



Community Briefing Commissioners Newton and Skinner

August 2, 2005

Agenda

Opening Remarks

Ty D. Marsh
President & CEO
Columbus Chamber

23 Federal Agencies

Welcome

Def Supply Center

Governor Taft
State of Ohio

Overview

Senator Mike DeWine
US Senate

Workforce

Senator George V. Voinovich
US Senate

Modern Facilities

Infrastructure and Growth

Congressman Dave Hobson

US Representative, 7th District

Jointness

*Joint cross service group
Did not cons. by jointness cost
Jointness & collocation keeps cost
down.*

Congressman Pat Tiberi

US Representative, 12th District

Security

Congresswoman Deborah Pryce

US Representative, 15th District

Economic Impact

*6160 Personnel
DSCIC Total*

Mayor Lynn Ochsendorf

City of Whitehall

Site Overview

Steve Tugend

VP Government Relations

Columbus Chamber

Closing Remarks

*Columbus may not be hated
in all categories but it
is*

Michael Fiorile

President

The Dispatch Printing Company

Columbus

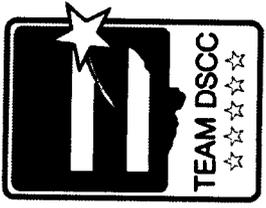
ag. 10.1



Presentation to Commissioners Newton and Skinner

August 2, 2005
Columbus, Ohio

Sustaining the Force of America's Heartland



Why DFAS Columbus?

- Tenant of DSCC
- Benefits
 - Location
 - Infrastructure
 - Security
 - Shared services
 - Capacity
 - Close to related agencies
 - Workforce capacity and wages



DFAS Columbus

- **Location**
 - Yards from Port Columbus Airport
 - One mile from major interstate
 - 12 miles from Rickenbacker Air National Guard Base
 - One day's drive to 60% of U.S. population and 80% of U.S. corporate headquarters



DFAS Columbus

- **Location**
 - One of 22 tenants at the Defense Supply Center Columbus
 - Defense Logistics Agency is host agency at installation
 - Up to date building; construction completed in 1999
 - 186,000 square feet



DFAS Columbus

- **Infrastructure**
 - Conference center accommodates up to 500 people
 - Independent electrical substation maximizes power consumption efficiency
 - New sewage system, water lines, fiber optic cables
 - Daycare center
 - All ranks officers' club (9-hole golf course and swimming pool)



DFAS Columbus

- **Security**
 - Anti-terrorist/Force protection improvements
 - Reinforced **cable fence**
 - **Serpentine entrance** to slow traffic
 - **Pop-up bollards** to halt suspicious or offending vehicles
 - **Visitors' center** separates visitor and installation traffic
 - New **centralized security center** controls motorized cameras throughout installation

Sustaining the Force of America's Heartland



DFAS Columbus

- **Security**
 - Anti-terrorist/Force protection improvements
 - New **key entry system** uses proximity cards
 - Allows customized permission to enter buildings according to person and time
 - Windows reinforced with Mylar anti-fragmentation film (buildings 20 and 21)
 - Prevents glass from becoming airborne



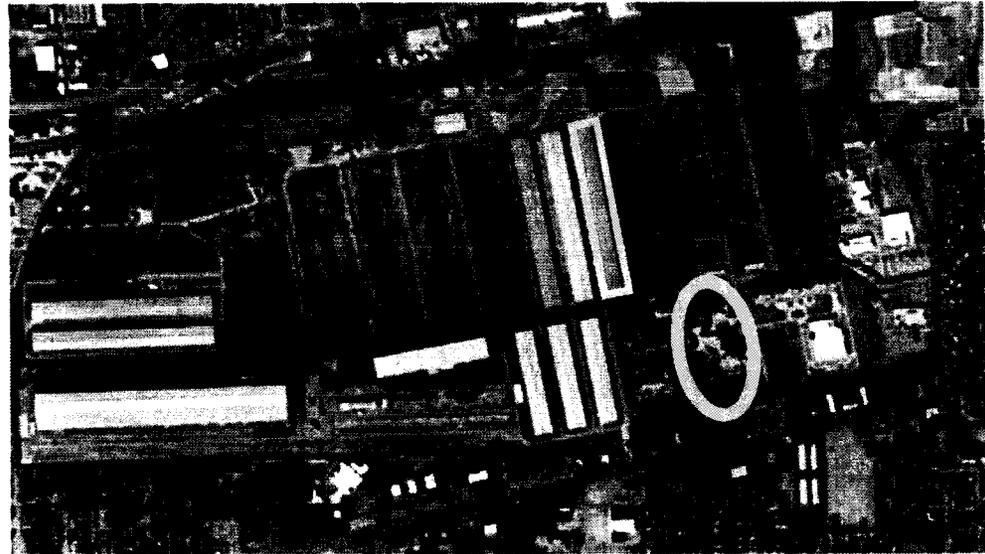
DFAS Columbus

- Shared services
 - DFAS shares costs of services with DSCC tenants; additional employees would reduce costs further
 - Custodial, health, refuse, card key maintenance
 - DFAS benefits from Police and fire service on the installation at no charge



DFAS Columbus

- Capacity (existing)
 - 700 workstations
 - 50 at building 11
 - 650 at building 21

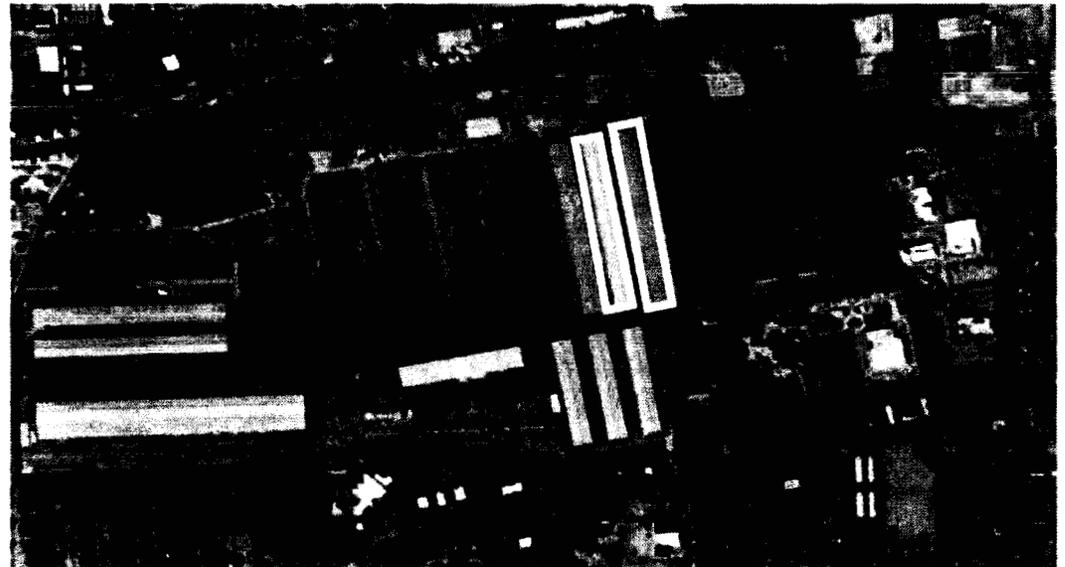


Sustaining the Force of America's Heartland



DFAS Columbus

- Capacity (from reactivation)
 - 800 workstations
 - 400 at building 10
 - 400 at building 11



Sustaining the Force of America's Heartland



DFAS Columbus

- Capacity: preparing these buildings for recommended gains requires no MILCON

Location	Capacity	Renovation Cost
Building 11	50 workstations	\$0.00
Building 21	650 workstations	\$0.00
Building 10	400 employees	\$450,000
Building 11	400 employees	\$1,350,000
Total	1,550 capacity	\$1,800,000

Sustaining the Force of America's Heartland



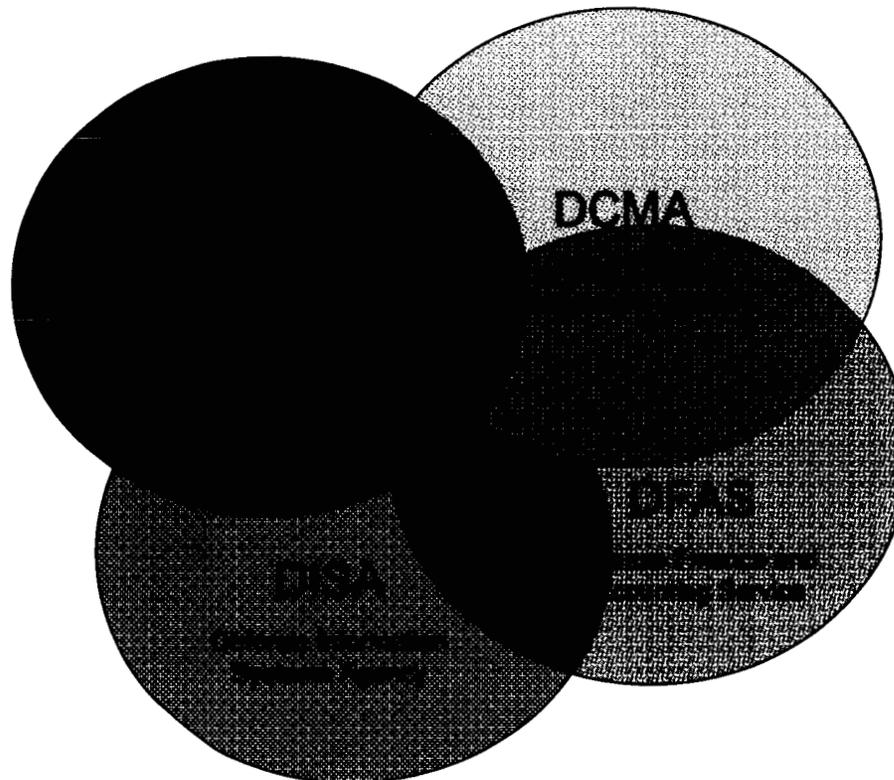
DFAS Columbus

- Nearby related agencies
 - Only DFAS office in the nation housing offices of agencies with interrelated missions:
 - Defense Logistics Agency (DLA)
 - Defense Contract Management Agency (DCMA)
 - Defense Information Systems Agency (DISA)



DFAS Columbus

- DSCC: a home for interrelated missions



Sustaining the Force of America's Heartland



DFAS Columbus

- **Workforce**
 - **Strength in accounting and technology**
 - Local employment in technology occupations in Columbus MSA is 36% above average
 - Nationally ranked accounting program at The Ohio State University's Fisher College of Business
 - Numerous other strong academic accounting programs include Capital University, Franklin University, Ohio Dominican University, Otterbein College, Columbus State Community College

Sustaining the Force of America's Heartland



DFAS Columbus

- Workforce capacity compares well

Labor area	Total emp.	Rank	Employment in Key Accounting, Bookkeeping, and Payroll Service Firm Occupations, May 2004												
			Accountants and auditors				Bookkeeping, accounting & auditing clerks				Office clerks, general				Secretari
			Number	Rank	Rel.conc.*	Rank	Number	Rank	Rel.conc.*	Rank	Number	Rank	Rel.conc.*	Rank	Number
Oakland, CA MSA	1,005,240	5	8,690	5	1.1122	9	13,220	6	0.9515	12	24,810	4	1.0645	8	8,980
Riverside-San Bernadino, CA MSA	1,147,210	3	5,020	10	0.5630	19	13,880	5	0.8754	15	31,870	3	1.1982	3	10,760
Salinas, CA MSA	155,320	16	910	18	0.7538	17	1,890	17	0.8804	14	3,120	18	0.8664	14	1,020
Washington, DC-VA-MD-WV MD	2,759,080	1	31,790	1	1.4823	1	30,690	1	0.8048	18	69,160	1	1.0811	6	42,340
Orlando, FL MSA	916,540	7	7,120	7	0.9994	12	15,700	3	1.2394	1	21,220	6	0.9986	10	11,150
Pensacola, FL MSA	153,080	17	1,210	16	1.0169	10	2,520	15	1.1911	2	3,470	15	0.9777	12	2,250
Honolulu, HI MSA	408,740	13	3,780	12	1.1898	7	6,210	13	1.0993	5	12,530	11	1.3222	1	5,610
Davenport, IA MSA	176,870	15	1,320	15	0.9602	15	2,350	16	0.9613	11	3,270	17	0.7974	16	2,160
Lexington, KY MSA	260,280	14	1,520	14	0.7513	18	3,130	14	0.8701	16	3,790	14	0.6280	19	3,200
Lexington Park, MD MicSA	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a
Kansas City, MO-KS MSA	939,590	6	10,220	4	1.3994	2	13,210	7	1.0172	7	23,350	5	1.0719	7	9,400
St. Louis, MO-IL MSA	1,285,470	2	11,160	3	1.1169	8	16,130	2	0.9079	13	34,260	2	1.1495	5	15,080
Omaha, NE MSA	415,510	12	3,920	11	1.2137	6	6,620	11	1.1527	3	6,810	13	0.7069	18	5,040
Utica-Rome NY MSA	126,320	18	980	17	0.9981	13	1,740	18	0.9966	9	3,470	16	1.1848	4	1,940
Cleveland, OH MSA	1,087,080	4	11,250	2	1.3314	3	14,620	4	0.9731	10	20,140	8	0.7991	15	18,750
Columbus, OH MSA	856,730	8	8,480	6	1.2734	4	13,130	8	1.1089	4	19,600	9	0.9867	11	11,770
Dayton, OH MSA	447,710	11	3,510	13	1.0086	11	6,350	12	1.0262	6	8,210	12	0.7909	17	7,070
Lawton, OK MSA	38,180	19	370	19	1.2468	5	420	19	0.7959	19	800	19	0.9037	13	670
Aroostook County, ME	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a
San Antonio, TX MSA	721,620	9	5,240	9	0.9342	16	9,970	9	0.9996	8	17,620	10	1.0531	9	10,510
Virginia Beach VA-NC MSA	719,140	10	5,550	8	0.9929	14	8,620	10	0.8673	17	20,470	7	1.2277	2	7,530
United States	128,127,360		995,910				1,770,860				2,970,660				1,743,560

*Relative concentration, the ratio of the percentage of total employment in a specific occupation to that nationally. A ratio of 1.10 implies that local employment in the occupation is 10 percent above average, while a ratio of 0.90 implies that it is 10 percent below.

Sustaining the Force of America's Heartland



DFAS Columbus

- Reasonable pay wage

DFAS Locality Pay			
Rank	Location	State	Locality Pay
1	Oakland	CA	26.39%
2	San Bernadino	CA	21.65%
3	Limestone	ME	18.49%
4	Denver	CO	18.06%
5	San Diego	CA	17.68%
6	Seaside	CA	16.39%
7	Lexington	KY	16.04%
8	Patuxent River	MD	15.98%
9	Arlington	VA	15.98%
10	Cleveland	OH	14.24%
11	Columbus	OH	13.98%
12	Dayton	OH	12.86%
13	Kansas City	MO	12.36%
14	St. Louis	MO	12.09%
15	Indianapolis	IN	12.01%
16	Orlando	FL	11.75%
	Pensacola Saufley Field	FL	
	Pensacola NAS	FL	
	Rock Island	IL	
	Omaha	NE	
17	Lawton	OK	11.72%
	San Antonio	TX	
	Norfolk	VA	
	Charleston	SC	
	Rome	NY	
	NA Pacific Ford Island	HI	NA

Sustaining the Force of America's Heartland

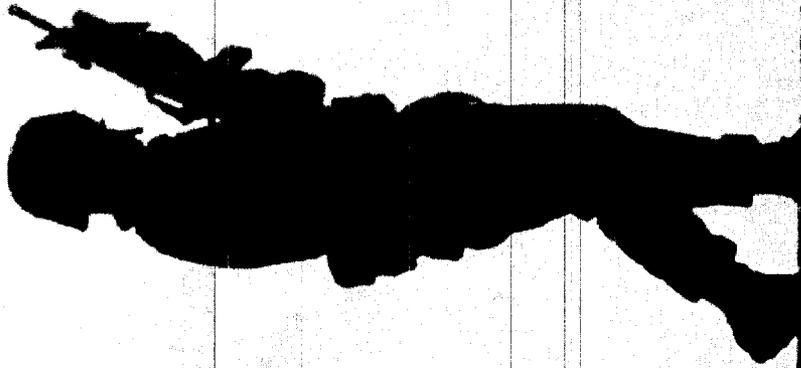


DFAS Columbus

At DSCC, DFAS Columbus has it all.

www.TeamDSCC.com

Sustaining the Force of America's Heartland



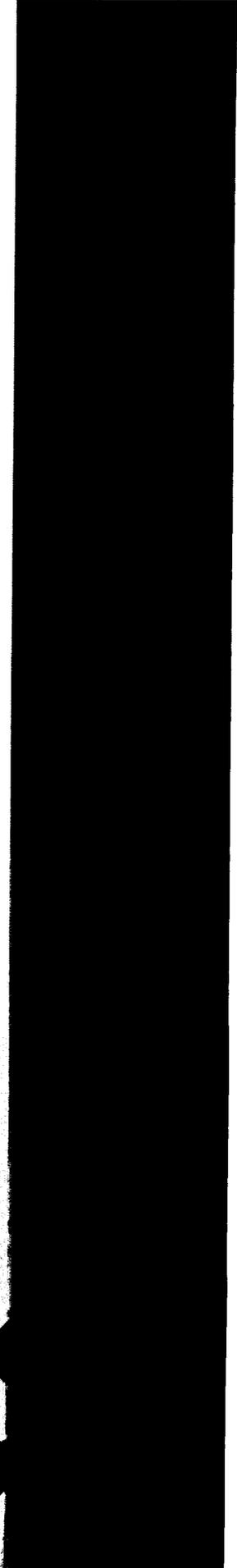
Your Financial
Partner @ Work

DFAS BRAC Commission Update

Zack E. Gaddy
Director, Defense Finance
and Accounting Service

Steve Bonta
Site Director, Indianapolis

August 3, 2005



Agenda



- Transformation roadmap and successes
- BRAC and DFAS
 - ✓ Current environment
 - ✓ Future business operations
- Footprint and capacity
- Summary
- DFAS at a glance
- DFAS customer service matrix and organization
- DFAS success stories
- DFAS Indianapolis information
- The road ahead



DFAS Transformation



- DFAS transformation strategy designed to realize vision – “Best-value” for our customers through continuous process improvements
 - ✓ Best possible performance
 - ✓ Reduced cost
 - ✓ Great quality
- Business case analysis and enabling tools ensure fact-based decisions determine the best transformation alternative
- All transformation alternatives garner significant savings
 - ✓ People
 - ✓ Processes
 - ✓ Systems

*14 years in being
High performance organization*

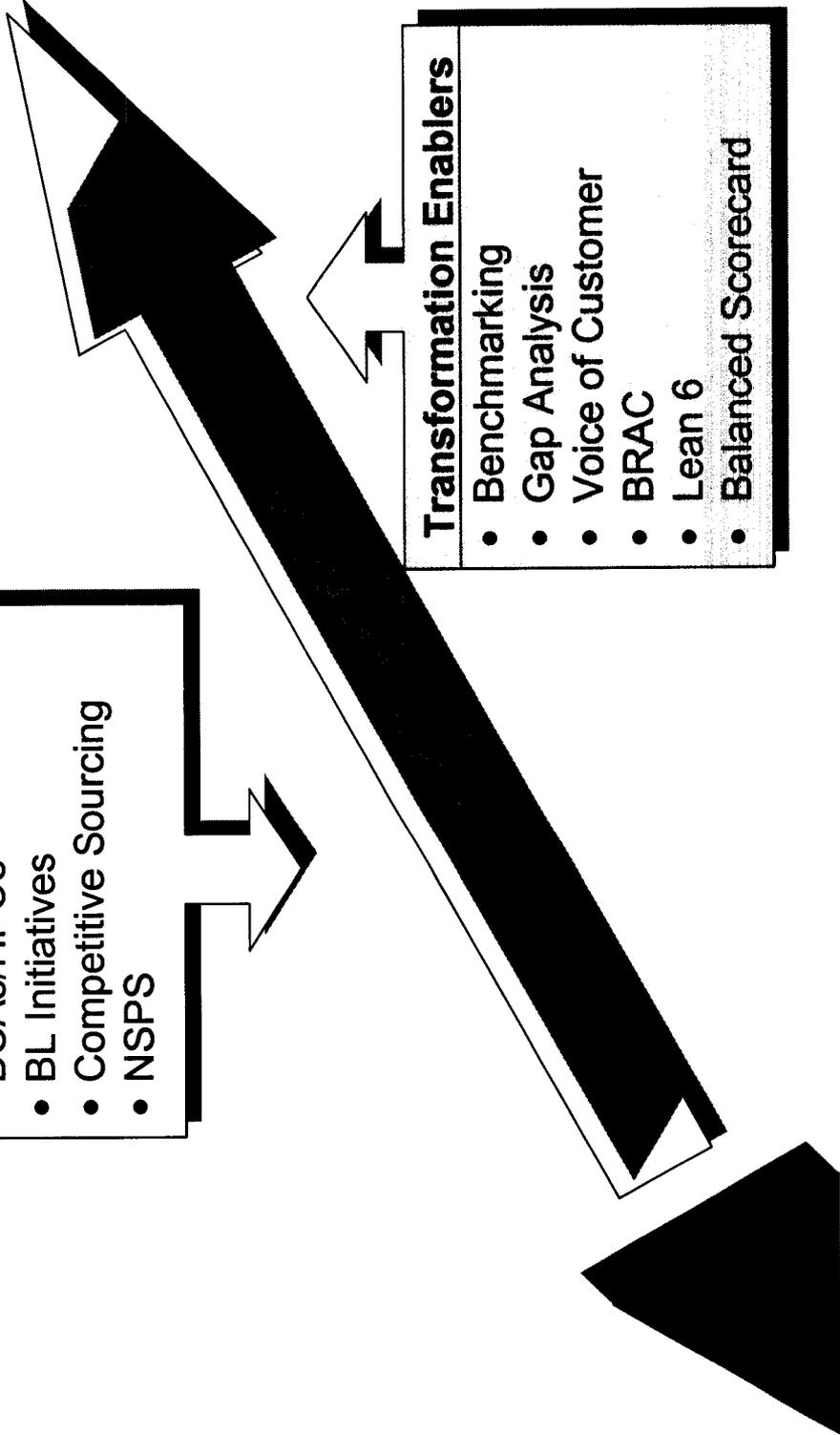
*1991 From
Base Finance to
DFAS*

Transformation Roadmap



Transformation Initiatives
<ul style="list-style-type: none">• Strategic Targets• BCAs/HPOs• BL Initiatives• Competitive Sourcing• NSPS

Transformation Enablers
<ul style="list-style-type: none">• Benchmarking• Gap Analysis• Voice of Customer• BRAC• Lean 6• Balanced Scorecard



