

DFAS
Limestone

A Compelling Case
For Growth

Response to Request from General Lloyd Newton at

July 6, 2005

BRAC Commission Hearing in
Boston, Massachusetts

103-06A – DA13 – Base Input
Defense Agencies– Defense Finance and Accounting
Service Limestone–ME
BRAC COMMISSION – FY 2005
COFF: _____ DISPOSITION: Permanent

Library Routing Slip 2006 BRAC Commission Materials
Title of Item: DFAS Limestone - A compelling case
Installation or Community: DFAS Limestone Community
Source: DFAS Limestone Community
Certified Material? yes no
Analyst / Provider: Marilyn Wasleski Date Received: 7/14/05

Congress of the United States

Washington, DC 20510

July 14, 2005

General Lloyd Newton, USAF (Ret.)
Base Realignment and Closure Commission
2521 South Clark Street
Arlington, VA 22202

Dear General Newton:

At the July 6, 2005 regional hearing in Boston, Massachusetts, you requested additional information with regard to the DFAS Limestone Field Site. Specifically, you requested that we provide the Commission with information detailing the estimated cost to increase the number of positions at Limestone to 600 and to 1,000. The information you requested is attached. We certify that the attached information is accurate and complete to the best of our knowledge.

As was presented in Boston, the Limestone facility can accommodate an additional 239 people for a total of 480 people with no military construction costs. Growing DFAS Limestone to 600 employees can easily be accomplished with minor facility upgrades such as modifying existing space and purchasing work stations. Cyr Construction of Caribou, Maine, has estimated the cost of these upgrades to be approximately \$1.2 million.

Expanding the facility by an additional 400 employees to a total of 1,000 workers would require construction of an addition to the existing facility. The DFAS Limestone facility sits on 15 acres of open land, so expansion is not a problem. The Loring Development Authority has agreed to donate the land necessary for expansion, including parking spaces and buffer areas, at no cost.

Cyr Construction has provided a certified estimate that the cost of construction of a two story, 70,000 square foot addition, including data and communications infrastructure, would be \$6.3 million. Adding workstations for 400 employees would cost an additional \$1.88 million. The total cost of the addition would be \$8.18 million.

We have included the results of COBRA runs for three scenarios: increasing Limestone's workforce to 480; increasing it to 600; and increasing it to 1,000 positions. For each personnel level, we ran the COBRA model using DoD generic assumptions for military construction costs, and using certified data for military construction costs at the Limestone Field Site provided by Cyr Construction, a local contractor who has performed extensive work at the site. **These COBRA runs show that in all cases, greater savings can be achieved by expanding DFAS Limestone instead of closing it as recommended by the DoD.**

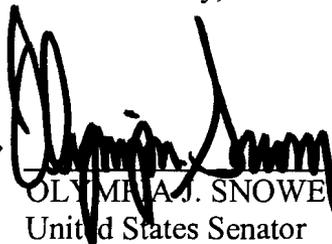
We also have included information detailing how the workforce would be expanded to meet these increased personnel milestones.

As we discussed at the July 6 hearing, the attached information demonstrates that increasing personnel at the Limestone Field Site would maximize savings and reduce costs overall relative to the DFAS consolidation proposal put forward by the DoD.

Please do not hesitate to contact us if you need any additional information in performing your vital mission.

