

DFAS Limestone

A Compelling Case For Growth

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Table of Contents

<u>Topic</u>	<u>Tab</u>
Executive Summary	1
Economic Impact of Base Closure	2
Flaws in the Department of Defense's Closure Decision	
Flaws in Military Value Assessment	3
Flaws in Analysis of Cost Savings	4
Flaws in Economic Impact Analysis	5
Strengths of DFAS, Limestone	
Limestone as a Center of Excellence	6
Workforce Capabilities	7
Operating Costs	8
Room for Expansion	9
Force Protection	10

Tab 1

Executive Summary

The Defense Finance and Accounting Service Limestone Field Site is located in a secure facility that uses state-of-the-art technology. Limestone's highly-trained and motivated employees provide premier finance and accounting services for our war fighters. DFAS Limestone has a proven track record of efficiently and effectively performing its mission at a cost substantially lower than the rate for other DFAS sites. The exceptional performance of DFAS Limestone has been recognized through the receipt of the prestigious President's National Performance Review Hammer Award and in comments by Dov Zakheim, former Under Secretary of Defense Comptroller, who stated, "They [DFAS Limestone] have a reputation in DFAS... a good one. . . We think we can be more efficient doing the work here."

The decision to close Limestone was flawed in several important areas. First, the DOD used faulty data and incorrect assumptions in determining the Military Value of the facility. Secondly, the DOD failed to analyze the cost savings of Limestone's closure outside the overall consolidation plan. Isolating the impact of Limestone shows that instead of saving money, the closure will actually cost the DOD in terms of moving personnel and facility expansion. In fact, the way to maximize cost savings is to grow Limestone to 600 employees. Finally, the DOD failed to adequately analyze the impact of DFAS closures in the local economy and what information they did collect was not considered in the consolidation plan.

Limestone's closure, unlike in most other communities, actually represents a double closure. During BRAC 91, Loring Air Force Base was selected for closure, which was completed in September 1994. The closure of Loring has had a devastating effect on the local economy. At the time of the closure announcement, the facility employed 4,500 military and 1,100 civilians.

The additional job losses that would now be experienced with the closure of DFAS Limestone would be a huge blow to the area and would certainly erase a significant amount of the progress that has been made in the recovery from the loss of Loring AFB. DFAS Limestone is among the area's largest employers, and its average wages are 50% higher than the rest of county.

The recommendation to close one of the most efficient and effective facilities in the DFAS system was based on flawed assumptions and inaccurate information. It should be rejected.

FLAWS IN THE DEPARTMENT OF DEFENSE'S CLOSURE DECISION

The Department of Defense deviated substantially from the BRAC selection criteria in its recommendation to close DFAS Limestone. The Headquarters and Support Activities Group based their closure recommendation on a flawed model and inaccurate information that underrepresented Limestone's Military Value. The Group also failed to adequately

consider the economic impact of the closure decision on Aroostook County, which would be harmed by the closure more than any other DFAS community.

Military Value

The data the Department used to determine the Military Value Ranking for DFAS facilities was based on a number of flawed assumptions that produced misleading and incorrect results. DFAS Limestone's military value was calculated inaccurately because:

- DOD's model rated as insecure all DFAS sites that are not on an active military base. This flawed model failed to recognize and account for the stringent anti-terrorism/force protection measures in place at Limestone such as an anti-vehicle fence, a large buffer zone, and controlled access.
- Limestone received a poor grade for facility condition because DOD wrongly used budget projections for optional facility improvements. Nothing at the facility is failing. A proper assessment of the facility would have significantly boosted Limestone's military value score.
- Limestone received a "0" in the category of Local Population Workplace Pool simply because it is not located near a Metropolitan Statistical Area of over 100,000. However, actual economic data shows that there is a sufficient available workforce. In previous expansions, Limestone accomplished new hires in 9.2 days – one of the lowest rates among all DFAS facilities.

Cost Savings Analysis

The DOD based its cost savings analysis on the impact of the consolidation plan as a whole. They did not consider any scenario other than consolidating twenty-six facilities into three. This limited approach fails to recognize that closing low cost, highly efficient facilities actually reduces the savings of the DFAS consolidation plan. Isolating Limestone in the COBRA model indicates that:

- The closure of Limestone would require a one-time investment of \$7.8 million, which would take 25 years to recover. There would be no NPV savings realized during the 20-year NPV period.
- Increasing personnel at DFAS Limestone to 480 would produce an immediate, substantial return on investment. By pursuing this scenario, the government would save over \$10.7 million in implementation costs and net 20-year NPV savings of over \$12.5 million.
- Increasing personnel at DFAS Limestone to 600 would produce an immediate, substantial return on investment by saving over \$11.9 million in implementation costs and net 20-year NPV savings of over \$15.1 million.

Economic Impact

The Department of Defense violated Criteria six of the Department of Defense Base Closure and Realignment Selection Criteria by failing adequately to consider the economic impact on the community. DOD calculated the number of job losses as a percent of the area employment, and determined that Aroostook County would suffer an

increase in its unemployment rate of over 1% if Limestone were closed -- the greatest negative economic impact on any DFAS community, and more than ten times the increase at most other DFAS communities affected by the proposed consolidation.

More disturbingly, there is no evidence that this extremely harmful negative economic outcome was factored into DOD's Optimization Model. Not only did DOD perform little economic impact analysis, but also it appears that what data they did collect was not given any weight in their closure decision.

STRENGTHS OF DFAS, LIMESTONE

DFAS, Limestone, a Center of Excellence

The DFAS system is undergoing significant transformation, technologically, in personnel numbers, and in its business model. DFAS is a virtual organization capable of existing in any secure location with sufficient telecommunications links and skilled personnel.

DFAS is seeking through BRAC to reduce redundancy, eliminate excess capacity, and improve the quality of service it delivers to its customers. As part of this transformation, DFAS plans to develop business line Centers of Excellence where skilled workers can excel in specialized business line functions. DFAS has not yet decided what will be the size and mission of these Centers pending the outcome of the BRAC process.

DFAS Limestone is ideally suited to be realigned as a DFAS business line Center of Excellence handling, for example, the Defense Travel System (DTS) that will automate the travel computation function across DOD. With its secure facility – that is readily expandable at minimal expense, low operating costs, and skilled available workforce, Limestone is the perfect location to house a DFAS Center of Excellence within a transformed DFAS organization.

Workforce Capabilities

The Limestone region has a labor force that will support an expansion of DFAS operations. Past successful expansions at DFAS prove there is a readily available applicant pool with qualified candidates to choose from.

- New hires for facility expansion activities have taken less than ten days to complete, which is the lowest in the DFAS system.
- DFAS Limestone consistently attracts qualified and dedicated employees - with resumes received to position ratios exceeding 5 to 1 in most cases.

Operating Costs

DFAS Limestone is located in a premier facility in the former Loring Air Force base hospital constructed by DOD in 1988. An investment of nearly \$6 million in 2001 allowed the facility to maximize space efficiencies and accommodate a planned expansion.

- Operating costs at DFAS Limestone are about half the cost of the existing centers in Columbus and Indianapolis, and under a third the cost of operating at Denver.

Room for Expansion

DFAS, Limestone could significantly increase its workload with little or no impact on its operating costs.

- The facility currently has excess capacity of nearly 24,000 square feet or 35% of its utilized space.
- DFAS Limestone could increase its current mission from its current level of 353 civilian employees up to 480 employees (approximately 36% increase) simply by installing cubicles and work stations in space that has already been renovated.
- With minimal renovation costs workspace could be added for an additional 120 employees bringing the total to 600 employees, a 70% increase over the current level (or a 130% increase to 1200 employees performing shift work) .

Force Protection - DFAS, Limestone is a secure facility with numerous modern Anti-Terrorism/Force Protection systems in place. These include:

- An anti-vehicle fence around the perimeter of the building with concrete barriers at two of the four entrances.
- Security gates at all vehicle entrances that comply with DOD Guidelines and that require swipe entry to gain access.
- A large buffer zone between the secure perimeter and the building itself.

Tab 2

Economic Impact of Base Closure

Impact of Prior BRAC Decisions

Unlike in most other communities, the DOD's decision to close Limestone, in fact represents a double closure. During BRAC 91 Loring Air Force Base was scheduled for closure. The closure of the former Loring Air Force Base in September 1994 had a devastating effect on the local economy. At the time of the closure announcement, the facility employed 4,500 military and 1,100 civilians. Scores of businesses closed, mil rates rose drastically in the surrounding communities because of a decrease in school enrollment, business failures and an overabundance of vacant commercial and residential real estate were prevalent.

While the region has not recovered from this painful blow, DFAS, Limestone has been the cornerstone of that effort and has provided area residents with well paying jobs with benefits. Employment and economic trends the last few years have been relatively stable, with the unemployment rate averaging slightly above or below the national level, although recently the communities surrounding Loring have experienced some significant business closures and the unemployment rate for April 2005 is 7.5%, the highest it has been for many years and 2.3% above the national average for the month.

Impact of DFAS, Limestone's Closure on the Local Community

The additional job losses that would be experienced with the closure of DFAS Limestone would be a huge blow to the area and would certainly erase a significant amount of the progress that has been made in the recovery of the loss of Loring AFB. DFAS is among the area's largest employers, and its average wages are 50% higher than rest of county. The DFAS job losses estimated by DOD will increase the number of unemployed in the region by more than 1/3.

The one piece of economic impact data that the DOD presented in their Closure recommendation was percent of the area's employment effected by the closure. Using this ratio, Aroostook County is hardest hit by the DFAS consolidation plan. At 1% of the area's population, the region suffers significantly more than the other sites – 15 of which are .1% or less of the area's population. Unfortunately, this factor does not appear to have been considered in the DOD's closure criteria.

There will also be a severe de-population effect. Aroostook County has a long history of out migration; the loss of 360 well-paying DFAS jobs will exacerbate this problem. Workers who relocate to find work will take family members with them.

Economic Impact of BRAC 2005 on the State of Maine

The statewide impact of the DOD plan will be truly massive for Maine. The closure of any single installation would be painful; the closure of three will be felt throughout the Maine economy for years to come. The Brunswick Naval Air Station, BIW, and the

Portsmouth Naval Shipyard are located in the same MSA, and between them account for 16,500 jobs, or 5% of the jobs in the Portland Region MSA, which is the very core of Maine's economy. The total direct effects alone of lost payroll at these facilities and DFAS would be greater than losing the State's entire farming and fishing industries, its food processing industry, its wood products manufacturing industry, the computer and electronics industry, or the entire hotel and motel sector of Maine's tourism industry. It would be nothing short of catastrophic.

Of the 28 net losers, only three states will lose more than 4,000 direct jobs: Connecticut, Maine, and Alaska. Maine will lose 6,938 jobs directly, second only to Connecticut. In terms of the number of civilian job losses, Maine is second only to Virginia. And if you add in the indirect job losses calculated by DOD, Maine will lose a total of 13,418 jobs, 2.1% of the state's total employment in 2002, second only to Alaska's 2.4%, and far greater than that of any other state in the nation.

These dire numbers do not, however, paint a complete picture of the DOD plan's impact all across Maine. Job losses will be difficult for every state; but the size of many other states' economies will help to soften the blow. Maine has a small population and a small workforce compared to other states. Of the three states losing more than 4,000 jobs, Connecticut will lose civilian jobs equivalent to 0.5% of total employment, Alaska will lose 1.1%, and Maine will lose 1.7%, by far the highest percentage of any state.

Further, the sub-state area impacted by the DOD plan in Maine is far larger than that of any other area in the country. While other high impact areas tend to be small both in absolute size of labor market and relative to total state employment, the economic area absorbing the bulk of Maine's impact represents over half of the state's total employment.

By any measure, Maine is being asked to carry a grossly disproportionate burden of the proposed reductions. For our state, the DOD plan will be nothing less than a federally-induced, major recession. Indeed, 13,418 direct and indirect jobs, the total that DOD predicts Maine will lose, will be 15% greater than the job losses of the 2001-02 recession, and 80% as large as the devastating recession of 1990-91.

Tab 3

Flaws in the Military Value Assessment

Four of the eight BRAC criteria relate to military value. The DOD determined military value by creating a military value model containing a scoring plan assigning weight to various criterion and underlying metrics. However, the model itself deviated substantially from the BRAC criteria in certain respects. In other words, it contained flawed assumptions. These substantial deviations are present on the face of the model, and do not require the production of any certified data to support them.

In addition, the military value model was run with inaccurate data with regard to the DFAS Limestone facility. If correct data were used, the DFAS Limestone facility would have had a substantially higher military value score. These inaccuracies also constitute substantial deviations from the BRAC criteria.