Proof of Concept: DFAS Transformation Successes



- A-76 Competitions
 - ✓ 7 major competitions with an average 37% FTE reduction
- Business Case Analyses (BCAs)
 - ✓ 9 BCA studies completed, analyzing critical DFAS segments
- High Performing Organizations (HPOs)
 - ✓ 2 HPO plans complete and beginning implementation
 - ✓ 6 HPO development plans currently ongoing
- Benchmarking
 - ✓ Contract with Deloitte & American Productivity and Quality Center (APQC)
 - ✓ Benchmark on key quality, service, and cost dimensions--execute business initiatives to close performance gaps
- Europe Transition
 - ✓ Realignment of DFAS Europe workload (458 work-years) as directed by OSD to CONUS DFAS sites
 - ✓ Left storefront operations of 107 work-years, with 171 work-years transitioned to CONUS DFAS sites
 - ✓ Realized efficiencies of 180 work-years as a result of successful transition, \$10.4M per year, consolidated operations from 4 buildings to 1

- DFAS will operate from fewer locations
 - ✓ Reduced footprint
 - ✓ Lower operating costs
 - ✓ Streamlined operations
 - ✓ Closer to customer base
 - ✓ Optimal distribution of workload within a coast to coast environment
- The Future: Create Centers of Excellence
 - ✓ Continuously improve with economy of scale and skill
 - ✓ Strengthen and standardize business operations
 - ✓ Simplify training delivery and support
 - ✓ Improved oversight and control

DFAS Opportunity Leveraging BRAC



DFAS Today

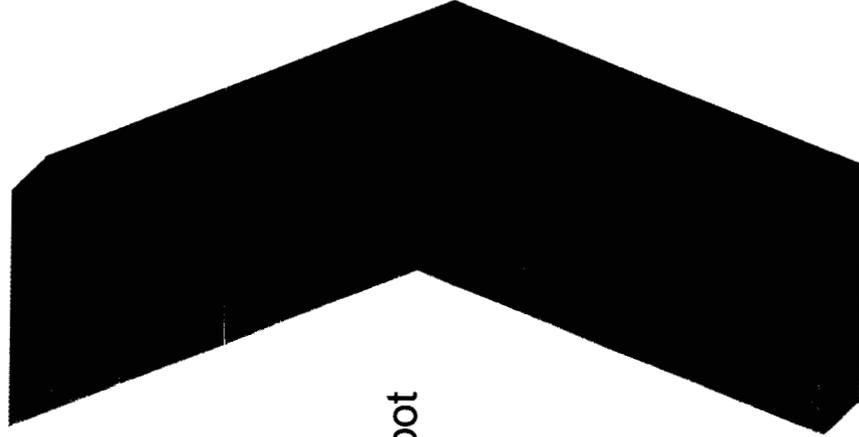
Arlington
Charleston
Cleveland
Cleveland Bratenahl
Columbus
Dayton
Denver
Europe
Indianapolis
Japan
Kansas City
Lawton
Lexington
Limestone
Norfolk

Oakland
Omaha
Orlando
Pacific
Patuxent River
Pensacola NAS
Pensacola Saufley
Red River Army Depot
Rock Island
Rome
San Antonio
San Bernardino
San Diego
Seaside
St Louis

BRAC

DFAS 2011*

Arlington Liaison
Cleveland Enclave /
Cleveland Bratenahl
Columbus
Denver
Europe
Indianapolis
Japan
Red River Army Depot

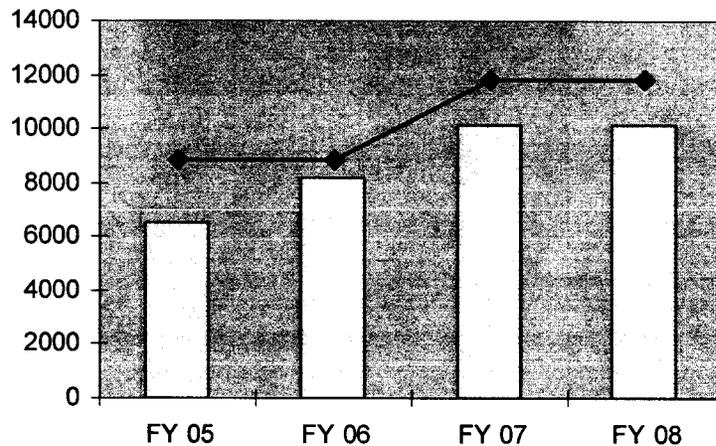


*Based on May 13, 2005 BRAC Recommendations

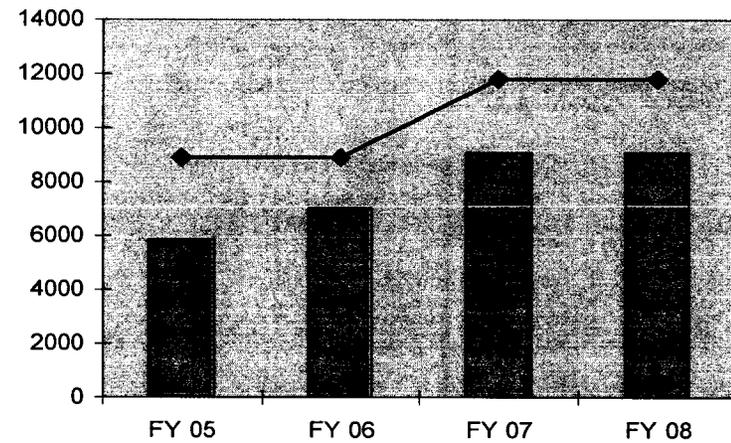
Capacity analysis: DFAS CO, DE and IN



DFAS CO, DE, and IN Site Capacity
(includes Contractors)



DFAS CO, DE, and IN Site Capacity
(excludes Contractors)



- Occupancy projections based on notional schedule
- Schedule will be upgraded based on implementation of Transformation timelines
- Strength calculated using the notional schedule and current contractor personnel (excluding Cleveland R&A and non-consolidated sites) and assumes:
 - Contractor population remains constant through FY 08 – conservatively high, and
 - All DFAS personnel occupy office space as currently configured

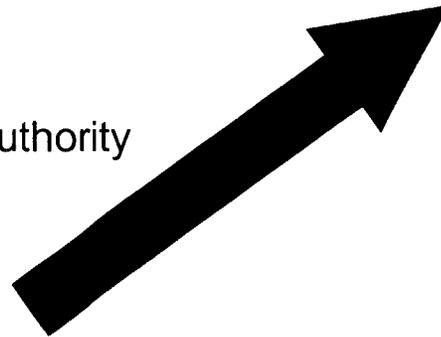
DFAS Transformation Footprint



FY 2011 Footprint

Today's Footprint

- 30 locations *
- 14,290 FTEs
- 110 systems
- \$1,776M cost/execution authority
- **70% technicians / 30% professional**
- Aging workforce
- General Schedule Pay System



- Fewer locations
 - ✓ 8 shown on May 13, 2005*
- <= 10K FTEs
- < 50 systems
- \$1,337M cost/execution authority
- **70% professional / 30% technicians**
- Right employees with right skills
- Optimum number and mix of civilians/contractors
- Pay for performance under NSPS



BRAC provides opportunity to implement site consolidations, streamline DFAS operations, and support our goal to provide best value to the warfighter

* Includes Europe & Japan

BRAC Offers Maximum Employee Assistance



- Employee transition options include
 - ✓ Move with Work
 - ✓ DFAS will pay PCS costs for permanent employees who move with their work
 - ✓ Early PPP Registration
 - ✓ Retirement Seminars
 - ✓ VERA/VSIP
 - ✓ Severance Pay
 - ✓ Other Federal Agencies
 - ✓ Resume and Interviewing Assistance
 - ✓ Private Sector Employment

- Realignments outside of BRAC (to reduce footprint or other) may not provide the same comprehensive transition options



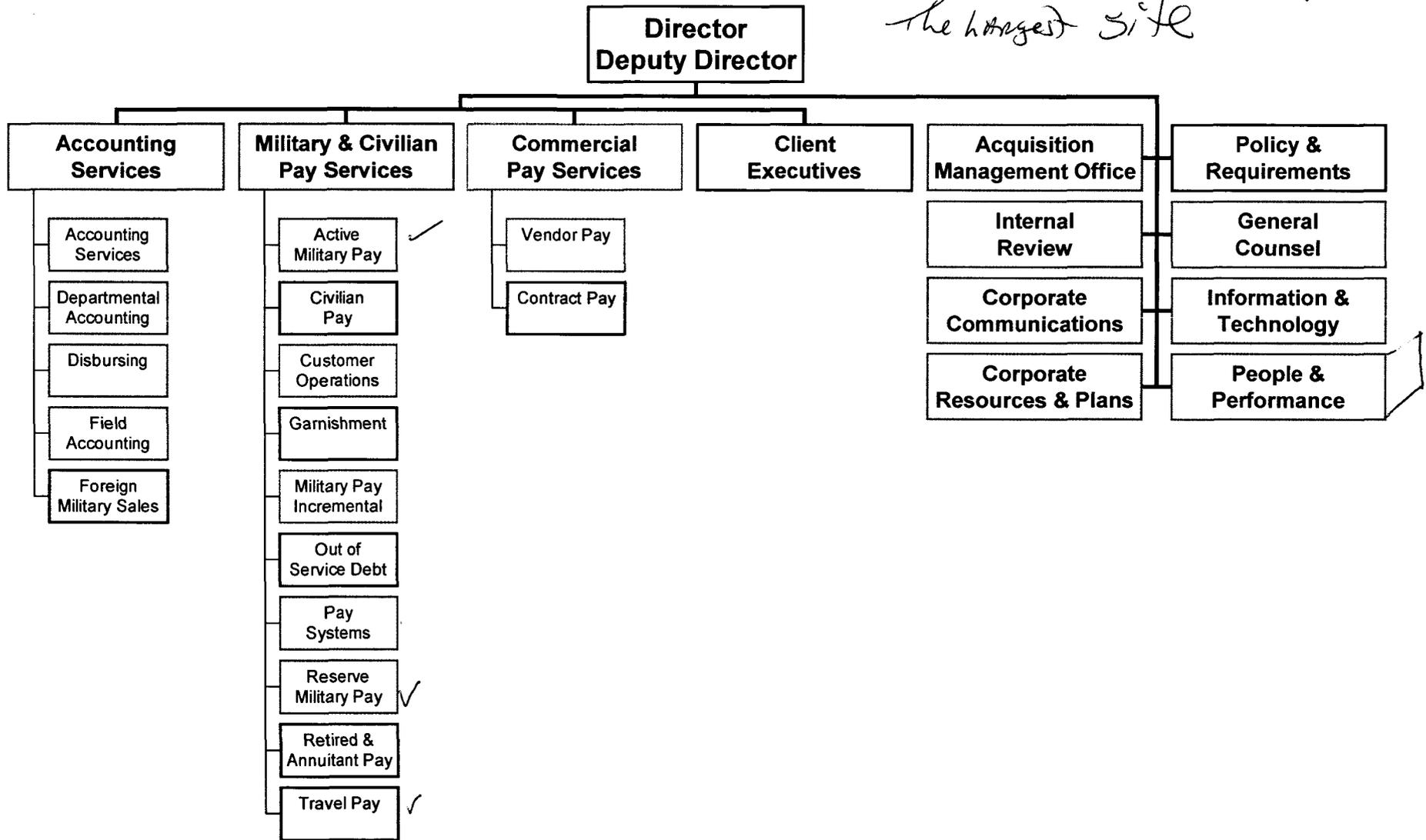
- Benefits include:
 - ✓ Mission Operations: Superior operational capability at anchor sites
 - ✓ Workforce
 - ✓ Demonstrated performance of existing workforce
 - ✓ Positive local labor source; demographic favorable for hiring the right skills for the future
 - ✓ Reduced footprint/infrastructure and transformation initiatives deliver a positive effect on customer rates

- Discussion of site specific successes, DFAS Indianapolis
 - ✓ Steve Bonta, Site Director, Indianapolis

DFAS Organizations at Indianapolis



the largest site



Note: Business Lines and Product Lines highlighted in yellow are specific to DFAS Indianapolis.

DFAS Customers Served



- Office of the Secretary of Defense
- Joint Chiefs of Staff
- U.S. Army
- Misc. other Agencies and Department of Defense Field Activities
- Department of the Treasury
- Audit Agencies (e.g., DODIG, GAO, AAA)
- Health and Human Services
- Active, Reserve and National Guard military members for Air Force, Army, Navy and Marine Corps
- Military Retirees and Annuitants for Air Force, Army, Navy and Marine Corps
- Military Spouses and Former Spouses
- DOD Civilian Employees
- Foreign Nationals

DFAS success stories – Local victories



- Assisted Army Finance Units deployed in Iraq and Kuwait in establishing connectivity to Treasury's CASHLINK II system
- Completion of the development and deployment of the Deployable Disbursing System (DDS) into Europe, Iraq, Kuwait, and Afghanistan
- Asserted to Army that the Fund Balance with Treasury (FBWT) for general funds is auditable
- Completed the legislative write-off of Army's suspense accounts
- Assisted the Defense Threat Reduction Agency and Office of the Inspector General in achieving their clean audit opinions for FY 2004
- ELP/AVELFA and Summer Intern Programs - Currently 115 external hires from college and university campuses.

DFAS success stories – Local victories



- Implementing the Air Force Case Management System for the Army customer which provides a better way to track pay inquiries and improves customer service.
- Developed and tested Web-based Military Pay Profile Implementation of the Defense Military Pay Office (DMPO) Imaging System at 26 sites.
- Initiated ELAN Reengineering for implementation in March 2006.
- Successfully consolidated 17 External Army Vendor Pay locations into DFAS Indianapolis
- Successfully transferred Disbursing workload from DFAS Europe to Central Disbursing Services

DFAS Indianapolis Personnel Statistics



- DFAS Business Lines and Number of On Site Personnel

(HR Flash Report - EOM May 2005)

- ✓ Total Number Employees - 2,514 ✓

- Accounting Services
- Military/Civilian Pay Services
- Information & Technology
- Corporate Organizations
- Commercial Pay Services
- Corporate Resources
- Acquisition Mgmt

- ✓ Total Contractor Personnel – 420 ✓

(Contractors – March 2005)

- Status of Retirement Eligible Employees as of May 31, 2005

- ✓ Eligible For Retirement - 1,123 - 45%

- Optional - 472 - 19%
- Early - 651 - 26%

DFAS Indianapolis Facilities Statistics



- DFAS is a tenant in the Major General Emmett J. Bean Federal Center
 - ✓ Property owned and managed by General Services Administration, Chicago Region
 - ✓ Building renovation completed 2003
- DFAS assigned space - 1.1M square feet¹
 - ✓ Includes administrative and warehouse space plus an external warehouse facility
- Excess space available
 - ✓ Vacant workstations - approx 800 Built out
 - ✓ Vacant, excess space within the building - 600 seats NOT Built out
 - ✓ US Army Enlisted Records and Evaluation Center - 300 seats will Realign
 - ✓ Total capacity - 4,700 seats
- Robust guard force support with appropriate equipment under Federal Protective Service management

Other fronts approx - 300

¹ DFAS Facilities Database - Effective 31 May 2005



Summary

- Transformation has been a key part of Agency strategy since DFAS was established in 1991
- DFAS transformation is based on BCA and accepted process improvement methodology (Lean 6)
- BRAC is an integral part of transformation strategy
- DFAS transformation will continue during and beyond BRAC 2005
- May 13, 2005 recommendation provides the optimum business solution

DFAS

Your Financial Partner @ Work



DRAFT - DO NOT RELEASE UNDER FOIA

Defense Finance and Accounting Service (DFAS)

Action

To determine the closure and/or realignment of 26 Defense Finance and Accounting Service sites.

DFAS's Mission

The mission of the Defense Finance and Accounting Service or DFAS is to provide responsive, professional finance and accounting services to the Department of Defense and other federal agencies. DFAS is a Working Capital Fund agency, which means that rather than receiving direct appropriations, DFAS earns operating revenue for products and services provided to its customers. Therefore, it is important that it does this at the lowest possible cost. The agency was created in 1991 to reduce the cost of Defense Department finance and accounting operations and to strengthen financial management through consolidation of finance and accounting activities. The agency went from having over 300 installation level finance and accounting offices to just 26.

OSD BRAC Recommendation

The OSD BRAC recommendation consolidates the agency's 26 sites into 3 major centers located at Denver (Buckley Annex), CO, Columbus, OH, and Indianapolis, IN.

The commission added the three gaining locations so that a comprehensive review of the recommendation can be completed.

Staff Analysis

In order to determine which DFAS sites are the most optimum sites the following options are being considered.

- (1) Keep the three sites as proposed in the DoD recommendation.
- (2) Reject the DoD recommendation and keep the 26 sites.
- (3) Maintain the three sites chosen by DoD and choose additional sites based on functional expertise, lower operating costs, and economic impact to minimize need to renovate buildings and the need for additional lease space.
- (4) Close the Denver site which is located on Buckley Annex—a property of the Air Force in order to have a complete closure of Buckley Annex. If this is chosen another large site(s) needs to be chosen in order to provide an anchor site and functional expertise. *Plus choose other sites per #3 above*
- (5) Choose the five main central sites. This option will provide DFAS with all needed functional expertise.
- (6) Choose sites based on the cost of operations.

DRAFT - DO NOT RELEASE UNDER FOIA

(1) Maintain the DoD Recommendation - Consolidate the agency's 26 sites into 3 major centers located at Denver (Buckley Annex), CO, Columbus, OH, and Indianapolis, IN.

Per the DOD Recommendation

This action accomplishes a major facilities reduction and business line mission realignment, transforming the current DFAS organization into an optimum facilities configuration, which includes strategic redundancy to minimize risks associated with man-made or natural disasters/challenges. According to DFAS, all three of the gaining sites meet DoD Antiterrorism/Force Protection (AT/FP) Standards. Reduces unnecessary redundancy and leverage benefits from economies of scale and synergistic efficiencies. The three locations have potential to evolve into separate Business Line Centers of Excellence and further enhance "unit cost" reductions beyond the BRAC facilities/personnel savings aspect-- military and civilian pay, contract and vendor pay, and accounting services.

The total estimated one-time cost to the Department of Defense to implement this recommendation is \$282.1M. The net of all costs and savings to the Department during the implementation period (FY06-FY11) is a savings of \$158.1M. Annual recurring savings to the Department after implementation are \$120.5M, with an immediate payback expected. The Net Present Value of the costs and savings to the Department over 20 years is a savings of \$1,313.8M. In addition, this recommendation helps DFAS to eliminate much of the excess capacity in their system. Overall excess facility capacity includes approximately 43 percent or 1,776,000 Gross Square Feet (GSF) in administrative space and 69 percent or 526,000 GSF in warehouse space.

Staff Analysis

While the DFAS OSD BRAC team collected all of the data to determine the military value of a DFAS site, a best business value decision was made that DFAS wanted to get down to the lowest number of sites that including the following criteria:

- Meet DoD antiterrorist and force protection standards, strategic business line redundancy, area workforce availability, an anchor entity for each of the business lines to retain necessary organizational integrity to support DoD customer needs, and available facility space or buildable acres.

They placed the military value data in what they called their "optimization model". The objective of the model was to maximize the military value of facilities retained while reducing excess capacity, discouraging (but allowing for) construction of new capacity, and encouraging concentration of business lines into centers of excellence. The models'

DRAFT - DO NOT RELEASE UNDER FOIA

parameters included: (1) military values of each facility, (2) existing capacity, (3) potential for expansion of capacity and (3) future staff requirements by functional area. Not all of the three sites selected were the top three on military value. These sites were Denver, Rock Island, and Norfolk.¹ Columbus ranked number 7 and Indianapolis number 9.

While military value was considered, the model was weighted to give more credit to those sites with a large amount of capacity so that the work could be performed at a minimum number of sites. This was done in order to accommodate DFAS's desire to retain sites with a large amount of functional expertise. Larger sites give DFAS management greater flexibility to adjust and reorganize to meet future technological, workload, and customer service changes. With these two factors dominating, it naturally drives the answer to three of the five larger DFAS sites--Cleveland, Columbus, Denver, Indianapolis, and Kansas City. When asked, the Director of DFAS stated that these sites would have been the three sites that would have been selected outside of the BRAC process. The smaller sites would not have been considered. The Director stated that having fewer larger sites provides DFAS economies of scale and skills. He said having a large site with 3000 to 4000 personnel each allows staff the opportunity for advancement or moving around to different jobs. (Note: DFAS choose to be a part of the BRAC process because as the director stated politically they would not have been able to close any of their sites.)

As a result of this model, it was determined that between two and four primary sites is all that is needed to house the expected future DFAS workforce. Because of future plans for system(s) improvements including common military personnel and pay systems and a web-based travel system, DFAS has determined that they will be able to downsize their current workforce of about 14,000 to about 10,000 by about 2011. (Note: The Director of DFAS anticipates further reductions in staff by that timeframe from continued efficiency gains and competitive sourcing opportunities.) DFAS said that it could do its mission with just two sites but because of the need for sufficient strategic redundancy it was felt that three sites would be a better option. So, if the mission can be accomplished with only three sites, why have four sites or more sites. So, three was the magic number.

The COBRA model was only run on the three sites selected. No other options were run even though the optimization model showed a fourth site. The fourth site, however, was DFAS Lawton, which required military construction. The driving factors of DFAS Lawton showing up as the fourth site was its low operating costs per square foot--\$2.52 and being on a military installation. When I asked the BRAC team to do an optimization run eliminating Denver the following ~~the~~ top three sites were Cleveland, Columbus and Indianapolis. Kansas City is the next site that appears when a four site solution is developed. Again, the driving factor is large facilities.

¹ In DoD's original military value analysis Denver ranked number three. A mistake in the data was discovered and the military value analysis was redone which showed Denver in the number one spot. A major driver of the military value analysis was being on a military installation.

DRAFT - DO NOT RELEASE UNDER FOIA

A September 1995 GAO report² stated the following

“In any consolidation initiative, it is important to consider the impact on the business operation—will the enterprise be able to provide uninterrupted service to customers?” DFAS, under its first consolidation effort, recognized this and made customer service one of four site-selection criteria. While this was not explicitly one of the selection criteria by placing a high weight on the larger sites it de facto becomes one of the criteria. The high value DFAS has placed on the larger sites provides readily available, trained DFAS employees. Even though many of these employees may have to learn a new functional process or develop new skills, a core group of DFAS employees who are familiar with DFAS’ mission and possess a mix of supervisory and technical skills would help maintain customer service during the transition period and provide training to new employees.

However the GAO report also pointed out that if the consolidation effort is not properly managed, significant problems can result. The report points out that then like today very few people are expected to transfer. Current estimates by DFAS put this number from between 5% to 15%. Therefore, new staff will have to be hired and trained. The report sites an example that in 1991 when the Commissary Agency went through a consolidation that was not well managed, it resulted in late vendor payments, prompt pay penalties³ and companies going out of business because they could not get paid. I have heard stories of late payments to vendors and increased interest payments when DFAS just moved work between operating locations.

