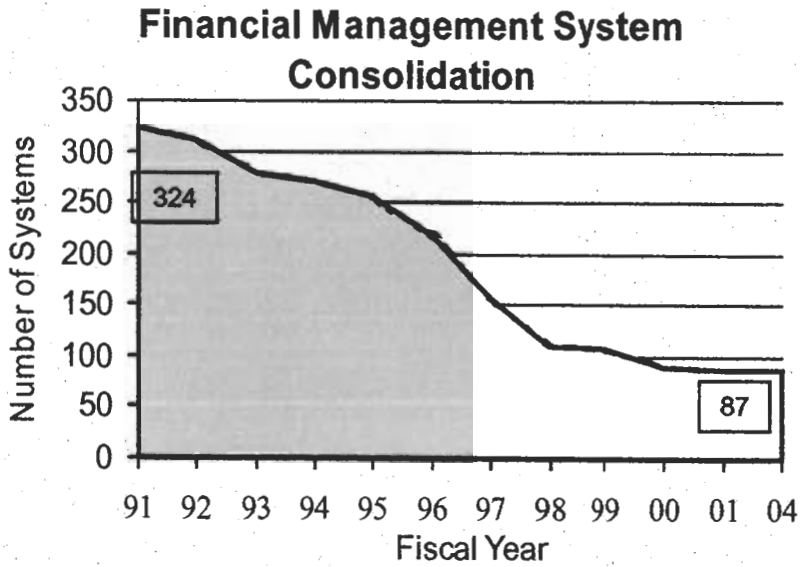


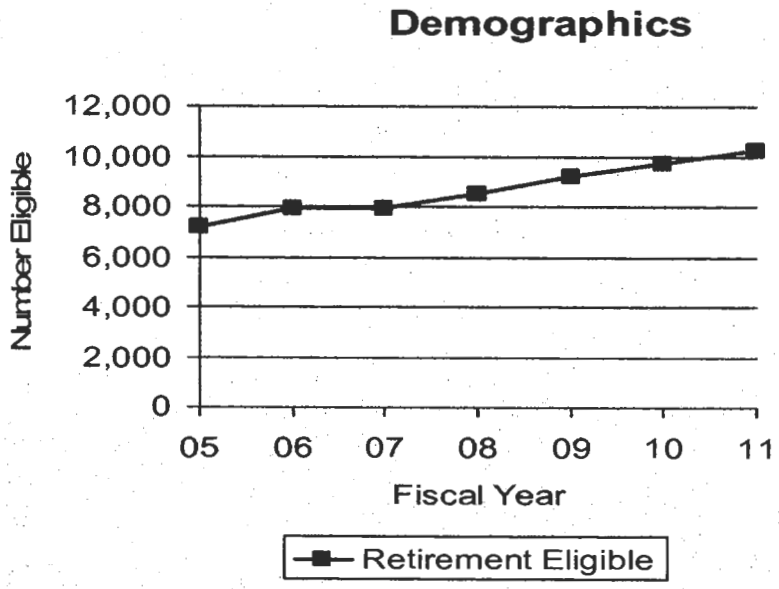
- *Values:* Integrity, Service, Innovation