Sincerely,


JOHN E. BALDACCI
Governor of Maine


OLYMPIA J. SNOWE
United States Senator


SUSAN M. COLLINS
United States Senator


THOMAS H. ALLEN
United States Representative

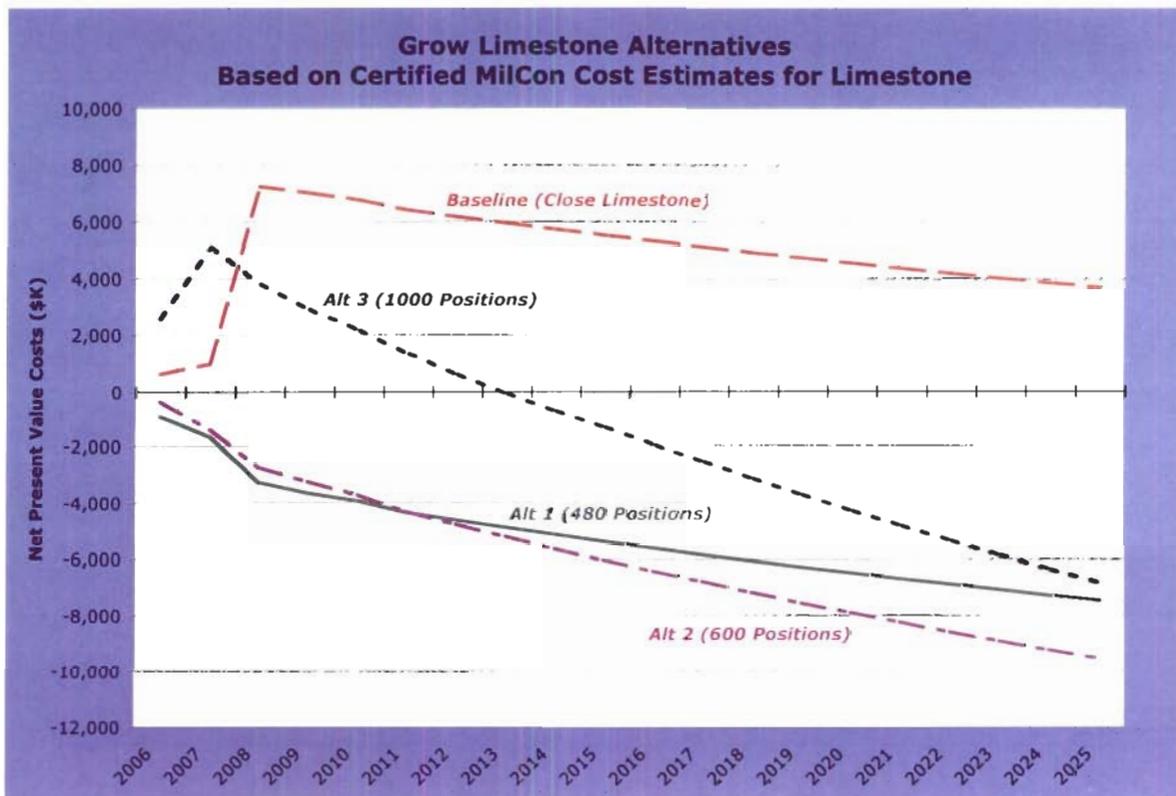

MICHAEL H. MICHAUD
United States Representative

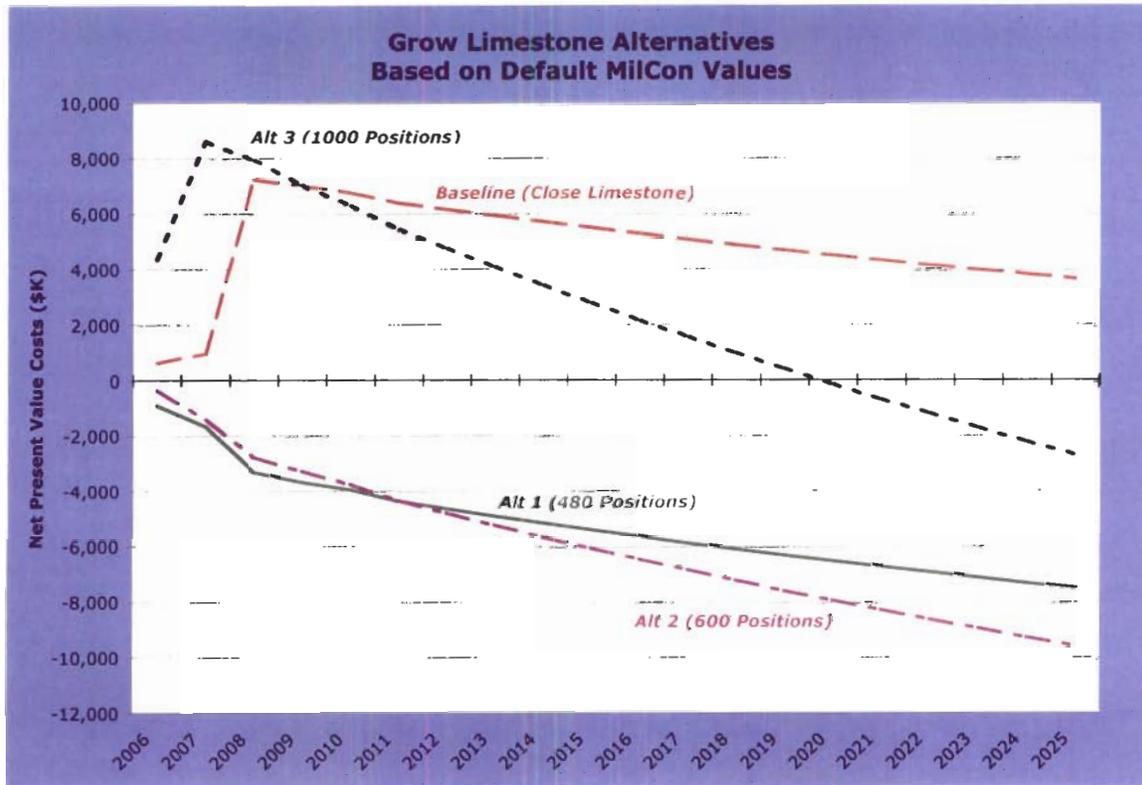
cc: Sec. Anthony Principi, Chairman, 2005 Base Realignment and Closure Commission
Hon. James Bilbray, Member
Hon. Philip Coyle, Member
ADM Harold Gehman, USN (ret), Member
Hon. James Hansen, Member
Gen. James Hill, USA (ret), Member
Hon. Samuel Skinner, Member
Gen. Sue Ellen Turner, USAF (ret), Member

COST ANALYSIS FOR THREE ALTERNATIVES

At the July 6 hearing, General Newton asked for information regarding the ability of the DFAS Limestone Field Site to expand from its current size of 353 positions to 1,000 positions.

To prepare our response, we asked Ed Anderson, an expert from the firm of Conklin & de Decker Associates hired by the State of Maine, to perform COBRA runs for three scenarios: expanding Limestone to 480 positions; expanding Limestone to 600 positions, and expanding Limestone to 1,000 positions. Mr. Anderson ran the COBRA model using the same certified data relied upon by the Department of Defense in formulating its recommendations. In addition, he ran the COBRA model using certified construction cost estimates for military construction costs at Limestone that were supplied by Cyr Construction Company, a local contractor who has previously done significant construction work at the Limestone facility. Cyr's cost estimates reflect the local Northern Maine construction market, and are tailored to the actual addition that would be needed if Limestone were expanded. Therefore, their estimates are more accurate than DoD's generic construction cost estimates. The results of these COBRA analyses are shown in the charts below. A detailed description of each option follows.





Summary of Costs and Savings for Three Alternatives Relative to DoD's Proposal (in \$ Thousands):¹

Total One-time Costs

	Based on Cyr Estimates	Based on Default Settings
Alt 1 (480)	(10,362)	(10,753)
Alt 2 (600)	(9,681)	(9,650)
Alt 3 (1000)	(2,702)	1,581

20-Year Net Present Value Savings

	Based on Cyr Estimates	Based on Default Settings
Alt 1 (480)	11,168	11,553
Alt 2 (600)	13,245	13,215
Alt 3 (1000)	10,526	6,386

¹ The numbers on these charts represent the difference between the Baseline DoD proposal to close Limestone (shown in the dashed red line) and the line representing the particular alternative.