In GAO’s recent testimony before the Commission, they state the following in regards to personnel lose.

“A significant challenge facing the department is the need for transition plans to address the human capital skills that are likely to be lost and in need of replacement in order to provide for uninterrupted operations as BRAC recommendations are implemented. In its cost and savings analyses, the department estimated in most instances that, as a standard factor in its COBRA model, about 75 percent of the personnel at a facility being closed or realigned would move to the gaining installation receiving the mission or workload.

However, in some cases, this percentage may be overstated resulting in less actual movement than anticipated, which may in turn present challenges for gaining bases. For example, Industrial Joint-Cross Service 21 The Intelligence Joint Cross-Service Group is also proposing to move about 8,500 personnel to Fort Belvoir. Minimizing Disruption of Operations due to Loss of Specialized Skills Group officials told us that based on the Navy's prior experience in closing shipyards, they did not expect many personnel to move to other shipyards if the

² GAO – Defense Infrastructure: DOD’s Planned Finance and Accounting Structure is Larger and More Costly Than Necessary (GAO/NSIAD-95-127, Sept. 1995)

³ The Prompt Payment Act (31 U.S.C. 3901-3606) requires the federal government to pay interest on late payments to vendors.

DRAFT - DO NOT RELEASE UNDER FOIA

Portsmouth shipyard were closed. They further told us that because it takes about 8 years for personnel to become fully proficient in maintaining nuclear-powered submarines, this would present a challenge for the other yards to replicate the loss in skills due to the unwillingness of workers to move with the relocated workload. Officials at Fort Monmouth, New Jersey, expressed similar concerns regarding the planned closure of the base and plans for a large portion of the work to be transferred to the Aberdeen Proving Ground in Maryland. Information provided by these officials suggests that the potential loss of a large retirement age population must be balanced against the impact on ongoing mission activities providing real-time assistance to warfighters and transformation initiatives.

In other cases, the loss of personnel skills at a location may cause some concern but may not be as difficult to reconstitute. For example, DOD projects that about 7,400 personnel would move under the proposal to consolidate the Defense Finance and Accounting Service from 26 to 3 sites. While the actual number of personnel that may move is unknown, a Defense Finance and Accounting Service official stated that the accounting skills required are available at the receiving sites. Our analysis indicates that over 4,590, or 62 percent, of the workforce at the 26 sites are classified as accounting-related civilian positions at General Schedule grade 11 or below.

Should there be recommendations where the loss of personnel is extensive, particularly for those skills requiring extensive education, training, and experience, it could prove challenging to the department to satisfactorily provide for the replacement of these critical skills. In this regard, it is important that the department develop transition plans that would recognize the loss of human capital skills and provide for replacement capability to minimize disruption of ongoing defense operations. Without such a plan, the department could be at risk in providing the necessary support to our military forces.”

However, DFAS own data shows that the BRAC recommendation will impact 58% of its professional accountants and result in the loss of expertise of Navy accounting, Marine Corps accounting, Marine Corps military pay, and garnishments. There, given that this will be a major consolidation, if approved, I believe service disruptions are inevitable.

DRAFT - DO NOT RELEASE UNDER FOIA

Military Value Criteria

The bottom line is that while military value was considered it was not the driving factor in determining the site selected. As stated above the military value was part of the optimization model which gave more credit to those sites with a large amount of capacity (which also implied that a larger workforce was present for functional representation) so that the work could be performed at a minimum number of sites. Therefore, even if one would change the weighting factors of the metrics used in the military value ranking score, it may only marginally change the sites selected. As stated above, the three sites would be three of the five large DFAS sites—Cleveland, Columbus, Denver, Indianapolis, or Kansas City.

The Military Value Criteria used and weights were as follows:

- Operating costs per sq. ft 0.20
- On a DoD owned installation 0.15
- Facility condition code 0.14
- DISN POP 0.13
- Local population workforce 0.12
- Locality pay 0.11
- Hiring 0.07
- Terrorist Threat Assessment 0.05
- One-of-a-kind function 0.03.

Military value criteria appear not to accurately reflected DFAS operations. For example, even though personnel costs are about half of DFAS's budget being on a DOD installation (0.15) carried more weight than locality pay (0.11). Moreover, sites that were on DoD owned property received no credit.⁴ For example, one of the sites (Rome) is on DoD owned property. However, while it can easily be installed, the site currently does not have a controlled perimeter. There are also sites, for example, that are on former DoD installations that were closed in prior rounds that meet or with minor expense can meet DoD force protection standards—Limestone and Charleston, respectively.

In addition, data collected during staff analysis shows that sites were unfairly given red condition codes for having large improvement projects in their budgets. For example, it appears that some sites were unfairly penalized for having projects in their future budgets for such things as carpet replacement or replacement of a building's roof due to normal replacement needs. One site had requested to build an auditorium, which may or may not have been approved. In addition, the use of the MSA data to determine local population workforce may not accurately reflect a smaller sites ability to hire qualified personnel.

Further, the point in time the hiring time metric was developed showed sites with very short and very long hiring times that did not accurately reflect the norm. For example, Kansas City's hiring time was 132.5 days. Hiring time was determined from the number of days from the request for personnel action was initiated to the date the job offer was

⁴ Being on a DoD installation also meant that the site had a controlled perimeter.

DRAFT - DO NOT RELEASE UNDER FOIA

accepted. For Kansas City there were 7 actions with 4 of the 7 actions well beyond normal expectations. Two of the entry level accounting positions were beyond normal expectations because the selectees were students who had not yet completed their education. In both cases the job offer was made 56 days after the request for personnel action was initiated but the job offer acceptance was not recorded and the recruit action was not finalized until the students completed their education. For one intern position management took 136 days to make their selection. The fourth action took longer than normal because of days issuing the referral, management not making a timely selection, and an unusual delay by the employee in accepting the job offer.

Performance was not a military value criteria because according to DoD the use of performance information to compare DFAS sites would be extremely difficult due to the different systems, processes, and other operational issues impacting each location. Meaningful differentiation between the locations would be difficult to do because all DFAS locations do not perform the same functions.

Once again, the bottom line is that while military value was considered it was not the driving factor in determining the sites selected. As stated above the military value was part of the optimization model which gave more credit to those sites with a large amount of capacity so that the work could be performed at a minimum number of sites. Therefore, even if one would change the weighting factors of the metrics used in the military value ranking score, it may only marginally change the sites selected. As stated above, the three sites would be three of the five large DFAS sites—Cleveland, Columbus, Denver, Indianapolis, or Kansas City.

(2) Reject the DoD recommendation and keep the 26 DFAS sites as currently configured

Staff Analysis

One could make the argument that if all of DFAS's current sites have adequate or good performance and all sites are providing good service, why not maintain the current structure. In essence what is broke? The answer in terms of service, for the most part, nothing is broke. However, since the agency was stood up it immediately began to downsize because of operating efficiencies. A September 1995 GAO report⁵ stated the following

“...DOD's plans to consolidate and reduce personnel as a necessary step toward a more effective and efficient finance and accounting service. The report further states that consolidating and reengineering finance and accounting functions while sustaining ongoing operations is a difficult and complex task. In such an undertaking it is important

⁵ GAO – Defense Infrastructure: DOD's Planned Finance and Accounting Structure is Larger and More Costly Than Necessary (GAO/NSIAD-95-127, Sept. 1995)

DRAFT - DO NOT RELEASE UNDER FOIA

to strike a balance between cost considerations and other factors important to maintaining customer service and improving business operations.”

This report was written when DFAS was consolidating from 300 service operated locations. However, the report points out that even at that time DFAS did not need to stand up 20 smaller sites. DFAS has always planned to keep the five central sites (Cleveland, Columbus, Denver, Indianapolis, Kansas City). It was decided go with a large number of smaller sites instead of staffing up the larger sites for two main reasons. First, twenty sites, staffed with fewer people, can be activated quicker and (2) some of the larger sites would have required substantial modification to accommodate the growth. In addition, the use of excess defense assets was a large driver of the site selection decision.

The GAO report concluded that while the consolidation may reduce the number of locations performing finance and accounting functions, it will not likely improve DOD's business operations. Once these functions are reengineered, DOD may be faced with the need to consolidate them once gain. The report recommended that DFAS develop an updated estimate of the number of locations and personnel required to perform finance and accounting functions. In developing this estimate the report stated that it is important to consider not only today's concept-of-operations but also how finance and accounting operations will be performed once DFAS has complied with DOD's business process reengineering goals and directives. It appears that this is what DFAS is faced with today and what is driving their desire to go to three main operating sites.

In 1999, the agency had 20,269 personnel on board. As of January 2005 that number was 14,429. The agency has planned program reductions of 1,659 and BRAC consolidation savings of 1,299. This would bring their total workforce down to approximately 10,000 by 2011 and as I stated above further reductions are anticipated. Regardless of the BRAC savings, the agency will continue to downsize because of the development of high performing organizations, A-76 competitions, efficiency gains from new system improvements, i.e. the Defense Travel System and the planned new system for one military personnel and pay system.

Currently, the agency's infrastructure is larger than necessary. The agency has overall excess facility capacity of approximately 43 percent or 1,776,000 Gross Square Feet (GSF) in administrative space and 69 percent or 526,000 GSF in warehouse space. Given the amount of excess capacity in DFAS' current system and their plan for further personnel reductions, excess capacity can only continue to grow. There by, many sites would be operating at less than efficient operations and DFAS' overall operating costs would be higher than necessary. These costs would be transferred to its customers who would have to pay higher rates for DFAS' services.

DFAS is a working capital fund agency, which means that rather than receiving direct appropriations, DFAS earns operating revenue for products and services provided to its customers. Therefore, it is important that it does this at the lowest possible cost. Maintaining excess capacity and therefore extra costs in the system will not lower their cost to their customers—predominately the services.

DRAFT - DO NOT RELEASE UNDER FOIA

Bottom line maintaining the current structure does not make sense from both a cost perspective and an efficiency perspective.

(3) Maintain the three sites chosen by DoD and choose additional sites based on functional expertise, lower operating costs, and economic impact to minimize need to renovate buildings and the need for additional lease space.

Staff Analysis

Maintaining the three sites in the OSD BRAC recommendation while choosing other sites to minimize the need for renovating buildings and the need for additional lease space will still accomplish DFAS desire to have major facilities reduction and business line mission realignment.

Field sites can be chosen with lower operating costs and continue to provide functional expertise. For example, ^{3, 4, 2} such as Lawton (army), Dayton (army), Charleston (navy and civilian pay), Rome (army/Iraqi asset accounting), Omaha (air force), and Limestone (air force/Europe accounting/vendor pay) operating costs range from \$2.52 sq. ft. to \$4.98 sq. ft. The combined sites under its current capacity numbers can expand to accommodate approximately 2800 personnel. The current three DoD selected locations can accommodate approximately 8600 personnel without any additional renovation or lease costs.

(4) Close the Denver DFAS site which is located on Buckley Annex—a property of the Air Force in order to have a complete closure of Buckley Annex.

Staff Analysis

In another recommendation the other major tenant—the Air Force Reserve Personnel Center (ARPC) is recommended to move to Randolph AFB. The closure of the Buckley Annex in Denver Colorado would save \$xx million per year (still waiting on the Air Force COBRA of a full closure of Buckley Annex). ARPC currently occupies 21% of the building and DFAS 78%. A few other tenants are on site in the remaining 1% of the building some of which would go away anyway if both sites were closed, i.e. the cafeteria. This would allow for the Commission to close DoD property—a base closure.

If this closer is chosen another large site or sites needs to be chosen for DFAS in order to provide an anchor site to meet their needs of functional expertise. In order to maintain DFAS's premise of having the minimum number of sites, the most likely site to replace Denver is Cleveland. In DFAS's optimization model if the high penalty on both construction and expansion and included and moderate penalty on number of sites and Denver is eliminated from the model the three sites chosen by the model are Cleveland,

DRAFT - DO NOT RELEASE UNDER FOIA

Columbus, and Indianapolis. If a fourth site is added, Kansas City is chosen. Again this is due to the models bias to choose the larger sites.

However, under this option, I would add two field sites to provide for functional expertise for the lose of Air Force accounting and civilian pay. The sites I would select are Limestone for the Air Force accounting function. In addition, Limestone has a low operating cost (\$4.98 sq. ft.) and it is the site most economically impacted by this recommendation. I would choose Charleston because it is one of the two field sites that does civilian pay. The other is Pensacola. The only reason I would choose Charleston over Pensacola is because of its lower operating costs--\$3.80 sq.ft. vs. \$5.70. I would expand both sites to about 600 personnel. This would allow for the these functions to be maintained while strategic redundancy is being developed at one of the main operating sites.

This option would negate the need for any rehabilitation costs at Columbus and additional lease costs in Indianapolis. In addition, the agency may be able to consolidate a little further at the larger locations where leased costs are involved.

I have asked for a COBRA run with Cleveland, Columbus, Indianapolis, Limestone and Charleston. I have also asked for another one with the same parameters but to also include Kansas City.

Analyst note: Cleveland currently has a high costs per sq. ft. in the GSA building it currently occupies—approximately \$29.00 sq. ft. The Greater Cleveland Partnership in conjunction with the State and City has offered to construct a building that will lower the operating costs to \$14.00 sq.ft. and would meet all of DoD's force protection standards. This cost would be maintained for 20 years. This is being offered because the city of Cleveland has been hit hard economically. It currently has a 7.1% unemployment rate. The area needs to keep these jobs in Cleveland for the future economic viability of the city.

(5) Chose the five main central sites.

Staff Analysis

Choosing the current five main central operating sites--Cleveland, Columbus, Denver, Indianapolis, Kansas City—would provide DFAS with all needed functional expertise and needed capacity— approximately 10,800 personnel. No field sites would be needed. It would also provide savings.

A COBRA has not been run on this scenario.

DRAFT - DO NOT RELEASE UNDER FOIA

(6) Chose sites based on the cost of operations

Staff Analysis

I asked DoD to adjust their optimization model make operating costs the main driver. The model used the COBRA discount rate with a 20 year stream of lease costs. When this was done the following sites need to remain open in order to DFAS to get to then needed capacity. They are listed in no special order. The sites with the asterisk allowed for some available expansion.

- (1) Charleston
- (2) Columbus*
- (3) Dayton*
- (4) Denver
- (5) Lawton*
- (6) Limestone
- (7) Norfolk
- (8) Omaha
- (9) Orlando
- (10) Pensacola Saufley Field
- (11) Pensacola NAS
- (12) Rock Island
- (13) Rome

Based on my analysis described under option number 2, I don't believe this is the most optimum recommendation.

Analyst Note:

The Rural Development Act of 1972 requires agencies to locate facilities in rural areas. A July 2001 GAO report noted that certain functions have potential for rural area locations such as research and development, finance and accounting, law enforcement, and data processing. The report states that locating offices in a rural area depends primarily on the following factors: (1) whether the agency has flexibility in determining the location of a function (i.e., the function's mission does not require close proximity to a specified population); (2) whether the function can be efficiently and effectively performed in a location remote from the agency's main offices; and (3) whether the function can be performed without a large, technical workforce often associated with urban areas. The report notes, however, that the Act's definition of rural was unclear and the GAO found application of it would be impractical. (See attached on the definition.) We would need to have our lawyers look at this to determine if any of the current DFAS sites meets the definition under the act.

DRAFT - DO NOT RELEASE UNDER FOIA

In February 2003 memo to all of DoD (see attached memo), the Principal Assistant Deputy Under Secretary of Defense (Installations and Environment)—Philip W. Grone—wanted to ensure that DoD Components were implementing the provisions of the Rural Development Act of 1972. The Department shall give priority consideration to rural areas for the location of new offices and other facilities.

As stated, this Act may be able to be used as justification for keeping some of the DFAS sites. A legal determination would be needed.

July
2001

GAO Report - Facilities Location: Agencies

Should Pay More Attention to ~~Costs~~

Appendix I
Objectives, Scope, and Methodology

and Rural Development
Act

Identifying Sites in Rural Areas—Defining “Rural”

To determine whether any of the sites were in rural areas, we reviewed RDA to obtain a definition for rural. However, RDA's definition for rural was unclear, and we found application of it would be impractical. For the purpose of locating federal facilities, RDA states that rural areas shall be defined as those areas identified by the private business enterprise exception in 7 U.S.C. § 1926(a)(7). Prior to 1996, the private business enterprise exception in 7 U.S.C. § 1926(a)(7) defined rural areas as including all territory of a state that is not within the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile, as determined by the Secretary of Agriculture, according to the latest decennial census of the United States. In 1996, 7 U.S.C. § 1926(a)(7) was amended and no longer includes the private business enterprise exception. Therefore, the appropriate definition of rural area under RDA is unclear. Furthermore, we identified two problems with the pre-1996 definition. First, determining the population density for communities adjacent to these federal sites was not feasible within the scope of this job. Second, the term “outer boundary” in this definition lacks specificity.

The current definition of rural in 7 U.S.C. § 1926(a)(7) is for purposes of water and waste disposal grants and loans and defines rural as a city, town, or unincorporated area that has a population of no more than 10,000 inhabitants. We are not certain that this is the appropriate definition since it refers to water and sewer grants and not the private business enterprise exception. The prior threshold, which was eliminated in 1996, used a population threshold of 50,000 and included a population density requirement. Population density data were not readily available; therefore, it was not feasible for us to use this definition.⁸

For this survey, we chose a threshold of 25,000 or less because it was used to define rural areas by several other federal agencies and private sector organizations that we identified. When we applied this population

⁸The information on population density for areas outside of cities was not readily available and is subject to change, pending the results of the 2000 census. Additionally, when the U.S. Department of Agriculture needs to determine whether a city that has applied for a grant is rural or not, and may have a population of close to 50,000, it has experts who survey the population density of the city's surrounding area to determine whether the density meets the criteria for rural area. We did not use 50,000 as a population threshold because many of the definitions of rural used by other federal agencies and private sector organizations we identified used thresholds of 25,000 or less.

threshold of 25,000 to the sites on the list of 81 GSA-acquired federal sites, we determined that 23 were located in rural communities; and of the 37 sites that agencies acquired independently of GSA, 9 were located in rural communities. Thus, our survey included a total of 32 rural sites.⁹ We note that 26 of the “rural” sites in our survey that fall within the 25,000 population threshold were actually located in metropolitan statistical areas in which large cities are located.

**Determining Laws,
Regulations, and Policy That
Affect Site Selections**

To address the second objective, which concerned federal laws and policies that affect the selection of sites, we reviewed federal laws, executive orders, and policies that relate to the location of federal facilities. We also conducted interviews with officials of GSA’s Office of Governmentwide Policy, the chief realty officers of 13 of the 14 cabinet agencies,¹⁰ and an Office of Personnel Management official on federal employee compensation and relocation benefits. Furthermore, we asked survey respondents to identify whether they had applied the relevant laws and policies when making a site acquisition. We also examined GSA lease files created between 1989 and 2000 in three GSA regions—the Rocky Mountain Region in Denver, CO; the Greater Southwest Region in Ft. Worth, TX; and the Mid-Atlantic Region in Philadelphia, PA—where we were already conducting an examination of GSA files for another assignment. We examined the files for documentation regarding application of RDA. However, we did not attempt to verify whether GSA or other agencies were in compliance with RDA.

**Private Sector Lessons for
the Public Sector**

To address our third objective, we contracted with a private sector consultant¹¹ to (1) perform a literature search, interview experts in corporate real estate consulting, and survey corporations that had made recent site selection decisions; (2) determine the factors and criteria the private sector uses to select urban, suburban, or rural office locations; (3)

⁹See appendix III for a listing of the 32 rural sites.

¹⁰As previously mentioned, DOD was not included in our review because DOD informed us that because of the amount of vacant space at its bases, it generally considers its existing vacant space when locating new operations.

¹¹John D. Dorchester, Jr., of The Dorchester Group, L.L.C. His report was entitled *Office Location Considerations of Large Corporations: U.S. Government Potentials*, March 31, 2001.



ACQUISITION
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

FEB 21 2003

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS
AND ENVIRONMENT)
ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS
AND ENVIRONMENT)
ASSISTANT SECRETARY OF THE AIR FORCE
(INSTALLATIONS, ENVIRONMENT AND LOGISTICS)
DEPUTY GENERAL COUNSEL (ENVIRONMENT AND
INSTALLATIONS)
DIRECTORS OF DEFENSE AGENCIES
DIRECTORS OF DOD FIELD ACTIVITIES

SUBJECT: Implementation of the Rural Development Act of 1972

The purpose of this memorandum is to reissue guidance to ensure that DoD Components are implementing the provisions of the Rural Development Act of 1972, as codified in Section 2204b-1, Title 7, United States Code. This section defines the approach to rural development by giving first priority for the location of new offices and facilities to rural areas.

Specifically, Section 601 of the Rural Development Act of 1972 states:

Congress hereby directs the heads of all executive departments and agencies of the Government to establish and maintain departmental policies and procedures giving first priority to the location of new offices and other facilities in rural areas as defined in the private business enterprise exception in section 306(a)(7) of the Consolidated Farmers Home Administration Act of 1961.

In accordance with Section 2204b-1 of Title 7, United States Code, the Military Departments and Defense Agencies shall give priority consideration to rural areas for the location of new offices and other facilities. This policy will be incorporated into a future revision of DoD Directive 4165.6, "Real Property Acquisition, Management and Disposal".