DFAS at a glance -- The state of DFAS today









DFAS at a glance - Magnitude of annual operations

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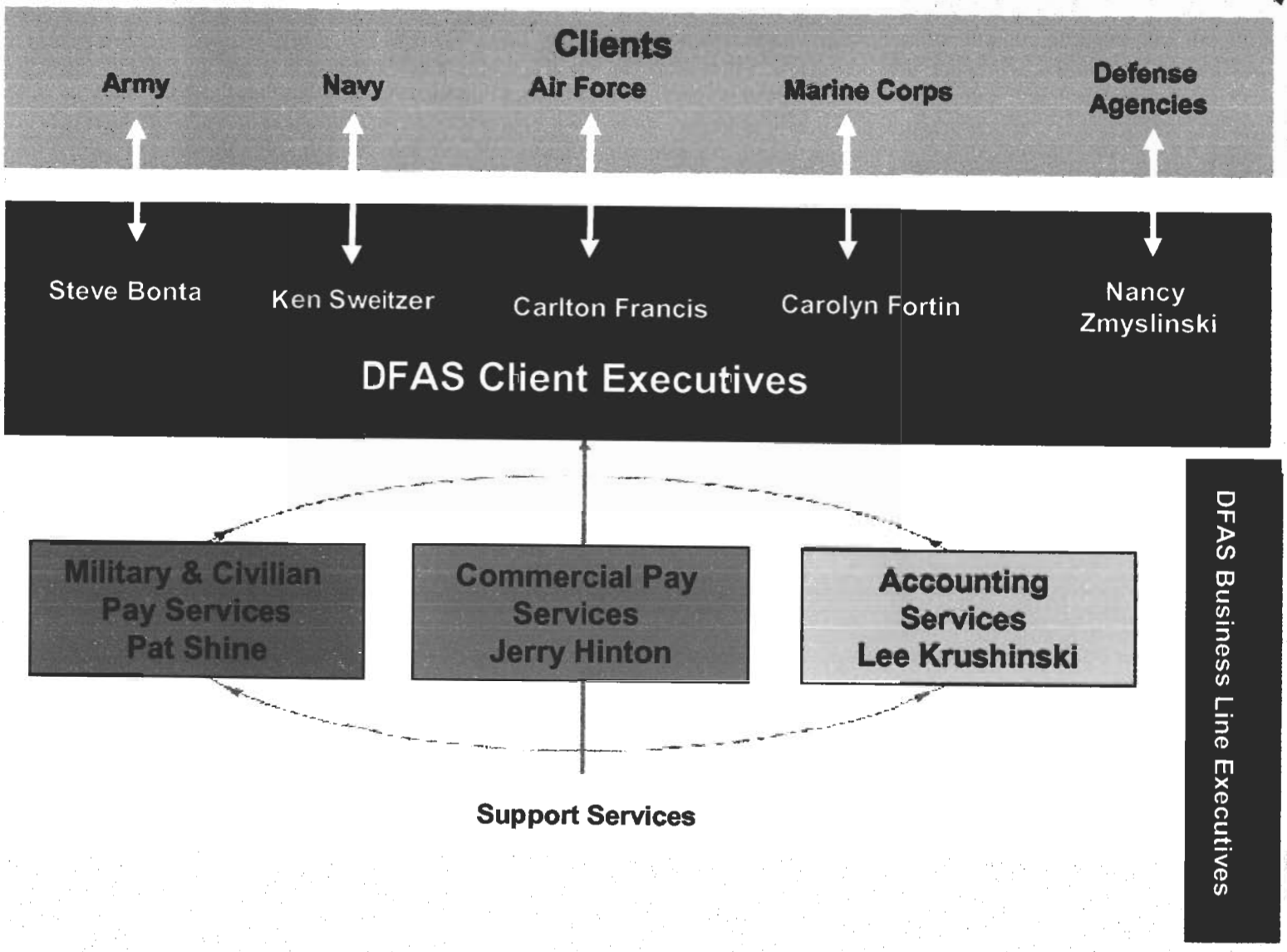
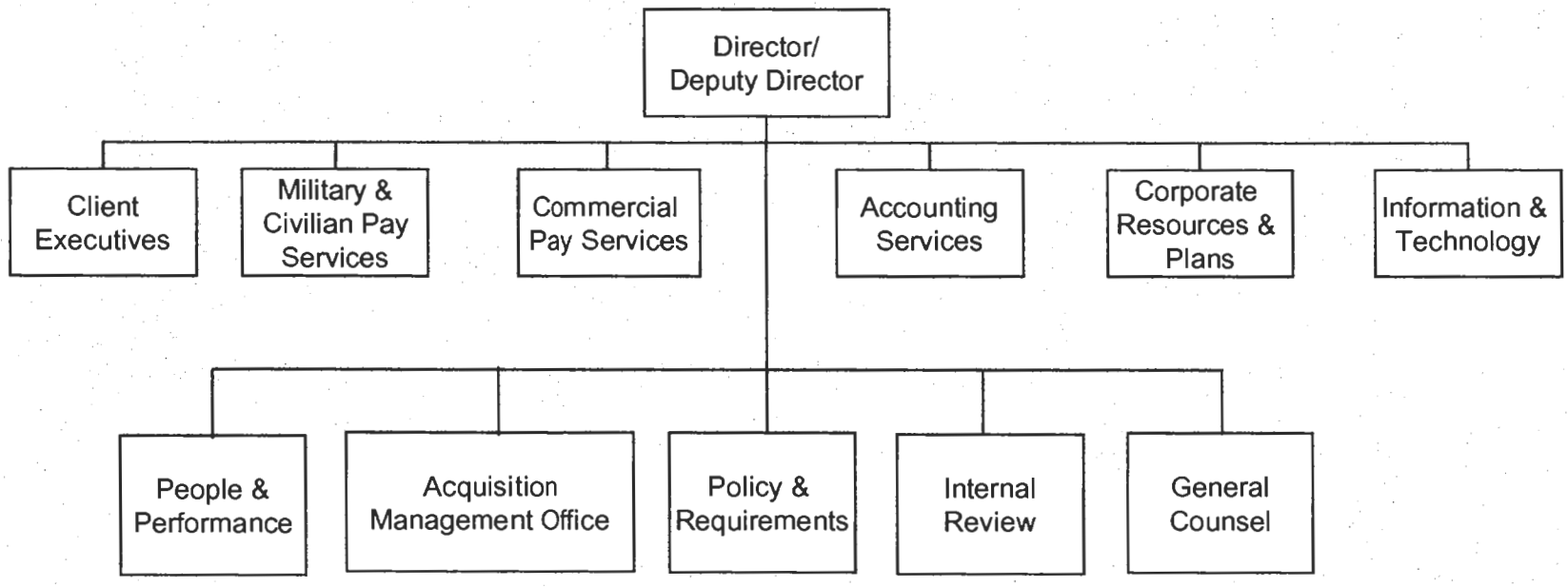
- Process 104M pay transactions to 5.9M military, civilians, retirees and annuitants
- Make 6.9M travel payments
- Pay 12.6M commercial invoices
- Process 127.3M general ledger postings
- Manage military and health benefits funds ($234B)
- Make an average of $455B in disbursements to pay recipients
- Manage $13.5B in foreign military sales (reimbursed by foreign governments)
- Account for 282 active DoD appropriations

It's about the customer!