I. Limestone grows to 480 positions

Summary: The DFAS Limestone Field Site has sufficient excess capacity – in the form of currently empty space -- to accommodate an additional 239 positions.² Accordingly, the COBRA model does not assume that there would be any military construction necessary to reach this personnel milestone. In fact, there would be minor costs associated with securing and installing workstations for the new employees. Because there are surplus workstations already on site at Limestone, the only required change to the facility is the addition of 92 workstations. Cyr Construction Company has provided a certified estimate that the cost for adding these 92 workstations is \$391,000. However, this cost is more than off-set by the \$3.9 million saved in military construction costs at Columbus under this scenario. As discussed in the submissions of Carl Flora and Galen Rose, Acting State Economist, attached hereto,³ the local workforce can easily accommodate this expansion from the ranks of skilled workers currently employed in similar occupations at lower pay in Aroostook County, the “shadow workforce” of individuals who would return to Aroostook County if there were the opportunity, and individuals from other DFAS facilities slated for closure who would choose to relocate to Limestone.

COBRA Model results using Certified Data for Military Construction Costs:⁴

Military Construction Costs (Savings)

- Columbus MilCon = \$3.898 million saved⁵
- Limestone MilCon = \$391,000⁶ cost
- MilCon Net = \$3.507 million saved

Costs (Savings) Relative to Status Quo:

- One-time costs = \$2.56 million saved
- Twenty-year NPV = \$9.35 million saved

Costs (Savings) Relative to DoD Proposal:

- One-time costs = \$10.36 million saved⁷
- Twenty-year NPV = \$11.168 million saved

² Although there currently are 353 employees working at DFAS Limestone, DoD’s COBRA model assumes that there are 241 employees because that is the planned future workforce. We have used the same DoD assumption with regard to future planned personnel at Limestone in all our COBRA runs.

³ See Attachment C, Certified letters from Carl Flora, President and CEO, Loring Development Authority, and Galen Rose, Acting State Economist, State of Maine.

⁴ See Attachment A, Certified COBRA Runs, prepared by Ed Anderson, July 13, 2005.

⁵ Each of the three scenarios under which Limestone is expanded avoids spending this \$3.9 million in military construction costs at DFAS Columbus.

⁶ See Attachment B, Certified Construction Cost Estimates, prepared by Cyr Construction Company, June 24, 2005. These funds would be used to purchase 92 additional workstations. Id.

⁷ The costs avoided are: \$3.507 million in military construction costs, \$5.688 million in moving costs, and \$1.168 million in personnel costs.

Conclusion: Realigning DFAS Limestone as a receiver site growing to 480 positions would produce an immediate, substantial return on investment, strengthening the overall case for DFAS consolidation in the process. The government would achieve a net savings of over \$3 million in military construction costs. By pursuing this scenario, instead of the one proposed by the DoD, the government would save over \$10 million in implementation costs and have a twenty-year net present value savings of over \$11 million. There is no material difference between the outcome using Cyr Construction cost estimates versus DoD's generic construction cost assumptions.

II. Limestone grows to 600 positions

Summary: The DFAS Limestone Field Site has sufficient excess capacity – in the form of currently empty space and space being used for other purposes such as storage -- to accommodate an additional 359 positions without any addition to the facility. Cyr Construction Company has provided a certified estimate that the cost for this work is \$1,199,000. These funds would be used to modify spaces within the Limestone facility that need minor renovation such as by hanging a suspended ceiling in order to accommodate employees, and to purchase workstations for the new employees.

As discussed in the submissions of Carl Flora and Galen Rose, Acting State Economist, attached hereto,⁸ the local workforce can easily accommodate this expansion from the ranks of skilled workers currently employed in similar occupations at lower pay in Aroostook County, the “shadow workforce” of individuals who would return to Aroostook County if there were the opportunity, and individuals from other DFAS facilities slated for closure who would choose to relocate to Limestone.

COBRA Model results using Certified Data for Military Construction Costs:⁹

Military Construction Costs (Savings)

- Columbus MilCon = \$3.898 million saved
- Limestone MilCon = \$1.199 million¹⁰ cost
- MilCon Net = \$2.699 million saved

Costs (Savings) Relative to Status Quo:

- One-time costs = \$1.875 million saved
- Twenty-year NPV = \$11.426 million saved

Costs (Savings) Relative to DoD Proposal:

⁸ See Attachment C, Certified letters from Carl Flora, President and CEO, Loring Development Authority, and Galen Rose, Acting State Economist, State of Maine.

⁹ See Attachment A, Certified COBRA Runs, prepared by Ed Anderson, July 13, 2005.

¹⁰ See Attachment B, Certified Construction Cost Estimates, prepared by Cyr Construction Company, June 24, 2005. These funds would be used to purchase 92 additional workstations. Id.

- One-time costs = \$9.681 million¹¹ saved
- Twenty-year NPV = \$13.245 million saved

Conclusion: Realigning DFAS Limestone as a receiver site growing to 600 positions would produce an immediate, substantial return on investment, strengthening the overall case for DFAS consolidation in the process. By pursuing this scenario, instead of the one proposed by the DoD, the government would save \$9.7 million in implementation costs and produce a twenty-year net present value savings of over \$13 million. There is no material difference between the outcome using Cyr Construction cost estimates versus DoD’s generic construction cost assumptions.

III. Limestone grows to 1,000 positions

Summary: In order to expand the workforce to 1,000, the DFAS Limestone facility would need to build an addition with approximately 70,000 square feet of new administrative space. This would produce a facility with a combined total of 211,000 square feet of space (or roughly 210 square feet per employee). The addition could rely upon the same heating and air conditioning systems in the existing building as well as some of the existing building’s other spaces such as its cafeteria. Cyr Construction Company has provided a certified estimate that the cost for this work is \$9,379,000.

There are currently 353 employees at DFAS Limestone, so this change would require the hiring of 647 additional employees over the next several years. As discussed in the submissions of Carl Flora and Galen Rose, Acting State Economist, attached hereto,¹² the local workforce can accommodate this expansion from the ranks of skilled workers currently employed in similar occupations at lower pay in Aroostook County, the “shadow workforce” of individuals who would return to Aroostook County if there were the opportunity, and individuals from other DFAS facilities slated for closure who would choose to relocate to Limestone.