Philip W. Grone

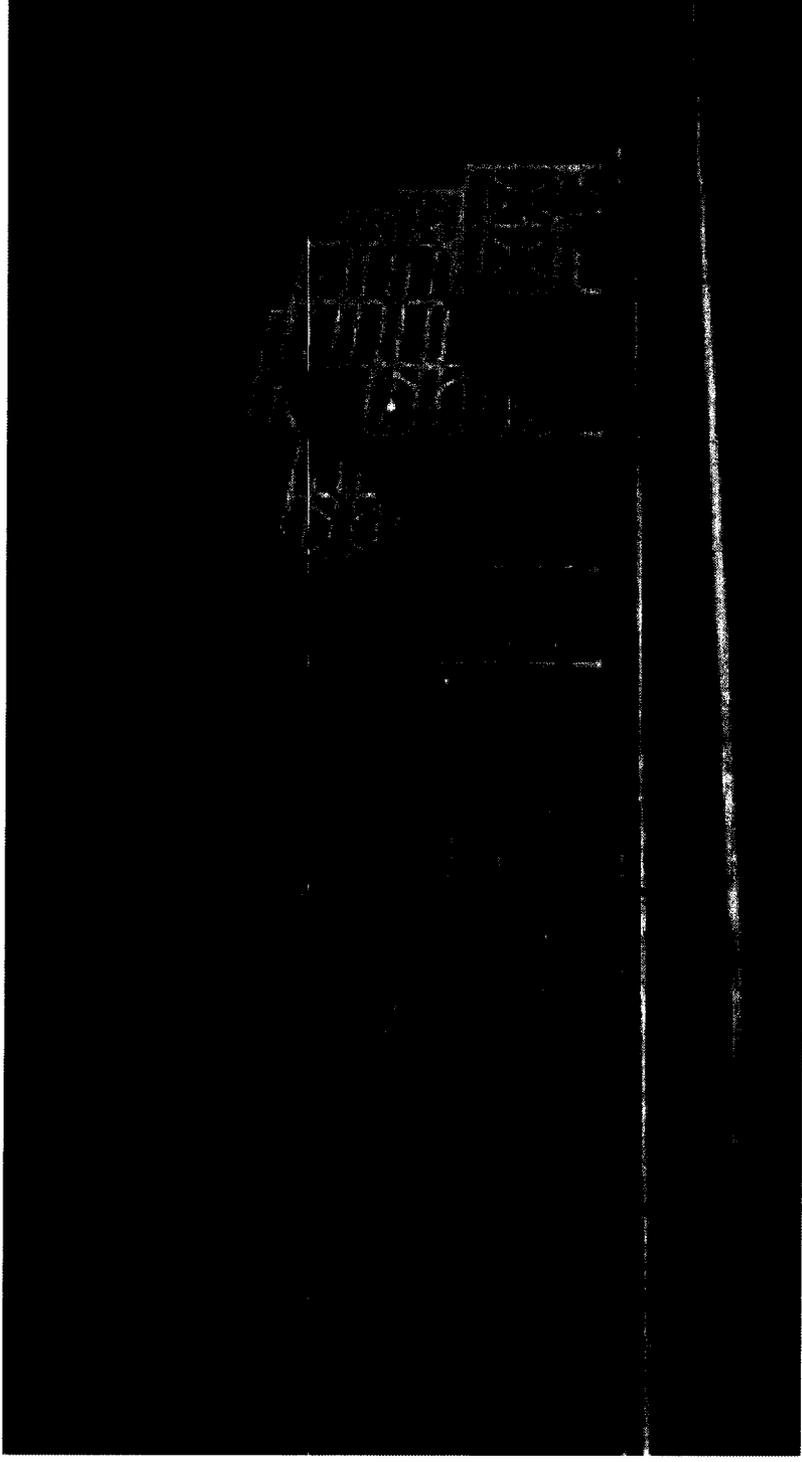
Principal Assistant Deputy Under Secretary of Defense
(Installations and Environment)

cc:

Director Real Estate and Facilities,
Washington Headquarters Services

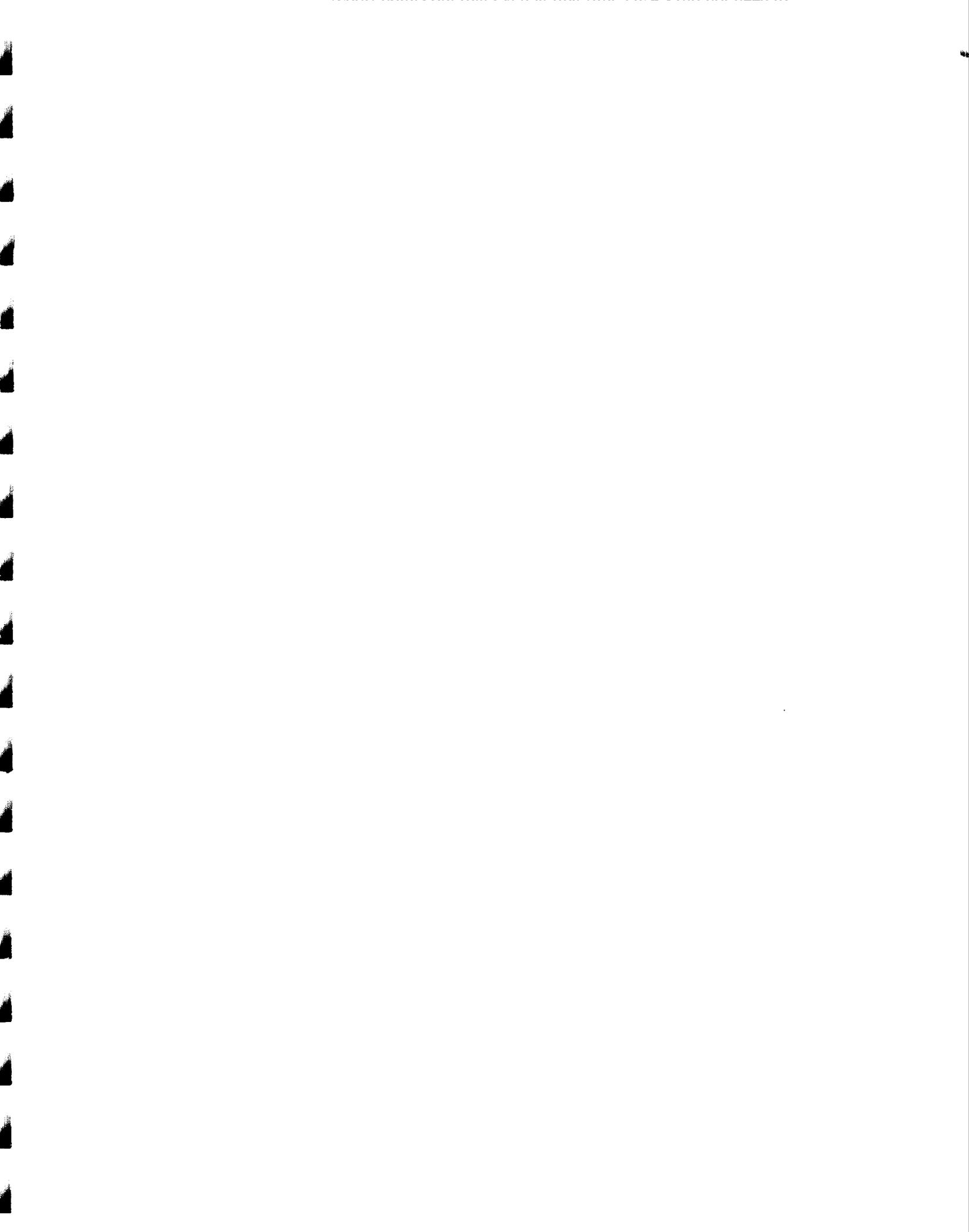


Defense Finance and Accounting Service Columbus



Base Realignment and Closure Commission Visit

August 2, 2005



BRAC Commission Visit Agenda

August 2, 2005



8:00 - 8:10	Introduction Zack Gaddy Director, DFAS
8:10 - 9:00	Mission Briefing Nancy Zmyslinski Site Director (DFAS Columbus)
9:00 - 10:00	Community Presentations State and local officials/leaders
10:00 - 11:00	Tour of Buildings 21, 10 and 11 Commissioners and staffer, local officials, Zmyslinski, other executives
11:00	Media Availability First Community Bank 4300 E. Broad Street

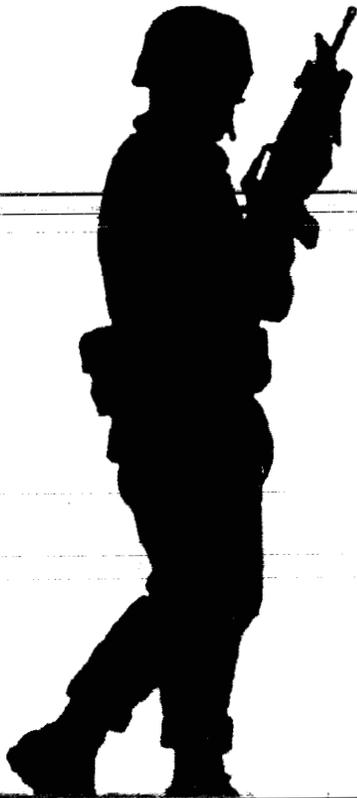


DFAS BRAC Commission Update

Zack E. Gaddy
Director, Defense Finance
and Accounting Service

Nancy Zmyslinski
Site Director, Columbus

August 2, 2005



Agenda



- Transformation roadmap and successes
- BRAC and DFAS
 - ✓ Current environment
 - ✓ Future business operations
- Footprint and capacity
- Summary
- DFAS at a glance
- DFAS customer service matrix and organization
- DFAS success stories
- DFAS Columbus information
- The road ahead



DFAS Transformation



- DFAS transformation strategy designed to realize vision – “Best-value” for our customers through continuous process improvements
 - ✓ Best possible performance
 - ✓ Reduced cost
 - ✓ Great quality
- Business case analysis and enabling tools ensure fact-based decisions determine the best transformation alternative
- All transformation alternatives garner significant savings
 - ✓ People
 - ✓ Processes
 - ✓ Systems

Transformation Roadmap



Transformation Initiatives

- Strategic Targets
- BCAs/HPOs
- BL Initiatives
- Competitive Sourcing
- NSPS

*not security
personnel system*

Transformation

Transformation Enablers

- Benchmarking
- Gap Analysis
- Voice of Customer
- BRAC
- Lean 6
- Balanced Scorecard

Proof of Concept: DFAS Transformation Successes



- A-76 Competitions
 - ✓ 7 major competitions with an average 37% FTE reduction *Went 6/05*
- Business Case Analyses (BCAs)
 - ✓ 9 BCA studies completed, analyzing critical DFAS segments
- High Performing Organizations (HPOs)
 - ✓ 2 HPO plans complete and beginning implementation
 - ✓ 6 HPO development plans currently ongoing
- Benchmarking
 - ✓ Contract with Deloitte & American Productivity and Quality Center (APQC)
 - ✓ Benchmark on key quality, service, and cost dimensions--execute business initiatives to close performance gaps
- Europe Transition
 - ✓ Realignment of DFAS Europe workload (458 work-years) as directed by OSD to CONUS DFAS sites
 - ✓ Left storefront operations of 107 work-years, with 171 work-years transitioned to CONUS DFAS sites
 - ✓ Realized efficiencies of 180 work-years as a result of successful transition, \$10.4M per year, consolidated operations from 4 buildings to 1



- DFAS will operate from fewer locations
 - ✓ Reduced footprint
 - ✓ Lower operating costs
 - ✓ Streamlined operations
 - ✓ Closer to customer base
 - ✓ Optimal distribution of workload within a coast to coast environment
- The Future: Create Centers of Excellence
 - ✓ Continuously improve with economy of scale and skill
 - ✓ Strengthen and standardize business operations
 - ✓ Simplify training delivery and support
 - ✓ Improved oversight and control

DFAS Opportunity Leveraging BRAC

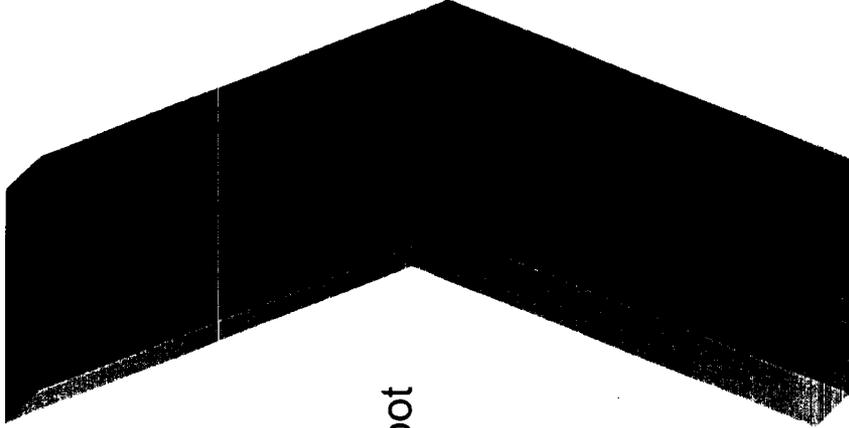


DFAS Today

Arlington
Charleston
Cleveland
Cleveland Bratenahl
Columbus
Dayton
Denver
Europe
Indianapolis
Japan
Kansas City
Lawton
Lexington
Limestone
Norfolk

Oakland
Omaha
Orlando
Pacific
Patuxent River
Pensacola NAS
Pensacola Saufley
Red River Army Depot
Rock Island
Rome
San Antonio
San Bernardino
San Diego
Seaside
St Louis

BRAC



DFAS 2011*

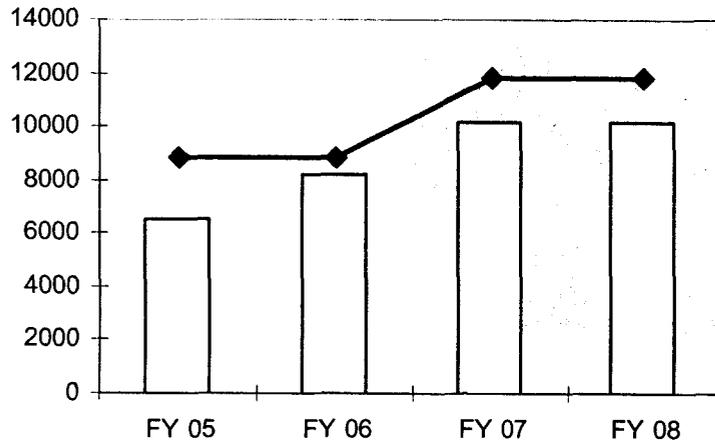
Arlington Liaison
Cleveland Enclave /
Cleveland Bratenahl
Columbus
Denver
Europe
Indianapolis
Japan
Red River Army Depot

*Based on May 13, 2005 BRAC Recommendations

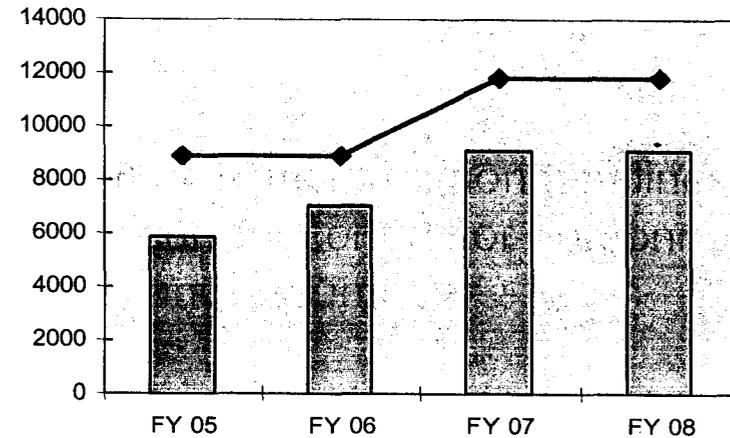
Capacity analysis: DFAS CO, DE and IN



DFAS CO, DE, and IN Site Capacity
(includes Contractors)



DFAS CO, DE, and IN Site Capacity
(excludes Contractors)



- Occupancy projections based on notional schedule
- Schedule will be upgraded based on implementation of Transformation timelines
- Strength calculated using the notional schedule and current contractor personnel (excluding Cleveland R&A and non-consolidated sites) and assumes:
 - Contractor population remains constant through FY 08 – conservatively high, and
 - All DFAS personnel occupy office space as currently configured

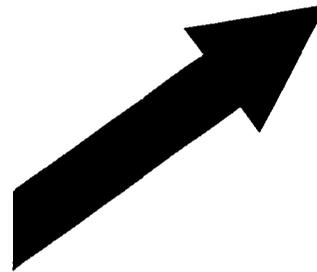
DFAS Transformation Footprint



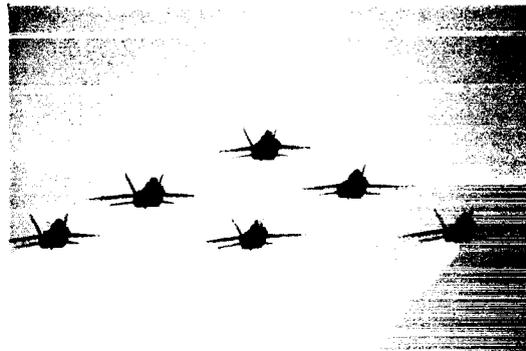
FY 2011 Footprint

Today's Footprint

- 30 locations *
- 14,290 FTEs
- 110 systems
- \$1,776M cost/execution authority
- **70% technicians / 30% professional**
- Aging workforce
- General Schedule Pay System



- Fewer locations
 - ✓ 8 shown on May 13, 2005*
- <= 10K FTEs
- < 50 systems
- \$1,337M cost/execution authority
- **70% professional / 30% technicians**
- Right employees with right skills
- Optimum number and mix of civilians/contractors
- Pay for performance under NSPS



BRAC facilitates DFAS transformation

BRAC provides opportunity to implement site consolidations, streamline DFAS operations, and support our goal to provide best value to the warfighter

* Includes Europe & Japan

BRAC Offers Maximum Employee Assistance



- Employee transition options include
 - ✓ Move with Work
 - ✓ DFAS will pay PCS costs for permanent employees who move with their work
 - ✓ Early PPP Registration
 - ✓ Retirement Seminars
 - ✓ VERA/VSIP
 - ✓ Severance Pay
 - ✓ Other Federal Agencies
 - ✓ Resume and Interviewing Assistance
 - ✓ Private Sector Employment

- Realignments outside of BRAC (to reduce footprint or other) may not provide the same comprehensive transition options

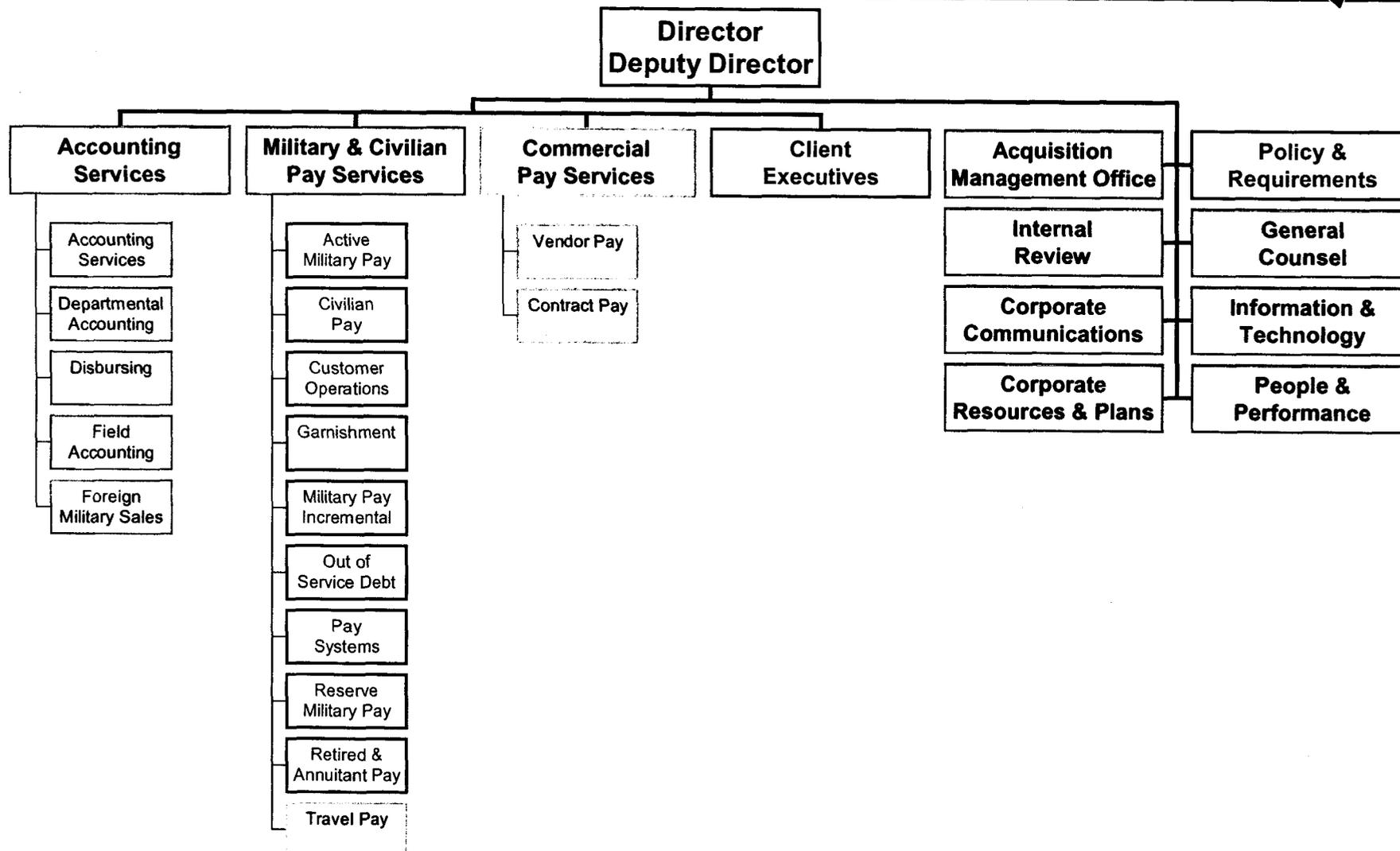
DFAS Maximizes Value with Anchor Site Operations



- Benefits include:
 - ✓ Mission Operations: Superior operational capability at anchor sites
 - ✓ Workforce
 - ✓ Demonstrated performance of existing workforce
 - ✓ Positive local labor source; demographic favorable for hiring the right skills for the future
 - ✓ Reduced footprint/infrastructure and transformation initiatives deliver a positive effect on customer rates

- Discussion of site specific successes, DFAS Columbus
 - ✓ Nancy Zmyslinski, Director, Accounting Services, Defense Agencies

DFAS Organizations at Columbus



Note: Business Lines and Product Lines highlighted in yellow are specific to DFAS Columbus.

DFAS Columbus - Background



- **1988 -- Defense Logistics Agency Finance Center (DFC)
Consolidated DLA's Accounting and Finance offices into Columbus**
- **1991 -- Defense Finance and Accounting Service was established
Capitalized DFC into Defense Finance and Accounting Service**
- **2000 -- DFAS Business Evolution
Commercial Pay - command and control at 23 DFAS sites from
Columbus**
- **2002 -- DFAS Defense Agencies
Defense Agencies Accounting Command and control at 3 DFAS sites
from Columbus**

DFAS Customers



- Air Force
- Army
- Navy
- Marine Corps
- Defense Agencies to include Defense Logistics Agency
- Defense Contractors and Vendors

Accounting Success Stories – Local Victories



- **Audited Financial Statements**
 - ✓ Improved delivery time on financial reports to Defense Agencies customers from 45 days to 21 calendar days.
 - ✓ Earned unqualified or “clean” audit opinion, the highest mark available and demonstrates DFAS’ commitment to excellence in financial management.
- **Clean Audit Opinion for Five Customers** --Defense Finance and Accounting Service, Defense Contract Audit Agency, Defense Commissary Agency, Department of Defense Inspector General, and Defense Threat Reduction Agency have received an unqualified audit opinion.
- **System Accomplishments/Enhancements** --DFAS is working in partnership with the Defense Logistics Agency to implement the Business System Modernization (BSM) and Fuels Accounting System (FAS) initiatives.
- **Transferred Defense Commissary Agency Europe workload**
- **Employee Growth and Development**
 - ✓ Certifications
 - ✓ Mentoring and Coaching
 - ✓ Developmental Assignments
 - ✓ Professional Organizations
- **Entry Level Professional Programs** -- Comprehensive training program for entry level professionals and summer interns.