Criterion One Violations:

Flawed Assumption - DFAS Facility Must be on a Military Base to be Secure

Fifteen percent of the military value score is based on whether the facility is on a military installation. This model gives no credit for an otherwise secure facility like Limestone which has an anti-vehicle fence, controlled entry and large buffer zone around it. Security is a critical consideration, but should be considered on a facility-specific basis. The OSD-BRAC staff did not visit each facility to evaluate security because that they did not have time to do that. This results in unfair treatment to facilities such as Limestone. While full credit might arguably be given facilities on military bases, Limestone should not arbitrarily and capriciously be given no credit. In addition, the military value analysis deviated substantially by failing to include consideration of security of electric supply. Limestone received no credit for the fact that it has generators and has never lost a day of work due to power loss, a key element of financial security.

It is our understanding that the Army Corps of Engineers recently performed a security assessment of the DFAS Limestone facility on behalf of DFAS. That assessment concluded that the Limestone facility meets virtually all DOD Force Protection Standards, and is far more secure than most other DFAS facilities. Moreover, the assessment found that the standards Limestone does not meet are easily and inexpensively corrected by, for example, moving parking spaces back so they are thirty three feet away from the building, relocating the mailroom to an exterior wall, and placing a wire mesh panel around an area where the roof overhangs the building. This assessment proves that DOD deviates substantially from the BRAC criteria if it does not give Limestone full credit for facility security in its military value analysis.

Flawed Assumption - DFAS Facility Must be Near a Major Urban Area to Recruit Workers

Five percent of the military value score is based on the local workforce pool. However, the model gives a score of zero for facilities if they are not listed on a Department of Labor MSA/PMSA workforce listing. This metric arbitrarily and capriciously penalizes a facility such as Limestone for being located in a rural location. The local population workforce pool is more than adequate for DFAS's needs; each time an expansion occurred at DFAS Limestone, there was more than ample applicant pool to choose from. In October 2002, decision to realign Air Force accounting and vendor pay workload resulted in the creation of 80 new positions. After initial job announcements were made, 200 resumes were received in the first week, with a total of 400 resumes ultimately received, a 5:1 ratio! DFAS Limestone consistently attracts qualified and dedicated employees each time it hires new employees. The April 2005 unemployment rate in the Aroostook County LMA is 7.5%, with 2,790 unemployed and 34,240 employed.

Criterion Two Violation:

Flawed Assumption - Projected Budgets Reflect Facility Condition

Limestone received a "red" score for facility condition assessment rating when it should have been "green". The DOD ranked facility condition based on the total amount of projected budgets submitted by facility managers. "Green" meant maintenance repairs less than \$100,000 in the next five years; "Amber" meant repairs of \$100,000 - \$250,000 in the next five years; "Red" meant "major construction/maintenance/repairs greater than \$250,000 within the next five years." Limestone has submitted budgets for projects during the period of 2007 through 2011. However, no aspect of the Limestone facility has failed or is failing. Rather, the facility manager submitted proposals for optional improvements during that period, including, for example, \$557,000 requested in FY 2007 for an auditorium project, and \$170,000 in FY 2008 to upgrade the sewer system, and \$265,000 in FY 2009 to replace the parking lot pavement and lighting. These projects are optional, not needed maintenance, a fact to which the facility manager will readily attest. With these optional projects excluded, Limestone would receive a score of "Green."

In reality, DFAS Limestone completed a \$6 million renovation project in 2001. The facility is in excellent condition and should have received the highest ranking for its condition. By failing to appropriately account for the difference between needed and optional facility construction and maintenance, DOD substantially deviated from the BRAC criteria.

Flawed Assumption - Available Land is of No Military Benefit

Although BRAC criterion 2 explicitly states that military value shall be based on "the availability and condition of land," the military value model DOD created did not include a metric capturing that data. This penalized the Limestone facility, which sits on 15 acres

of land which could be made available at little or no cost to the DOD. Again, the Military Value assessment failed to include information that should have benefited Limestone's ranking. This was a substantial deviation from the plain language of this criterion.

Corrected Military Value Score for DFAS Limestone

If DFAS Limestone is given full credit for the secure nature of its facility under criterion one, and its facility condition assessment rating is changed from "red" to "green," then its military value score would be .843 making it the second highest military value score among all 26 DFAS facilities.

Tab 4

Flaws in Analysis of Cost Savings

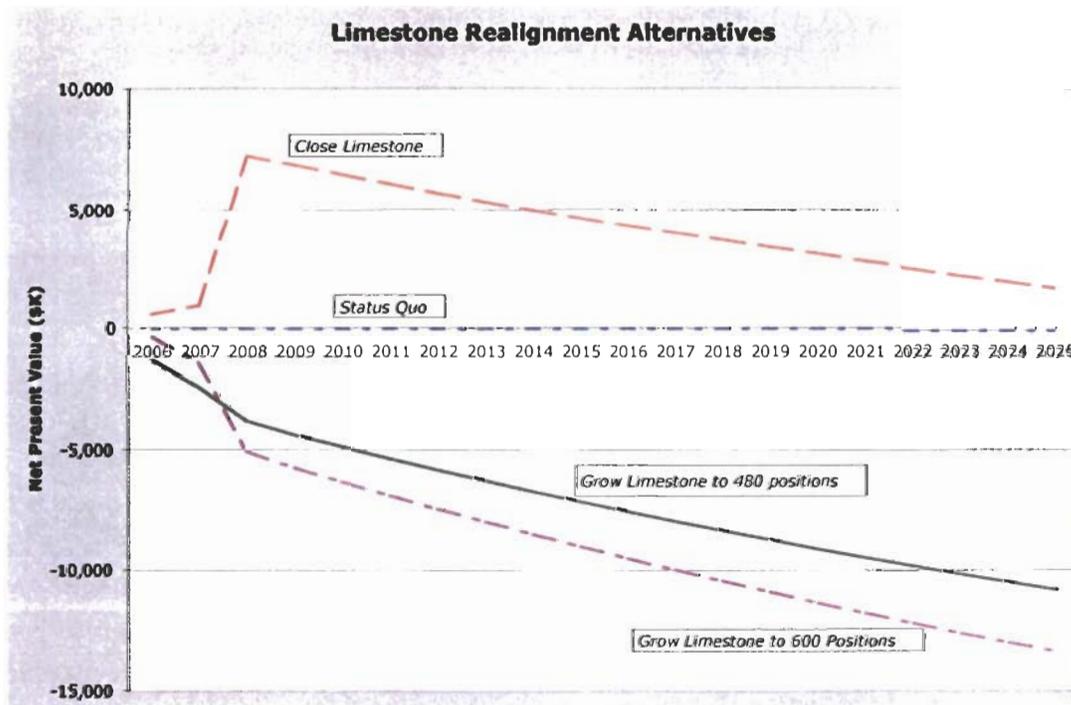
Criteria Six of DOD's Base Closure Selection Criteria states that consideration must be given to the timing of potential costs and savings, including the number of years for the savings to exceed the costs. While the DOD may have based its cost savings analysis on the nationwide consolidation plan in the aggregate, isolating the savings associated with Limestone proves that its closure is not cost effective. *In fact, as the following COBRA scenarios will show, the way to produce cost savings is to actually increase the number of personnel at the Limestone facility.*

Summary

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

- Close Limestone – as per Scenario HSA0018
- Status Quo – Retain DFAS Limestone with 241 positions
- Grow Limestone to 480 Positions
- Grow Limestone to 600 Positions

The following chart shows the comparative Net Present Value of these four alternatives: (Note, the status quo is shown for reference only. It involves no investment or return so the NPV is zero)



The DFAS Consolidation Scenario – HSA0018 V5

The baseline scenario is the Pentagon's proposed DFAS Consolidation Scenario – HSA0018 V5. This scenario consists of consolidating 26 current DFAS facilities into three receiver sites:

Columbus, Ohio
Indianapolis, Indiana
Denver, Colorado

The COBRA model is not capable of handling more than 20 bases in a realignment scenario. Therefore, the analysis was broken down into two parts, which were then added using the ADDER module. The following is a summary of the key financial results of this scenario:

Report Created:	5/4/2005 9:34:55 AM
ADDER Data File:	HSA0018
Starting Year :	2006
Final Year :	2011
1-Time Cost (K):	\$282,062
Return On Investment:	
Payback Year :	Immediate
NPV in 2025 (K):	-\$1,313,813

The Baseline Scenario – Close DFAS Limestone

It is clear from the above results that the overall business case for DFAS consolidation is compelling. However, the question remains, "Is there a business case for closing DFAS 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 the 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	
1-Time Cost (K):	\$7,806	
Return On Investment:		
Payback Year :	2033	(25 Years)
NPV in 2025 (K):	\$1,734	

Among other considerations, this scenario requires the renovation of 29,600 sq ft of administrative space 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, which would take 25 years to recover. 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 – The Status Quo

This scenario represents the net costs/savings of keeping DFAS Limestone open in its "Before BRAC" status. (Note: The "before BRAC" personnel count at Limestone is 241 positions. This represents a programmed drawdown from the current count of 309 positions.)

In effect, this represents the "null case." No investment is required and no return is expected. Therefore, the net costs/savings of this scenario are zero. This scenario merely serves as a cross check for accuracy and as the baseline for measuring the net costs and net savings of the scenarios being evaluated.

Limestone Positions:		
Before BRAC	241	
Gained/eliminated	0	
Realigned	0	
After BRAC	241	
Starting Year :	2006	
Final Year :	N/A	
1-Time Cost (\$K):	0	
Return On Investment:		
Payback Year :	N/A	
NPV in 2025 (\$K):	0	
Costs/savings Relative to Scenario HSA0018:		
1-Time Cost (K):	-\$7,806	(saved)
NPV in 2025 (K):	-\$1,734	(saved)

Conclusion: When compared to the HSA0018 scenario, the status quo "saves" by avoiding \$7.8 million in implementation costs.

Alternative 2 – 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 resulted in further savings by totally eliminating the need for Milcon at Columbus without requiring any Milcon at Limestone.

Limestone Positions:		
Before BRAC	241	
Gained/eliminated	0	
Realigned	239	
After BRAC	480	
Starting Year :	2006	
Final Year :	2008	
1-Time Cost (\$K):	-\$2,947	(saved)
Return On Investment:		
Payback Year :	Immediate	
NPV in 2025 (\$K):	-\$10,817	
Costs/savings Relative to Scenario HSA0018:		
1-Time Cost (K):	-\$10,753	(saved)
NPV in 2025 (K):	-\$12,551	(saved)

This scenario completely eliminates the requirement for MilCon. It also produces savings in other areas because personnel costs, overhead, etc are lower at Limestone than at Columbus.

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 \$10.7 million in implementation costs and net 20-year NPV savings of over \$12.5 million.

Alternative 3 – 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 80 positions would relocate from Charleston, SC to Limestone instead of Columbus and that 229 Norfolk positions would relocate to Limestone instead of Columbus. This scenario requires renovating 24,000 sq ft of administrative space at Limestone at a cost of \$1.23 million.

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

Limestone Positions:		
Before BRAC	241	
Gained/eliminated	0	
Realigned	359	
After BRAC	600	
Starting Year :	2006	
Final Year :	2008	
1-Time Cost (\$K):	-\$4,130	(saved)
Return On Investment:		
Payback Year :	Immediate	
NPV in 2025 (\$K):	-\$13,371	
Costs/savings Relative to Scenario HSA0018:		
1-Time Cost (K):	-\$11,936	(saved)
NPV in 2025 (K):	-\$15,105	(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 \$11.9 million in implementation costs and net 20-year NPV savings of over \$15.1 million.