Customer Service Matrix



DFAS Organization



As of Feb. 28, 2005

DFAS Product Line/Locations

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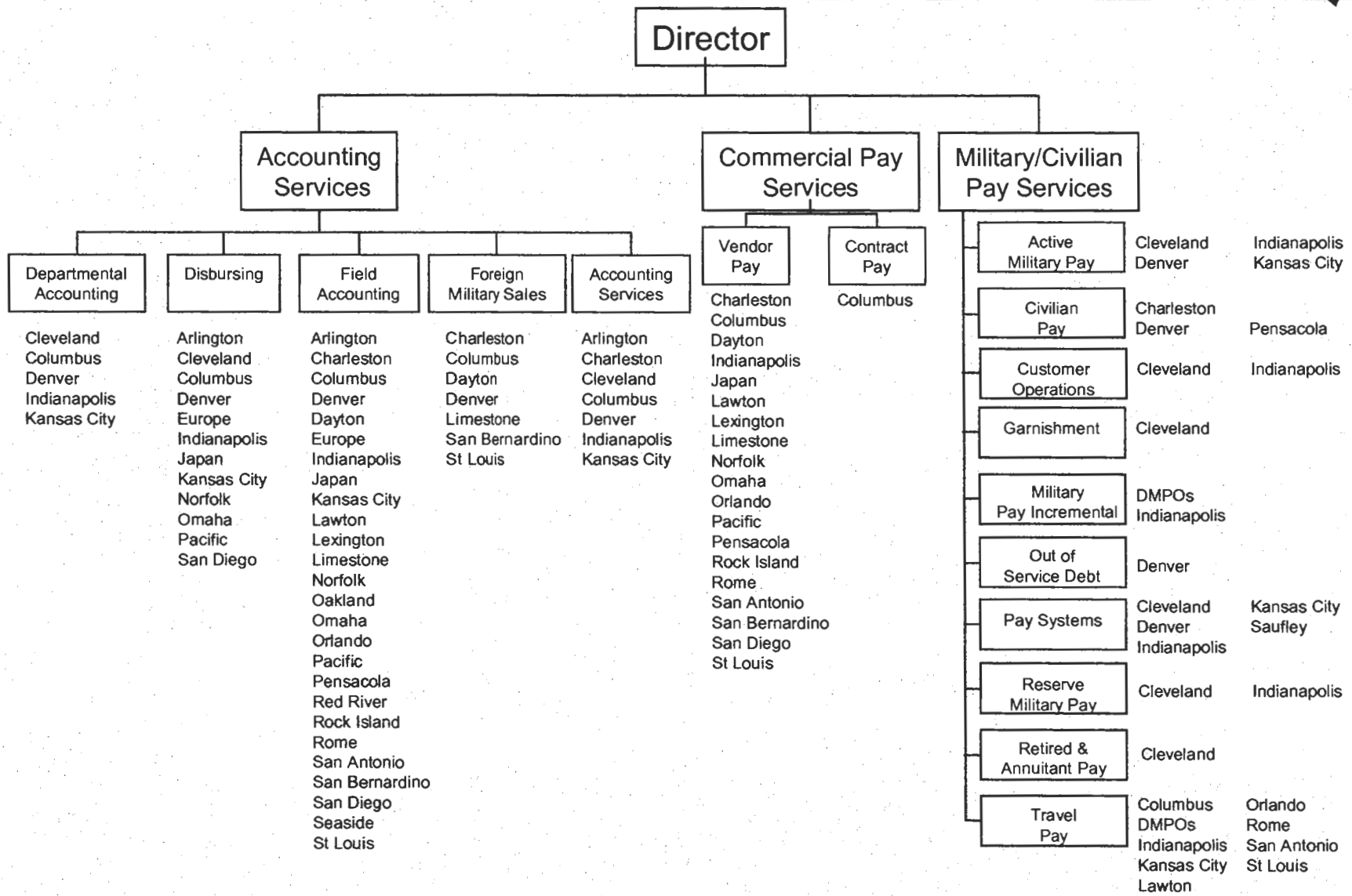

DFAS Success Stories

- Earned a 5th consecutive "unqualified opinion" and assisted five clients to achieve clean opinions of their own
- Reduced time to publish year-end financial statements from 80 to 45 days and reduced quarterly reports to 21 days from 45
- Reduced interest per million disbursed by 20% since July 2003
- Returned 5.19% on the $195B Military Retirement Fund & 2.43% on $39B Medicare-Eligible Retiree Health Care Fund
- Exceeded our FY 04 goal for NULOs by finishing $76M below our $171M goal
- Reduced total Unmatched Disbursements over 120 days from $134M in FY 03 to $23M in FY 04
- Fielded the Deployable Disbursing System to 39 deployed Army sites to automate transactions, improve internal controls & accelerate posting of financial transactions

DFAS Success Stories

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- Launched Reserve Center of Excellence
- Won national honors for innovation and excellence for myPay while expanding its customer base to 3.1M
- Earned worldwide recognition as one of the world's 10 best government intranets according to the Nielsen Norman Group
- Won the Security Assistance Accounting A-76 competition -FMS Sales Acct'g (Denver)
- Achieved 100% security certification and accreditation of all essential DFAS financial management systems
- Consolidating USAF field accounting databases
- Beginning the roll out of Forward Compatible Pay to replace the existing 30-year-old military pay system