Commercial Pay Success Stories – Local Victories



- **Workload Transfer**

- ✓ Transferred Marine Corps Vendor Pay workload from Kansas City. Reduced percentage of overaged invoices from 25.31% in March 2004 to 2.30% in June 2005.
- ✓ Transferred Air Force Vendor Pay sites (San Bernardino, Omaha, Dayton, and Orlando) customer service workload to Columbus, which improved support and service to our customers and reduced costs.
- ✓ Transferred Defense Commissary Agency Europe workload.
- ✓ Vendor Pay capitalized 105 Air National Guard units which was completed in FY 2005.

- **Contract Pay Overaged Drastically Reduced** -- Record low of 1.04% for overaged invoices in May 2005.

- **Department of Defense Value Engineering Awards**

- ✓ Electronic File Room - DoD outside of DFAS has "Read Only" access to EDM.
- ✓ Audit Control Language - Automated method of examining payment vouchers in the Computerized Accounts Payable environment.

Disbursing Success Stories – Local Victories



- **Billion Dollar Days** -- Twelve days in FY 2004 and fifteen days in FY 2005 when disbursements exceeded a billion dollars.
- **Defense Commissary Agency Europe Workload Transfer** -- Disbursing increased workload, which drastically increased volume of foreign currency payments.
- **New Printers** -- Increased speed of check printing to at least 17,000 per hour from previous maximum of approximately 6,000 per hour.
- **Print Site** -- Columbus is one of two DFAS check printing sites.
- **Disbursements and Collections** -- Total Fiscal Year 2004 disbursements were \$149 billion and total Fiscal Year 2004 collections were \$21 billion.

Military/Civilian Pay Success Stories – Local Victories



- **Overseas Banking** -- Responsible for ensuring availability of banking and credit union financial services on military installations worldwide to authorized military personnel, their dependents, and DoD civilian employees. Provide oversight and management of the Overseas Military Banking Program and serve 250,000 authorized customers located in ten foreign countries.
 - ✓ New Global Telecommunication network to replace legacy technology.
 - ✓ New Image-Based Teller system which is faster and easier to use to process customer transactions.
 - ✓ Implemented online banking so customers can gain access to their finances 24 hours a day worldwide.
 - ✓ Opened new bank in Kwajalein Atoll, Marshall Islands.
 - ✓ Changed fee structure to offer free regular checking, no check cashing fee for accountholders and no standing payment fees for accountholders.

- **Workload Transfer**
 - ✓ Consolidated the Civilian Army and Army Material Command Permanent Change of Station workload into Travel Operations.
 - ✓ Consolidated the DeCA Europe Civilian Permanent Change of Station and Military/Civilian Temporary Duty workload into Travel Operations.

Information Technology Success Stories – Local Victories



- **Centralized Fax Receiving Point**

- ✓ DFAS Columbus serves as the centralized receiving point for customer faxes, which are processed into Electronic Data Management
- ✓ On average over 100,000 faxes are processed each month, for a total of over 450,000 fax pages.

- **Enterprise Local Area Network Reengineered**

- ✓ The current Enterprise Local Area Network architecture is being reengineered to take full advantage of current technology and industry best practices.
- ✓ The goal is to provide DFAS with world class service while reducing costs.
- ✓ Columbus has received and installed new domain controllers.

Corporate Resources Success Stories – Local Victories



- **Improved Visitor Notification System** -- An on-line base wide Visitor's Notification System. This effort improves security screening and tracks the high volume of visitors to DFAS.
- **Security Improvements**
 - ✓ Implemented Lenel Security System -- Converted building 21 from Pegasys Security System to Lenel Security System. Issued over 2,087 security badges to DFAS Government personnel, 250 badges to contractor personnel, and created 950 visitor badges.
 - ✓ A new alarm system was installed, which protects against unauthorized access into secured areas.
 - ✓ Installed anti fragmentation film on all windows in building 21, which improved DFAS building safety and security against external events.
 - ✓ Completed barricade project which provides additional required standoff of parked vehicles.
 - ✓ Installation of Loading Dock Barrier -- Installed loading dock barrier to building 21, which prevents unauthorized vehicles access to the building without proper clearance.

DFAS Columbus Personnel Statistics



- **DFAS Business Lines and Number of On Site Personnel**
(HR Flash Report - EOM May 2005)
- **Total Number of Employees - 2,052**
 - Commercial Pay Services
 - Accounting Services (Defense Agencies)
 - Information & Technology
 - Military/Civilian Pay Services
 - Corporate Resources
 - Acquisition Management
 - Corporate Organizations
- ✓ **Total Contractor Personnel - 118**
(Contractors – As of March, 2005)
- **Status of Retirement Eligible Employees as of May 31, 2005**
 - ✓ **Eligible For Retirement - 751 - 37%**
 - Optional - 385 -19%
 - Early - 366 -18%

DFAS Columbus Facilities Statistics



- DFAS is a tenant at the Defense Supply Center Columbus
 - ✓ Property owned by the Army and managed by Defense Logistics Agency
- DFAS assigned space - 681K square feet¹
 - ✓ Includes administrative and warehouse space in 3 buildings
 - ✓ Construction completed on Building 21 in 1999
- Excess space available
 - ✓ Vacant workstations - approx 700 (building 21 and building 11, section 6)
 - ✓ Vacant, excess space in buildings - about 800 seats (buildings 10 and 11)
 - ✓ Total capacity - 3,700 seats
- COBRA estimated MILCON - \$3.8M (*MILCON not required*)
- Strong host installation Force Protection program

¹ DFAS Facilities Database - Effective 31 May 2005

Unique Services ONLY at DFAS Columbus

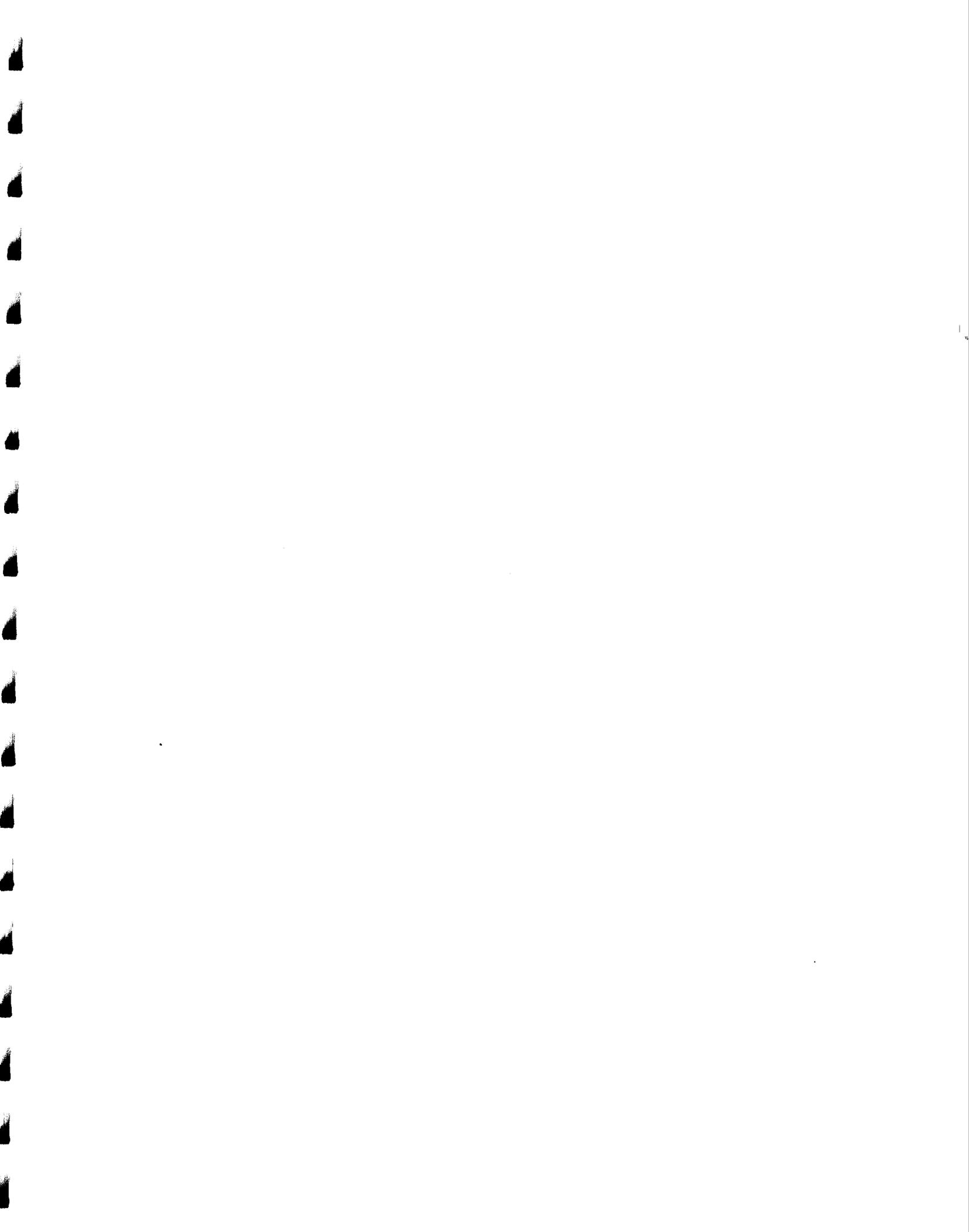


- Commercial Pay
 - ✓ Single DoD site for Contract Pay ✓
 - ✓ Contract Debt Management Office (DMO) ✓
 - ✓ Internal Revenue Service 1099 Reporting
 - ✓ Primary Payment office for Marine Corps
- One of two DFAS printing sites
- State of the art training and conference center
- Selected as the DoD training site for all NSPS training
- Business relationship and co-location with our Defense Logistics Agency customer
- Partnership between DSCC and DFAS to maximize facility strength

DFAS

Your Financial Partner @ Work





Fact Sheet
DFAS Columbus, Ohio
Available Administrative Space

<u>DFAS-Columbus -- Building 21</u>	<u>Workstations</u>
Available workstations	650
<u>DFAS-Columbus -- Building 11 Section 6</u>	
Available workstations	<u>50</u>
Total Available DFAS workstations	700
<u>Building 20 (DSCC Operations Center):</u>	
Available workstations	<u>150</u>
Total Available Workstations <u>@ Zero Cost</u>	850
<u>Building 10 Reactivation (Estimate 130 Workstations per Section)</u>	
Available workstations	400
<u>Building 11 Reactivation (Estimate 130 Workstations per Section)</u>	
Available workstations	<u>400</u>
Total Workstations <u>w/ Renovation Cost</u>	800
<u>Total Available Workstations (Bldgs. 10, 11, 20, and 21)</u>	1,650

Note:

- 1. Buildings 21 and 11 contain 118 contractor workstations (potentially available)**
- 2. Building 20 contains 360 contractor workstations (potentially available)**

Low Cost Space Available
No Milcon Required

RENOVATION COST DATA

Historic Data

Bldg./Sect.	Cost	Occupant	Remarks
11-3 (14,280 USF)	\$360,000 (FY97)	DLA Customer Support Office Columbus	<ul style="list-style-type: none"> • Significant minor construction (new walls) • Specialized spaces • Configured to accommodate 125+ associates • \$25.00 per SF
11-4 (17,072 USF)	\$173,000 (FY98)	DLA Customer Support Office Columbus	<ul style="list-style-type: none"> • Some minor construction (new walls) • Configured to accommodate 125+ associates • \$10.00 per SF
11-5 (18,903 USF)	\$681,000 (FY00)	DLA Training Center	<ul style="list-style-type: none"> • Formerly DLA Civilian Personnel Support Office • Very specialized space (\$495,000 new construction) • Configured to accommodate 100+ associates • \$36.00 per SF
10-13 (18,608 USF)	\$204,000 (FY04)	Navy Recruiting District – Ohio	<ul style="list-style-type: none"> • Currently accommodates approx. 40 individuals • Provides space for planned expansion • \$11.00 per SF

Projected Cost (\$/SF) – Renovation of Existing Administrative Space

Bldg. 10

Cost (\$/SF) = (Repair HVAC + Paint + Carpet + Repair Ceiling/Lighting) / Total Area
 = **\$7.50 /SF** (FY05) – Maintenance and Repair Only
 = Approximately \$150,000/Section (FY05)
 = Approximately \$450,000 for 3 Sections (FY05)

Bldg. 11

Cost (\$/SF) = (Replace HVAC + Paint + Carpet + Replace Ceiling/Lighting) / Total Area

= **\$21.00 /SF (FY05)** – Maintenance and Repair Only

= Approximately \$450,000/Section (FY05)

= Approximately \$1,350,000 for 3 Sections (FY05)

ASSUMES NO ADDITIONAL HARDWALL CONSTRUCTION

EXCLUDES COST TO PURCHASE/INSTALL FURNITURE

EXCLUDES COMPUTER/PHONE/LAN INSTALLATION

NO MILCON FUNDING REQUIRED

INFORMATION PAPER

July 25, 2005

SUBJECT: DFAS Site Visit Questions

PURPOSE: Provide information requested by the Commission in preparation for the upcoming site visits to DFAS Columbus, DFAS Denver, DFAS Indianapolis

DISCUSSION

- **CURRENT MISSION:** Provide responsive, professional finance and accounting services for people who defend America.
- **UNIQUE MISSION:** The mission at DFAS Central sites is consistent regardless of the location. What is unique are the customers serviced at the sites. DFAS has demonstrated an ability to relocate workload and processes that are seamless to the customer.
- **TRANSFER OF MISSION:** DFAS has experience in transferring workload through the original capitalization, consolidation and more recently through transformation.
- **STAFF TRANSFERS:** Historically, less than 10% of the DFAS personnel relocate when functions are transferred. Historical experience gained when DFAS capitalized finance and accounting functions from the services, consolidated functions into the central and field sites, and during more recent realignments of work from Europe to Rome and Lawton, Seaside to Lawton, Kansas City to Columbus
- **RETIREMENT ELIGIBILITY:**

Site	Full Retirement	Early Retirement
Columbus	19%	18%
Denver	20%	35%
Indianapolis	19%	26%

- **ACTUAL VS. AUTHORIZATIONS:** As a working capital fund organization, DFAS focus is on funded workyears, not authorizations.
- **EXCESS CAPACITY:** Capacity expressed in terms of seats rather than square footage as pockets of excess space spread throughout the assigned business areas is not measured as excess rather it is attributed to the business function utilizing the area. There are many opportunities to add additional workstations in these areas. Excess capacity is measured in terms of vacant workstations (user ready) or mathematically derived by using a factor of 160 square feet per person.

Site	Current Population ¹	Vacant Workstations	Build Out Required	Potentially Available Tenant Space ²	Total Projected Capacity ³
Columbus	2,208	707	768	0	3,683
Denver	1,427	745	0	1,230	3,402
Indianapolis	2,987	801	610	315	4,713
Total:	6,622	2,253	1,378	1,545	11,798

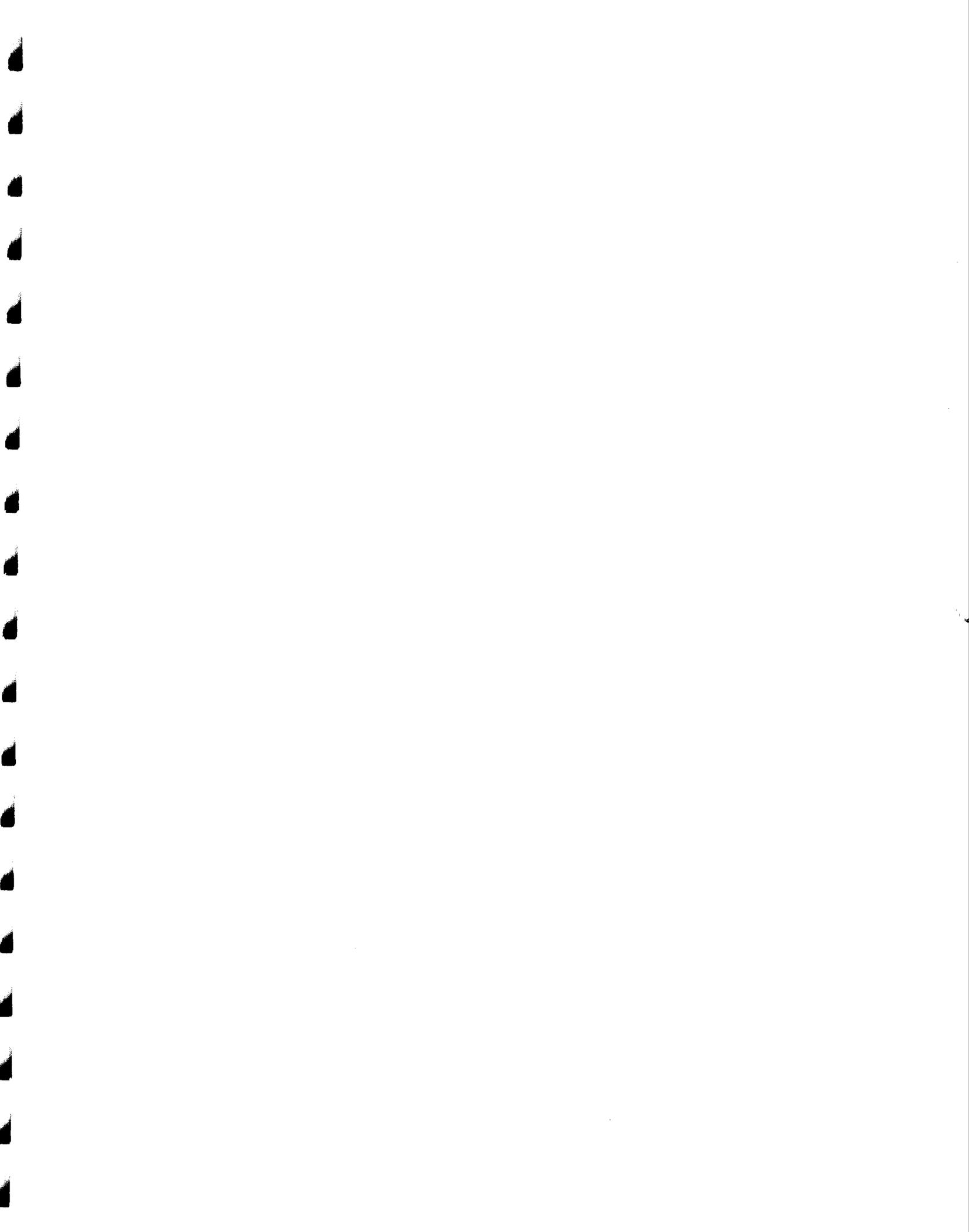
¹ Current population: as of June, 2005 (civilian/military/contractors) at sites listed

² Tentatively identified to realign under BRAC 2005

³ Total capacity based on current configuration of space and workstations

- **FORCE PROTECTION:** See attached Information Papers for the DFAS Columbus, DFAS Denver, and DFAS Indianapolis

Prepared by: Jan Nordsiek, 317-510-2336



**THE
DEFENSE SUPPLY CENTER, COLUMBUS**



Welcomes
Base Realignment and Closure Commissioners
DSCC Installation Tour

1-2 August 2005



Today's Installation



DFAS
Bldg 21

DSCC
Bldg 20



**Defense Supply Center Columbus,
Defense Finance and Accounting Service – Columbus,
and 20 other tenant organizations exist on 550 acre
installation**

DSCC Tour Stop #1

DFAS Columbus



INSTALLATION

- 590,000 SF facility designed to accommodate approximately 3,000 DFAS employees
- Includes a large conference center, full service cafeteria and parking for over 2,000 vehicles
- Completed in 1999

MISSION

- Provide State-of-the-Art DoD bill paying and payroll processing facility



DSCC Tour Stop #2

DSCC Operations Center



INSTALLATION

- 7-Story, 700,000 SF, administrative facility designed for 3,750 government employees
- Parking lot accommodates over 2,200 vehicles
- Includes a 500-seat auditorium, computer based training rooms, and a full service cafeteria
- Completed in 1996

MISSION

- Provide a world class DoD material acquisition and management facility





DSCC Tour Stop #3

Visitor's Processing Center



INSTALLATION

- Completed July 2005
- 640 SF (20' x 32') prefabricated building
- Covered parking/vehicle inspection area
- Automated access control gates

MISSION

- Implements Anti-Terrorism measures
- Reduces congestion at main gate by providing dedicated place to process installation visitors





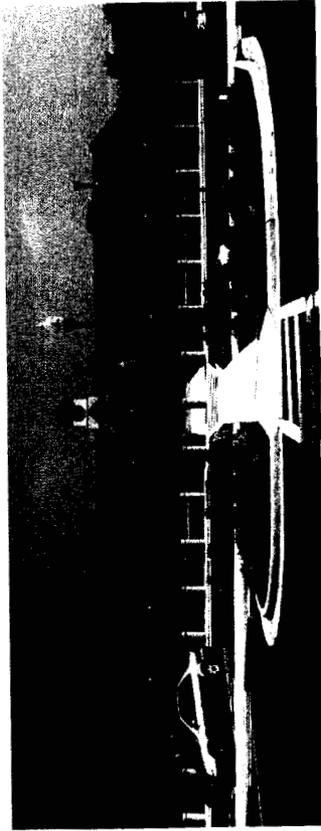
DSCC Tour Stop #4

Child Development Center



INSTALLATION

- 16,540 SF Facility
- Configured to accommodate 170 children (6 mos. To 6 yrs.)
- A playground with age appropriate activities is located directly adjacent to the building
- Construction completed in November 1996
- Cable perimeter installed as part of Anti-Terrorism improvements
- DoD Certified and National Education for the Education of Young Children accredited



MISSION

- Provides quality child development for dependents of DoD employees
- Meets strict DoD operating standards
- Subject to annual unannounced inspections for compliance
- Contractor operated





DSCC Tour Stop #5

Navy Recruiting District



INSTALLATION

- Relocation Under Operation “Bold Venture” – Effort to Relocate Entities from Commercial Space back to Military Installations for Anti-Terrorism / Force protection, Quality of Life and Financial Reasons
- Renovations Completed (New Carpet, Additional Office Space, New Phone/LAN System) – Reutilizes Existing Furniture

MISSION

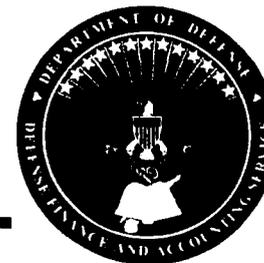
- Recruit Quality Men and Women for Officer and Enlisted Programs in the Active and Reserve Components of the United States Navy