Scenario

Total Scenario Summary

Description

Compares HSA0018 Baseline to three other alternatives

	Baseline (0)	Alt 1 (241)	Alt 2 (480)	Alt 3 (600)
Payback	Immediate	Immediate	Immediate	Immediate
NPV in 2025 (\$K)	-1,313,813	-1,315,547	-1,326,364	-1,328,918
1-Time Cost (\$K)	282,061	274,255	271,308	270,125
Invest/Return Ratio	5.6	5.8	5.9	6.0

Total Investment (\$K):

MilCon	3,898	2,482	0	1,230
Personnel	57,916	56,810	56,748	56,479
Moving	201,030	195,745	195,342	193,199
Overhead	5,463	5,463	5,463	5,463
Other	13,755	13,755	13,755	13,755
TOTAL	282,061	274,255	271,308	270,125

Recurring Costs/Year (\$K)

Personnel	-88,715	-88,462	-88,777	-88,842
Overhead	-7,426	-7,574	-7,814	-7,855
Mission	-24,324	-23,987	-23,987	-23,987
Other	-32	-32	-32	-32
TOTAL	-120,497	-120,055	-120,610	-120,716

Positions Eliminated

1,280	1,273	1,273	1,273
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Positions Realigned

7,415	7,181	7,181	7,181
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Limestone Position Changes

Before BRAC	241	241	241	241
Positions Eliminated	-7	0	0	0
Positions Realigned	-234	0	239	359
After BRAC	0	241	480	600

Year	NPV (\$K)	NPV (\$K)	NPV (\$K)	NPV (\$K)
2006	58,549	57,936	56,625	57,591
2007	99,777	98,820	96,359	97,422
2008	95,530	88,312	84,498	83,261
2009	67,410	60,562	56,172	54,838

Scenario

Limestone Business Case Summary

Description

Compares HSA0018 Baseline to three other alternatives

	Baseline (0)	Alt 1 (241)	Alt 2 (480)	Alt 3 (600)
Payback	25 Years	N/A	Immediate	Immediate
NPV in 2025 (\$K)	1,734	0	-10,817	-13,371
1-Time Cost (\$K)	7,806	0	-2,947	-4,130

Total Investment (\$K):

MilCon	1,416	0	-2,482	-1,252
Personnel	1,106	0	-62	-331
Moving	5,284	0	-404	-2,547
Overhead	0	0	0	0
Other	0	0	0	0
TOTAL	7,806	0	-2,947	-4,130

Recurring Costs/Year (\$K)

Personnel	-253	0	-315	-380
Overhead	148	0	-240	-281
Mission	-337	0	0	0
Other	0	0	0	0
TOTAL	-442	0	-555	-661

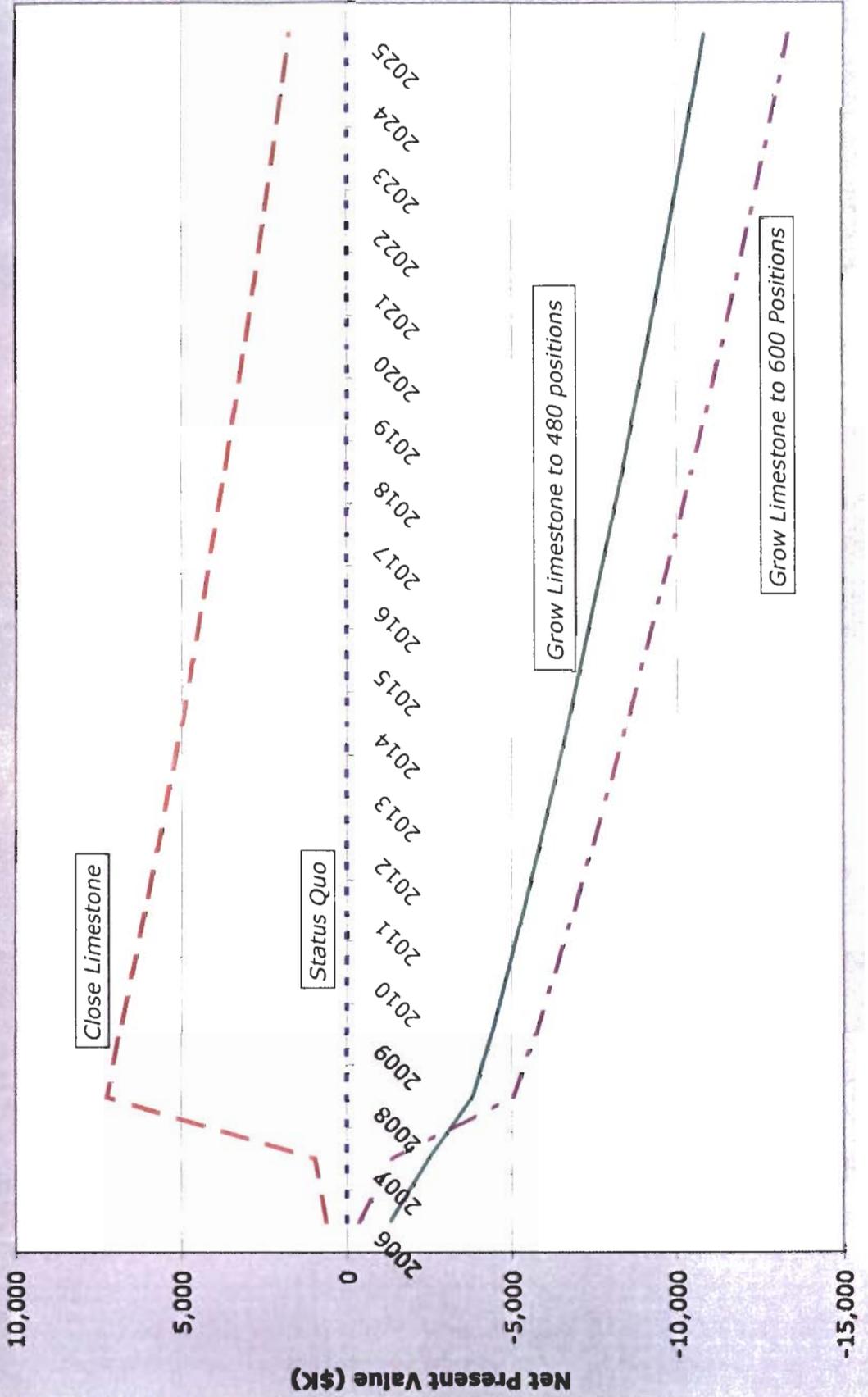
Limestone Position Changes

Before BRAC	241	241	241	241
Positions Eliminated	-7	0	0	0
Positions Realigned	-234	0	239	359
After BRAC	0	241	480	600

Year Close	Limestone Keep	Limestone Row	Limestone 4 Row	Limestone 6 Row
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2006	612	0	-1,312	-345
2007	957	0	-2,461	-1,399
2008	7,217	0	-3,814	-5,052
2009	6,848	0	-4,391	-5,724

Limestone Realignment Alternatives



Scenario **Baseline (0):**
Description HSA0018 V5 - P1 Updated 3 May 05
Limestone Closed. Milcon required at Columbus.

Payback Immediate
NPV in 2025 (\$K) -1,164,282
1-Time Cost (\$K) 208,681
Invest/Return Ratio 5.6

Total Investment (\$K):
MilCon 3,898 Rehab at Columbus
Personnel 48,287 Primarily RIF and early retirements
Moving 144,204 Primarily civilian moving
Overhead 4,224 Primarily program management cost
Other 8,068 HAP/RSE
TOTAL 208,681

Recurring Costs/Year (\$K)
Personnel -84,082 Due to elimination of 1,206 positions
Overhead -5,887 Primarily BOS savings due to site closures
Mission -14,452 Based on operating cost/sq ft
Other -32
TOTAL -104,453

Scenario Position Changes
Positions Eliminated 1,206
Positions Realigned 5,389

Limestone Position Changes
Before BRAC 241
Positions Eliminated -7
Positions Realigned -234
After BRAC 0

Year	Costs (\$K)	Adjusted (\$K)	NPV (\$)	Nper
2006	27,080	26,709	26,709	0.5
2007	42,949	41,206	67,915	1.5
2008	-10,646	-9,936	57,979	2.5
2009	-29,551	-26,828	31,151	3.5
2010	-89,302	-78,866	-47,716	4.5
2011	-103,545	-88,954	-136,670	5.5
2012	-104,454	-87,291	-223,961	6.5
2013	-104,454	-84,913	-308,875	7.5
2014	-104,454	-82,601	-391,475	8.5
2015	-104,454	-80,351	-471,826	9.5
2016	-104,454	-78,162	-549,989	10.5
2017	-104,454	-76,033	-626,022	11.5
2018	-104,454	-73,962	-699,984	12.5
2019	-104,454	-71,948	-771,932	13.5
2020	-104,454	-69,988	-841,920	14.5
2021	-104,454	-68,082	-910,002	15.5
2022	-104,454	-66,228	-976,230	16.5
2023	-104,454	-64,424	-1,040,654	17.5
2024	-104,454	-62,669	-1,103,323	18.5
2025	-104,454	-60,962	-1,164,285	19.5

Scenario

Alt 1 (241)

Description

Limestone remains open, retaining 241 positions
 Reduced MilCon at Columbus. No MilCon at Limestone.

Payback	Immediate
NPV in 2025 (\$K)	-1,166,016
1-Time Cost (\$K)	200,875
Invest/Return Ratio	5.8

Total Investment (\$K):

MilCon	2,482	Rehab at Columbus
Personnel	47,181	Primarily RIF and early retirements
Moving	138,920	Primarily civilian moving
Overhead	4,224	Primarily program management cost
Other	8,068	HAP/RSE
TOTAL	<u>200,875</u>	

Recurring Costs/Year (\$K)

Personnel	-83,829	Due to elimination of 1,206 positions
Overhead	-6,035	Primarily BOS savings due to site closures
Mission	-14,115	Based on operating cost/sq ft
Other	-32	
TOTAL	<u>-104,011</u>	

Scenario Position Changes

Positions Eliminated	1,199
Positions Realigned	5,155

Limestone Position Changes

Before BRAC	241
Positions Eliminated	0
Positions Realigned	0
After BRAC	241

Year	Costs (\$K)	Adjusted (\$K)	NPV (\$)	Nper
2006	26,459	26,096	26,096	0.5
2007	42,590	40,862	66,958	1.5
2008	-17,354	-16,196	50,762	2.5
2009	-29,144	-26,459	24,303	3.5
2010	-88,860	-78,476	-54,173	4.5
2011	-103,103	-88,575	-142,748	5.5
2012	-104,012	-86,922	-229,670	6.5
2013	-104,012	-84,554	-314,224	7.5
2014	-104,012	-82,251	-396,475	8.5
2015	-104,012	-80,011	-476,486	9.5
2016	-104,012	-77,832	-554,317	10.5
2017	-104,012	-75,712	-630,029	11.5
2018	-104,012	-73,649	-703,679	12.5
2019	-104,012	-71,643	-775,322	13.5
2020	-104,012	-69,692	-845,014	14.5
2021	-104,012	-67,794	-912,808	15.5
2022	-104,012	-65,947	-978,755	16.5
2023	-104,012	-64,151	-1,042,906	17.5
2024	-104,012	-62,404	-1,105,310	18.5
2025	-104,012	-60,704	-1,166,014	19.5

Scenario

Alt 2 (480)

Description

Limestone stays open and increases to 480 positions
No MilCon required.

Payback	Immediate
NPV in 2025 (\$K)	-1,176,833
1-Time Cost (\$K)	197,928
Invest/Return Ratio	5.9

Total Investment (\$K):

MilCon	0	No MilCon
Personnel	47,119	Primarily RIF and early retirements
Moving	138,516	Primarily civilian moving
Overhead	4,224	Primarily program management cost
Other	8,068	HAP/RSE
TOTAL	197,928	

Recurring Costs/Year (\$K)

Personnel	-84,144	Due to elimination of 1,206 positions
Overhead	-6,275	Primarily BOS savings due to site closures
Mission	-14,115	Based on operating cost/sq ft
Other	-32	
TOTAL	-104,566	

Scenario Position Changes

Positions Eliminated	1,199
Positions Realigned	5,155

Limestone Position Changes

Before BRAC	241
Positions Eliminated	0
Positions Realigned	239
After BRAC	480

Year	Costs (\$K)	Adjusted (\$K)	NPV (\$)	Nper
2006	25,129	24,784	24,784	0.5
2007	41,392	39,712	64,497	1.5
2008	-18,804	-17,550	46,947	2.5
2009	-29,779	-27,035	19,912	3.5
2010	-89,415	-78,966	-59,054	4.5
2011	-103,658	-89,051	-148,106	5.5
2012	-104,567	-87,386	-235,491	6.5
2013	-104,567	-85,005	-320,497	7.5
2014	-104,567	-82,690	-403,187	8.5
2015	-104,567	-80,438	-483,625	9.5
2016	-104,567	-78,247	-561,871	10.5
2017	-104,567	-76,116	-637,987	11.5
2018	-104,567	-74,042	-712,029	12.5
2019	-104,567	-72,026	-784,055	13.5
2020	-104,567	-70,064	-854,119	14.5
2021	-104,567	-68,156	-922,275	15.5
2022	-104,567	-66,299	-988,574	16.5
2023	-104,567	-64,493	-1,053,067	17.5
2024	-104,567	-62,737	-1,115,804	18.5
2025	-104,567	-61,028	-1,176,832	19.5

Scenario **Alt 3 (600)**

Description Limestone stays open and increases to 600 positions
Requires some Amber code rehab at Limestone.