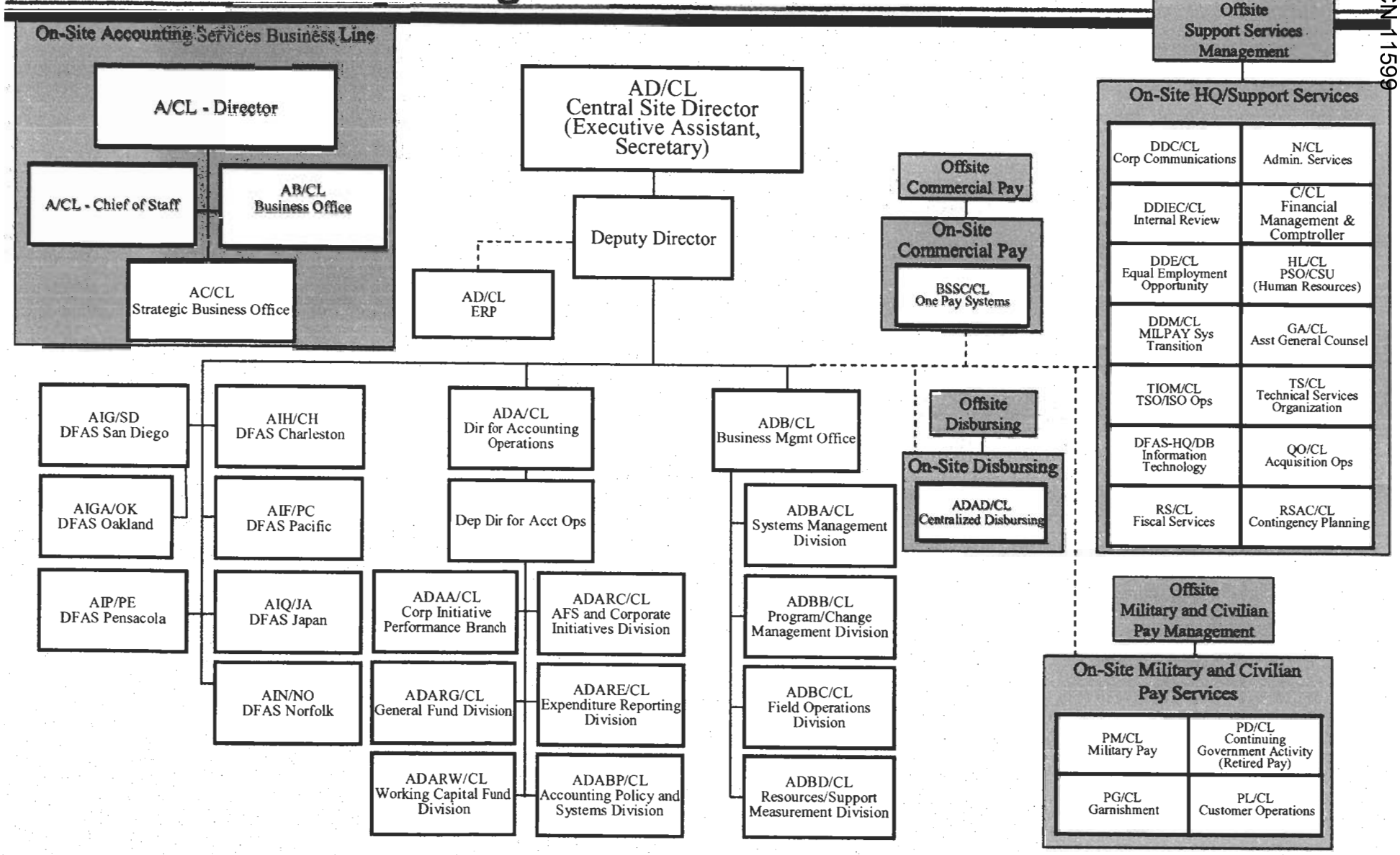
DFAS Cleveland - Background

DCN-11599

- Pre-DFAS, 1942 - Originally Founded as the Navy Bureau of Supplies and Accounts (Navy Military Pay)
- 1955 - Renamed the Navy Finance Center (NFC) Cleveland
- 1991 - The Defense Finance & Accounting Service (DFAS) Created from the Military Services Organizations
- 1991 - DFAS Cleveland Established
- 1995 - DFAS Cleveland Network Established 6 Field Sites (- Consolidated # of sites into 6 F Site)
- 2000 - DFAS Business Evolution Created Current Organization

(Listen to Business Line arrangement)

DFAS Cleveland Organization



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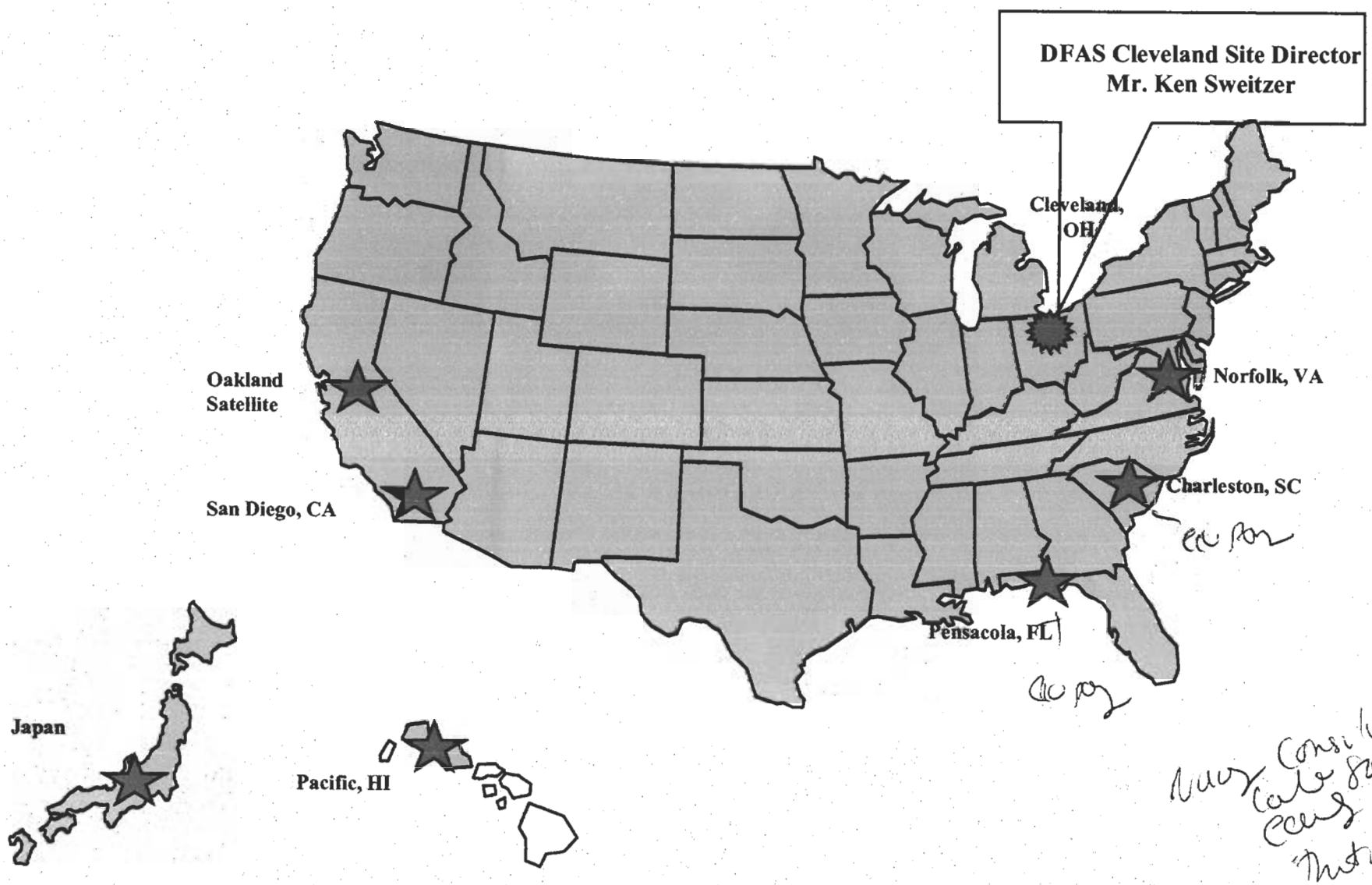
DFAS Cleveland - Assets

