

Minutes of JPAT Working Group meeting, 11 September 2003.

Topic: Sustainment, Restoration, and Modernization (SRM)

1. Attendance

a. The following members attended the meeting:

Jay Janke	DUSD (IE)
Ben Bond	HQMC(LF)
Mark Sanders	NAVFAC
Robert Tuck	USAF BRAC
Jack Leather	Navy BRAC
Frank Sosa	AF BRAC
Alex Yellin	OSD BRAC
Richard Snow	SAF / FM
Art Levesque	R&K Engineering
Rich Marshall	JCSG Industrial
Paul Freund	AF BRAC
Armando Drake	DLA / JCSG S&S
COL Steven Evans	JCSG Tech
Jack Francisco	DLA/JCSG/JCSG S&S
Omer Alper	Navy BRAC
Harold Schliesske	DDR&E
Paula Loomis	SAF/IEIT
Thadd Buzan	DUSD(IE)(R&K)
Wayne Miller	AF/ILEPA
Ryan Ferrell	HSA JCSG
COL Peter Desalva	TGCSG
Dwayne Robison	AF/ILERP

b. The following were at the meeting as observers:

Marcia L. Kilby	OIG DoD Auditor
Donna Horvarth	AAA
Andrea Beck	AAA
Tom Mahalek	GAO
Laura Talbott	GAO

c. The following groups did not send a representative:

JCSG Medical
 JCSG E&T
 JCSG Intel

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2. Opening Remarks. LTC Tarantino opened the meeting by stating the purpose and objectives of the session and then mentioned the topics for the next two JPAT working group meetings:

18 September – Information technology infrastructure

25 September- Aids for the Analyst Catch-up

LTC Tarantino then started the presentation on SRM. The below comments and discussion points are keyed to the slide number in his presentation.

3. Comments and Discussion:

a. Goals and Issues (Slides #2 & #3). LTC Tarantino presented the goals of the SRM working group for this session (Slide #2) and those specific objectives he wanted to achieve in updating the COBRA SRM algorithm and calculations. Specific issues that needed to be addressed before the JPAT could make a recommendation on updating SRM in the model were discussed (Slide #3).

b. S/RM Start Point (Slide #4). The JPAT reviewed the current COBRA SRM methodology of starting with a baseline budget for facilities maintenance as a point of departure for calculating BRAC related changes to these costs. During previous BRAC rounds the acronym RPM, standing for real property maintenance was used instead of SRM. While some restoration and modernization were included, or could be included, in an installation's "RPM" budget or actual expenses, the JPAT agreed that the current discussion was focused on "S" or sustainment and that only sustainment cost changes would be considered during the current session. The "RM" will be addressed at a different session.

c. The Facility Sustainment Model (FSM) (Slide #5). The JPAT read ahead included background information on OSD's Facilities Sustainment Model (FSM). FSM was not available for BRAC 95, but now provides an accepted and useful tool for calculating facility sustainment requirements by type of facility (FAC) and location of installation (using the Area Cost Factor). Use of FSM parameters and cost factors (DoD Facility Pricing Guide) will enable COBRA to directly and accurately calculate the changes in sustainment costs at each installation. The JPAT agreed at this point that the Services should FSM to calculate the required sustainment.

d. Choosing from the Three Start Point Options (Slide #4).

1. A discussion then took place as to the relative merits of the three start point options on the S/RM Start Point slide. Installation sustainment actual expenses and budgets might be considered a more realistic picture of sustainment costs but, historically, they generally reflect under-funding

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that has resulted in a backlog of maintenance requirements. The requirements based methodology eliminates the need to address the diversion of sustainment dollars to other uses that is a serious problem when using budgeted costs. Since BRAC considers the next 20 years and one of the goals of BRAC 05 is to consolidate DoD activities in order to use dollars more efficiently and meet OSD's goal of funding 100% of the sustainment requirement, the JPAT felt that using the requirements methodology reflects the anticipated future business practices.

2. The JPAT agreed to use sustainment requirements as calculated in FSM as the start point for building the COBRA sustainment calculation algorithms. The FSM estimate is a proxy for the actual sustainment funding and averages out the highs and lows in "actual" sustainment budgeting by providing a long-term trend for estimated sustainment costs. Using budgeted or actual costs would show the ups and downs of under-funding and the eventual catch-up in sustainment.

e. Service Policy Rate (Slide #6 & #7).

1. The Service Policy Rate is the percent of the sustainment requirement at which the Service funds sustainment. The JPAT agreed to use the published rates to reflect the Service and year specific funding level of the sustainment required. In a future S/RM discussion, the Services will consider the FYDP funding rates or an average of the 03/04/05 rates as a Service Policy Rate (due out).
2. After a lengthy discussion, the JPAT agreed to accept Option 3, installation sustainment requirements (FSM), as the starting point for determining BRAC related costs and savings in COBRA. Jay Janke, DUSD (IE), endorsed this recommendation and stated that the OSD goal is to fund 100% of sustainment requirements. Requirement increases will be calculated at gaining installations and requirement decreases will be calculated at losing installations. The JPAT discussed the need to address the fact that excess facilities are funded at 15% of normal sustainment requirements. The JPAT will consider several options for treating excess facilities at a future meeting (due out).

f. Excess Facilities (Slide #8).

1. Determining excess by type of facility is necessary for accurately determining changes in sustainment requirements and excess available for rehabilitation, the latter will impact resulting construction requirement at gaining installations. Related to excess, there was also a discussion on how the analyst would determine the facilities requirements for realigning units and thus impact sustainment requirements. All the Services must be

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able to estimate/determine the amount and type of facilities required at the gaining installation for incoming organizations. This will also be used to determine the facilities shutdown at losing installations. It should be noted that this type of analysis is measured in facilities capacities as opposed to individual facilities. As an example, a tank battalion requires x square feet of large unit headquarters. In both cases (loser and gaining installation) there is a need to address excess (due out).