Payback Immediate
NPV in 2025 (\$K) -1,179,387
1-Time Cost (\$K) 196,745
Invest/Return Ratio 6.0

Total Investment (\$K):

MilCon	1,230	Rehab 24,000 sq ft at Limestone
Personnel	46,850	Primarily RIF and early retirements
Moving	136,373	Primarily civilian moving
Overhead	4,224	Primarily program management cost
Other	8,068	HAP/RSE
TOTAL	196,745	

Recurring Costs/Year (\$K)

Personnel	-84,209	Due to elimination of 1,199 positions
Overhead	-6,316	Primarily BOS savings due to site closures
Mission	-14,115	Lease or operating cost/sq ft
Other	-32	
TOTAL	-104,672	

Scenario Position Changes

Positions Eliminated	1,199
Positions Realigned	5,155

Limestone Position Changes

Before BRAC	241
Positions Eliminated	0
Positions Realigned	359
After BRAC	600

Year	Costs (\$K)	Adjusted (\$K)	NPV (\$)	Nper
2006	26,109	25,751	25,751	0.5
2007	41,492	39,808	65,559	1.5
2008	-21,268	-19,849	45,710	2.5
2009	-29,885	-27,132	18,578	3.5
2010	-89,520	-79,059	-60,481	4.5
2011	-103,763	-89,142	-149,622	5.5
2012	-104,672	-87,473	-237,095	6.5
2013	-104,672	-85,091	-322,186	7.5
2014	-104,672	-82,773	-404,959	8.5
2015	-104,672	-80,519	-485,478	9.5
2016	-104,672	-78,325	-563,803	10.5
2017	-104,672	-76,192	-639,995	11.5
2018	-104,672	-74,117	-714,112	12.5
2019	-104,672	-72,098	-786,210	13.5
2020	-104,672	-70,134	-856,344	14.5
2021	-104,672	-68,224	-924,568	15.5
2022	-104,672	-66,366	-990,934	16.5
2023	-104,672	-64,558	-1,055,492	17.5
2024	-104,672	-62,800	-1,118,292	18.5
2025	-104,672	-61,089	-1,179,381	19.5

Scenario

Part 2

Description

Limestone stays open and increases to 600 positions
Requires some Amber code rehab at Limestone.

Payback	3 Years
NPV in 2025 (\$K)	-149,531
1-Time Cost (\$K)	73,380
Invest/Return Ratio	2.0

Total Investment (\$K):

MilCon	0 Rehab 24,000 sq ft at Limestone
Personnel	9,629 Primarily RIF and early retirements
Moving	56,826 Primarily civilian moving
Overhead	1,239 Primarily program management cost
Other	5,687 HAP/RSE
TOTAL	73,380

Recurring Costs/Year (\$K)

Personnel	-4,633 Due to elimination of 1,199 positions
Overhead	-1,539 Primarily BOS savings due to site closures
Mission	-9,872 Lease or operating cost/sq ft
Other	0
TOTAL	-16,044

Positions Eliminated	74
Positions Realigned	2,026

Limestone Position Changes

Before BRAC	0
Positions Eliminated	0
Positions Realigned	0
After BRAC	0

Year	Costs (\$K)	Adjusted (\$K)	NPV (\$)	Nper
2006	32,283	31,840	31,840	0.5
2007	23	22	31,862	1.5
2008	6,095	5,688	37,551	2.5
2009	-1,422	-1,291	36,260	3.5
2010	-16,044	-14,169	22,091	4.5
2011	-16,044	-13,783	8,307	5.5
2012	-16,044	-13,408	-5,100	6.5
2013	-16,044	-13,043	-18,143	7.5
2014	-16,044	-12,687	-30,830	8.5
2015	-16,044	-12,342	-43,172	9.5
2016	-16,044	-12,006	-55,178	10.5
2017	-16,044	-11,679	-66,856	11.5
2018	-16,044	-11,361	-78,217	12.5
2019	-16,044	-11,051	-89,268	13.5
2020	-16,044	-10,750	-100,018	14.5
2021	-16,044	-10,457	-110,475	15.5
2022	-16,044	-10,172	-120,648	16.5
2023	-16,044	-9,895	-130,543	17.5
2024	-16,044	-9,626	-140,169	18.5
2025	-16,044	-9,364	-149,533	19.5

Tab 5

Flaws in Economic Impact Analysis

Criteria Six of the Department of Defense BRAC Selection Criteria mandates that consideration must be given to the economic impact on existing communities in the vicinity of military installations. This impact has not been fully assessed by DOD, nor has the data used been accurate. Not only did the DOD fail to accurately assess the economic impact, the information they did have appears not to have been considered in their closure decision. This is a violation of Criteria Six of the Base Realignment and Closure legislation.

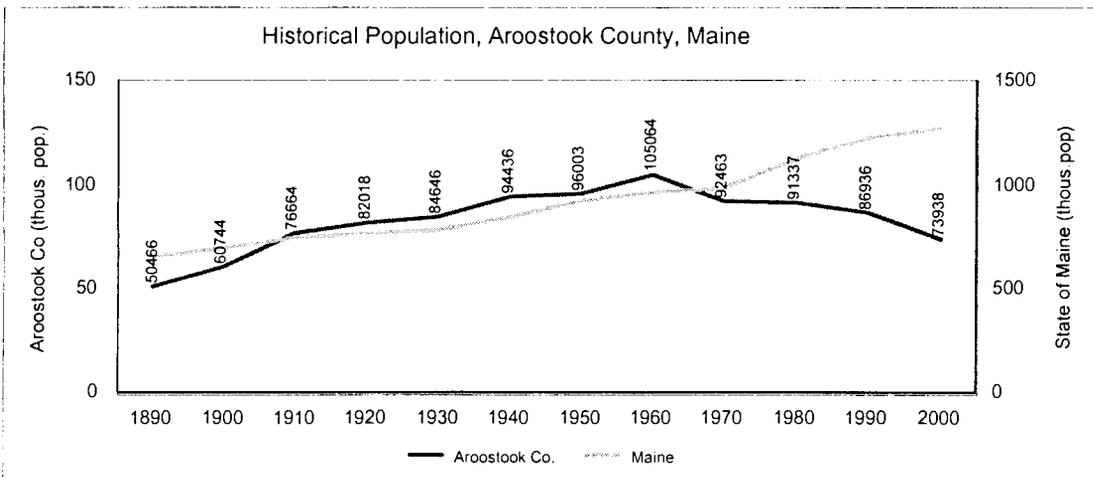
The one piece of economic impact data that the DOD included in their Closure recommendation was the percent of the area's employment effected by the closure. Using this ratio, Aroostook County suffers the greatest under the DFAS consolidation plan. At 1% of the area's population, the region significantly more than the other sites – 15 of which are .1% or less of the area's population. Unfortunately, there is no evidence that this factor was considered in the DOD's closure criteria.

Criteria Six Violations:

Flawed Assumption – Closure has No Impact on Population Losses

With any business closing that results in significant job loss, it is not just the worker but also the entire family that is impacted. When workers must relocate in order to find work, whole families leave.

Aroostook County has had a long history of out migration, largely due to its remote location and to hard times in the agriculture and forestry industries that dominate the region. This was exacerbated in the 1990s with the closing of Loring Air Force Base, which removed 4,500 military personnel plus family members from the area and put more than a 1,100 civilians employed on the base out of work. Population decline in the county accelerated.



Flawed Data - Operational Costs and Expenditures of DFAS

Secondary impacts of closing the DFAS center include not only the indirect effect of jobs lost at the facility, but also the effects of spending by the facility that occurs in the region. To date very little information has been released concerning expenses.

Flawed Data - DOD Baseline Employment Figure for Limestone DFAS Center

DOD estimates the impact of closing the Limestone DFAS center to be a loss of 353 jobs in Aroostook County, based on 241 employed at the center.

However, the center currently employs just over 360 workers. The impact, using DOD's method of measuring job loss would be much greater if the current employment figures had been used.

Flawed Analysis - Economic Impact

A comparison of DOD's estimates of the impact of closing the Limestone DFAS facility to other assessments show important differences. Had DOD used the current employment figures for the center, their results would have shown a greater impact. The RIMS II and REMI forecasting models capture more of the impact of a closure, in spite of the obstacle of missing and unavailable data, than do bare IMPLAN multipliers employed by DOD,

DFAS - Limestone, Maine Area Profile	
Effect of Closing DFAS on Employment	
Population Estimate (2003 Census)	73,390
Civilian Labor Force (Apr. 2005)	37,030
Employment (Apr. 2005)	34,240
DFAS Employment (DOD)	241
Pct of Employment (DOD)	NA
DFAS Employment Impact (DOD)	391
Pct of Employment Impact (DOD)	1.0
DFAS Employment	364
Pct of Employment	1.1
DFAS Employment Impact (RIMS II)	530
Pct of Employment (RIMS II)	1.5
DFAS Employment Impact (REMI)	582
Pct of Employment Impact (REMI)	1.7
Unemployment Rate (Apr. 2005)	7.5
Poverty Rate (2002 Census)	15.3

Maine's Assessment of Economic Impact

The economic impact of closing the Limestone DFAS center was measured by the Maine State Planning Office and the Muskie Institute, University of Southern Maine, using two separate economic models (RIMS II and REMI).

Inaccurate data on the number employed, lack of information on the actual amount of current payroll, and lack of data on operational expenditures of the center made it difficult if not impossible to fully assess the impact of closing the DFAS center.

The output of the two economic models is based on the effect of losing 360+ jobs at the DFAS center. The results are slightly different due to the different methods the models employ. RIMS II measures effects of payroll and of direct spending (purchases) by the establishment while REMI measures the effects of job change (losses) and computes the effects of further population impacts due to out-migration of a portion of the workforce over time. REMI multipliers were also available to measure both Statewide and County impacts.

Economic Modeling Results

Since RIMS II measures indirect impacts based on two criteria - the size of the payroll, and the expenditures of the establishment, both of which were unavailable, the 2003 payroll, which is lower than the current payroll after the increase in personnel that occurred at the center in 2004, was used. As a result, the impacts of the payroll are conservative and understated. Since no data was available on purchases or on operating expenditures to local businesses, the impact of \$1 million in spending was used to determine an approximate amount.

The results show job loss to the state of 546 positions, including 530 direct and indirect jobs due to loss of payroll and another 16 jobs lost for each \$1 million in direct spending by the Center.

Impact	RIMSII Model Output:		
	Direct	Indirect	Total
Earnings (\$millions)	10	4.9	14.9
Employment	364	166	530
Operations (per \$million)			
Output (\$millions)	1.0	0.757	1.757
Earnings (\$millions)		0.465	0.465
Employment (jobs)		15.8	15.8

The REMI forecasting model not only measures the results of lost jobs, but also estimates population loss that results over time from a business closing. The added impact of out migration indicates that over time the effect will be somewhat greater.

The results show a loss of 582 jobs in the region and a statewide loss of 600 jobs. This loss will increase as out migration occurs. The labor force is also forecast to decline as people leave the labor force or move away in search of jobs.

	Impact	REMI Model Output:				
	year	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Aroostook County</u>						
Total Employment		-581.9	-598.5	-607.9	-612.1	-613.9
Total GRP (Bil Chained 96\$)		-30.29	-30.96	-31.39	-31.64	-31.8
Total GRP (Bil Fixed 96\$)		-33	-34.17	-35.1	-35.85	-36.5
Pers Inc (Bil Nom \$)		-28.18	-30.99	-33.45	-35.69	-37.81
Population		-120.4	-214.3	-293	-358.7	-413.8
Labor Force		-134	-220.9	-284.5	-331.3	-365.7
<u>MAINE</u>						
Total Employment		-600.3	-619.4	-630.6	-635.7	-638
Total GRP (Bil Chained 96\$)		-31.06	-31.85	-32.37	-32.67	-32.86
Total GRP (Bil Fixed 96\$)		-33.84	-35.15	-36.19	-37.01	-37.72
Pers Inc (Bil Nom \$)		-29.35	-32.4	-35.08	-37.48	-39.75
Population		-128.8	-229.9	-315.2	-386.6	-446.5
Labor Force		-143.1	-236.8	-305.5	-356.3	-393.9

Overall, the two models show similar results, A job loss of between 550 and 600 is indicated once the conservative results of the RIMS II model due to lack of current payroll data is considered. Out migration of population in general, and especially of skilled workers will make recovery very difficult in isolated Aroostook County.