- People
  - ✓ 1181 DFAS employees
  - ✓ 15 Assigned Military employees
  - ✓ Approximately 650 Contractor employees

    Mostly Retired + Annuitant Services - Contractor Lockheed Martin

- Facilities
  - ✓ Located in the Greater Cleveland Downtown area -
    - ✓ Anthony J. Celebrezze Federal Office Building
  - ✓ Co-located with other Government agencies
  - ✓ Anchor tenant in the building for forty years ≈ 20 other agencies - largest tenant
  - ✓ Assigned space:
    - ✓ 365K Square feet of rentable space on 15 of 31 floors
    - ✓ 27K Square feet of offsite rentable space - located at Bratenahl

DFAS Cleveland and Network Field Sites



DFAS Cleveland Functional Overview

DCN 11599

Cleveland Site/Major Services

- Military & Civilian Pay Services:
  - ✓ Active Duty Military Pay
  - ✓ Reserve / National Guard Pay
  - ✓ Customer Operations (Contact Center, myPay)
  - ✓ Garnishments
  - ✓ Retired/Annuitant Pay (CGA Oversight)
- Accounting Services
- Centralized Disbursing
- Technical Services Organization
- On-Site HQ/Support Service Groups

Clients

- Department of Defense
  - ✓ All Services
  - ✓ Primarily Navy

DFAS Cleveland - Major Services

Military & Civilian Pay Services

- Mission:
  - ✓ Provide responsive, professional financial services to the people that defend America
- Functions:
  - ✓ Provide payroll services and support to Armed Forces, military retirees and annuitants
  - ✓ Provide retail customer support via dedicated contact centers
  - ✓ Provide payroll garnishment services to all of DoD and other government agencies
  - ✓ Provide customers with 24/7 website access to pay account information and account management capabilities
- Customers:
  - ✓ Total of 5.7 million DoD employees (military, civilian, retired) including:
    - ✓ 2 million Armed Forces members (Navy Active/Reserve, Air Force Reserve/Guard, Army Reserve)
    - ✓ 2.4 million military retirees and annuitants
  - ✓ Department of Energy and Office of Health & Human Services
  - ✓ Armed Services HQ elements

DFAS Cleveland - Major Services

Military & Civilian Pay Services

- Success Stories:
  - ✓ Reserve Center of Excellence transferred Army Reserve pay accounts from DFAS IN to DFAS CL 3 months early
  - ✓ Led successful refinement of Active military separation process to deobligate millions in DoD funds
  - ✓ Navy Military Pay recently received an OSD award for innovative use of technology for financial management
  - ✓ Reached 3 million myPay customers in Jan 05
  - ✓ Won the 2004 Government Technology Leadership Award for myPay, presented in December 2004
  - ✓ Customer Contact Center was a finalist for the Government Customer Support Award for Technical Excellence
  - ✓ Recent OUSD policy directed myPay delivery of LES and W2s, saving millions and mitigating risk of identity theft
  - ✓ In April 2005, Garnishment Operations assumed responsibility for 68,000 new accounts from the Office of Health and Human Services
  - ✓ Partnered with the Federal office of child support to develop a new version of KIDS 1st for use by state child support agencies

DFAS Cleveland - Major Services

Military & Civilian Pay Services

- Success Stories (continued):
  - ✓ Received concept approval to provide electronic garnishment services to the entire Federal government
  - ✓ Eliminated backlog of retroactive Combat Related Special Compensation payments, allowing new claims to be paid timely to disabled retirees
  - ✓ Enhanced Interactive Voice Response support for retirees and annuitants, improving first call resolution

DFAS Cleveland - Major Services

Accounting Services

- Mission:
  - ✓ To produce accounting reports at the command, departmental, and audited financial statement levels to assist our customers in achieving unqualified audit opinions on their financial statements and providing analysis and advice for informed decision making.
- Functions:
  - ✓ Producing 535 Official Financial Status reports monthly – Del 10th calendar of the month
  - ✓ Generating 491 Detailed Program Status reports monthly
  - ✓ Providing thousands of data feeds and lower level reports monthly
  - ✓ Accounting for over 25% of all DoD assets including 35% of the PP&E (personal property) and 34% of all inventory. As a percentage of the three major services, we account for almost 40% of the total working capital fund and total general fund assets. We also account for 52% of the total revenue of the three major services.