COBRA Model results using Certified Data for Military Construction Costs:¹³

Military Construction Costs (Savings)

- Columbus MilCon = \$3.898 million saved
- Limestone MilCon = \$9.379 million¹⁴ cost
- Net MilCon = \$5.481 million cost

Costs Relative to Status Quo:

¹¹ The costs avoided are: \$2.699 million in military construction costs, \$5.927 million in moving costs, and \$1.055 million in personnel costs.

¹² See Attachment C, Certified letters from Carl Flora, President and CEO, Loring Development Authority, and Galen Rose, Acting State Economist, State of Maine.

¹³ See Attachment A, Certified COBRA Runs, prepared by Ed Anderson, July 13, 2005.

¹⁴ See Attachment B, Certified Construction Cost Estimates, prepared by Cyr Construction Company, June 24, 2005. These funds would be used to purchase 92 additional workstations. Id.

- One-time costs = \$5.104 million cost
- Twenty-year NPV = \$8.707 million saved

Costs (Savings) Relative to DoD Proposal:

- One-time costs = \$2.402 million saved¹⁵
- Twenty-year NPV = \$10.526 million saved

Conclusion: Realigning DFAS Limestone as a receiver site for 1,000 positions would require, based on the Cyr Construction Company cost estimates, a smaller initial investment than the scenario proposed by DoD. Although the military construction costs create a larger one-time cost than in the other two scenarios, there is a four year pay-back for these costs. By pursuing this scenario, instead of the one proposed by DoD, the government would save \$2.4 million in implementation costs and would produce twenty-year net present value savings of over \$10.5 million.

Using the less accurate generic DoD assumptions for military construction costs produces a larger one-time cost of \$1.581 million versus the \$2.4 million in savings using the certified Cyr estimates. It produces an eleven-year payback versus a four-year payback produced using the Cyr estimates. However, the generic assumptions produce a twenty-year net present value savings of \$6.386 million. Thus, regardless of the construction cost estimates used, the COBRA model demonstrates that it is always in the government's long-term interest to expand the DFAS Limestone facility.

¹⁵ These costs are: \$5.481 million in military construction costs, \$7.189 million in avoided moving costs, and \$994,000 in avoided personnel costs.

Attachment A

Certified COBRA Runs

Prepared by:

Ed Anderson, Aviation Management Consultant

Conklin & de Decker Associates

July 14, 2005

Ed Anderson, Aviation Management Consultant

Conklin & de Decker Associates

July 14, 2005

Introduction

For BRAC 2005, the Defense Department has proposed consolidating 26 DFAS facilities into three receiver sites:

DCS Columbus, Ohio

DFAS Indianapolis, Indiana

ARPC Denver, Colorado

The proposed consolidation promises to produce substantial long-term savings due primarily to the elimination of 1,206 positions as a result of improved efficiencies. These savings are partially offset by one-time costs such as military construction at Columbus, personnel costs (primarily civilian RIF costs), and moving costs.

Savings are also affected by recurring cost factors that vary among locations. They include civilian location factor (local pay adjustment), per diem costs and operating costs per square foot (overhead). The following table compares these factors for the three receiver facilities to those at DFAS Limestone.

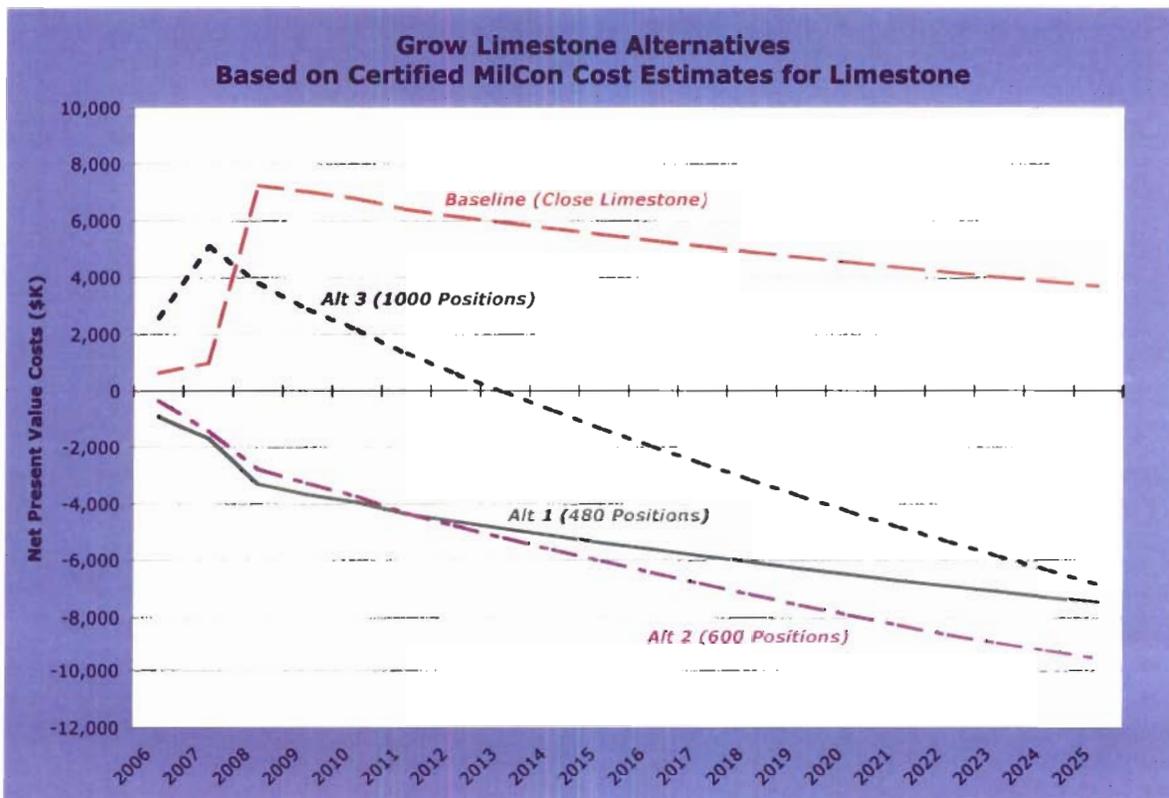
	Civ. Location Factor	Per Diem Rate	Operating Cost per Square Foot	MILCON Required?
DCS Columbus	1.131	\$ 118	\$ 8.27	Yes
DFAS Indianapolis	1.111	\$ 134	\$ 14.96	No
ARPC Colorado	1.167	\$ 159	\$ 9.15	No
DFAS Limestone	1.109	\$ 91	\$ 4.98	No

Representatives of DFAS Limestone interests have questioned whether three is the optimum number of receiver sites. They have suggested that retaining Limestone as a fourth receiver site and growing the facility will produce additional savings. According to this theory, costs would be saved by eliminating moving costs for 234 positions and by eliminating MilCon costs at Columbus. Recurring savings would also result from the lower personnel costs and overhead at Limestone.