Table

Limestone, a Center of Excellence

Consolidation with a Purpose

The purpose of the DFAS consolidation through the BRAC process is to eliminate excess capacity within the system and to maximize the overall military value (the security and efficiency with which DFAS executes its mission) of the DFAS system. Despite the recommendations made by the Department of Defense, DFAS Limestone has the capability to augment the military value of the DFAS system and should be expanded as part of the transformation of DFAS.

There is no doubt that there is excess capacity within the DFAS system; however, the Department of Defense seriously examined only one poorly considered scenario. The guiding parameter of that scenario was to reduce capacity by decreasing the number of facilities to the lowest possible number without requiring military construction. The Department of Defense failed to recognize the virtual nature of the DFAS system, and therefore failed to embrace a transformational future vision of DFAS. The DFAS consolidation recommendations should be based on the principle of promoting the military value of the entire DFAS network by reducing capacity while keeping the most cost efficient and secure facilities. Expanding DFAS Limestone is conducive to this effort of promoting a low-cost, streamlined and effective DFAS system.

DFAS Transformation

The DFAS roadmap for transformation seeks to create a foundation upon which to build a financial services operation that addresses existing financial management deficiencies by enhancing and streamlining government processes, consolidating operations, and leveraging to the greatest extent possible private sector expertise and innovation.¹ DFAS is using the BRAC process as a tool to further this effort; however, the final vision of DFAS is currently unclear to DFAS leadership. The Deputy Director of DFAS, General Eakle, has stated that they are not sure what DFAS' organizational structure will look like in the coming years, that they are looking to private industry for models of how better to organize DFAS operations, and that they have not yet developed a model for their future structure, pending the outcome of the BRAC process.

There is no business line within the DFAS system or vision for the future that necessarily excludes Limestone. In fact, when asked what DFAS would do if the BRAC Commission decided to keep Limestone open and realign it to increase its size, General Eakle responded that DFAS would determine which business line would make most sense to put there and seek to build a "center of excellence" in Limestone.

¹ DFAS Transformation Strategy, March 2003, pg. 2.

DFAS Limestone Track Record of Excellence

Throughout the history of DFAS, there have been continuous workload realignment and consolidation initiatives designed to streamline and increase the efficiency of operations, reduce costs, and improve customer service. Due to Limestone's superior performance, these initiatives have resulted in DFAS Limestone continuously gaining additional work while maintaining a stable employment base due to increased technological advancements, systems improvements, operational efficiencies, and economies of scale.

Limestone has a proven record of accomplishment within DFAS² and is capable of serving clients anywhere in the DOD network because of its Defense Information Systems Network (DISN) Point of Presence and the internet based nature of the business performed by DFAS. Limestone is currently one of only two facilities serving the Air Force. Limestone provides product line assistance for accounting services, commercial pay services and corporate resources, and is fully capable of taking on a greater workload. DFAS Limestone has been a leader with DFAS for embracing technology³ and reducing inefficiency and any recommendation should take advantage of these qualities.

DFAS Limestone, a Center of Excellence

While DFAS Limestone is geographically far from its customers, a committed investment in automation and telecommunications technologies has made the facility real neighbors in every sense of the word. Because of its location, Limestone's cost of operations is low and its efficiency is high. Through voice and data lines and a video teleconference center, DFAS Limestone has instantaneous communications with all its customers, providing excellent support not only to the bases served, but also to the vendors who provide goods and services to these bases. DFAS Limestone's services include: vendor pay; accounts receivable; appropriated funds accounting and reporting; working capital funds accounting and reporting; and travel accounting.

As a result, Limestone is well positioned to be part of the future force structure of DFAS. As a center of excellence, Limestone could focus and expand any of its current missions or perform a new business line as identified by DFAS following the BRAC process. As of 2 June 2005, DFAS Limestone employed 353 FTEs in a recently renovated state of the art facility. This facility could easily accommodate 480 employees at minimal cost and could expand to facilitate up to 600 employees (1200 or more with shift work) with minor renovations. With an operating cost of \$4.98, Limestone is significantly less expensive than Indianapolis (\$14.96), Columbus (\$8.27) or Denver (\$9.15) and could serve as a new cost effective center of excellence in conjunction with the three receiving sites.⁴

² When the former Under Secretary of Defense, Comptroller, Dov Zakheim, toured the Limestone facility in June 2003, he correctly noted that, "They [DFAS Limestone] have a reputation in DFAS, a good one. We are looking to bring people back from [DFAS centers] in Europe, and I see a good quality of work here. We think we can be more efficient doing the work here."

³ The President's National Performance Review awarded its coveted Hammer Award to DFAS Limestone for their work with database retrievals and LOUIS software.

⁴ COBRA Tabs

DFAS Limestone as Virtual Surge Capacity

Limestone also has the capability to act as virtual surge capacity for the entire DFAS network because of its Defense Information Systems Network (DISN) Point of Presence. As stated above, cost of operations at Limestone is substantially lower than the three designated receiving facilities making Limestone a far more efficient location to manage potential surges in workload. In previous instances of surge within the DFAS system, Limestone has served in this capacity by taking on more work from other facilities. Furthermore, should the DFAS system ever need to perform military construction in the future, construction costs in northern Maine would be lower than other parts of the country, and the DFAS Limestone facility is located on 15 acres of land that could be leased at no cost.⁵

DFAS Limestone as Strategic Redundancy

The Defense Finance and Accounting Service Limestone is located in the medical facility and dental clinic of the former Loring Air Force Base. The building was constructed 1988 at a cost of \$20 million. In 2000, DFAS Limestone concluded an over \$5 million renovation project. Now that the project is complete, DFAS Limestone is one of the most modern facilities in the DFAS network. The physical plant that maintains the comfort, efficiency, and environmental control is second to none within the DFAS network, with redundancy throughout including: three Cleaver Brooks 80-horsepower, low pressure steam, oil-fired boilers; two electrical distribution feeds and two switch gear substations; two 150-ton, six stage McQuay package chilled water air conditioner units; two PVI oil-fired, hot water heaters; and two 400kw Caterpillar diesel generators for emergency power.

The threat level for Limestone is low, and recent force protection reviews of the facility found it to be secure. It is not only located on a different power grid from Columbus and Indianapolis; it is located on its own local power grid with back up generators. In a technology-based business, this type of security and strategic redundancy is critical to ensuring continuity of business operations.

Conclusion: Grow DFAS Limestone

Based on the substantial deviations from BRAC criteria stated earlier, we believe a more efficient, cost effective and therefore military value based approach to the DFAS consolidation would be to expand operations at DFAS Limestone. As demonstrated by the various COBRA models, keeping DFAS Limestone open, and expanding it to 600 or more employees is fully consistent with both the purpose of BRAC to decrease capacity and increase “military value,” and the DFAS transformation strategy to focus work at “centers of excellence.”

⁵ Agreement with Loring Development Authority

Tab 7

Workforce Capabilities

The Limestone commuting region has the population and labor force to support an expansion of DFAS operations.

- The population within 30 miles of Limestone totaled 38,300 in 2000. In that region the civilian labor force averaged 19,800 and the unemployment rate was 5.1 percent in 2004.
- In 2004 the population in Aroostook County as a whole totaled 73,390. The labor force averaged 36,830 and the unemployment rate was 4.5 percent.
- According to the *2000 Census of Population*, Maine workers are willing to commute lengthy distances to work, with 28 percent commuting between 30 and 60 miles. Two attached maps include a breakdown of commuting into and out of Limestone. Many more workers commute to the larger nearby towns of Caribou and Presque Isle, where there are many more jobs. The larger number of commuters to those towns provides a better indication of the number of people willing to commute to Limestone.
- Aroostook County has been experiencing net out-migration of population for the last four decades. The out-migration rate has generally been highest among young adults, many of whom leave to enter college and do not return due to the limited career opportunities available to them. A recent study commissioned by the Northern Maine Development Commission found that a sizable share of youths would prefer to remain in Aroostook if appropriate career opportunities were available to them.

Attached are a number of testimonials from local employers describing the availability of qualified workers in the Limestone area.

Aroostook County has the experienced workers to support expansion of DFAS operations.

- There were 2,800 people working in occupations common to DFAS operations in 2004.
- There were 148 Aroostook County residents with experience in occupations common to DFAS operations on file with Maine CareerCenters.
- There is a substantial pool of people working in related occupations who have the knowledge, skills, and other attributes necessary for success in functions performed in DFAS operations.

Aroostook County average wages for Accountants and Auditors; Bookkeeping, Accounting, and Auditing Clerks; First-Line Supervisors of Office and Administrative Support Workers; and other occupations were substantially below pay levels reported by the Limestone DFAS office, as well as below 2004 national averages. DFAS pay levels by occupation are extremely attractive in the region.

Maine's CareerCenters are committed to assisting employers with their staffing needs. The Presque Isle CareerCenter office has an excellent track record assisting local employers finding the right workers for job openings.

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.

Aroostook County has "Shadow Labor Force" that would return to the region if quality jobs were created.

Two significant - though often overlooked - factors should be considered in the determination of whether the Aroostook County labor force could support a large manpower expansion of the Limestone DFAS facility. These are the "shadow labor force" consisting of people who have been migrating out of the County for decades to seek better employment opportunities, and people in other regions of the State and the country who would prefer to relocate in rural areas if job prospects were better.

The University of Southern Maine Center for Business and Economic Research (CBER) conducted a study for the Northern Maine Development Commission, published in October 2004, which speaks directly to this issue. The CBER analyzed data on actual migration trends from the Census and from Internal Revenue Service data and also used surveys of both high school and college students in Aroostook to explore their views on where they expect to live, what they find attractive or not about the County, and their views on possibly returning to Aroostook, if they do leave.

The relevant Major Findings in the Executive Summary of this report are reproduced below.

- Aroostook youth are more likely to leave for other destinations in Maine than for out of state destinations. Penobscot County appears to be the most popular destination for youth out-migrants.
- The common perception that youth leave Aroostook County in search of better career and income prospects is generally true, though there are other factors that determine location decisions. Among these are the types of careers people seek, the depths of their connections to the County, and to some extent their gender.
- Analysis of income data for Aroostook out-migrants (of all ages) suggests that those with lower incomes tend to be the ones to leave and those with higher incomes tend to be the ones to stay.
- Both high school and college students in Aroostook report strong preferences to live in rural areas or smaller urban areas rather than large urban areas. This is consistent with the finding that most youth migrants move to places like Bangor and Portland rather than larger urban centers like Boston.
- The longer youth have lived in Aroostook County, the more likely they are to want to, and to expect to, stay or return to the County.

- Those who are likely to leave cite career and income concerns as the key attractions of other locations and as the detriments to remaining in Aroostook.
- About 70% of college students and 77% of high school students said they definitely will return or would like to return to Aroostook if they leave. But only slightly more than 20% indicated that they definitely will return.
- Among both high school and college students, jobs and career-related opportunities and information are the most important considerations in decisions about whether to return to the County.

Clearly, the County is suffering an out-migration of youth and, by implication, older residents, largely because of the lack of attractive employment opportunities. According to the Maine Department of Labor, the average job at the Limestone DFAS pays about \$39,000 per year and offers very attractive benefits. This average wage compares extremely favorably with the average wage of \$25,000 for all payroll employees in Aroostook County and would doubtless exert a strong pull on those who would normally migrate out of the County.

The findings of the CBER study cited above also illustrate that many people, wherever they may hail from, are attracted to rural living. This would include many, and perhaps most of those currently employed in existing rural DFAS centers. It would seem to be just good sense for the DoD to locate at least one of the 3 proposed consolidated DFAS operations in a rural area where it would attract experienced, current DFAS employees around the country who would not relocate to an urban area.

Aroostook County School Districts' filled with high performing students with a capacity to handle more.

The graduation rate in Aroostook County is extremely high: for the 2002-2003 school year, the rate was 92.36%, compared to a national average of 67.3%. The 2003 SAT I results for Aroostook County were Verbal 485 and Math 495. The tests were taken by 572 students. Two students in each test (Verbal and Math) scored in the 800's. (Most Maine students take SATS, currently 76% of graduating students. Only about 4% take ACT exams.)

The population in Aroostook County School Districts is 11,847 publicly funded students (as of October 2004). There is a capacity for 16,110. High School enrollment is 3,698. The pupil/teacher ration is 12:1.