DFAS Cleveland - Major Services

DCN-11599

Accounting Services

- Customers:
  - ✓ Department of the Navy (DoN)
    - ✓ ASN (FMB) and ASN (FMO)
    - ✓ Navy Working Capital Fund – Shipyards, Public Works Centers, Supply Management, Depots
    - ✓ Navy General Fund - Operation and Maintenance, Active and Reserve Personnel, Research, Development Test & Evaluation, Shipbuilding, and Construction
    - ✓ Consolidated DON Financial Statements
  - ✓ Defense Information Services Agency (DISA)
    - ✓ DISA HQ
    - ✓ Telecommunications Services Enterprise Acquisition Services (TSEAS)
    - ✓ DISA, GIG Combat Support Directorate, Computing Services Center (DCS)
  - ✓ Department of Defense (DoD)
  - ✓ DFAS HQ, DFAS Field Sites and other DFAS Centers
  - ✓ Department of the Treasury

DFAS Cleveland - Major Services

Accounting Services

- Success Stories:
  - ✓ Report Production and Timeliness
    - ✓ Accounting operations provide Treasury with information on over $23B (absolute) disbursement and collection transactions monthly. We consistently deliver our reports to Treasury on the second calendar day--one day earlier than other DFAS sites. This, together with the extensive use of table-driven USSGL-based systems, helps us meet the accelerated reporting mandate of producing monthly reports within 10 calendar days and annual statements within 15 calendar days. More specific accomplishments include:
      - ✓ Developed the Navy Cash Plan which is used for analysis of the month-end cash balances and completed ratio analysis and comparative statement analysis of the Statement of Financial Position and Cash Flow as additional support for DoN
      - ✓ Developed a joint DFAS-CL and Navy accounts receivable Statement of Expectation to identify the responsibility of DFAS and DoN in collecting and resolving receivables which serves to educate customer so better financial information is provided for financial statements. Also developed the Delinquent Aged A/R Report that provides detailed data to help DoN track and resolve delinquent receivables.

DFAS Cleveland - Major Services

DCN 11599

Accounting Services

- Success Stories (continued):
  - ✓ System Development and Application.
    - ✓ Accounting operations lead DFAS in use and application of DoD migratory computer systems. Our staff helped design and develop the Defense Cash Accountability System (DCAS) and are the first (and only) center to implement DCAS. Likewise, we were instrumental in deploying the Defense Departmental Reporting System (DDRS) and continue to provide cutting edge analysis and support of future enhancements. We also provide extensive support and expertise for the DoN's Enterprise Resource Planning (ERPs)—their commercial off-the-shelf financial and accounting effort. Other accomplishments in this area include:
      - ✓ Converted STARS-HCM data to STARS-MCR for official command level reporting to provide an increased level of detail for reporting, research and analysis purposes
      - ✓ Continued improvements and utilization of the FMS2108 website that now allow commands to perform obligation reviews.
      - ✓ Completed the conversion of all of Navy Working Capital Fund Reporting and DISA WCF Reporting into DDRS-B

DFAS Cleveland - Major Services

Accounting Services

- Success Stories (continued):
  - ✓ System Development and Application.
    - ✓ Assisted and verified customer access with the new cash system (DCAS) along with the Web site to obtain cash data.
    - ✓ Implemented the Treasury Reporting module of the DCAS, making DFAS-CL the only center reporting detailed expenditure transactions all the way up through its expenditure reporting systems. This detailed level of reporting will be further strengthened when the next module to DCAS, Phase 3, is implemented October 2005 and where, once again, DFAS-CL will be the only center using that module.

DFAS Cleveland - Major Services

DCN-11599

Centralized Disbursing

- Mission:
  - ✓ Perform all functions related to the processing, administration and distribution of checks, bonds, EFT payments, financial returns and other treasury/financial reporting. Also responsible for the calculation, payment and reporting of federal, state and local tax payments as applicable. Issued 78 million payments annually with a value of $110 Billion (65 Percent of all DFAS disbursements).
- Functions:
  - ✓ Issue checks, bonds, electronic payments
  - ✓ Collect funds
  - ✓ Maintain the Book Entry Bond safekeeping depository for all of DoD
  - ✓ Maintain accountability records for disbursement and collection of government funds
  - ✓ Issue payments in foreign currency through out the world
  - ✓ Resolve all Disbursing related customer service problems
  - ✓ Issue and report all Federal, State and local tax-payments

DFAS Cleveland - Major Services

Centralized Disbursing

- Customers:
  - ✓ The President of the United States and White House Staff (EOP)
  - ✓ SECDEF and other Service Secretaries
  - ✓ Secretaries of Energy and Health and Human Services
  - ✓ All Active Duty Navy Members (13 Million/$14.4 Billion)
  - ✓ All Drilling Naval Reservists (1Million/$430 Million)
  - ✓ All Military Retirees and Annuitants (31.8 Million/$37.1 Billion)
  - ✓ All DoD Civilian employees (30.3 Million/$27.2 Billion)
  - ✓ All Department of Energy-Civilian employees
  - ✓ All Department of Health & Human Services Civilian employees
  - ✓ All Navy Vendor/Contract Payments (585,000/$30.1 Billion)
  - ✓ All Navy Travel Payments (IATS) (1.5 Million/$1.2 Billion)

- Entitlement done out of Pensacola - Disbursement done out of Cleveland

DFAS Cleveland - Major Services

Centralized Disbursing

- Success Stories:
  - ✓ Consolidated all DFAS-CL Field Disbursing at Central Site
  - ✓ Assumed Disbursing Civilian payrolls for Non-DoD activities (Departments of Energy and HHS)
  - ✓ Pioneered the Book Entry Savings Bond program which was adopted by all of DoD
  - ✓ First DoD entity to utilize a commercial banking facility to process collections (Treasury lockbox)
  - ✓ Only DFAS Disbursing Office to have fully automatic EFT Return payments system
  - ✓ Established a one-stop Disbursing Customer Service Desk to resolve disbursing problems or all customers regardless of entitlement system