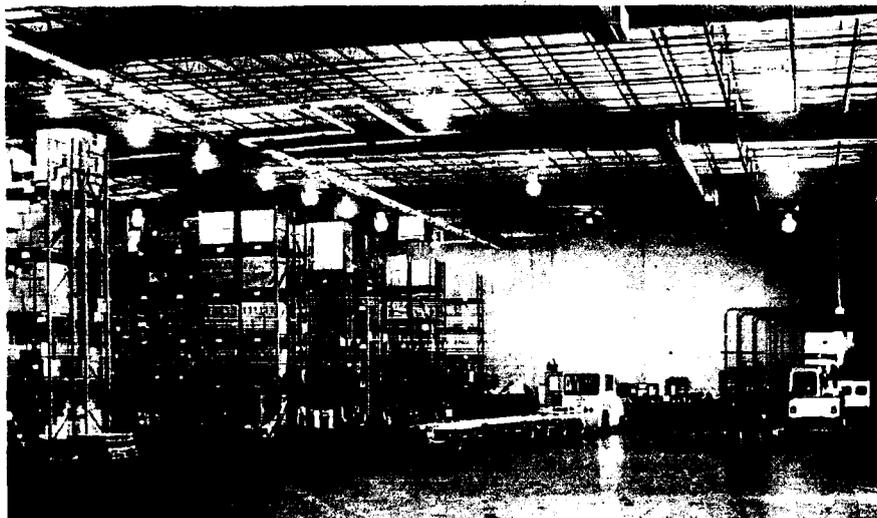
DSCC Tour Stop #6

Defense Distribution Center Columbus



INSTALLATION

- Occupies space in 7 warehouse buildings
- Approximately 1.5 million SF of storage space
- On BRAC 2005 Proposed Disestablishment List



MISSION

- Core Tasks – Receive, Store, Issue, Low-Demand Materiel
 - New Procurements and Customer Returns
 - Stock Readiness – Inventory, Inspection Packaging
 - Processing of material
 - Packing, Preservation, Packaging and Marking (PPP&M)



DSCC Tour Stop #7

James Road Gate



INSTALLATION

- **James Road Gate Anti-Terrorism Enhancements**
 - Relocated Gatehouse
 - Automated Vehicle Barrier System
 - Separate Truck Inspection Lane
 - Truck Inspection Camera System (under body and truck bed)

MISSION

- **Implements Anti-Terrorism measures**
- **Dedicated Truck Entry Gate**





DSCC Tour Stop #8

Veteran's Administration Outpatient Clinic

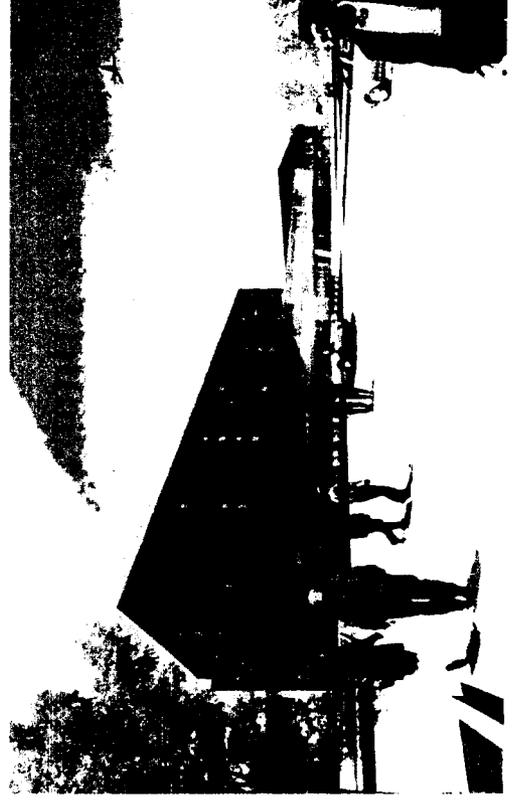


INSTALLATION

- Planning for a 295,000 SF, multi-story building with parking for over 700 vehicles
- Design/build format – Spring 2005 award
- Land being transferred from the Department of the Army to the VA
- VA Clinic will have separate entry gate
- Previous site of DSCC military family housing
- Ground Breaking Sep 12, 2005

MISSION

- Provide Quality Health Care to those who have honorably served their country as members of the Uniformed Services
- Constructed as a replacement to the Chalmers P. Wylie facility





DSCC Tour Stop #9

88th Regional Readiness Command



INSTALLATION

- BRAC 2005 Proposed
 - MILCON Planned for FY08
 - 90,000 SF Maintenance Training/Administrative Building
 - Military Equipment Parking



Artists Rendering: Typical Reserve Center

MISSION

- Intended to Consolidate Functions Currently Located on Taylor Station, Ft. Hayes and Whitehall Army Reserve facilities
- To be Utilized by 13 Reserve Units



DSCC Tour Stop #10

Central Heating Plant



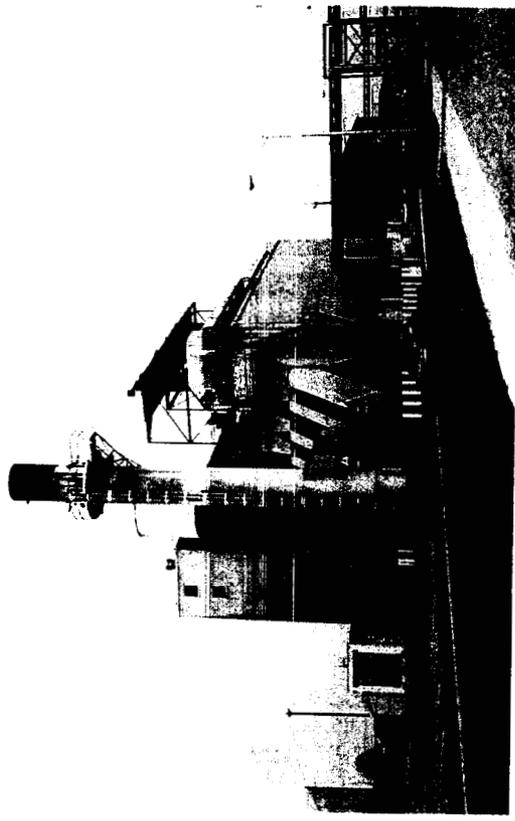
INSTALLATION

- FY08 MILCON project to install individual heating systems in buildings still serviced by the CHP

- Project includes demolition of CHP and high temperature hot water distribution system
- CHP commissioned in 1964 (originally coal fired) – converted to natural gas in late 1990s
- Age of system and demolition of old warehouses make the system inefficient to operate

MISSION

- To provide clean, cost effective heating to all Installation Tenants





DSCC Tour Stop #11

Ohio Army National Guard



INSTALLATION

- 3 projects being planned
 - Combined Support Maintenance Shop (phased in FY05/06/08)
 - ARNG Readiness Center (FY08)
 - United States Property & Fiscal Office (USP&FO) Warehouse (FY10)



Picture of Combined Support Maintenance Shop
at another installation

MISSION

- **Federal:** Maintain combat ready units and soldiers available to mobilize in support of National Military Strategy
- **State:** Provide organized, trained and equipped units to protect life and property, and to preserve peace, order, and public safety when ordered by the governor
- **Community:** Participate in local, state and national programs that add value to America



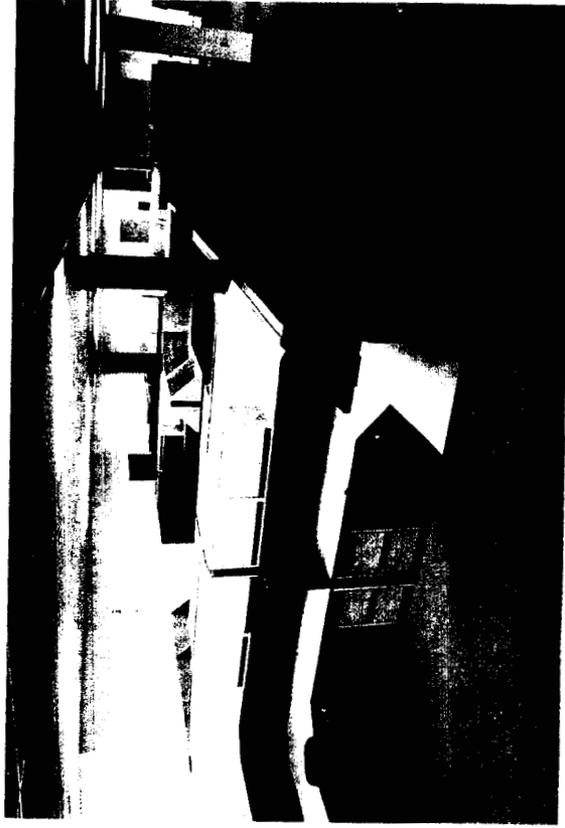
DSCC Tour Stop #12

Building 306 – Alternate Operations Center



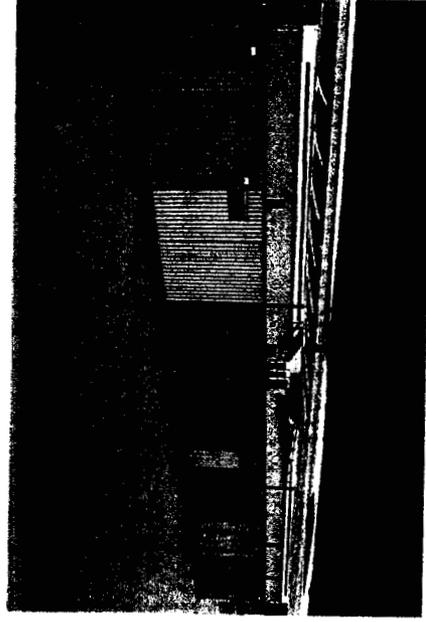
INSTALLATION

- 400 Workstations
- LAN Connectivity
- Telephone Connectivity
- Senior Officer Work Area
- 24X7 Operations



MISSION

- Alternate Operations Center
 - Defense Supply Center Columbus
 - Defense Supply Center Philadelphia
 - Defense Logistics Information Services
 - Defense Reutilization & Marketing Service
 - Defense Distribution Center
 - OH National Guard





DSCC Tour Stop #13

Building 302 – Firing Range

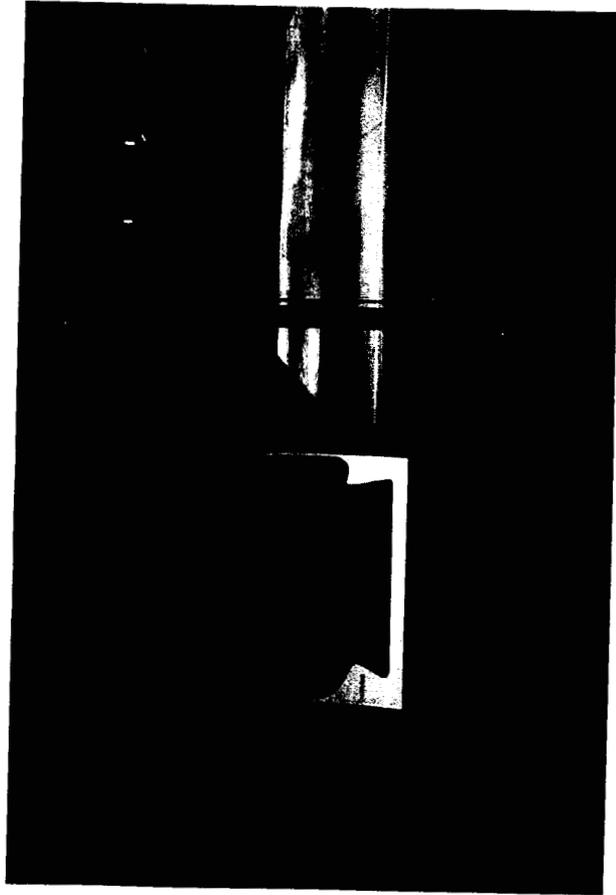


INSTALLATION

- Completed July 2005
- Provides 3,543 SF – indoor firing range
- Designed to be utilized by both DSCC and other agencies

MISSION

- Supports DSCC physical security force weapons training requirement and military small arms qualification
- Construction cost set against lease of commercial facilities, travel costs and safety issues





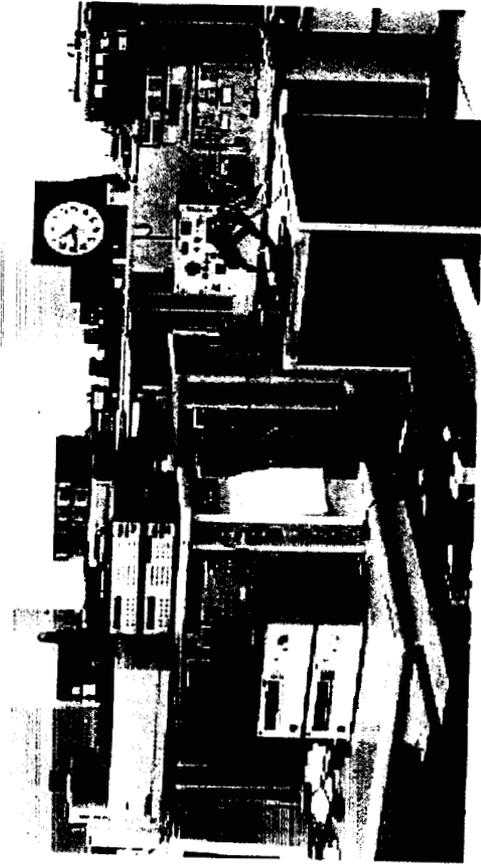
DSCC Tour Stop #14

Product Test Center



INSTALLATION

- Product test center occupies approximately 60,000 SF of warehouse/administrative space in Buildings 9 and 11



MISSION

- Mechanical –
 - Close Tolerance Dimensional Inspection
 - Physical Properties of Metals
 - Dry Chemistry
 - Metallurgical Inspection
 - Direct Design of Drawings
 - Nondestructive Testing
- Electronic –
 - Electrical/Electronic Testing
 - Materials Analysis
 - Destructive Physical Analysis (DPA)
 - Environmental Simulation
 - Failure Analysis
 - Reliability Testing



DSCC Tour Stop #15

Building 11

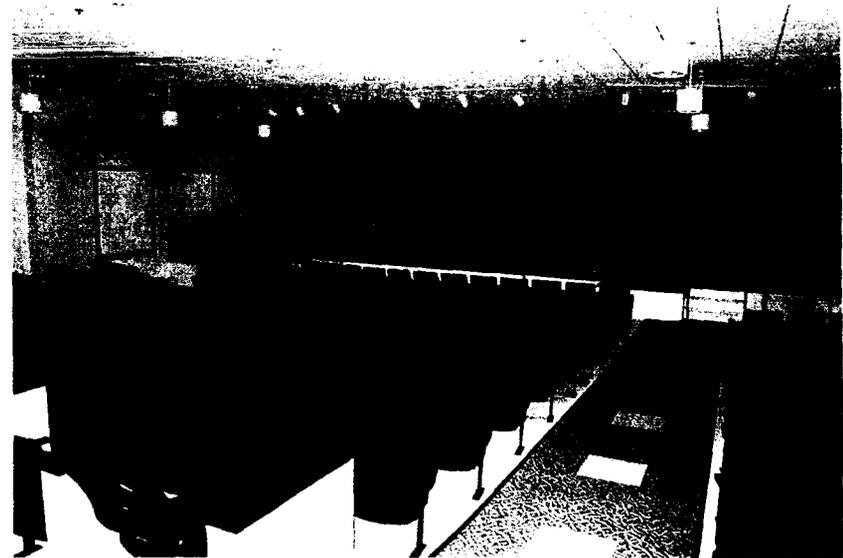


INSTALLATION

- 283,000 SF building divided into 13 sections
- Includes:
 - Cafeteria and Auditorium
 - State-of-the-Art Training Center
 - DLA Enterprise Human Resources Center
 - 80,000 SF of vacant space ready to be renovated for reuse
- Anti-Terrorism improvements to be completed in FY05

MISSION

- Provide modern multi-use facility to support DoD mission in Columbus
- Recruit and train DLA workforce of the future





DSCC Tour Stop #16

Multi-use Conference/Lodging Facility

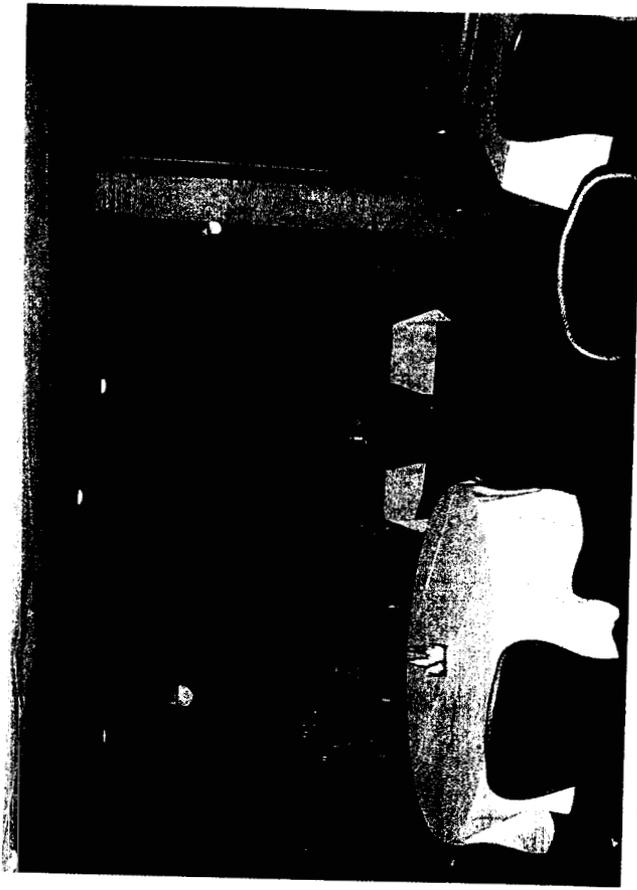
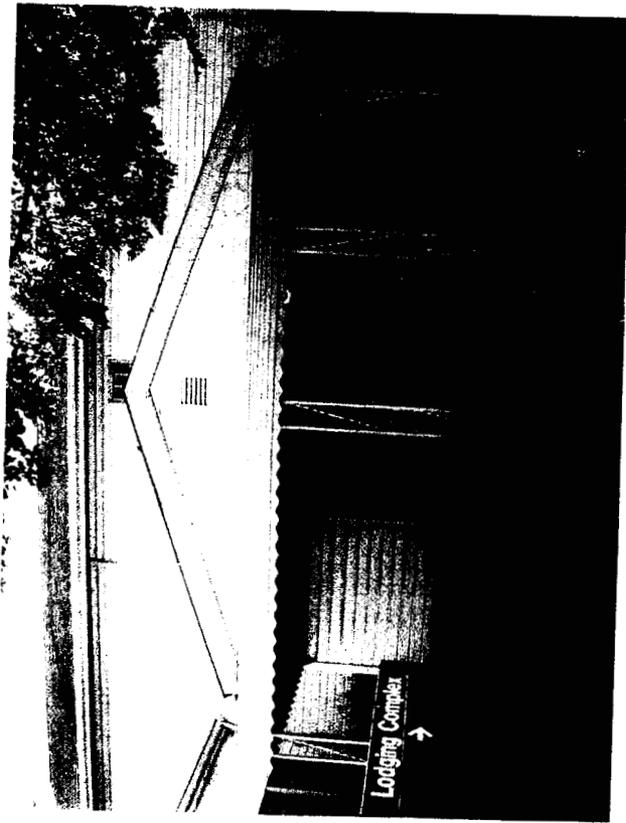


INSTALLATION

- Proposed FY08 MILCON project

MISSION

- Provides multi-use conference/
lodging facility to support
installation visitors



Pictures: Current facilities - Construction intended to replace current aging club/lodging



DSCC Tour Stop #17

Transmission Voltage Substation



INSTALLATION

- Transmission voltage substation that provides electric power to Buildings 20, 21, 23 and ties into existing base-wide distribution network
- Constructed as an Energy Conservation Investment Program (ECIP) project
- Completed in June 1998

MISSION

- Allows DSCC to purchase electric power at a greatly reduced rate
- Has already paid for itself in electric cost savings





DSCC Tour Stop #18

U.S. Army Recruiting Command

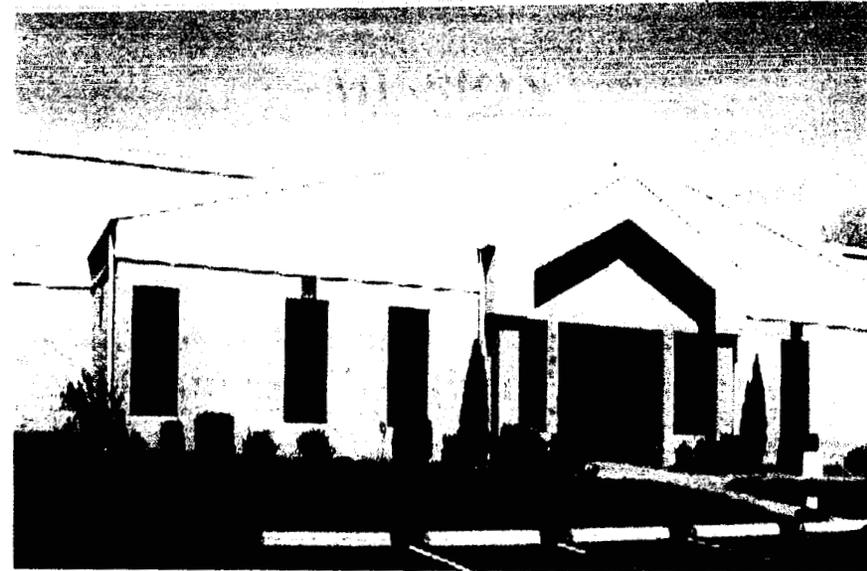


INSTALLATION

- Special Purpose Battalion Operation Facility
- FY07 Military Construction Project
- 11,343 SF administrative facility with 36 parking spaces

MISSION

- Construction provides support to 6 companies and 44 recruiting stations located in Ohio and Northern Kentucky



Artists Rendering



DSCC Tour Stop #19

DISA ADP Processing Center



INSTALLATION

- 92,000 SF state-of-the-art computer facility
- 65,000 SF of raised floor space
- Completed December 1992