The following analysis uses the DoD COBRA model to analyze the Return On Investment for the DoD's recommended scenario (HSA0018) for closing DFAS Limestone and explores three alternative scenarios. The four scenarios evaluated are:

- Baseline. Close Limestone – as per Scenario HSA0018
- Alternative 1. Grow Limestone to 480 Positions
- Alternative 2. Grow Limestone to 600 Positions
- Alternative 3. Grow Limestone to 1000 Positions

The following chart shows the comparative Net Present Value costs of these four alternatives. This analysis is based on Limestone MilCon cost estimates certified by Cyr Construction Company.



The following table summarizes the results.

Grow Limestone Alternatives Based on Certified MilCon Cost Estimates for Limestone

	Baseline (0)	Alt 1 (480)	Alt 2 (600)	Alt 3 (1000)
Payback	25 Years	Immediate	Immediate	4 Years
NPV Cost in 2025 (\$K)	3,672	-7,493	-9,568	-6,851
1-Time Cost (\$K)	7,806	-2,556	-1,875	5,104
Total Investment (\$K):				
MilCon	1,416	-2,091	-1,283	6,897
Personnel	1,106	-62	51	112
Moving	5,284	-404	-643	-1,905
Overhead	0	0	0	0
Other	0	0	0	0
TOTAL	7,806	-2,556	-1,875	5,104
Recurring Costs/Year (\$K)				
Personnel	-253	-315	-378	-1,124
Overhead	148	-240	-281	-460
Mission	-170	238	128	756
Other	0	0	0	0
TOTAL	-275	-317	-531	-828
Limestone Position Changes				
Before BRAC	241	241	241	241
Positions Eliminated	-7	0	0	0
Positions Realigned	-234	239	359	759
After BRAC	0	480	600	1,000

Recommendation: The Return On Investment for DFAS consolidation will be improved significantly by retaining DFAS Limestone as a receiving site and growing Limestone to 600 positions. This alternative would produce an immediate, substantial return on investment, strengthening the overall case for DFAS consolidation in the process. By pursuing this scenario, instead of the one proposed by DoD, the government would save over \$9.6 million in implementation costs with a 20-year NPV savings of over \$13.2 million.

Methodology

The COBRA model is limited to handling 20 bases in a single realignment scenario. When a scenario consists of more than 20 bases (as is the case with the DFAS consolidation), it must be broken down into two parts. Then an ADDER model is used to sum the results for the entire scenario.

The method used in our analysis was to start by running Part 1 of the DoD recommended scenario HS0018. The cost impact of each alternative investigated was determined by changing the inputs as required to define the alternative, then running the COBRA model again. Then, the new results were compared to the original results using an Excel spreadsheet to calculate the differences. This is analogous to determining the weight of a slice of pie by weighing the pie before and after the slice is removed.

By using this approach, we were able to maintain consistency with the original model and ensure that extraneous factors did not contaminate the analysis.

The Baseline Scenario – Close DFAS Limestone

It is clear that the overall business case for DFAS consolidation is compelling. However, the question remains, “Can better results be achieved by retaining Limestone as a receiver facility and relocating personnel from higher cost facilities to Limestone?”

In order to answer this question, we ran an alternative COBRA scenario where the data in the COBRA input fields were changed to indicate no Limestone realignment at all. Then, the new scenario results were compared to the original to measure difference. This difference represents the costs/savings attributable exclusively to the realignment of Limestone.

Limestone Positions:

Before BRAC	241
Gained/eliminated	-7
Realigned	-234
After BRAC	0
Starting Year :	2006
Final Year :	2008
Payback Year :	NA
1-Time Cost (K):	\$7,806
NPV in 2025 (K):	\$3,672 cost

Among other considerations, this scenario would require the renovation of 81,469 square feet of administrative space at a cost of \$3.9 Million. Some 36% of this space is to accommodate 148 positions realigned from Limestone to Columbus, at a cost of \$1.4 million. Personnel and moving costs are \$6.4 million.

Conclusion: While the overall business case for DFAS consolidation is good, the closure of DFAS Limestone would not contribute to that result. In fact, the closure of Limestone would require a one-time investment of \$7.8 million. There would be no NPV savings realized during the 20-year NPV period.

Another way of stating this is, “The business case for DFAS consolidation would be improved if DFAS Limestone were not closed/realigned.”

Alternative 1 – Grow DFAS Limestone to 480 Positions

In this scenario, DFAS Limestone would become a receiver site for 239 additional positions, bringing the total count up to 480. In defining this scenario, we assumed 239 Norfolk positions would relocate to Limestone instead of Columbus. This alternative totally eliminates the need for \$3.9 million in MilCon at Columbus. However, this is partially offset by \$391,000 in costs for 92 additional workstations at Limestone (certified estimate by Cyr Construction). This alternative also produces savings in other areas because personnel costs, overhead, etc. are lower at Limestone than at Columbus and Indianapolis.