DFAS Cleveland - Major Services

DCN 11599

Technical Services Organization

- Mission:
  - ✓ Technology Services Organization Cleveland (TSO-CL) provides system and software analysis, design, development and documentation to support DFAS application requirements. TSO-CL provides technical consultative service to DoD users in the development of functional requirements.
- Functions:
  - ✓ TSO-CL functions are software engineering, analysis, design, program development, implementation, procurement coordination and hardware and software installation for computer systems.
- Customers:
  - ✓ DoD Military Services
  - ✓ DoD Agencies
  - ✓ Other government agencies including:
    - ✓ Department of Education
    - ✓ Department of Health & Human Services
    - ✓ Department of Veteran Affairs
    - ✓ Environmental Protection Agency
    - ✓ State Governments

DFAS Cleveland - Major Services

Technical Services Organization

- Success Stories:
  - ✓ TSO-CL has the highest customer satisfaction rating in the TSO - 4.825 on a scale of 5.0
  - ✓ TSO-CL has the largest TSO staff of outstanding scholars
  - ✓ TSO-CL employees are well educated, highly skilled and well trained. During FY05, 12,740 hours have been invested in technical training. For example, training includes:
    - ✓ Objected Oriented, Portal and Web development; Workflow and Imaging Technology
  - ✓ TSO-CL has 16 Project Management Professionals (PMP)
  - ✓ TSO-CL is actively involved in the pilot project for MS Project 2003 Server
  - ✓ TSO-CL successfully deployed the DDRS AFS application release for the National Geo-Spatial-Intelligence Agency
  - ✓ TSO-CL was instrumental in partnering with GAO in producing a special extract of Travel Pay, identifying $8M of erroneous airline ticket reimbursements
  - ✓ TSO-CL provides a suite of Military Pay functions for Reserve and Active Duty Army, Air Force, Navy commands' finance personnel at 300 locations worldwide, including forward deployed locations. Also the main input system at DFAS-DE, DFAS-IN, and DFAS-CL (used to maintain 2.5 million pay accounts).

DFAS Cleveland - Major Services

Technical Services Organization

- Success Stories (continued):
  - ✓ Recognized as "World Class" for garnishment automated data systems. In conjunction with the professionalism of the TSO-CL Garnishment Operations, the Office of Personnel Management has designated Cleveland's Garnishment Operations as the sole provider of Garnishment services to the Federal Government
  - ✓ The TSO-CL Kids 1st court order submission and tracking system has accelerated payment receipt, for states enrolled, on average 25+ days sooner than issuing paper withholding forms
  - ✓ TSO-CL is the Workflow Center of Excellence (Rumor Has It, Hotline, e1556) and is the critical supplier of support services to the agency's integrated environment for accessing information, conducting business and managing operations (ePortal program)
  - ✓ On average, TSO-CL Electronic Certification System (ECS) sends $750,000,000 in vouchers to One Pay per month/32,000+ vouchers worth over $14 billion certified to date
  - ✓ The TSO-CL Salary Offset Reporting System (SORS) program has processed over 8,000 cases worth over $20 million in outstanding debts

DFAS Cleveland - Major Services

DCN 11599

On-Site HQ/Support Service Groups

- Mission:
  - ✓ Deliver value added Corporate Services in a timely, and cost effective manner based on customer requirements.
- Functions Include:
  - ✓ Acquisition Services, Admin Services, Commercial Pay, Contingency Planning, Corp Communications, Corp Resources, Equal Employment Opportunity, Forward Compatible Pay, General Council, Human Resources, Internal Review
- Customers:
  - ✓ All of DFAS, Military Services, Defense Contact Audit Agency, General Accountability Office, DoD Inspector General, Defense Criminal Investigative Service, Cleveland Community

DFAS Cleveland - Major Services

On-Site HQ/Support Service Groups

- Success Stories:
  - ✓ As the Agency's centralized recruiting support, hired 200 Entry Level Professional Development (ELPA) personnel for future leadership positions
  - ✓ Conducted review of Cleveland's Retired Pay Continuing Government Activity (CGA) business practices identifying ways to strengthen sampling methods, better define processes and use best practices in performance of its mission.
  - ✓ Program Manager for Forward Compatible Payroll (FCP) Army, Navy and Air Force. Successful design and deployment of the Defense MilPay Office Processing.
  - ✓ Partnered with the DFAS Navy Client Executive in identifying opportunities to help the Navy reduce their bill for DFAS services.
  - ✓ Contracted support for installation and operation for shipboard entry pay systems.
  - ✓ Contracted support to assess and improve Accounting feeder systems.
  - ✓ Converted storage space into usable classroom space to accommodate web based training for Forward Compatible Pay Rollout.
  - ✓ Supported the implementation of the Defense Travel System (DTS) by completing related system setup requirements and providing user training.

3.0 or better GPA recruiting program

DFAS Cleveland - Major Services

DCN 11599

On-Site HQ/Support Service Groups

- Success Stories (continued):
  - ✓ Championed DFAS involvement in "Accounting for Kids Day". A statewide initiative with the Ohio Society of CPAs, designed to interest elementary school students in careers in accounting and finance.
  - ✓ Successfully participated in the annual DoD wide contingency planning exercise which ensures capability and readiness to respond to and recover from any event that may have a negative impact on DFAS business.
  - ✓ Participated in the annual Harvest for Hunger Drive. Donations comprised about 80% of the entire contribution of the Federal Community

DFAS Cleveland - Personnel Statistics

DCN 11599

- DFAS Business Lines and Number of On Site Personnel
  - ✓ Military & Civilian Pay
    - ✓ 460 Civilians
    - ✓ 14 Military
  - ✓ Accounting Services (includes Centralized Disbursing)
    - ✓ 370 Civilians
  - ✓ Technical Services Organization
    - ✓ 203 Civilians
    - ✓ 1 Military
  - ✓ On-Site HQ/Support Service Groups
    - ✓ 148 Civilians