MISSION

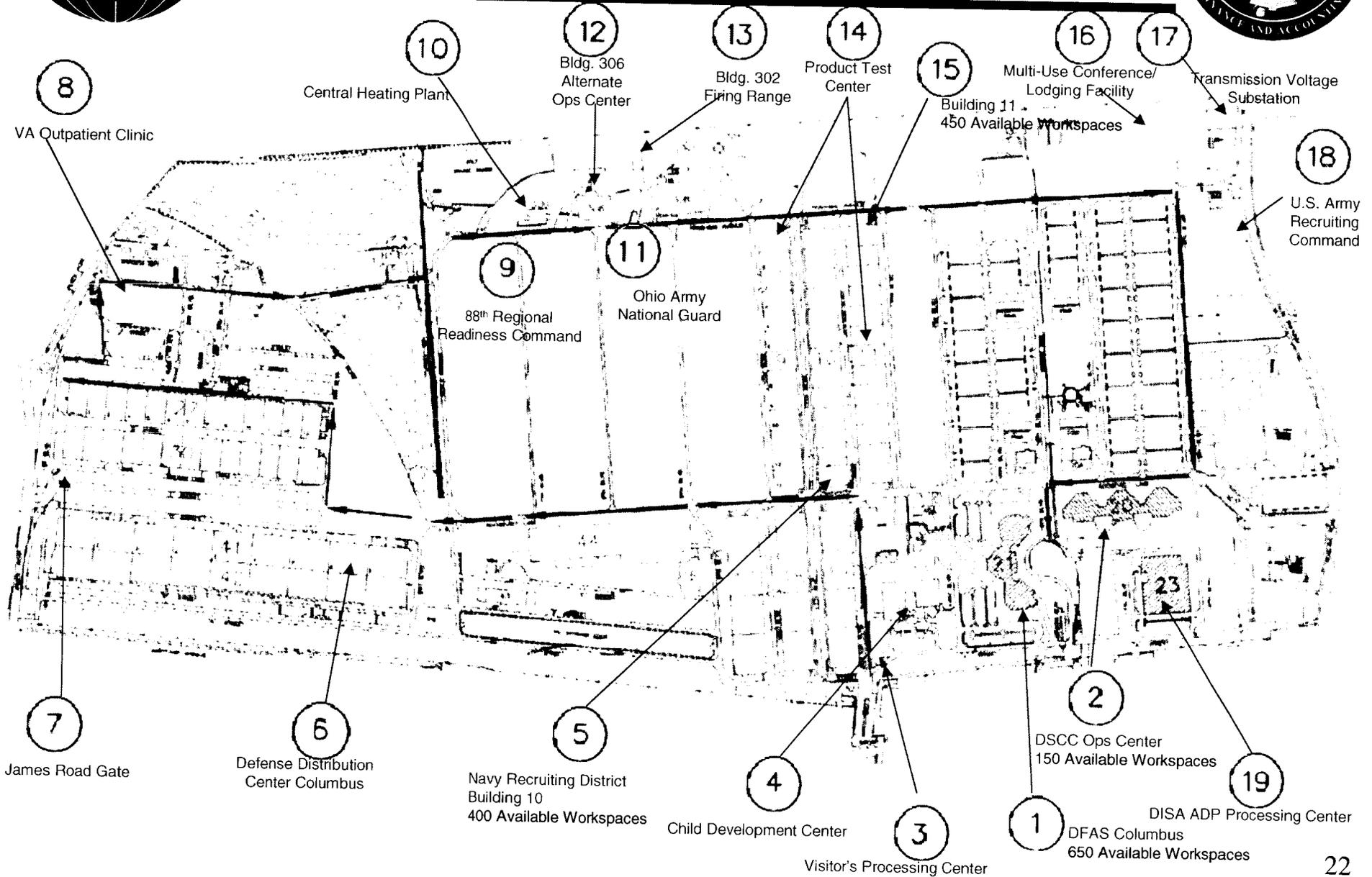
- Provide mainframe computing for DLA, DFAS and DCMA

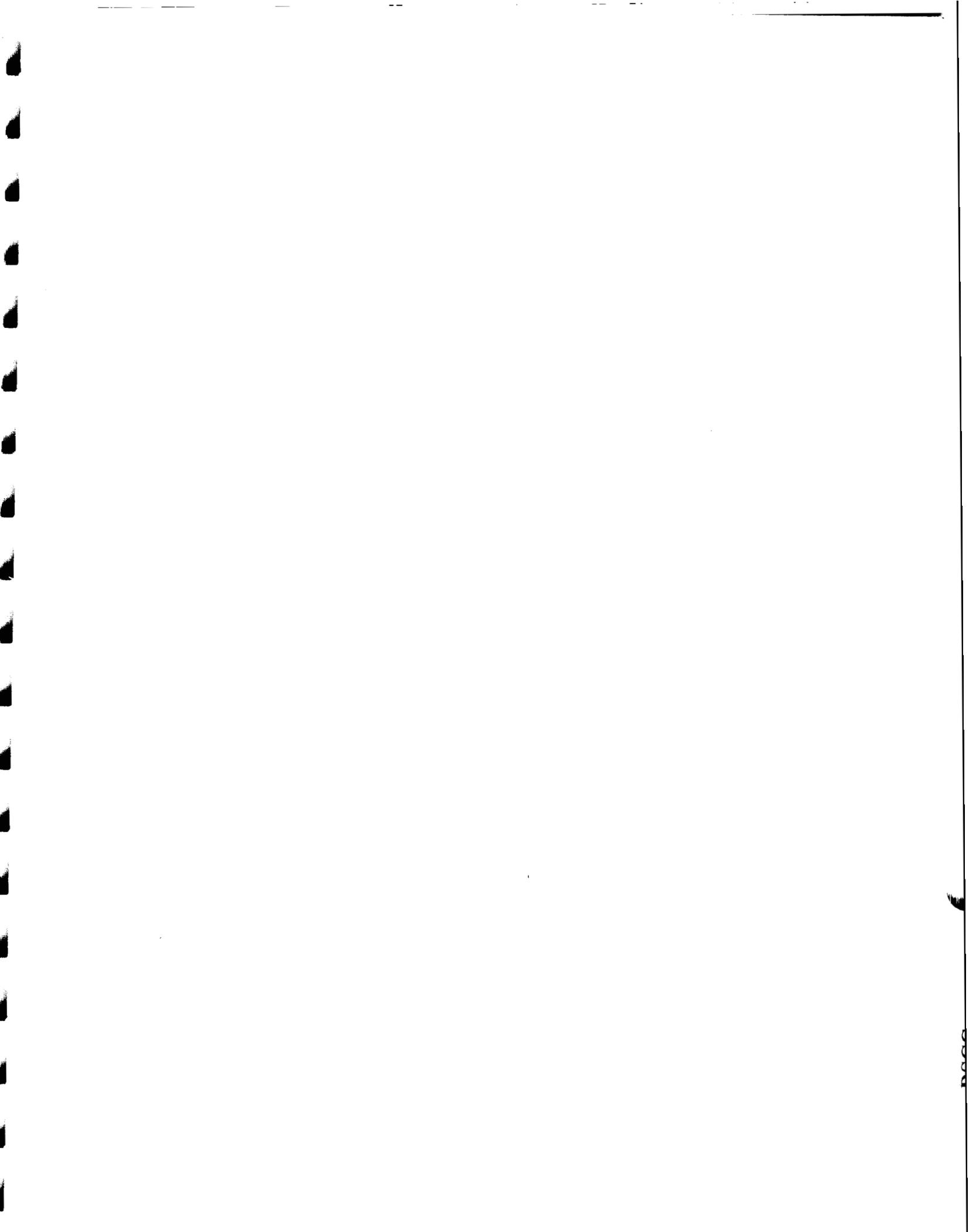




Defense Supply Center Columbus

1-2 August 2005 – BRAC Visitors Tour





THE DEFENSE SUPPLY CENTER, COLUMBUS



Welcomes
Base Realignment and Closure Commissioners
1-2 August 2005

- **Installation Overview**
- **DLA ICP Overview**
- **Installation Master Plan**
- **Changes as a Result of BRAC**
- **Summary**

Agenda





Installation Overview



- **History**
- **Installation Organizations**
- **Financial Impact**
- **Role in the Community**



DSCC History



- **Site selected due to proximity to major rail line**
- **Army Supply Depot Construction began May 1918**
- **Expanded to nearly 600 acres during World War II**
- **Warehousing Operation downsized in early 1990s**
- **1990s Base Realignment Expanded Mission**



Installation Organizations



	DLA - DSCC	DLA - OTHER	DFAS	DISA	DCMA
Active Military	43	1	0	0	0
Reserve Military	21	0	10	0	0
Civilian	2240	559	2,066	290	40
Contractor	217	91	164	91	8
Total	2,521	651	2,240	381	48

Plus 59 Other Associates from Other Tenant Organizations

Total Installation Population Equals 5,900



Financial Impact



Fiscal Year 2004

Annual Salaries	\$ 381.9 M
Other Employee Compensation	\$ 81.2 M
City Taxes Paid	\$ 7.5 M
State Taxes Paid	\$ 14.1 M
Products & Services from Ohio Businesses	<u>\$ 137.7 M</u>
Total	\$ 622.4 M



Role in the Community



- **Joint Director of Military Support - FEMA Support for Hurricane Isabel**
- **Mutual Aid Support with Four Local Communities**
- **Combined Federal Campaign - \$610,000 Annually**
- **Red Cross Blood Donations - 1,244 Units Annually**
- **Operation Feed Contribution of Over 65,400 Meals**
- **8,000+ Computer Components to 50+ Schools**
- **Partners-In-Education with 90 Tutors**
- **Village-to-Child Mentoring with 14 Mentors**
- **Tsunami Relief**
- **Conducted Analysis with City of Whitehall on Means to Alleviate City's Storm Water (Flooding) Problems**



Agenda



- **Installation Overview**
- **DLA ICP Overview**
- **Installation Master Plan**
- **Changes as a Result of BRAC**
- **Summary**



DLA ICP Overview



- **DLA Organizational Structure**
- **DSCC Business Profile**
- **DLA Transformation**
- **DSCC Support to the Warfighter**

Defense Logistics Agency Organizational Structure



Office of the Secretary of Defense

**Office of the Undersecretary of Defense
Acquisition, Technology and Logistics (AT&L)**

Defense Logistics Agency (DLA)

Defense Supply Centers

Columbus

Philadelphia

Richmond

Defense Logistics Information Services

Defense Reutilization & Marketing Service

Defense Energy Support Center

DLA Field Activities

Defense Distribution Center

**Document Automation &
Production Service**



DSCC - Business Profile



FY 02 Sales/Services: \$2.3B
FY 03 Sales/Services: \$2.8B
FY 04 Sales/Services: \$2.8B
FY 05 Sales/Services (proj): \$2.8B

- **Land: \$0.9B**
- **Aviation: \$0.6B**
- **Maritime: \$0.2B**
- **Commodities: \$1.1B**

Foreign Military Sales

- **Sales: \$243.7M**
- **Shipments: 187,329**
- **Supporting 90 Nations**

Scope of Business

- **6 Million Requisitions per Year**
- **655,000 Contracts Per Year**
- **1.6 Million NSNs**
- **5.1M Annual Receipts and Issues**
- **1,333 Weapon Systems**
- **25,326 Customers**
- **6,170 Suppliers**

People

- **2240 Civilians**
- **43 Active Duty Military**
- **21 Reserve Military**

**Commander In Chiefs Installation Excellence
Award Winner 1990, 1992, 1996, 2001 & 2004**



DLA Transformation Efforts



- **Customer Relationship Management - CRM**
 - Processes, tools and people to move from transaction-based to partner relationships
- **Supplier Relationship Management - SRM**
 - Strategic Material Sourcing for 500,000 business drivers
 - Strategic Supplier Alliances with 32 critical suppliers
- **Business Systems Modernization - BSM**
 - End-to-end ERP
 - Order Fulfillment, Planning, Procurement, Financial
- **Distribution Planning Management System - DPMS**
 - Robust material positioning & warehouse optimization
 - Global decision making & management for 25 depots
- **Integrated Data Environment - IDE**
 - eSynchronizes DLA's internal processes
 - Provides DoD-wide logistics data exchange & interoperability



DLA Transformation Efforts

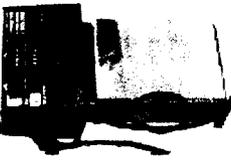


- **Strategic Distribution**
 - Pre-positioning to optimize readiness at least cost
 - OSD, Joint Staff, Service, TRANSCOM and DLA
- **National Inventory Management Strategy**
 - Collaborative inventory investment reduction effort
 - Rationalize levels and inventory management
- **Fuels Automated System**
 - Commercial software – best practices
 - Deploying now – integration w/BSM to follow
- **Executive Agent**
 - DLA-Services partnership synchronize logistics for common materiel: fuel, medical, subsistence and construction
- **Work Force Transformation**
 - Transformation alters every facet of environment
 - Structure, rigor and disciplined program in place



Supply Chains of DLA



Aviation	Land	Maritime	C&T	Medical	Subsistence	C&E	Energy
Richmond	Columbus	Philadelphia	Ft. Belvoir				
<ul style="list-style-type: none"> • Aviation Original Equipment Manufacturer (OEM) Items • Engines & Airframes • Aviation Supply Chain Commodities 	<ul style="list-style-type: none"> • Wheeled Vehicles • Tracked Vehicles • Batteries • Nuts & Washers • Converters 	<ul style="list-style-type: none"> • Valves/Hardware • Fluid Handling • Electronics • Bearings • Motors • Packing/Gaskets 	<ul style="list-style-type: none"> • Recruit Clothing • Organizational Clothing • Equipment 	<ul style="list-style-type: none"> • Pharmaceutical • Medical/Surgical Equipment 	<ul style="list-style-type: none"> • Institutional Feeding • Operations Rations • Produce 	<ul style="list-style-type: none"> • Construction • Equipment 	<ul style="list-style-type: none"> • Energy 
BSM							
FAS							



DSCC Supply Chains



Land



- Wheeled Vehicles



- Tracked Vehicles

- Batteries



- Nuts & Washers



- Converters



Maritime



- Valves/Hardware



- Fluid Handling



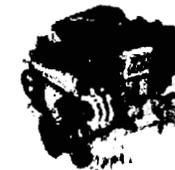
- Electronics



- Bearings



- Motors



- Packing/Gaskets





Warfighter Support Maritime Supply Chain



Nimitz Class CVN & Combat Logistics Forces

- Aircraft Launch and Recovery Equipment support
- Deployed force sustainment only possible through underway replenishment



AT/FP - Anti Terrorism Force Protection

- USS COLE attack redefines AT/FP for Navy
- Provides vital close-in protection

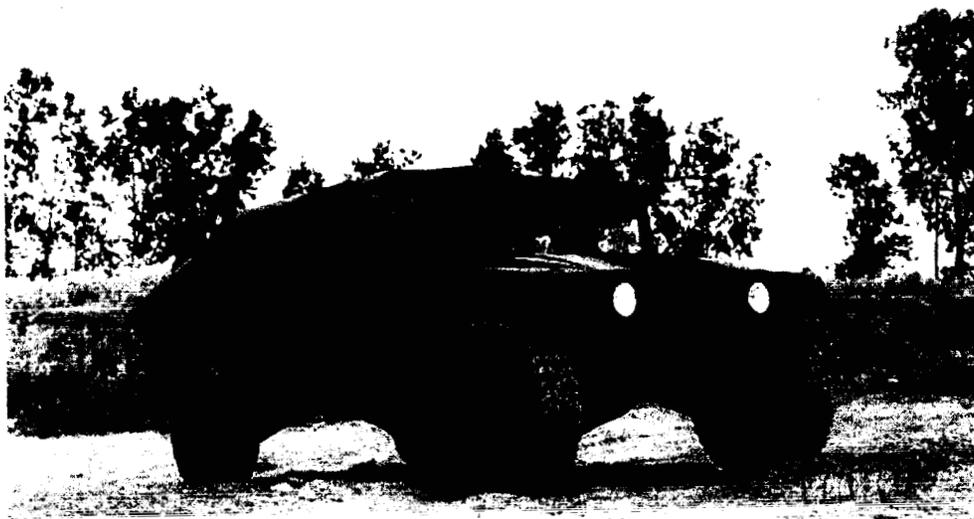


Arleigh Burke Class DDG

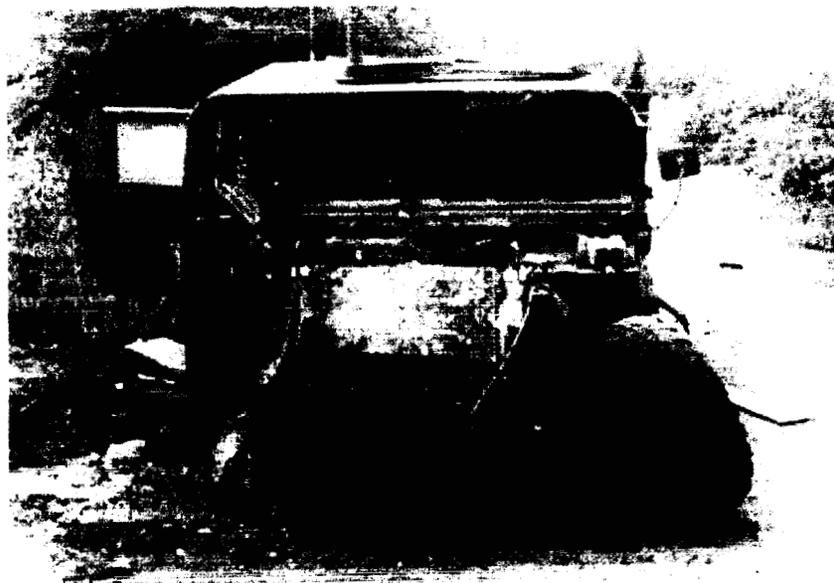
- Provides 24X7 umbrella of radar protection
- Tomahawk missile strikes supporting OIF



Warfighter Support Land Supply Chain



- **Up-Armor HMMWV (UAH)**
 - Army Requirement: 8,289
 - In Iraq: 7,140 (all O/H by July 05)
 - O’Gara-Hess up-armors HMMWVs
- **Add on Armor (AoA)**
 - Army Requirement: 13,872
 - Installed in Iraq: 12,165
- **DLA Spare Parts Support**
 - Suspension Kits, A/C, Armor
 - RECAP / RESET of HMMWV





Warfighter Support Land Supply Chain



PLS



FMTV LSAC

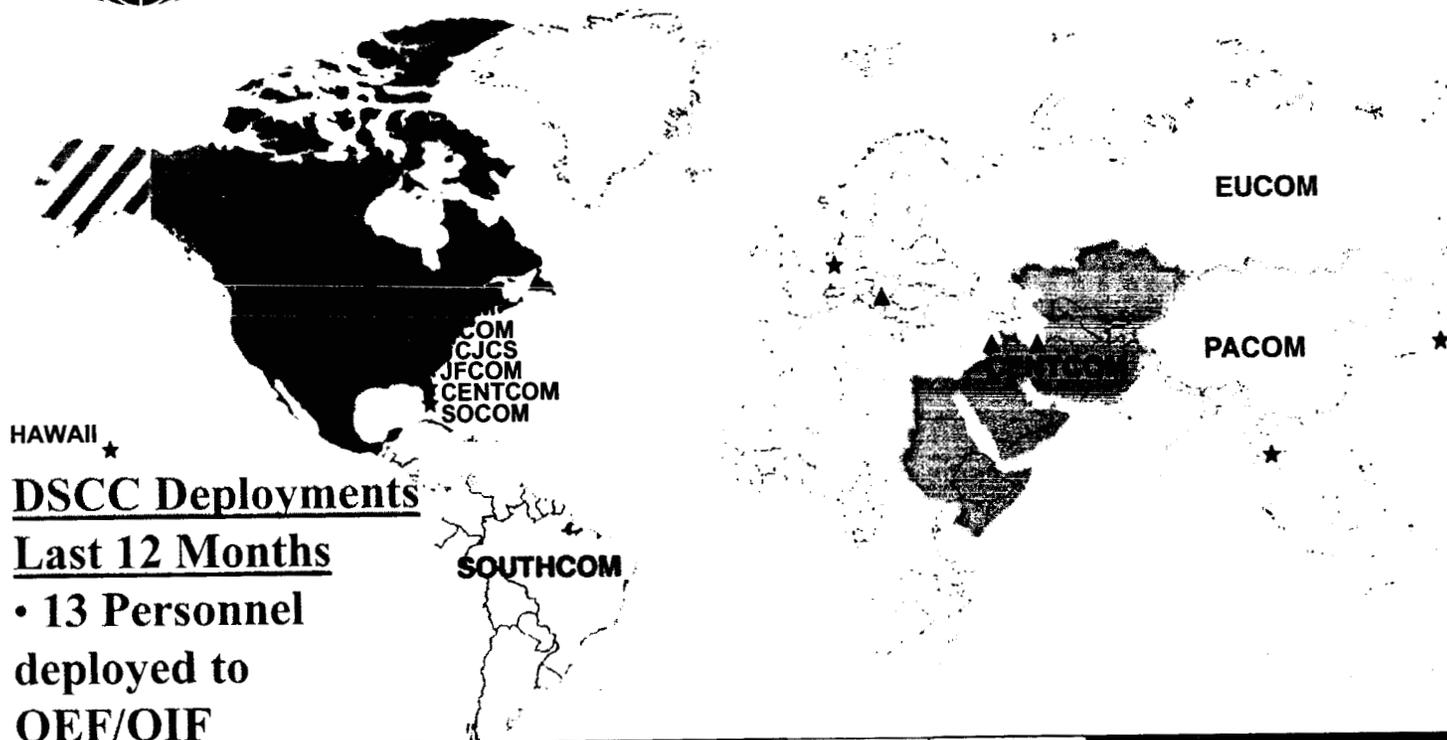


- **DLA Spare Parts Support**
 - Procure Suspension, Air Conditioning (A/C), and Armor Piece Parts
 - Stock Number creation & investment
- **Requirements (installed to date)**
 - PLS 871 (713), HET 665 (68)
 - FMTV 2,805 (764 AoA, 286 LSAC)
 - HEMTT 1,595 (1,196)
 - M915 Freightliner 1,302 (259)





Worldwide Support



DLA	AFRICA	ASIA	SOUTHCOM AOR	PACIFIC AOR	EUROPE AOR					
Regional Staff		0	0	21	24	5		8 DDOC		
LNOs			1	3	1					
Planners		1	1	1	1	1	1	1	1	1
DDO's			0	0	0					
Exercises	3	4	3	7	3	2		2	1	