Limestone Positions:

Before BRAC	241
Gained/eliminated	0
Realigned	239
After BRAC	480
Starting Year :	2006
Final Year :	2008
Payback Year :	Immediate
1-Time Cost (\$K):	\$2,556 saved
NPV in 2025 (\$K):	\$7,493 saved

When compared to the DoD proposed scenario, this alternative saves costs, as follows:

Net MilCon cost avoidance (\$K)	\$3,507
Moving cost avoidance (\$K)	\$5,688 (234 positions not moved)
<u>Personnel cost avoidance (\$K)</u>	<u>\$1,168</u>
Net 1-Time Costs (K):	\$10,362 saved
NPV in 2025 (K):	\$11,165 saved

Conclusion: Realigning DFAS Limestone as a receiver site would produce an immediate, substantial return on investment, strengthening the overall case for DFAS consolidation in the process. ***By pursuing this scenario, instead of the one proposed by DoD, the government would save over \$10.3 million in implementation costs and net 20-year NPV savings of over \$11.1 million.***

Alternative 2 – Grow DFAS Limestone to 600 Positions

In this scenario, DFAS Limestone would become a receiver site for 359 additional positions, bringing the total count up to 600. In defining this scenario, we assumed that 79 positions would relocate from Charleston, SC to Limestone instead of Columbus and that 280 Norfolk positions would relocate to Limestone instead of Columbus and Indianapolis. This scenario requires renovating 24,000 sq ft of administrative space plus 120 additional workstations at Limestone at a cost of \$1.199 million, certified estimate from Cyr Construction Co. (Note: This estimate is consistent with the MilCon Cost of \$1.23 million calculated by COBRA using the default settings.)

It also produces additional savings in other areas because personnel costs, overhead, etc are lower at Limestone than at Columbus and Indianapolis.

Limestone Positions:

Before BRAC	241
Gained/eliminated	0
Realigned	359
After BRAC	600
Starting Year :	2006
Final Year :	2008
Payback Year :	Immediate
1-Time Cost (\$K):	\$1,875 saved
NPV in 2025 (\$K):	\$9,568 saved

When compared to the DoD proposed scenario, this alternative saves costs, as follows:

Net MilCon cost avoidance (\$K)	\$2,699
Moving cost avoidance (\$K)	\$5,927 (234 positions not moved)
<u>Personnel cost avoidance (\$K)</u>	<u>\$1,055</u>
Net 1-Time Cost (K):	\$9,681 saved
NPV in 2025 (K):	\$13,245 saved

Conclusion: Realignment DFAS Limestone as a receiver site would produce an immediate, substantial return on investment, strengthening the overall case for DFAS consolidation in the process. *By pursuing this scenario, instead of the one proposed by DoD, the government would save over \$9.6 million in implementation costs and 20-year NPV savings of over \$13.2 million.*

Alternative 3 – Grow DFAS Limestone to 1000 Positions

In this scenario, DFAS Limestone would become a receiver site for 759 additional positions, bringing the total count up to 1000. In defining this scenario, we assumed that 349 Charleston positions, 130 Sill Oklahoma positions, and 280 Norfolk positions would relocate to Limestone instead of Columbus, Indianapolis and Colorado. This scenario requires renovating 24,000 sq ft of administrative space at Limestone plus a 70,000 square foot addition to the current limestone facility.

In this case MilCon costs were based on a certified estimate of \$9,379,000 provided by Cyr Construction Company. This value is judged to be more accurate than the default value used in the COBRA model because it correctly represents the cost of building an addition to an existing structure, rather than the cost of all new construction.

This alternative represents a lower implementation cost and better financial results than the DoD proposed scenario and shows the potential for future growth at Limestone.

Limestone Positions:

Before BRAC	241
Gained/eliminated	0
Realigned	759
After BRAC	1000
Starting Year :	2006
Final Year :	2009
Payback Year :	4 Years
1-Time Cost (\$K):	\$5,104 cost
NPV in 2025 (\$K):	\$6,851 saved

When compared to the DoD proposed scenario, this alternative saves costs, as follows:

Net MilCon cost (\$K)	\$5,481 cost
Moving cost avoidance (\$K)	\$7,189 (234 positions not moved)
<u>Personnel cost avoidance (\$K)</u>	<u>\$994</u>
Net 1-Time Cost (K):	\$2,702 saved
NPV in 2025 (K):	\$10,526 saved

Conclusion: Realigning DFAS Limestone as a receiver site for 1,000 total positions would require a smaller initial investment than the scenario proposed by DoD. The requirement to construct new facilities at Limestone would result in a four-year payback. This scenario shows excellent potential for accommodating future growth requirements. ***By pursuing this scenario, instead of the one proposed by DoD, the government would save over \$2.7 million in implementation costs and 20-year NPV savings of over \$10.5 million.***

Alternative COBRA Analyses Based on Default MilCon Values

The COBRA model has algorithms for calculating MilCon costs based on standard factors. As a crosscheck against the preceding analyses, we ran the above scenarios using COBRA's default settings. We found the following results (in \$ Thousands):