1196
+300
1496 1500

— Contractor —
Retired Military Pay +450+ Required under contract to provide from space

not likely to move to new facility

DFAS Cleveland - Personnel Statistics

Status of Retirement Eligible Employees by Business Line

Business Line	Early Eligible	Optional Eligible
Military & Civilian Pay Business Line	150	50
Accounting Services (Includes Centralized Disbursing)	80	60
Technical Services Organization	80	30
On-Site HQ/Support Service Groups	73	18
	383	158

Our Strategic Challenge

DCN 11599

- Our customers expect:
  - ✓ Accurate and timely payment of personnel
  - ✓ Accurate and timely payment of vendors and contractors
  - ✓ Auditable financial statements
  - ✓ Business intelligence that enables better decision-making
  - ✓ Lower costs of products and services

- Customers deserve a financial service partner who enhances their readiness & mission capability

The Road Ahead -- Becoming World Class

DCN-11599

- We will continue our DFAS journey of excellence
- We will be guided by our core values -- Integrity, Service & Innovation
- We will recommit to understanding our customers
- We will practice good two-way communication to ensure lasting success
- We will make it an inclusive, total team effort from all DFAS business lines & functions

DFAS

Your Financial Partner @ Work

DCN 11599

DCN 11599

team neo

To: Carol Caruso

From: Jim Robey, Ph.D.

Date: July 28, 2005

RE: Impacts for Cleveland DFAS staff reductions

Per your request we have prepared estimates of the impacts of job losses due to the realigning of Cleveland DFAS. In preparing these estimates, we used the following assumptions:

- Employment changes we incurred in calendar 2005
- The employment changes were -1,028
- All employees were treated as DFAS employees.
- Average wage was $53,163

The following impact estimates are fairly conservative, with the model being run in its most constrained mode. This impact simulation was created using the version 7.0 model from Regional Economic Models, Inc. (REMI at www.remi.com). All estimates below include the initial impacts of the direct DFAS job losses as well as the indirect and induced impacts. In this case we are estimating a change of a 1,028 total job loss at DFAS. This job loss in the City of Cleveland has a total impact of a 2,046 total job loss in Cuyahoga County. This represents a job loss of nearly one job in the county for every job lost at DFAS Cleveland.

	Cuyahoga	CMSA	Ohio
Employment	-2,046	-2,218	-2,410
Gross Regional Product	-$159,341,463	-$167,365,041	-$179,230,894
Personal Income	-$86,080,000	-$108,800,000	-$125,100,000
Disposable Personal Income	-$75,651,568	-$93,495,935	-$106,371,661
State Revenues	-$9,556,931	-$11,743,992	-$13,278,952
Local Revenues	-$6,164,565	-$7,484,219	-$8,352,656

For purposes of this study and due to model constraints, the job losses were modeled as if they were occurring in a back office of a professional services firm (NAICS sector 54). As these jobs are already in place, it is necessary to adjust the model to not add or remove capital stock to accommodate workers, and it was also necessary to adjust the total wage bill from DFAS based on an average salary of $53,163 (Employee Demographics-Cognos PowerPlay Web Explorer olap.dfas.mil/cognos). REMI is unable to make these adjustments on federal civilian employment and so a reasonable private sector surrogate was chosen to more accurately measure the impacts.

It is arguable that DFAS behaves, at least from an economic or firm view, like a back office more than a military installation. The workforce at DFAS Cleveland is populated primarily by civilians who are engaging in financial oversight, financial transactions and call center activities. To that end, these employee behave more like a financial services back office than other aspects of government, particularly in the services that they provide. Unlike the Department of Agriculture or the Bureau of the Census, both of who's activities are information based, DFAS Cleveland's role or function is transaction based, which makes it more like a private sector establishment than a traditional governmental bureaucracy.

A quick check of Ohio Labor Market Information's Workforce Informer website (www.ohioworkforceinformer.org) finds that Ohio LMI estimates that there were about 18,200 federal workers in June 2005 for the PMSA region (which using 2000 OMB definitions of metropolitan areas consists of Cuyahoga, Lake, Lorain, Geauga, Portage and Medina counties). The impacts from the BRAC decision represents a 5.7% reduction in the number of federal jobs in the region.

REMI is the economic impact model that TeamNEO primarily uses to estimate the impacts of investments and expenditures. TeamNEO is a license holder for *Policy Insight version 7.0*, from Regional Economic Models, Inc. (REMI), based in Amherst, MA. A description of the model from the REMI website is as follows:

> "REMI Policy Insight's unique power is to generate realistic year-by-year estimates of the total regional effects of any specific policy initiative. A wide range of policy variables allows the user to represent the policy to be evaluated, while the explicit structure in the model helps the user to interpret the predicted economic and demographic effects. The model is calibrated to many sub-national areas for policy analysis and forecasting, and is available in single- and multi-area configurations. Each calibrated area (or region) has economic and demographic variables, as well as policy variables so that any policy that affects a local economy can be tested.
>
> REMI Policy Insight is used by government agencies (including most U.S. state governments), consulting firms, nonprofit institutions, universities, and public utilities. REMI model simulations estimate comprehensive economic and demographic effects in wide-ranging initiatives such as: economic impact analysis; policies and programs

> for economic development, transportation, infrastructure, environment, energy and natural resources; and state and local tax changes. Articles about the model equations and research findings have been published in professional journals such as the American Economic Review, The Review of Economic Statistics, the Journal of Regional Science, and the International Regional Science Review" (from www.remi.com).

The REMI model is the preeminent model of its type and is widely recognized to be at the forefront of modeling with clients not only in North America but also within the European Union. For additional information on REMI, please see their website at www.remi.com.

DCN 11599

2005 Base Closure & Realignment Commission

DFAS Cleveland
6/22/05

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2005 Base Closure & Realignment Commission

DCN 11599

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2005 Base Closure & Realignment Commission

DFAS CLEVE
SITE VISIT

DCN 11599

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