

Minutes of JPAT Working Group meeting, 9 October 2003.**Topic: Base Operating Systems Costs in COBRA****1. Attendance**

a. The following members attended the meeting:

John Desiderio	OSD BRAC
Jack Leather	Navy BRAC
Frank Sosa	AF BRAC
Art Levesque	R&K Engineering
John Dovich	R&K Engineering
COL Steven Evans	JCSG Tech
Omer Alper	Navy BRAC
Bob Ralston	JCSG HSA
Ryan Ferrell	JCSG HSA
Paul Freund	AF BRAC
Omer Alper	Navy BRAC
Armando Drake	DLA
Alex Yellin	OSD BRAC
Holly Russell	JCSG HSA
Emeteris Hernandez	JCSG S&S
Ron Marlin	AF / ILER
Rich Marshall	JCSG Industrial
Richard Snow	SAF / IEBB
Bill Lebo	SAF / FMBOO
COL Peter DeSalva	JCSG Tech

b. The following were at the meeting as observers:

Marcia L. Kilby	OIG DoD Auditor
Andrea Beck	AAA
Donna Horvath	AAA
Dharam Jain	OIG DoD
Tom Mahalek	GAO

c. The following groups did not send a representative:

JCSG E&T

JCSG Med
JCSG Intel

2. Opening Remarks. MAJ Smith stated that the topic of next week's JPAT working group meeting would be net present value (NPV), return on investment (ROI), leases, and fair market value. He also stated that a special session on Environmental issues will be held on 15 October at 0900 in the TABS conference room in Rosslyn. The session then moved to the first agenda item, developing a BOS starting point for COBRA.

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3. Agenda Item #1. COBRA starting point for BOS.

- a. COBRA requires an initial installation BOS costs value as a starting point. This value is divided into two components; BOS payroll costs and BOS non-payroll costs. Changes to BOS payroll costs are not tracked directly in COBRA because salary costs or savings are determined from personnel additions and eliminations. COBRA calculates changes to BOS non-payroll costs based on the BOS non-payroll starting point and the changes in installation population.
- b. After discussion, the JPAT approved using the average installation non-payroll BOS expenditures from FY 01, 02, and 03, with costs associated with the war on terror or the war in Iraq removed, as the BOS starting point. Discussion addressed using required costs vice actual costs. However, not all the services have a methodology for developing required costs and, therefore, actual costs will be used for the BOS starting costs.
- c. The JPAT agreed that the Service differences in BOS were not an issue. As long as the JPAT does not specifically state that a certain cost is contained in BOS and no BOS cost is double counted in a different cost category there will not be a problem. The major Service/Agency differences in BOS lie in that some activities count a specific cost as a mission cost while others count it in BOS cost. In the joint environment, the change in BOS will be calculated according to the host installation's method.

4. Agenda Item #2. COBRA BOS Algorithm

- a. The current COBRA BOS algorithm calculates the change in BOS costs using the below equations:

Starting Population = Total Officers + Enlisted + Civilians + Students (input screen 4)

$$\% \text{ FS Change}_{\text{Year}=\text{n}} = \frac{\text{Starting Population} + S_{1,\text{n}} (\text{Force Structure Changes, input screen 6})}{\text{Starting Population}}$$
$$\text{Actual BOS Cost}_{\text{Year}=\text{n}} = (\text{Comm Cost} + \text{BOS Non-Pay Cost}) \times (\% \text{ FS Change}_{\text{Year}=\text{n}})$$
$$\text{BRAC Changes}_{\text{Year}=1} = \text{Scenario Changes}_{\text{Year}=1} + \text{Realign In}_{\text{Year}=1} - \frac{1}{2} \text{Realign Out}_{\text{Year}=1}$$
$$\text{BRAC Changes}_{\text{Year}=\text{n}} = S_{1,\text{n}} (\text{Scenario Changes}) + S_{1,\text{n}} (\text{Realign In}) - S_{1,\text{n}-1} (\text{Realign Out}) - \frac{1}{2} \text{Realign Out}_{\text{Year}=\text{n}}$$
$$\text{BRAC Changes}_{\text{Year}=\text{Beyond}} = S (\text{Scenario Changes}) + S (\text{Realign In}) - S (\text{Realign Out})$$
$$\% \text{ BRAC Change}_{\text{Year}=\text{n}} = \frac{\text{Starting Population} + S_{1,\text{n}} (\text{FS Changes}) + \text{BRAC Changes}_{\text{Year}=\text{n}}}{\text{Starting Population} + S_{1,\text{n}} (\text{FS Changes})}$$
$$\text{Revised BOS Cost}_{\text{Year}=\text{n}} = \text{Actual BOS Cost}_{\text{Year}=\text{n}} \times (\% \text{ BRAC Change}_{\text{Year}=\text{n}})^{\text{BOS Index}}$$
$$\text{Net BOS Cost}_{\text{Year}=\text{n}} = \text{Revised BOS Cost}_{\text{Year}=\text{n}} - \text{Actual BOS Cost}_{\text{Year}=\text{n}}$$

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There is no documentation to support this equation or explain how to calculate the BOS Index and research has not been able to establish the current value of the index. The JPAT agreed that this equation would not stand up to an audit without further documentation.

b. The Army presented a new algorithm based on research it conducted. The new algorithm is below:

$$Y_r = Y_c + \left(\frac{Y_c}{TP_c} \right) \left(1 - \frac{1}{1 + \frac{TP_c}{8378.72}} \right) (TP_r - TP_c)$$

Y= Revised Base Operations Cost

Yc = Current Base Operations Cost

TPc= Current Installation Population

UCA= Unit Cost Adjustment Factor (Estimates portion of Unit Cost that is Variable) = 8378.72

TPr= Revised Installation Population

In this equation, the UCA is the Unit Cost Adjustment factor and can be Service specific. This new algorithm includes a fixed cost component to non-payroll BOS and a linear relationship between non-payroll BOS costs and population changes. The UCA allows the calculation of the percent of costs that change as the population changes. Since the primary objective of COBRA analysis to determine cost changes, this enables the algorithm to perform its intended purpose.

c. The JPAT members wanted more time to review the algorithm and the methodology and report back at the next meeting. The members have three options at the next meeting:

1. Recommend using the current method and provide documentation to support a BOS Index.
2. Recommend using the Army method with or without changes.
3. Recommend another method with proper documentation.

3. Old Due Outs:

R&K Engineering

1. Tasked to determine a value for the site preparation standard factor that can be certified. Still Working
2. Tasked to find out whether or not there are conversion factors. Working to see if RPLANS can do it.

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4. New Due Outs. The Services owe a comment on the new BOS algorithm or a supportable alternative.

5. Policy Issues. None identified.

6. Schedule

AUG 7	Construction	Completed
AUG 14	Civilian/Military Pay	Completed
AUG 21	Privatization/Leases	Completed
AUG 28	Transportation Relocation	Completed
SEP 4	Industrial Base	Completed
SEP 11	SRM	Completed
SEP 18	Information Technology	Completed
SEP 25	Special Instructions Catch-Up	Completed
OCT 2	RC Issues (+) tenants	Completed
OCT 9	BOS	Completed
OCT 16	NPV/ ROI / FMV / Leases	Read Ahead due 13 OCT
OCT 23	Environment	
OCT 30	Medical and TriCare	
NOV 6	S/RM revisited	
NOV 13	Standard Factors	

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