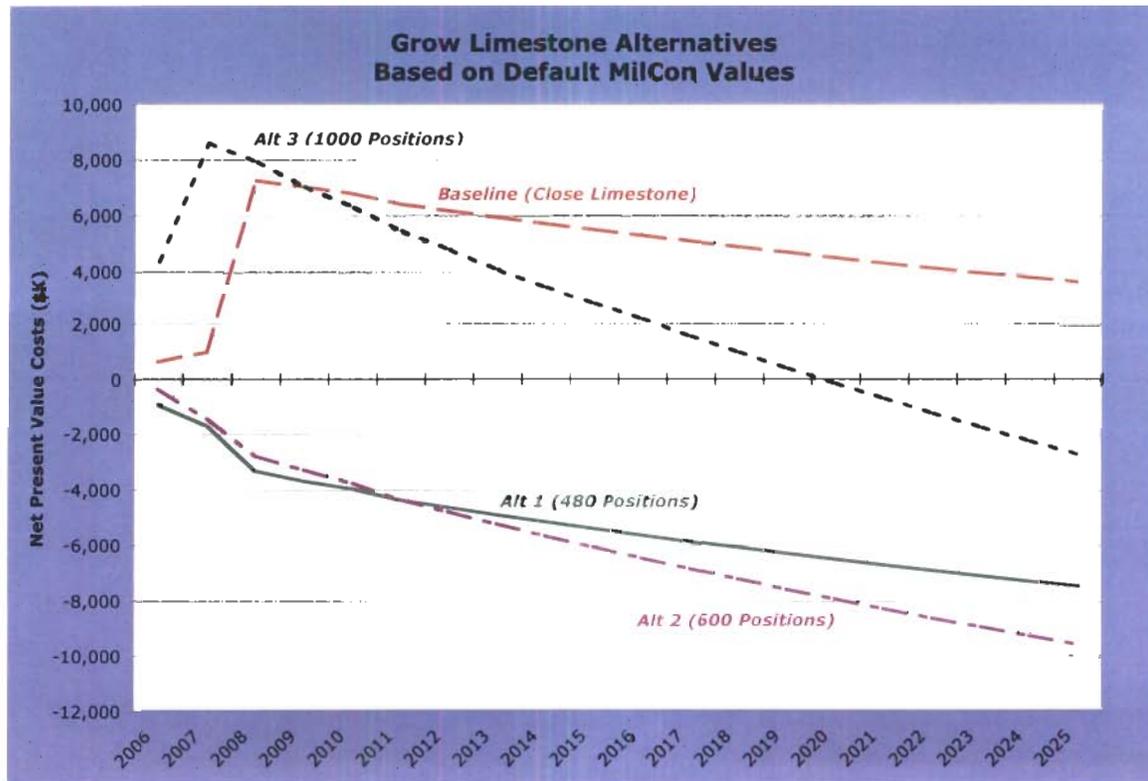
Total One-time Costs

	Based on Cyr Estimates	Based on Default Settings
Alt 1 (480)	(10,362)	(10,753)
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Alt 3 (1000)	(2,702)	1,581

20-Year Net Present Value Savings

	Based on Cyr Estimates	Based on Default Settings
Alt 1 (480)	11,168	11,553
Alt 2 (600)	13,245	13,215
Alt 3 (1000)	10,526	6,386

Only in Alternative 3 was there a significant difference between the results using the two methods. This is due primarily to the fact that the default factor for MilCon is based on all new construction. However, DFAS Limestone has proposed adding 70,000 square feet to an existing building. Costs for this addition would be lower due to fact that the existing physical plant and infrastructure can accommodate this addition. For the record, the results of this alternative analysis are as follows:



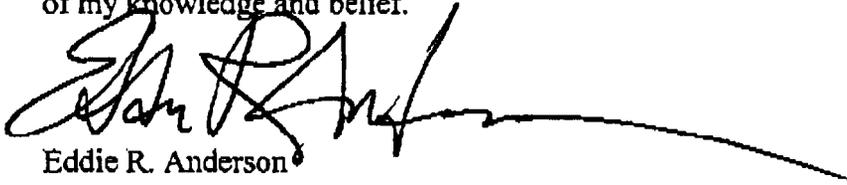
Grow Limestone Alternatives Based on Default MilCon Values

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Total Investment (\$K):				
MilCon	1,416	-2,091	-1,283	11,180
Personnel	1,106	-62	51	112
Moving	5,284	-404	-643	-1,905
Overhead	0	0	0	0
Other	0	0	0	0
TOTAL	7,806	-2,556	-1,875	9,387
Recurring Costs/Year (\$K)				
Personnel	-253	-315	-378	-1,124
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Mission	-170	238	128	756
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TOTAL	-275	-317	-531	-828
Limestone Position Changes				
Before BRAC	241	241	241	241
Positions Eliminated	-7	0	0	0
Positions Realigned	-234	239	359	759
After BRAC	0	480	600	1,000

Certification Memorandum:

Subject: Base Realignment and Closure (BRAC) 2005 Certification of Information

I certify that the information provided in this analysis is accurate and complete to the best of my knowledge and belief.

A handwritten signature in black ink, appearing to read "Eddie R. Anderson", with a long horizontal flourish extending to the right.

Eddie R. Anderson

Aviation Management Consultant

Conklin & deDecker Associates

Certification Memorandum:

Subject: Base Realignment and Closure (BRAC) 2005 Certification of Information

I certify that the information provided in this analysis is accurate and complete to the best of my knowledge and belief.

Eddie R. Anderson

Aviation Management Consultant

Conklin & deDecker Associates

Attachment B

Certified Construction Cost Estimates

For the Limestone Field Site

Prepared by:

Cyr Construction Company

June 24, 2005

**CYR CONSTRUCTION COMPANY**

GENERAL CONTRACTORS
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CARIBOU, MAINE 04736

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(207) 498-3481
FAX
(207) 498-2631

June 24, 2005

Carl Flora
Loring Development Authority
154 Development Drive, Suite F
Limestone, ME 04750

Dear Carl:

In 1998 Cyr Construction was awarded the contract to convert the former Loring Air Force Base hospital into the current DFAS facility, including the procurement and installation of the workstations through Unicor/Federal Prison Systems. We completed the \$6.6M contract four months early and close to a million dollars under budget.

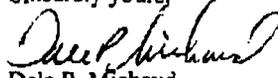
Drawing from our experience with this project and similar others, we are able to provide you with the following estimates:

1. Add 92 workstations in the open area of the existing facility; an estimate of \$391,000.
2. Convert and fixture the first floor Records Warehouse and the second floor Receiving Warehouse with 120 workstations, an estimate of \$808,000.
3. Construct a two story 70,000 square foot addition adjacent to the existing facility:
 - a. Cost of a building addition in a design different from, but complimentary to, the existing facility, based on current market costs, not including workstations, including data and communication s infrastructure, an estimate of \$6,300,000.
 - b. Cost of workstations, an estimate of \$4,700 per station including the wiring thereof.

Architccural and engineering fees would need to be added to the above estimates. These estimates assume the utilization of workstations from Unicor/Federal Prison Systems matching the existing systems furniture. A substantial savings could be realized if the systems furniture could be procured from a private source.