2. The JPAT members agreed that the current discussion focused on calculating the sustainment part of S/RM (sustainment, restoration, and modernization). Sustainment cost factors were derived based on a 50-year life cycle for a structure and are designed to be constant throughout the life of a structure. The sustainment requirement is the same for the first year and the last year of its expected useful life. The sustainment estimate is thus a proxy for the actual cost, which over a 20-year period is adequately represented by the FSM metric. The JPAT agreed that this estimate was adequate for COBRA.
3. A minority argument was made for using past actual sustainment costs however, the development of actual costs and the fact that they focus on the “past” was discounted when compared to the FSM requirement approach and current priority for sustainment. Jay Janke informed the JPAT that GAO has already reviewed the FSM process, which has been accepted as a consistent and accepted methodology for determining sustainment requirements.
4. It was noted that COBRA will not be using the FSM, but will follow FSM based calculations and sustainment cost factors for the facilities that are included in a COBRA scenario.
5. The JPAT needs to make sure that COBRA analysts do not double count sustainment costs when determining BOS costs. This will be addressed when the working group discusses BOS.
6. The discussion then turned to determining sustainment costs at “closing” and “deactivating” installations. The main JPAT needs to agree on how long, and at what sustainment rate facilities at these installations should be maintained. There are past BRAC installations where the Services are still paying maintenance and caretaker costs. One constraint on addressing this issue is the fact that COBRA only allows cost/savings changes to occur during a six year window. After six years costs/savings are at steady state and do not change. The JPAT agreed to discuss this issue at a working group meeting and highlighted this as a policy issue that will influence COBRA (due out).

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g. S/RM Payroll and Non-Payroll (Slide #9). COBRA separates sustainment payroll costs from non-payroll costs. Since FSM sustainment cost factors include personnel costs it will be required that a method be developed for determining what percent of the FSM sustainment cost factor is payroll and what is non-payroll at the installation level. Failure to develop a rationale for doing this will mean changes will have to be made elsewhere in COBRA to ensure personnel costs are not double counted. The Services were tasked to determine if installations can provide sustainment payroll and non-payroll costs in order that installation specific factors be applied to calculated sustainment requirements costs (due out).

h. The Four Options for the COBRA SRM Function. The JPAT examined each of the four possible options for calculating changes in sustainment costs in COBRA after being shown common elements (Slide #10). The main discussion points were:

1. Function #1 Present COBRA Model – cannot be validated or explained (Slide #11).
2. Function #2 Linear Proposal – While more defensible than Option 1, it does not take into account building location and facility type (Slide #12).
3. Function #3 Average Sustainment Cost Factor – Better solution than Function #1 or Function #2 but still does not take into account facility type (Slide #13).
4. Function #4 Sustainment Cost Factors – Provides the most precise methodology for estimating sustainment costs as it uses the FSM procedure for determining requirements. The JPAT agreed that function #4 is the best COBRA can do and should be the accepted alternative unless it is infeasible based on due-outs developed during the session (Slide #14).

4. Summary. The JPAT reviewed the advantages of using the FSM sustainment requirements methodology in COBRA (Slide #16). However, it also stated that a decision could not be made until questions and issues that were raised during the course of the meeting were answered and/or resolved. Several new JPAT due-outs were developed and are listed below.

5. Due Outs. All due outs and ensuing proposals will be brought to the full JPAT.

a. Services

1. Can the Service identify excess capacity at installation level by type of facility?

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2. Can the Services provide installation level data for sustainment costs broken out by payroll and non-payroll to develop a payroll factor to use in COBRA (ensure COBRA does not double count payroll)?

b. JPAT working group

1. The Services and OSD will meet to discuss a proposal/recommendation for sustainment funding at deactivating and closing installations.
2. Based on the answer to Service Due out #1, the Services and OSD will meet to discuss a procedure for addressing conversion when considering what excess facilities could be rehabilitated in order to eliminate need for new construction. This group will also consider existing facilities and the ability of the Service to identify buildings for conversion (excess or not).
3. The Services and OSD will meet to discuss options for stopping sustainment of facilities that are shutdown as the result of realignment at a losing installation. Should sustainment be phased or continue until the realignment is completed?
4. The Services and OSD will meet to consider the FYDP funding rates or an average of the 03/04/05 rates as a Service Policy Rate.

6. 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 out when the next DoD FPG is slated to be published.
MARCH 2004
3. Find HAP standard factors with Corps of Engineers. **MAJ SMITH WILL FORMALLY REQUEST THE VALUES THROUGH THE TABS TRUSTED AGENT.**

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. **TO BE RESOLVED DURING IT WORKING GROUP SESSION**

c. MAJ Smith - Find the source of civilian employment factors. Initial data was found; we now need to process it. **INITIAL DATA FOUND AND WILL NOW BE PROCESSED.**

e. Confirm transportation standard factors through MTMC and the Joint Travel Regulations. **MAJ SMITH TALKED TO MR. BONO AT INTELLITRANS, THE GOVERNMENT CONTRACTOR. MR. BONO WILL BE GETTING BACK TO MAJ SMITH.**

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f. OSD has more clearly defined the environmental issue in relationship to COBRA. The JPAT will continue its work in this area based on this guidance. The environmental meeting will be scheduled in the near future.

g. Services owe comment on the 0.47 Rehabilitation factor.

h. JCSG Industrial will provide answer on using obligated actual costs or estimated actual costs.

LTC Bill Tarantino
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