Aroostook County has ample housing and services to accommodate existing and transferring DFAS employees in a safe, affordable environment

Living in Aroostook County provides DFAS employees and their families a safe, affordable environment in which to raise their families. Aroostook's Uniform Crime Rate rate is 1,995 per 100,000, the second lowest in the State and less than half of the National average. The Cost of Living is very affordable, especially for DFAS employees, whose wages exceed the local average by over 50%. The median home value in Aroostook County is \$60,200 (less than half of the National average of \$119,600) and the GS locality pay is 10.9% (equal to the "rest of the U.S."),

According to the 2000 Census, Aroostook County has 8,363 vacant housing units. Information received from the Maine State Housing Authority states that in 2004, the Presque Isle/Limestone housing market has approximately 1,100 vacant housing units and an additional 250 vacant units in the Madawaska, Van Buren and Fort Kent area. Census data does not break down vacant sales and rental units, although a recent survey conducted locally provides that there are a total of 298 homes (3-5 bedrooms) listed for sale in the Aroostook County area through local real estate agencies. This does not include apartments or houses that are privately listed or not listed for other reasons.

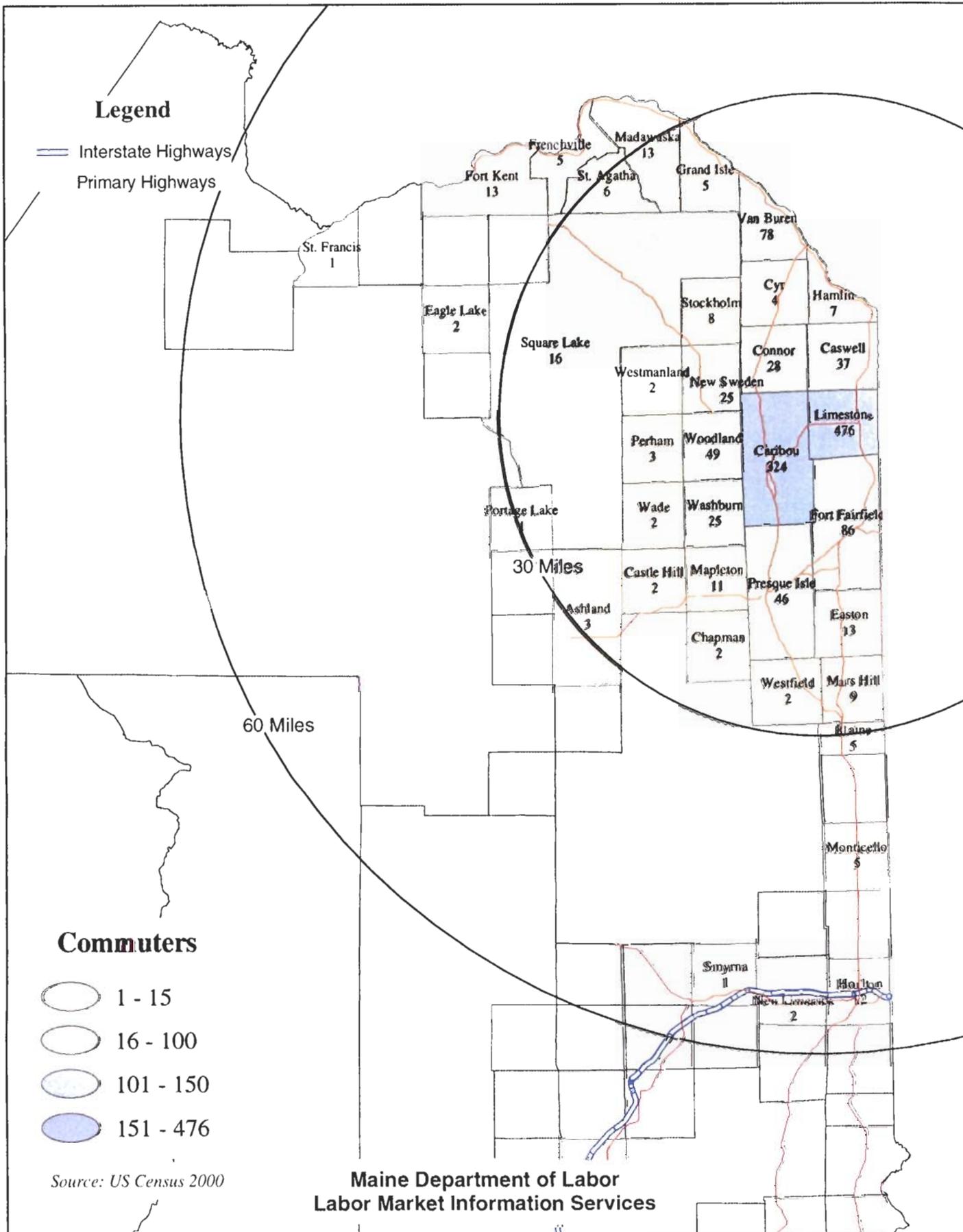
The area also provides a host of services available to DFAS employees. There are four full service major medical facilities within a 50 mile radius of the DFAS Limestone site, providing a host of medical specialties, with a physician ratio of 1:494 and a bed ratio of 1:300. Numerous rural health outreach centers are also located throughout the County, (one is even located on the Loring Commerce Centre) and a TRICARE facility is located in Limestone.

Aroostook County offers 143 child care centers from Fort Kent to Houlton, with a total capacity of 2,086. Twelve of these centers are state funded and certified facilities and are located in Caribou, Fort Fairfield, Presque Isle, Mapleton, Dyer Brook, Mars Hill, Van Buren, Washburn and Houlton. There are also a multitude of recreational programs in nearly every surrounding community for residents from the very young to the elderly.

Community infrastructure is in excellent condition and can accommodate far more residents than live here today. The area is serviced by the Northern Maine Regional Airport and US Airways, which offers daily commercial flight service to Boston and points beyond and is located approximately 20 miles from the DFAS facility, as well as daily bus service on Cyr Bus Lines. The local water and sewer systems in the communities are in the process of or have been recently upgraded and will easily accommodate an expansion of the facility and its personnel. Caribou and Presque Isle are both service center communities and offer a full range of economic, social, recreational and educational services to the local area residents.

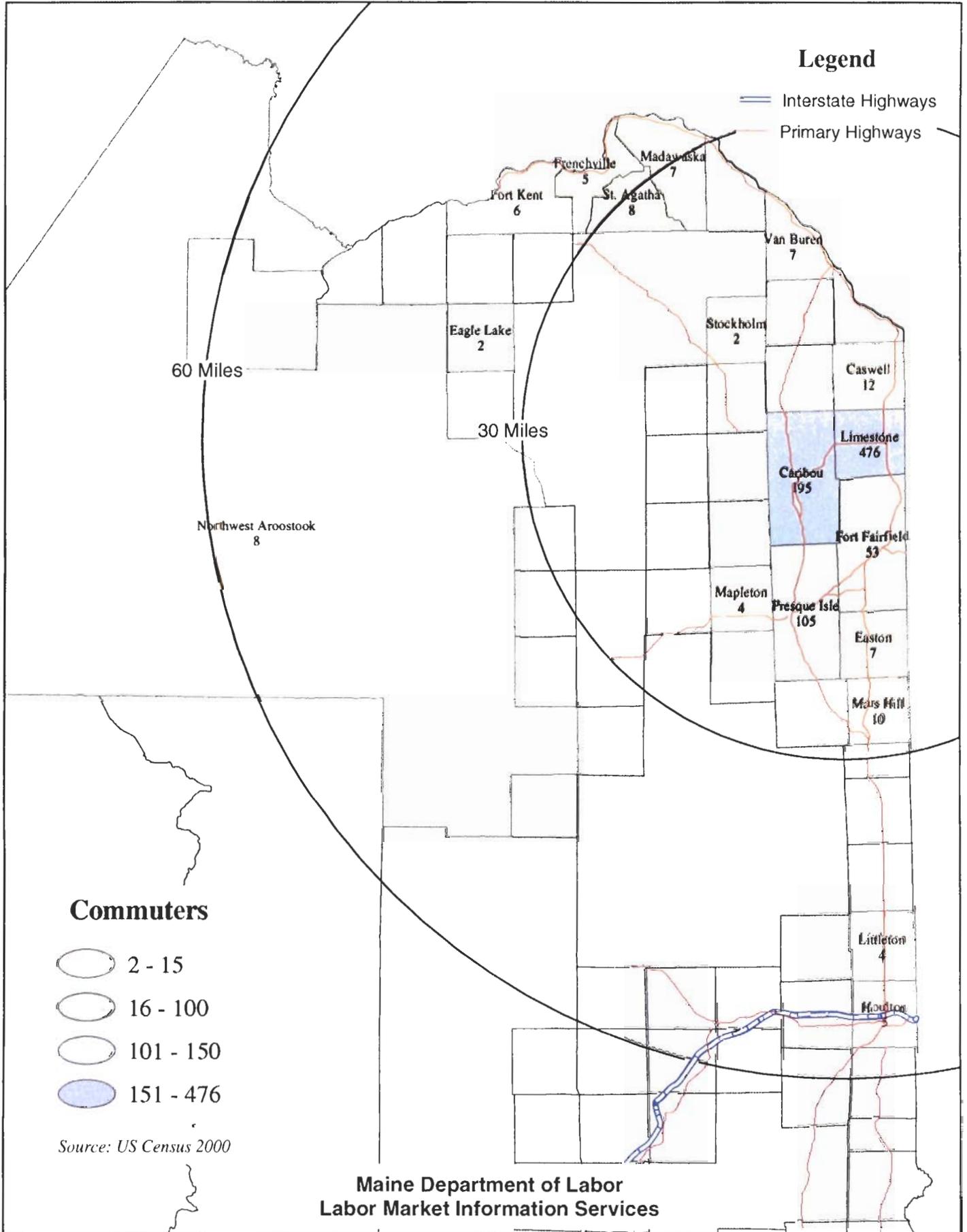
Place of Residence of People Working in Limestone

Total Commuters: 1,345



Place of Work of Limestone Residents

Total Commuters: 933





Always The Real Deal

June 20, 2005

Mr. Anthony Principi, Chairman
Base Realignment and Closure Commission
2521 South Clark Street
Arlington, VA 22202

Dear the Honorable Principi,

ATX has its largest office located in Caribou, Maine, a neighboring community to the DFAS-Limestone operations center. We are in the software and information publishing business, with a concentration in tax preparation software and tax research materials for professionals. We serve close to 60,000 customers across the United States.

The foundations of our business started here in Aroostook County about 15 years ago. We have had the good fortune of rapid, profitable growth with the highlight of being an INC 500 company for 5 years in a row.

Our Caribou office includes a group of 50-60 computer programmers, 70-80 tech support and tax/accounting software specialists, plus a variety of IT, writers, accounting department and other administrative personnel. In addition, we hire an addition 75-90 seasonal customer service agents for the October through April time period, to make a total work force which has a year round base of around 175 increasing to a seasonal high around 250.

While we have "imported" certain specialty programming skills – successfully, I would say, as some professionals prefer the small town lifestyle we can offer – the substantial portion of our work force has been hired from the area with about two thirds of the numerical growth occurring in the last 3-4 years.

Part of our success in finding and attracting workers with sufficient technical skills over the past few years has been the parallel growth of other employment options with skill requirements (such as DFAS) and customer service orientations (such as MBNA and Sitel). What leads to that conclusion?

Critical mass and employment options are important factors in counteracting the out-migration the area has experienced. Thus, I believe the logical conclusion is that the ability of ATX and other businesses to hire the necessary workforce is enhanced by the presence of DFAS. While in the short run a termination of DFAS operations at the Loring location would create an available pool of applicants for us and others, in the

longer term it would decrease our ability to hire because out-migration would be accelerated by lack of employment options.

We stand at a critical level in this area regarding employment availability. Thus, as a company competing for employees, I am willing to take a stand that is critical to our ability to sustain operations in this location versus moving functions to our other locations in Maryland or Florida. The Caribou area is good for building a workforce and we want to do what we can to ensure it stays that way.

Thank you for your consideration of facts and information which should be weighed in reaching final decisions which fairly consider all the real life factors of each location.

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

Sincerely,

A handwritten signature in black ink, appearing to read "David E. Olsen". The signature is fluid and cursive, with the first name "David" being the most prominent.

