

Minutes of JPAT Working Group meeting, 21 August 2003.**Topic: Privatization and Contracts****1. Attendance**

a. The following members attended the meeting:

Joanna Chan	CEAC
James Auchter	SAFM-CES
John Desiderio	OSD BRAC
Lorna DeLay	OSD ATL
Bob Helwig	OSD ALT
Harold Schliesske	OSD / DDR&E
Fred Arzt	AF / ILEH
Stephen Evans	JCSG Technical
Jack Leather	Navy BRAC
Frank Sosa	AF BRAC
Jack Francisco	DLA / JCSG S&S
Marcia L. Kilby	OIG DoD Auditor
Omer Alper	Navy BRAC
Joan Muskeyvalley	JCSG Industrial
Donna Horvarth	AAA
Andrea Beck	AAA
Steve Kmiecik	AF / ILEH
Doug McCoy	JCSG HSA
Richard Snow	SAF / FM
Tom Mahalek	GAO
Art Levesque	R&K Engineering
John Dovich	R&K Engineering
Paul Freund	AF BRAC

b. The following groups did not send a representative:

JCSG Medical
 JCSG E&T
 JCSG Intel

- 2. Opening Remarks.** MAJ Smith opened the meeting by stating the purpose and objectives of the session. He then stated the topic for next week's meeting (28 August), transportation and relocation. The following week's meeting (4 September) has been changed to industrial base. The meeting on 11 September will cover environmental topics. MAJ Smith requested that JPAT members start researching these areas and identify

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experts to attend the appropriate expert session. MAJ Smith then proceeded with the first agenda item, privatization.

3. Agenda Item #1. Privatization. Summary of comments and discussion.

a. Housing Privatization

1) Mr. Bob Helwig from OSD ATL stated that, in principle, that there is no liability to the government if a base that has privatized housing closes or downsizes. Once the developer enters into the contract he takes on the risk of a potential closure. The developer can try to protect himself by purchasing a guarantee against the closure, similar to insurance, to cover the mortgage if he can no longer rent the units. The privatized housing at Fort Carson was referenced as one case where it was thought that the Army guaranteed the mortgage of the housing developer. However, Mr. Helwig indicated that this was not the case. After all discussion it was agreed that, as a general rule to be used in COBRA BRAC analysis, there are no costs to the government for terminating agreements with developers to provide housing under privatization initiatives.

2) Discussion then turned to leased family housing (“801 and 802” leased housing). Navy representatives indicated that the Navy has some 801 leases that are close to expiring. The government could incur some liability if the lease terminated early. COBRA will need to be able to capture these costs. In the current model Data Entry Screen #5 has data entries available that could be used for this. However, the working group expressed the intent that these type of termination costs be captured as a separate entry that identified contract related costs including privatization, housing leases, and the yet to be discussed outsourcing contracts for services and goods.

b. The working group then addressed utility privatization. At this time there are few utilities privatization contracts. The Air Force has five, the Army four, and the Navy zero. Each agreement is written differently, so the assessment of potential liability is on a case-by-case basis. Discussion indicated that the total termination costs might only be reached after court cases are resolved. COBRA cannot address costs that cannot be identified. However, it was agreed that, when costs can be identified, they need to be captured in COBRA under the privatization or outsourcing umbrella.

4. Agenda Item #2. Outsourcing. Summary of comments and discussion.

a. The working group then addressed outsourcing. It was first agreed that outsourcing contracts, whether the result of A-76 actions or other

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procedures, could all be addressed simply as contracts. And, like privatized utilities, some service contracts will have termination costs. And, again like utilities, these termination costs will be determined by how the specific contract was written. These will need to be handled on a case-by-case basis.

b. Discussion then addressed the potential costs of terminating a contract solicitation that is in progress. It was agreed that canceling an on-going solicitation could result in liability costs. Solicitations in progress and costs associated with terminating the solicitation will have to be determined by installation data call.

5. JPAT working group conclusions and recommendations, privatization and outsourcing.

a. Originally the JPAT was going to have separate data elements for housing privatization, utilities privatization, and service contracts in COBRA. However, after discussion, the JPAT agreed that since housing privatization and utilities privatization were not as large of an issue as originally thought, a single data element for contract termination costs would be added. This will include any costs associated with the termination of any contract that the base holds with an outside contractor.

b. Installations will provide the contract termination costs of all the installations contracts as part of a data call.

c. The costs of potential legal litigation were brought up. The JPAT agreed that we could not predict the potential future litigation costs, so it would not be included in COBRA.

d. A soldier who lives in privatized housing receives BAH just as those who live in any privately owned housing do. However, soldiers living in 801/802 leased housing do not receive BAH. In order to remove the confusion of privatized housing versus traditional government housing, the installation data factor "% of Military Families Living On-Base", will be changed to the "% of Military Families Not Receiving BAH" (Data Entry Screen #4).

e. Mr. Paul Freund from the AF / IEBB brought up the following scenario: What happens when a function provided by contract services moves from one installation to another? The solution that the COBRA manual will recommend is the following:

1) The contract is terminated on the losing base and any contract termination costs are entered into COBRA.

2) The analyst then has to determine contract manpower equivalent and add those potential officers, enlisted, or civilians to data entry screen six as scenario additions. COBRA will use the new

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manpower numbers to estimate the cost of a government organization performing the support mission. It must be made clear that this does not necessarily mean an increase in the civilian or military end strength of the particular Service.

6. Other JPAT working group items discussed.

a. MAJ Smith made a short presentation addressing the Army requirements for data certification. This was an informational brief meant to clarify the meaning of data certification. It was agreed that the JPAT would use the standards put forth in the TABS Internal Control Plan to certify any standard factors in the model.

b. Mr. John Desiderio OSD BRAC expressed concern about Section 2913(d) of the BRAC Law. It states, "Any selection criteria proposed by the Secretary relating to the cost savings or return on investment from the proposed closure or realignment of military installations shall take into account the effect of the proposed closure or realignment on the costs of any other activity of the Department of Defense or any other Federal agency that may be required to assume responsibility for activities at the military installations." This issue will be discussed in a future JPAT meeting. The JPAT will discuss if and how this issue should be integrated into COBRA.

c. MAJ Smith is working another issue involving housing privatization. He will present the JPAT with the results at the next meeting.

7. Old Due Outs

a. R&K Engineering

1) Tasked to determine a value for the site preparation standard factor that can be certified.

2) Tasked to find the source of the statutory limit of spending 75% of the cost of a new building to rehabilitate an old one.

3) Tasked to find out when the next DoD FPG is slated to be published.

b. A standard factor is needed to account for the cost to install new IT equipment in military construction. This value will be discussed at a follow on JPAT meeting on IT in general.

c. MAJ Smith - Find the source of civilian employment factors

d. R&K - Refine HAP standard factors with Corps of Engineers

8. New Due Outs

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None

9. Schedule

AUG 7	Construction	Completed
AUG 14	Civilian/Military Pay	Completed
AUG 21	Privatization/Leases	Completed
AUG 28	Transportation Relocation	Read Ahead due 25 AUG
SEP 4	Industrial Base	Change
SEP 11	Environmental	Change
SEP 18	Information Technology	
SEP 25	Medical TriCare	
OCT 2	RC Issues (+) tenants	Change
OCT 9	BOS	
OCT 16	SRM	