Legend

LNO - Liaison Office ★

DCST - DLA Contingency Support Teams ▲

DDOC - Deployment and Distribution Operations Center

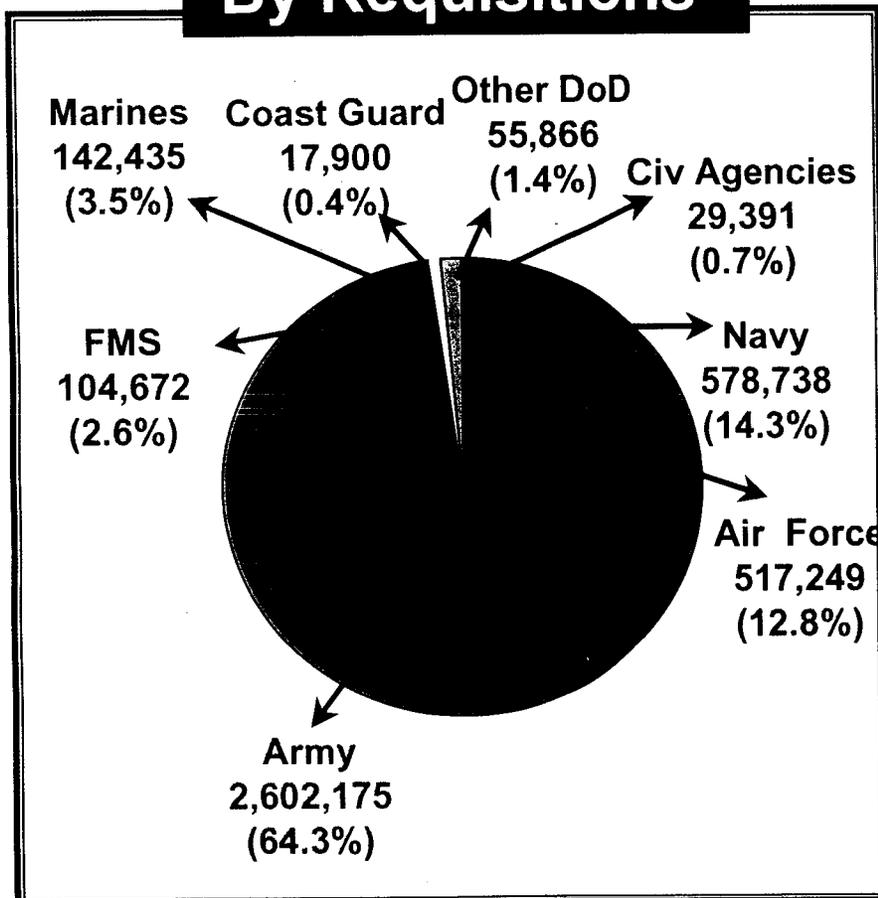


FY 05 Customer Profile

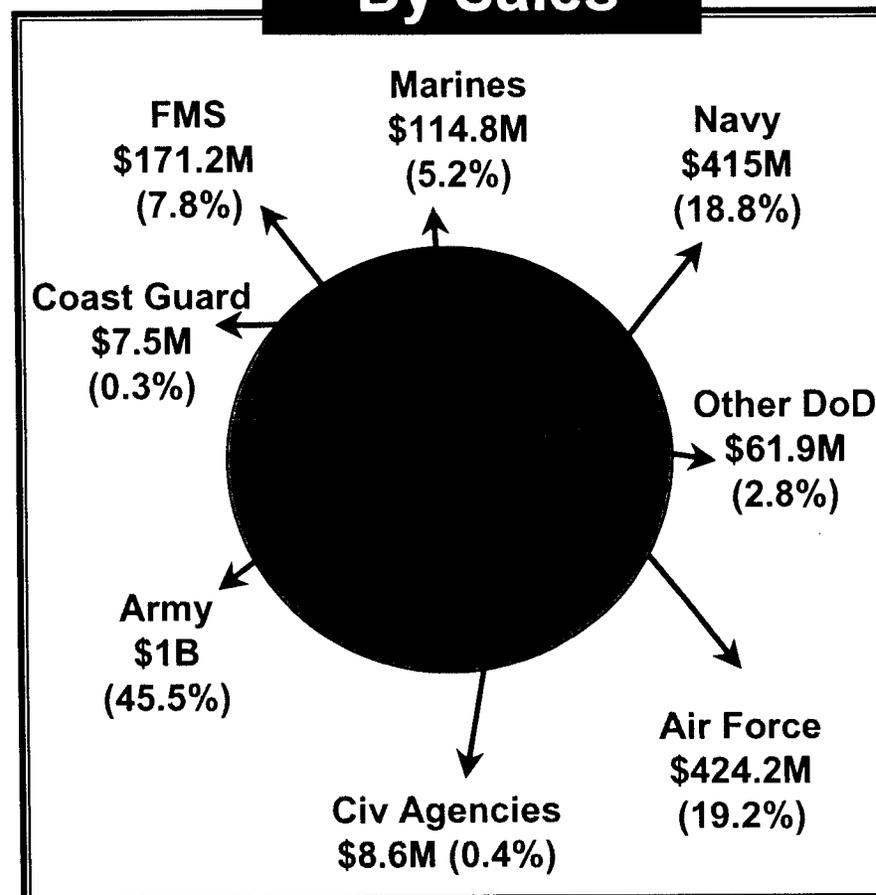
Thru June 2005



By Requisitions



By Sales



Total Sales: \$2.2B

Total Requisitions: 4.05M



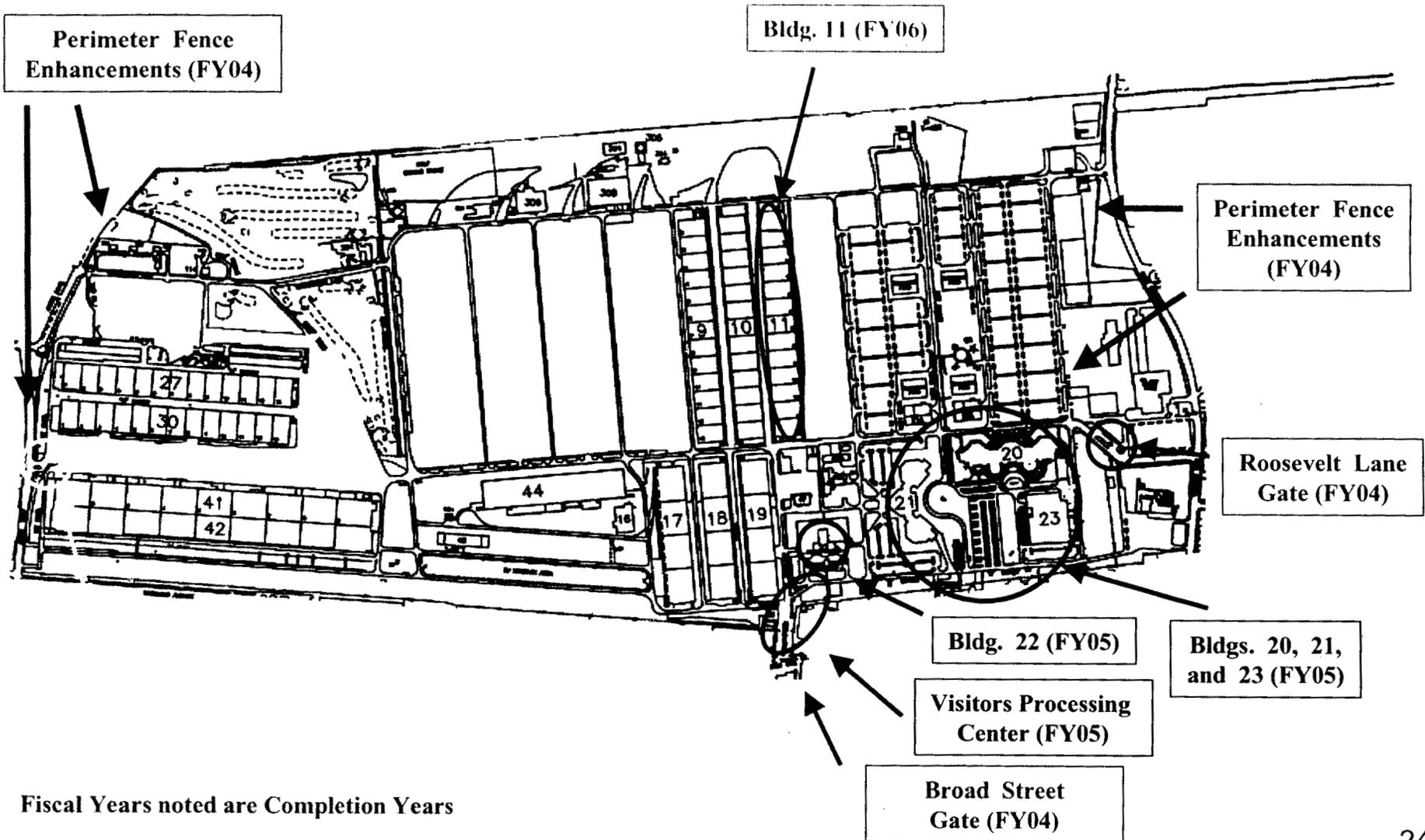
Agenda



- **Installation Overview**
- **DLA ICP Overview**
- **Installation Master Plan**
- **Changes as a Result of BRAC**
- **Summary**



Anti-Terrorism Protection



Fiscal Years noted are Completion Years

No Environmental Issues

- Aggressive Installation Restoration Program over the Past 20 Years, using \$3M of Defense Restoration Account Funding
- Successful Hazardous Waste Reduction Efforts Resulted in Change to “Small Quantity Generator” Status in 2004
- Used \$2M in Defense Environment Restoration Account
- Currently Developing an Environmental Management System, which will be Fully Implemented by 12/31/05
- Charter Member of a Pollution Prevention Partnership with the Ohio EPA and other Federal Activities in Ohio

Environmental Management

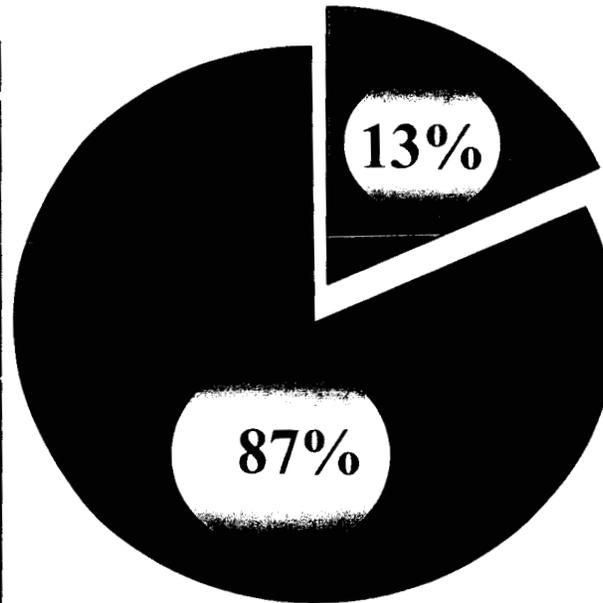




Maintain First Class Facilities for Partners



Age of Installation Facilities (Occupied Space)



 Bldgs. Constructed Prior to 1990 – Renovated Space (13% of Personnel)

 Bldgs. Constructed After 1990 (87% of Personnel)



Installation Infrastructure Improvements



- **Electrical: New \$4.2M Substation On-Line - 1997**
- **Sanitary & Storm Sewer Lines: Complete - 2001**
 - Repairs Ongoing
- **Road Surfaces: Thoroughfares Complete - 2004**
 - Resurfacing Accomplished Annually
 - Parking Lots: Resurfacing As Needed
- **Heat/AC: Phased Upgrades in Progress Scheduled for Completion in 2008**
- **Water Lines: Phased Upgrades in Progress Scheduled for Completion in 2009**



FY05 Installation Improvement Projects



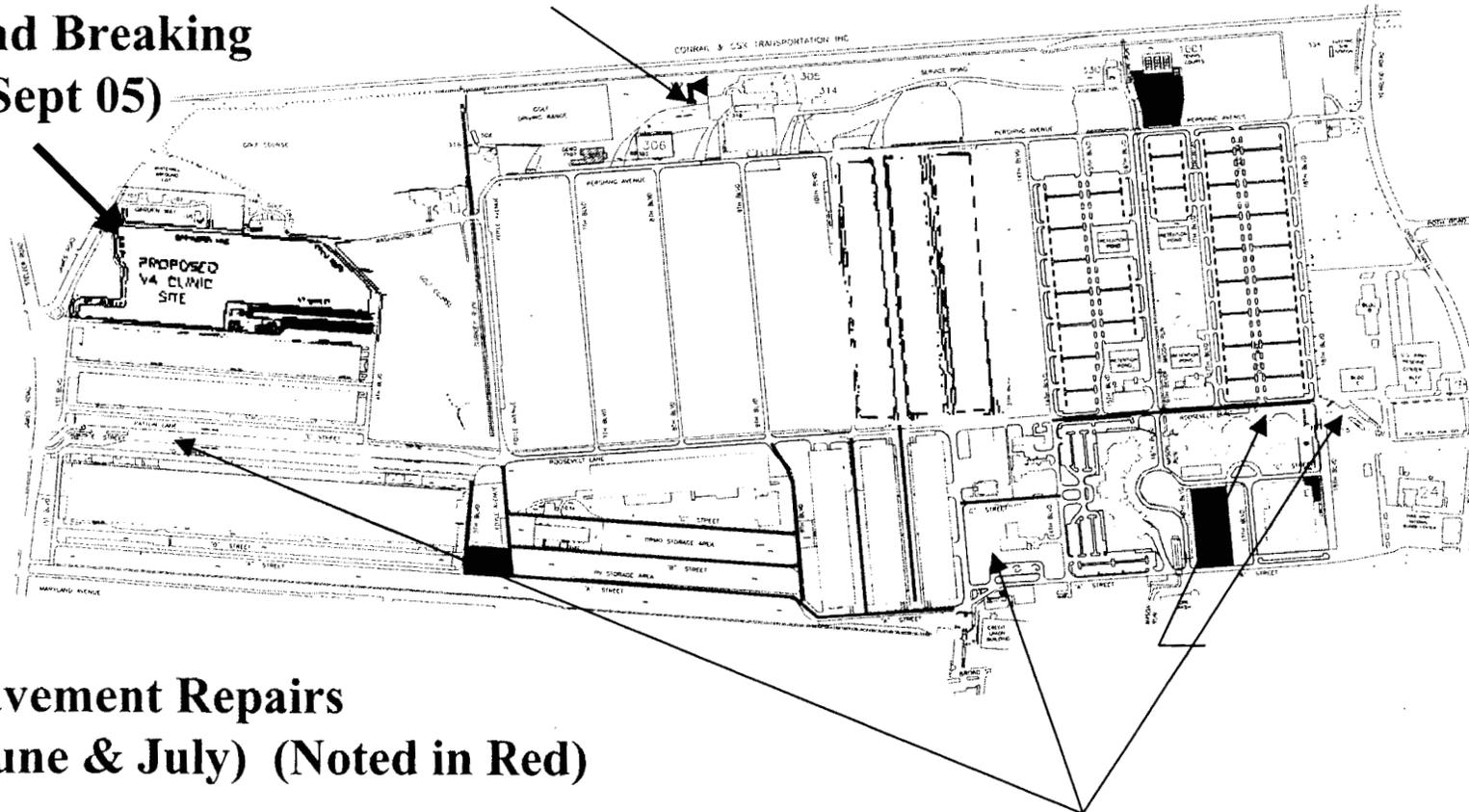
Indoor Firing Range

(June)

VA Clinic

Ground Breaking

(Sept 05)



Pavement Repairs

(June & July) (Noted in Red)

Marquees (July)

State of the Art Installation



FY 06 Installation Improvement Projects



- **Address Physical Security Vulnerability Findings**
- **Repair Sprinklers in Building 11, Sections 1 & 2**
- **Mass Notification System**
- **Maintenance & Repair to Building 20**
- **Maintenance & Repair to Pavement Surfaces**
- **Various MWR Projects at Fitness Center**



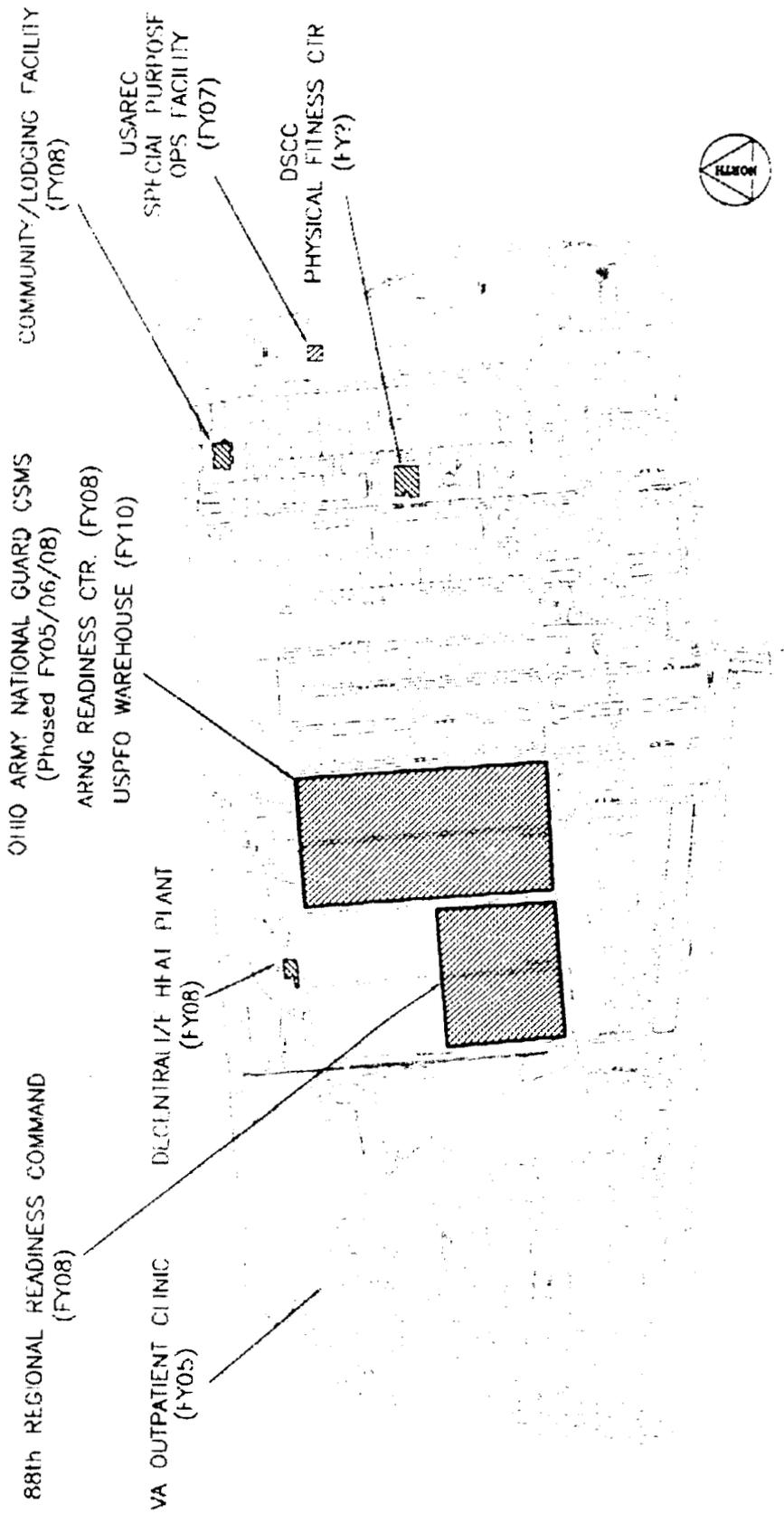
Construct First Class Facilities for Partners



- **FY05: Veterans Administration Clinic**
- **FY05/06/08: Ohio Army National Guard Facilities**
- **FY07: Army Recruiting Special Purpose Ops Facility**
- **FY08: Army National Guard Readiness Center**
- **FY08: Decentralized Heat Plant**
- **FY08: 88th Regional Readiness Command**
- **FY08: Community Center/Lodging**
- **FY10: United States Property & Fiscal Office
(USP&FO) Warehouse**
- **TBD: Fitness Center**



Proposed Construction



DSCC FUTURE DEVELOPMENT PLAN DSCC SITE MAP



Agenda



- **Installation Overview**
- **DLA ICP Overview**
- **Installation Master Plan**
- **Changes as a Result of BRAC**
- **Summary**



Changes as a Result of BRAC



- **DLA Changes**
- **DSCC Installation Changes**
- **Installation Considerations**



BRAC - DLA Changes



Recommendations, if Approved, will Deliver Transformational Change for the Agency

- **All Depot Level Repairable (DLR) Procurement Transitions to DLA**
 - **Consumable Item Transfer (CIT) : The Vast Majority of Consumable Hardware Items not Managed by the DLA Today will Transition to DLA**
 - **Four Military Service Inventory Control Points Close**
 - **DSCC projected to gain 190 personnel and oversight of an additional 236 personnel for CIT and DLR Management**

- **Management of Repair Depot Supply Operations Transitions to DLA**
 - **Two Additional Strategic Distribution Platforms (SDP) Created from Existing Distribution Depots**
 - **Two Distribution Depots Close**
 - **Remaining Distribution Depots will Provide Only Regional Support**
 - **DSCC projected to lose 21 personnel**

- **Tires, Compressed Gases and Packaged Petroleum Products Transition to Direct Vendor Delivery**
 - **DSCC projected to gain an additional 7 personnel**



DOD BRAC Report 2005 – Installation Impact



Total Personnel Gains and Losses

<u>BRAC Related Actions</u>	<u>Personnel</u>	<u>Date</u>
ICP		
Consumable Item Transfer	190	2011
Depot Level Repairables (Detachments)	(236)	2011
Direct Vendor Delivery – Tires, Gases, and Packaged Petroleum	7	2008
Sustainment	-3	2011
Installation		
DDCO Closure	-21	2009
Civilian Personnel Office	237	2010
DFAS	1340	2011
Base Ops	39	2011
Army Reserve	877	2011
<u>Non-BRAC Related</u>		
National Guard	250	2011
<u>Net Installation Gains</u>	2,916	



BRAC - DSCC

Installation Changes

Proposed Locations are Notional



Legend: DDCO ■ Ohio Army National Guard and Reserve □ DFAS/CPO ■
Current Administrative Facilities ■



BRAC 2005

Installation Considerations



- **New Construction**
 - **Army Reserve and National Guard**
- **Building Modifications**
 - **DFAS**
 - **Civilian Personnel Office**
- **Potential Infrastructure Modifications**
 - **Utilities**
 - **Gates**
 - **Fire & Police Equipment**
 - **Conference Center**
 - **Parking**
- **Impact to MWR Community**
 - **Child Care Center**
 - **Fitness Center**
 - **Non-Appropriated Funds**
 - **Cafeterias**
- **DDCO Building Options**
 - **Reuse**
 - **Layaway**
 - **Demolish**
- **Expanded AAFES Exchange & Construct Commissary**
- **Environmental Impact Assessments**
 - **Installation Gains and Losses**



Agenda



- **Installation Overview**
- **DLA ICP Overview**
- **Installation Master Plan**
- **Changes as a Result of BRAC**
- **Summary**



Summary



- **One Installation...Multiple Organizations**
- **Significant Contribution to DoD Mission**
 - **Focus is on Supporting the War Fighter**
- **Extensive AT/FP Upgrades Nearly Completed**
- **Space Available for New Missions**
- **Modern Infrastructure Exists**
- **Substantial Community Involvement and Contribution**

A World Class Installation!