I hereby certify that this information is accurate and complete to the best of my knowledge.

Sincerely yours,


Dale P. Michaud
Project Manager

Attachment C

Construction Cost Estimates and Workforce Capabilities

Prepared by:

Carl Flora

President and CEO

Loring Development Authority

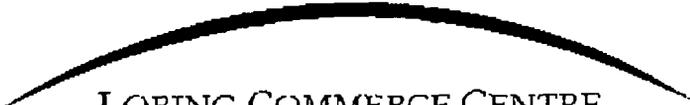
And

Galen L. Rose

Acting State Economist

State of Maine

July 14, 2005



LORING COMMERCE CENTRE

July 14, 2005

General Lloyd Newton, USAF (Ret.)
Base Realignment and Closure Commission
2521 South Clark Street
Arlington, VA 22202

Dear General Newton:

This letter is in response to your request for additional information at the July 6 regional hearing in Boston, Massachusetts.

The Loring Development Authority fully supports expanding the DFAS Limestone Field Site. In connection with the proposal to expand Limestone to 1,000 employees, the Loring Development Authority -- who owns the vacant real estate around the DFAS Limestone Field Site -- stands ready to donate up to ten acres of land at no cost to support such an expansion by adding that acreage to the existing no cost 50 year renewable lease.

In order to grow from its current workforce of 353 to 1,000 employees, DFAS Limestone would need to recruit and hire 647 individuals over the next several years. This hiring would not need to take place immediately since an expansion beyond 600 (absent use of shift work) would require military construction to expand the Limestone facility.

I am familiar with the Aroostook County economy and workforce. I have studied the economic data previously prepared and submitted to the Commission. The information available demonstrates that the local workforce can accommodate an expansion to 1,000 employees. The workers likely would come from several sources.

First, in 2005, there are 2,800 people in Aroostook County currently working in occupations common to DFAS operations. Because DFAS jobs pay 50% more than the average job in Aroostook County, DFAS is, and would continue to be, a regional "employer of choice," luring skilled workers from other employers in the area.

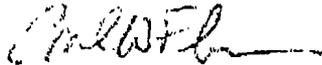
Second, as was described in a study done by the University of Southern Maine Center for Business and Economic Research in October 2004, there is a "shadow workforce" of individuals, including many young people, who have left the County but who would return to Aroostook County if there were suitable career opportunities commensurate with their skills.

Third, some of the individuals currently employed at other DFAS facilities slated for closure as part of the consolidation plan likely would choose to relocate to Limestone versus moving to a more urban location such as Denver, Indianapolis, or Columbus.

Finally, the certified testimonials already provided to the Commission by companies who have chosen to locate their businesses in Aroostook County attest to the ability of companies to meet their employment needs in Aroostook County. These six companies employ 2,475 skilled workers. Over the past decade, they have successfully recruited, hired, trained, and maintained in the Limestone area a workforce many times larger than the number that would be required to expand the DFAS Limestone facility to 1,000 positions.

This information is accurate and complete to the best of my knowledge.

Very truly yours,



Carl W. Flora
President & CEO



JOHN ELIAS BALDACCI
GOVERNOR

STATE OF MAINE
EXECUTIVE DEPARTMENT
STATE PLANNING OFFICE
38 STATE HOUSE STATION AUGUSTA, MAINE 04333

MARTHA E. FREEMAN
DIRECTOR

July 13, 2005

Secretary Anthony Principi
Chairman, Defense Base Realignment and Closure Commission
2521 S. Clark Street, Suite 600
Arlington, VA 22202

Dear Chairman Principi:

The case has been made in the various documents and oral testimony delivered to the BRAC Commission over the past few weeks that the Limestone, Maine DFAS facility is a prime candidate for expansion. My purpose here is to make a more concise statement of the facts from an economist's point of view as I believe they make a compelling case.

Current employment at the Limestone DFAS is 361. In 2004, the Civilian Labor Force of Aroostook County averaged 36,830, far more than necessary to man a facility of 1,000 or so workers. The principal labor related arguments for an expansion of the Limestone facility can be summarized as follows:

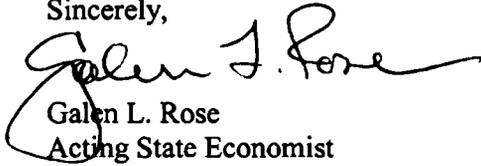
- 1) Current average annual pay at the facility is \$39,000, nearly 60% greater than the average payroll worker in the county earns (\$25,000). These jobs are highly desirable!
- 2) In a recent workforce expansion of 80 jobs, the facility received 400 resumes, a 5 to 1 ratio.
- 3) New hires at the facility take less than 10 days to complete, one of the lowest rates in the DFAS system.
- 4) The turnover rate at the facility is less than 5% per year, compared to 9.2% for the average payroll job in Aroostook County.
- 5) According to a recent Maine Department of Labor study, "There is a substantial pool of people working in related occupations [in Aroostook County] who have the knowledge, skills, and other attributes necessary for success in functions performed in DFAS operations."
- 6) There is a substantial untapped "shadow" labor force consisting of recent out-migrants from Aroostook County, who have left primarily for lack of economic opportunity, and current DFAS employees in other parts of the US who prefer to live in rural areas and would thus not consider transferring to facilities located in metro areas.
- 7) The University of Maine, the Northern Maine Community College campuses in Presque Isle, and Husson College in Caribou offer accounting, business, information systems, and other programs of academic and professional development that will sustain a strong supply of workers with the education and skills necessary for success in DFAS operations.

Clearly, the labor economics prove that the Limestone DFAS facility is an excellent, perhaps unexcelled, candidate for expansion. I believe the facility could be expanded easily to a workforce of 1,000.

We thank you for your consideration of this case and hope that you will share this information with your Commission colleagues.

I hereby certify that the data contained in this letter are true and accurate to the best of my knowledge.

Sincerely,

A handwritten signature in cursive script that reads "Galen L. Rose". The signature is written in black ink and is positioned above the printed name and title.

Galen L. Rose
Acting State Economist