David E Olsen, CPA
Vice-President – Accounting Products
& Chief Administrative Officer



Larry M. Shaw, CPCU
President, CEO

MMG INSURANCE COMPANY

PO Box 729 --- Presque Isle, Maine 04769-0729 --- Tel: 207 764 6611 --- Fax: 207 764 4622
www.mainemutual.com larry.shaw@mainemutual.com

June 16, 2005

Mr. Anthony Principi, Chairman
Base Realignment and Closure Commission
2521 South Clark Street
Arlington, Virginia 22202

Dear Honorable Principi:

Maine Mutual Group is a property and casualty insurance company located in Presque Isle, Maine. The Company was founded in 1897 and has over 80,000 policyholders across Maine, New Hampshire, and Vermont.

Our revenue has doubled over the past 10 years exceeding \$94 million in 2004. In conjunction with the revenue growth, our employee base has nearly doubled over the same time period and is expected to exceed 130 this year.

The technical nature of our business makes a highly skilled workforce our most valued asset. We are proud of the fact that a majority of our officers, management, and employees are natives of Aroostook County. Though many have come from varied backgrounds, the inherent work ethic, industrious nature, and strong sense of community has enabled us to build a top notch workforce in the relative absence of companies similar to ours.

Furthermore, we continue to see other businesses in the area experience success in building a strong workforce. We have also been pleasantly surprised within our Company by the emergence of natives of our area living elsewhere who wish to return. These trends will continue provided that our community is able to retain professional opportunities to attract them.

We ask that you consider the above testimony upon re-evaluating the low rating DFAS-Limestone received for available workforce.

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

Sincerely,



Larry M. Shaw, CPCU
President and CEO

LMS/pmb

Stability. Commitment. Innovation.

Since 1897



Bringing new businesses to Maine

June 21, 2005

Mr. Walt Elish
Executive Director
Aroostook Partnership for Progress
PO Box 779
Caribou, ME 04736-0779

Dear Mr. Elish:

Maine & Company is a private non profit company located in Portland, Maine that specializes in attracting new businesses into the state. We were founded in 1995 and have had significant site location experience working with more than 500 companies. Our work has resulted in bringing more than 3000 new jobs to Maine. Our success has been primarily due to our strong relationships with site location consultants – companies and individuals who specialize in helping companies/organizations find new locations.

You have asked me about my assessment of the labor situation in the Presque Isle/Caribou/Limestone area, particularly as it relates to labor availability. I have recently spoken to Mr. Gary Yates at the Staubach Company, a national leader in site location work. The Staubach Company recently selected Oakland, Maine for a large call center for one of their most important clients, T-Mobile. The “apparent” workforce in the Oakland, Maine area was much smaller than they would have normally desired. However, T-Mobile selected Maine over several other states.

Since the Staubach Company had recently gone through this site search on behalf of T-Mobile, and since Mr. Yates has visited the Loring Commerce Centre in the past, I asked him about how he became comfortable with the demographics in the rural Oakland, Maine area. He indicated that by speaking to companies and individuals in the area, coupled with the fact that Maine has a significant tourism-based economy, he became convinced that the area has had not only chronic unemployment, but more importantly, chronic underemployment. He defined underemployment as people who are working below their full capabilities. He indicated that tourism areas and retail areas are hot spots for underemployment and, as such, provide good opportunities for good employers.

How does all this relate to the Loring Commerce Centre? Based upon my ten years of business attraction experience, and based upon the input that I received from Mr. Yates, I am convinced that a work force would be available for a significant expansion of the DFAS Center. Since the DFAS Center is an "employer of choice" in the area, an expansion would potentially attract large numbers of underemployed people from around northern Maine. People would likely come from retailers and tourism-based businesses in the area, all of which are customer service focused. Furthermore, having had extensive experience working with organizations in northern Maine, I am personally convinced that many people would return to the area in order to potentially access jobs at an expanded DFAS Center.

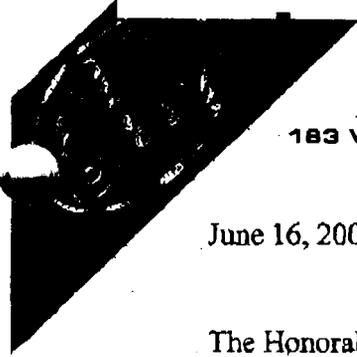
Mr Yates indicated to me that his experience has been that call centers that are located in rural areas typically have work forces that are more dedicated, resulting in less turnover and less absenteeism. So, when determining where to locate a new facility, an organization must not only look at the available work force within the respective commute zone, but must carefully consider the competition in the labor market area. For example, MBNA Corporation has approximately 2000 employees in their Belfast, Maine facility. These are employees that work on inbound and outbound calls for this financial services giant. Since Belfast only has a total work force of approximately 13,000 people, their center should not work by normal site location standards. But it does, for precisely the reasons previously mentioned. MBNA is an "employer of choice" in an area with very few competitors and the net result is that they have lower turnover and less absenteeism than they experience elsewhere.

An expanded DFAS facility at the Loring Commerce Centre could reasonably expect to experience the same employment success that MBNA has had. In fact, the Presque Isle labor market is larger than the Belfast labor market. In conclusion, based upon my knowledge of the labor market in the Presque Isle/Caribou/Limestone area, and based upon my experience locating similar facilities in Maine, I am convinced that a work force would be available for an expanded DFAS facility at the Loring Commerce Centre.

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

Sincerely,

L. Joseph Wischerath
Executive Vice President



CARY
MEDICAL CENTER

183 VAN BUREN ROAD, STE. 1 • CARIBOU, ME 04738-2509 • (207) 488-3111

June 16, 2005

The Honorable Susan M. Collins
United States Senator
Caribou Office
25 Sweden Street – Suite A
Caribou, Maine 04736

Dear Senator Collins:

Cary Medical Center is pleased to provide this letter in support of your efforts to describe the tremendous strength of the workforce in our area. Cary is a 65-bed Acute Care Hospital located in Caribou, Maine. The hospital employs over 500 full and part-time workers in a variety of clinical and support functions. The hospital has been in Caribou for 80 years and has established a reputation for high quality and compassionate care.

As one might imagine the demand for highly trained clinical professionals in the acute care hospital is significant. Cary has been able to establish and maintain a well trained and skilled workforce in multiple clinical fields. With the ever present 'Nursing Shortage' throughout the nation, Cary has been fortunate to recruit nurses from throughout the nation. This continues to be the case. Since January 2004, the hospital has already recruited 30 additional RN's. Likewise in a most challenging recruitment field of Physical Therapy and Occupational Therapy Cary has been successful in bringing on 5 Physicals Therapists and 1 Occupational Therapist. We have hired 2 Radiology Technologists, 4 physicians, 2 Respiratory Therapists, 2 Athletic Trainers, 2 Medical Laboratory Technologists, and these are just the clinical professionals. We have hired a number of other positions in support functions. While these numbers may seem small, they represent substantial success in clinical areas that are in critically short supply across the nation. Other areas of the country are struggling to find these professionals and we are very blessed with our ability to present a dynamic career and high quality of life that has drawn these candidates to us.

Our Medical Staff is indicative of the growth and desire of professionals to work and live in our community. We now have the largest Medical Staff in our history and it is growing. As professionals tire of the 'rat-race' of our sprawling urban centers they look to communities offering high quality schools, low crime rates, and abundant recreation. We have physicians from throughout the world as well as from all over the United States and here in New England. Physician recruitment is very challenging for any region of the nation but we have been most fortunate to attract some outstanding professionals with needed clinical skills.

Another strength inherent in our regional workforce is loyalty. Our employees have exceptional longevity. It is not unusual to find employees with 20, 25, 30 or more years

www.carymedicalcenter.org

Accredited by the Joint Commission on Accreditation of Healthcare Organizations



of continuous service to the hospital. Employees in this region establish strong roots in their communities. They build strong families and take on active civic roles. The work force is stable and from that stability comes a highly efficient, experienced, productive employee.

Beyond the longevity and loyalty of our work force it also is gifted with a unique work ethic. Pride in what they do and a desire to be the best makes our work force creative and high performing. The State National Guard Rebuild Center at the former Loring Air Force Base is so representative of these qualities, as are the men and women who have provided such outstanding service at the Loring DFAS Center. We take great pride in our own employees here at Cary Medical Center who have helped to build a national reputation for our facility as it relates to established standards for quality of care.

People who are recruited into this work force often find this work ethic and performance standard contagious. The hospital brings people from diverse cultural backgrounds. Yet, thanks to the environment and strong interpersonal relationships they soon become part of the fabric of our community. They adopt standards of commitment, productivity, and creativity that strengthen the operations of the organization.

While we by nature recruit people from throughout the nation and, literally, the world, we also recognize that we have a talented and eager population of young people here in Northern Maine. Many of these young people would be anxious to remain in our communities if we could provide additional quality jobs. We are most fortunate to have excellent post-secondary schools in the County. The two branches of the University of Maine and our Northern Maine Community College have been critical in helping us to build our clinical work force. They have been open to redesigning programs, initiating new degree programs and in any way possible collaborating to build a sustainable and talented professional work force. With the changing dynamics of our natural resource based economy of agriculture and lumber, these schools have developed high quality health, environment, and service degree programs to meet a growing need for these careers. The Loring Job Corps Center is another very valuable element in building an expanded work force. Cary Medical Center has worked closely with the Loring Job Corps to build a growing Certified Nurses Assistant Program which has now successfully graduated more than 100 students.

Aroostook County has always used its unique ability to work together to address a variety of socio-economic issues. Today, partnerships for economic growth abound thanks to the collaborative efforts of multiple organizations. The dynamic growth of the former Loring Air Force Base and the tremendous potential it continues to offer is a true 'Jewel in the Crown' of Maine. It is our belief that when one puts together all of these substantial assets there is not a challenge unmanageable. The potential to recruit hundreds or several thousands of skilled workers to the DFAS site here at Loring is within the reach of our market area. The lack of quality jobs in recent years and the decline in traditional industries has caused an out-migration from the County. This has been a painful experience. Many thousands of people and families who have left the area have done so grudgingly. Many would love to return. Many have gained new skills and would bring

them back home to the County if opportunity existed. Taken together with a growing trend by families and professionals looking for a less stressful, more family based approach to living, this region offers a most attractive potential for growth.

The establishment of the Maine Winter Sports Center that last year drew 10,000 people to the World Cup Biathlon in Fort Kent Maine is more evidence that this region is one of our Nation's best kept secrets. We have the infrastructure to support substantial growth in our workforce over time. The reasonable cost of housing and land are already attracting a number of new housing starts. The development of an expanded DFAS presence, the availability of hundreds of new and high quality jobs would create a kind of 'gold rush' effect and bring the kind of economic growth and stability of which this region has always dreamed.

No where in this nation would this kind of opportunity be more appreciated or met with more spirit of partnership than here in Aroostook County. One only needs to be here to experience a quality of life not available anywhere else. This quality of life breeds a set of values, work ethic, and pride that would build a DFAS center that our nation could take great pride in and benefit from their unmatched efficiency and productivity.

We urge the Base Closure committee not to make pre-mature judgements or gloss over the reality of these issues. We ask you to think outside the box and choose an opportunity that would be of benefit to our nation's taxpayers from the standpoint of cost savings, and productivity. Choosing to expand the existing DFAS Center at Loring would also be an enormous economic catalyst to a region of the nation that is still in recovery from the closure of the former Loring Air Force Base. We have made great progress in that recovery. How unfair it would be in the face of such a collaborative and spirited effort to shut down an anchor of this redevelopment. We have the quality of life, the educational infrastructure, the spirit and energy that could make this work. We are only asking for the opportunity to do it.

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

Sincerely,



Kris Doody Chabré, RN, MSB, CHE
Chief Executive Officer



Aroostook County Action Program

P.O. Box 1116 Presque Isle, Maine 04769-1116 (207) 764-3721 or 1-800-432-7881
Fax: (207) 768-3022 Web Address: www.acap-me.org

June 22, 2005

Mr. Anthony Principi, Chairman
Base Realignment and Closure Commission
2521 South Clark Street
Arlington, Virginia 22202

Dear The Honorable Principi,

As the executive director of Aroostook County Action Program, Inc. (ACAP), I am writing this letter to address the Department of Defense's assertion that Aroostook County lacks a supporting workforce. Established in 1972, ACAP is a private, non-profit, community action agency that employs approximately 200 individuals. With a budget of nearly \$15 million, the agency provides comprehensive social services to individuals and families in Aroostook County. Those service areas include early childhood care and education, primary healthcare, energy conservation, affordable housing, workforce development, community outreach and case management, dental health, nutrition, and administration. ACAP is regarded by local and state officials as a successful and effective organization. Our achievements are possible because we have a highly qualified, professional staff. The vast array of service areas calls for an employee population with an equally broad range of education and skills. All of our jobs require a minimum of a high school education, most require a bachelor's degree and several call for advanced degrees and certifications, such as a Masters in Public Administration, Certified Public Accountant, Family Nurse Practitioner, Registered and Licensed Practical Nurse, Masters in Early Childhood Education, and Registered Dietician. Staff turnover is low, but when the agency has the need to recruit, it has been very successful at hiring from both the local area and outside it. In addition to our ability to hire and retain qualified individuals, a recent employee satisfaction survey indicated that staff is exceptionally satisfied with working conditions at ACAP. In fact, the consultant who conducted the survey commented that she had never seen survey results where, in every category, the agency's results were higher than national averages. . .

In summary, my seventeen years of administration experience at Aroostook County Action Program tell me that Aroostook County does not lack a supporting workforce. I am pleased to certify that this information is accurate and complete to the best of my knowledge.

Yours truly,

A handwritten signature in cursive script that reads "Connie Sandstrom".

Connie Sandstrom
Executive Director

CS/jis



June 16, 2005

Mr. Anthony Principi, Chairman
Base Realignment and Closure Commission
2521 South Clark Street
Arlington, VA 22202

Dear Mr. Principi:

I am writing to share a perspective concerning the workforce available to the Defense Finance Center at the Loring Commerce Centre that could easily be overlooked in the deliberations of the Base Realignment and Closure Commission. Because Aroostook County is a rural area, the commission might erroneously conclude that the “bench strength” of the workforce might be a limiting factor for DEFAS. The record shows otherwise. In fact, the workforce available to the Loring Defense Finance Center accounts for the remarkable success of the facility; it is an asset that should be properly credited in the course of your evaluation.

The facts speak for themselves: this DFAS center has the lowest turnover of all DFAS sites, the fewest sick days taken, and it has taken an average of only 9.2 days to fill vacancies since the facility opened. But sometimes facts that come as a surprise need a voice, which is the occasion for this letter.

TDC’s experience as one of the largest employers in the County comports with that of DEFAS—we have a high-performing organization, with normal turnover for our industry, and find very well-qualified employees to be readily available. Over 95% of Loring employees, have been hired from the Aroostook County area. TDC is a think tank, design shop and management company with operations concentrated in Maine and Virginia. We have employed staff on projects in thirty-eight states and in the UK, but nowhere have we found a more hospitable environment to grow an organization. The communities of Aroostook County are tightly knit and supportive, the workforce is well-educated, broadly skilled, and inclined to engage in life-long learning which contributes to their high productivity. A culture that values work and learning as well as personal responsibility and collaboration provides a wonderful foundation for a 21st Century workforce that needs to be flexible, adaptive, technologically fluent, and adept at working together. These characteristics of the Aroostook County workforce account for the

Mr. Anthony Principi, Chairman

June 16, 2005

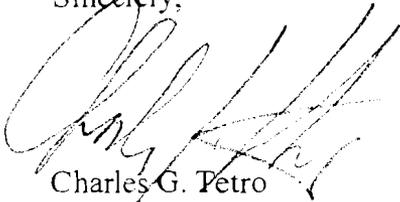
Page 2

notable success of DEFAS to date and should reassure the Commission that the center can continue to lead the nation in performance long into the future, if it is given the chance.

TDC operates the Loring Job Corps Center, a residential education and training institution serving 380 students from throughout New England, which is also located at the Loring Commerce Centre. We opened the Loring Job Corps Center in April of 1996 as part of the original base-reuse strategy and have been impressed with the quality of the area workforce ever since we hired our first employee from the County. We were able to establish our Job Corps center operations and hire a full complement of well-qualified staff with ease ten years ago, and we have found replacement workers to be readily available when the need has arisen since then. Initially we hired approximately 135 employees over a period of six months as the facility came on on-line; we met all of our hiring goals on schedule and opened for business on-time and ready. We have found doing business in Aroostook County to be a pleasure and look forward to working here long into the future. I believe that other businesses in the County enjoy a similar ability to meet their workforce requirements.

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

Sincerely,



Charles G. Petro
President and CEO

Tab 8

Operating Costs

DFAS occupies the building under a no-cost, fifty year renewable lease with the Loring Development Authority. The building and surrounding land is available to meet DOD's current and future expansion needs far into the future. The building is located on the Loring Commerce Centre, which is an attractive and diverse business - industrial park formerly known as Loring Air Force Base which was a BRAC 1991 closure base. The Loring Development Authority, the recognized "local reuse authority" for the Loring closure, acquired title to the building under a "sale and leaseback" arrangement now authorized under base closure laws.

Loring Commerce Centre is home to about 20 other public and private employers, including the Maine Military Authority, a military vehicle and equipment refurbishment center; the Loring Job Corps Center of Excellence, the National Job Corps Data Center, Telford Aviation Services, and Sitel Corporation, to name a few. Roadway plowing and maintenance, fire protection, ambulance service, water and sewer utility service and law enforcement functions are performed by the Loring Development Authority, the Aroostook County Sheriff's Department and the Town of Limestone.

Operating costs at DFAS Limestone are about half the cost of the existing centers in Columbus and Indianapolis, and well under a third of the operating costs at Denver. According to the material accompanying the BRAC closure recommendations, DFAS Limestone's cost of operations is \$4.98 per square foot, based on 2003 figures, and is the fifth lowest out of the 26 facilities listed. This undoubtedly results from the no-cost lease arrangement as well as the modern, energy efficient building DFAS Limestone occupies.

Operating costs typically consider lease payments, electrical and utility costs, heating costs, maintenance costs, snow removal, and custodial. These costs do not take into account major repair or maintenance items

Operating costs alone do not present a complete picture of all costs associated with production of the work. To complete the picture, a close examination of a variety of other factors must be undertaken.

Some of the factors affecting cost of the work product are:

1. The locality pay (cost of living ratio to pay) for DFAS Limestone is 10.9, the lowest ranking in the system and is well under all three sites proposed for consolidation.
2. The majority of the workforce is recruited from the local area and are unable or unlikely to transfer; resulting in a high retraining burden for consolidation centers.

3. Unique workload performed for USAF in Europe and SW Asia requires specialized expertise that would have to be acquired by another site since most of the existing workforce would not relocate.
4. DFAS Limestone is the single site for all Defense Travel System (DTS) expenditure accounting and treasury reporting for all of DOD, which would also have to be transferred with a likely loss of expertise.
5. Employee turnover at DFAS Limestone is less than 5%; most employees consider their employment as a life-long career. The rate for all Aroostook County payroll jobs was 9.2%. Clearly, the DFAS jobs are highly sought after and highly valued by present employees.
6. In order for the recommended consolidation process to be successful, it must be carried out at minimal cost with little or no negative impact on customer service. A disruption of service could cripple important military functions and frustrate important objectives as established by Congress and the President.
7. Portions of the COBRA analysis assume that a high percentage of DFAS Limestone's highly experienced and competent workforce will relocate. However, significantly higher housing costs (an average home in Caribou and Limestone, Maine costs \$61,700 and \$60,200 respectively, about 60% of the cost of a home in Indianapolis - \$98,200) and difficulty in adjusting from a rural to a more metropolitan culture cast doubt on this assumption.
8. Current workforce is extremely stable with formal education levels significantly above the DFAS average. The vast majority of the people in the DFAS Limestone workforce earned advanced degrees to gain employment with DFAS and are from the local area, and cannot be expected to be able or willing to relocate.
9. GAO report 01- 805, Facilities Location, clearly states that government agencies should locate operations in rural areas, not metropolitan areas.
10. Closure of DFAS Limestone with relocation of workload to consolidation sites would run counter to recent workload realignments that have brought significant new workload from Europe and other sites. DFAS Limestone is recognized for their superior field site operational performance and leadership in agency-wide initiatives like ePortal, they enjoy a high level of customer loyalty and satisfaction and internal employee satisfaction as consistently demonstrated in Organizational Assessment Survey results.
11. Transition costs have not fully been accounted for. DFAS Limestone was recently cited for achieving an 83% reduction in interest and penalty payments. With operational disruptions throughout the consolidation process, any substantial increase in interest and penalties could increase overall costs.

Tab 9

Room for Expansion

Utilization of excess capacity would allow DFAS to significantly increase the work produced at DFAS Limestone with minimal or no impact on facility operating costs. The facility currently has excess capacity of nearly 24,000 square feet or 35% of its utilized space. DFAS Limestone could increase its current mission from its current level of 353 civilian employees up to 480 employees (approximately 36% increase) simply by installing cubicles and work stations in space that has already been renovated. With minor renovation costs, there is additional space currently being utilized for equipment warehousing and records storage that could be placed into service and could add workspace for an additional 120 employees bringing the total to 600 employees, a 65% increase over current levels. There is ample building space nearby for warehousing and records storage that the Loring Development Authority is willing to provide at minimal cost.

Unlike the proposed consolidation centers, the DFAS Limestone site has ample space to expand its facility if needed. The site occupied under the no-cost lease arrangement is 15 acres, with adequate space for new construction. Because new construction of up to 70,000 square feet could utilize existing HVAC capacity, new construction costs are estimated to be significantly lower than the construction costs of a stand alone facility.

Tablo

Force Protection

In the period following 9/11, DFAS, Limestone has put into place many measures to ensure its ability to operate, maintain, and enhance its security measures in support of its primary responsibilities supporting the mission for the Department of Defense without missing a beat.

DFAS, Limestone is a secure facility with numerous modern Force Protection systems in place.

- In 2004, an anti-vehicular fence was installed around the perimeter of the building; this included concrete barriers in two of the four entrances.
- The delivery entrance is currently having gates installed that will require swipe entry to gain access. With this gate being installed in the delivery entrance it takes away the opportunity for a vehicle at high speed directly impacting the building.
- The front entrance to the field site gates is being installed. It will also require the badge swipe system for employee and emergency response entry. The only way a vehicle at high speed could access this area is to drive across a field at high speed, cross a ditch, then the road, then they would come in contact with the anti-vehicular fence and the gate.
- The other two entrances have concrete barriers in place. This creates controlled entry in and out of the facility; the gates are capable of handling a high speed vehicle impact at 40 mph.
- The field site is located on 14.99 acres it is wooded on three sides of the building which creates a natural barrier for any motorized vehicle to directly access the facility at a high speed.

With the few final improvements to this DFAS site, this facility will exceed the criteria laid out in DOD 2000.12-H. Installing a six foot high fence, Y outrigger, and barbed wire and 24hr armed security personnel to this facility, will allow DFAS, Limestone to meet all of the minimum AT/FP standards required by DOD.

The DFAS, Limestone facility was built to be a hospital, thus the standards far exceed the requirements of an administrative building on any military installation that does Accounting and Finance work.

- The building has several cameras located in several exterior locations and inside the building.
- The cameras are monitored daily and during non duty hours they can be accessed from a staff member's house via computer
- The doors are opened by a card swipe system that each employee carries with them to gain entry and exit to the facility and parking lot.

DFAS, Limestone benefits from experienced, well trained, public safety agencies located in the immediate area.

- The Aroostook Sheriffs department has a highly trained leader; he is a graduate of the Federal Bureau of Investigations Academy in Quantico, VA and a retired state police officer.
- Supporting units are only minutes away in case of an incident at the facility. The Department of Homeland Security has increased its manning in Aroostook County by 300% since 9/11 and has improved its capability to detect radiation devices attempting to cross the border.
- The Loring Fire Department is lead by a highly trained Fire Chief who was employed and trained by the USAF at Loring AFB for many years. This fire department responds in 2 minutes or less to any EMT or Fire emergency in the building. This was critical in October 2001, when an unknown powder substance was found in the mail room, with in minutes they were able to implement notification procedures to the Aroostook Emergency Management Agency (AEMA).
- There are two Decontamination (Decon) Teams fully trained and located in Van Buren, ME (20 Miles) and in Houlton, ME (55 miles) from the site.
- There is a fully trained Weapons of Mass Destruction (WMD) technician team located in Madawaska, ME (40 miles) away.
- There are 3 trained hostage negotiators in the County.
- The AEMA is located in Caribou (8 miles) from the field site and has a state of the art command, communications and control vehicle that can communicate with any agency state wide. Memorandums of Understanding (MOU) have been signed by all emergency response agencies, hospitals, and AEMA in the event of any biochemical disaster and bombings at the field site.
- Caribou Medical center was able to use some of the recently acquired equipment in the past 18 months to diagnosis arsenic poisoning in a local community, saving several lives due to the training and immediate response of the doctors on duty. The teams are the trainers and certifiers for the rest of the state; you have the best this state has to offer located only minutes from this field site.