

The COBRA JPAT meeting on COBRA JPAT on S/RM was held at R&K Engineering on 6 NOV 03 from 0900 to 1400.

1. Attendance

a. The following members attended the meeting:

John Desiderio	OSD BRAC
Jack Leather	Navy BRAC
Jack Francisco	DLA / JCSG S&S
Omer Alper	Navy BRAC
Frank Sosa	AF BRAC
John Dovich	R&K
Art Levesque	R&K
COL Peter DeSalva	JCSG Tech
Armando Drake	DLA BRAC
Ben Bond	HQMC
Richard Snow	SAF / IEBB
Rich Marshall	JCSG Industrial
LtCol Dan Costello	AF / ILEPA
Ryan Ferrell	JCSG HSA
Bob Ralston	JCSG HSA
Wayne Miller	AF / ILEPA
Harshad Shah	DDR&E
David Clark	TMA / FLCM (R&K)
COL Stephen Evans	JCSG Tech
Paula Loomis	SAF / IEIT
Thadd Buzan	OSD / I&E
CDR Chris Newton	OPNAV N46 / CNI

b. The following were at the meeting as observers:

Marcia L. Kilby	OIG DoD
Andrea Beck	AAA
Donna Horvath	AAA
Jim Reifsynder	GAO
Larry Waggoner	AMSAA

c. The following groups did not send a representative:

JCSG E&T
 JCSG Intel

2. General Session

a. The next JPAT meeting will be on 13 NOV. This meeting will wrap up any remaining issues.

b. **Facilities Shutdown.** The JPAT agreed that COBRA will reduce sustainment based on a reduction in building square feet. In Screen Five - Base Information (Dynamic), the user will enter the total facilities shut down in units of thousands of square feet. The algorithm will then reduce sustainment based on either a shut down schedule or time phasing based on population reduction. If the installation closes, the COBRA will continue total sustainment at 15% until

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the end of the 2011. This will simulate the care taking costs associated with a closed installation. This will allow us to remove the Caretaker Staff Changes lines in Screen Six - Base Information (Personnel).

c. **Conversion Factors** - The JPAT agreed that if a COBRA user wants to determine what the costs are to convert a building to another function, he should use the rehab function in Screen Seven - Base Information (Construction). The user should use the FAC for what the building is going to be converted to.

d. **Service Funding Rate.** The JPAT agreed that sustainment costs will be determined using the following procedure:

1) Determine each installation sustainment requirements using the FSM model.

2) Multiply the sustainment requirements by the Service sustainment funding rate for FY '05 to find the programmed budgeted rate.

3) Determine the expenditure rate using the following equation:

$$\text{Expenditure Rate} = \frac{\text{FY 03 Sustainment Expenditures}}{\text{FY 03 Programmed Budget}}$$

4) Multiply the answer found in part 2) by the *Expenditure Rate*. This is the sustainment starting point.

5) The funding rate used in the COBRA to increase sustainment after the addition of new MILCON will be:

$$\text{Sustainment Funding Rate} = (\text{Expenditure Rate})(\text{FY 05 Service Sustainment Funding})$$

e. **Recapitalization.**

1) The Army was not in favor of using RM cost avoidance as savings in COBRA for the following reasons:

a) DoD is not programming MILCON based on recap rate. The recap rate is determined by dividing investment (MILCON) into PRV. DoD should determine a recap rate and then determine the required investment to maintain that recap rate.

b) Installation commanders often reallocate funds to "have-to-pay" bills, like utilities. Funds often migrate at installation level without reimbursement.

c) Priorities can change over administrations (20 yrs worth). This "funny money" will be used as a bill payer for future priorities. Facilities are the priority right now, but history has shown that priorities change and facilities are a bill payer. Emphasis can shift elsewhere (i.e. recruiting and retention) because of the extended war.

d) Family Housing privatization illustrates that avoided costs are just that, avoided.

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- i. Problem: Over the past 30 years, was not maintained or modernized.
 - ii. Cost: It would have cost \$16 billion and take 20 years to solve this problem.
 - iii. Solution: Privatization relieved DoD from the \$16 billion dollar bill.
- e) Prior BRAC analysis has never included RM past the 5th year.
 - f) RM is not “spread fairly” across installations. Some installations have received more MILCON, or RM, than others.
 - g) Not auditable.
 - h) There is a possibility for double counts. BOS and RM is paid for using O&M dollars and installation BOS is already in COBRA.
 - i) Family housings represents over 7% of PRV. If we privatize housing, BAH is now another type of funding used for recapitalization.
 - j) GAO estimated that BRAC 95 produced 17.3 billion dollars in Net Present Value (NPV) savings. If we reduce the net DoD PRV by 10% and assume a recap rate of 100 years there would have been another 5.5 billion dollar change in NPV savings. If we assume that we will have similar savings in 2005 that we had in 1995, then we have the potential of reporting a 30% increase in savings.
 - k) Not defensible. Given DoD's history of not funding RM and its history for changing priorities, the Services can not defend assuring cost avoidance for RM from a closing installation.
- 2) The other Services and the JCSG are in favor of using RM cost avoidance as savings in COBRA for the following reasons:
- a) GAO states. "base closures can be viewed as representing the avoidance of potentially significant costs that otherwise would be associated with facilities' revitalization at some point in the future" in the 1995 report. We did not have the ability to capture these costs in 1995, but we do now, so we should follow GAO recommendation.
 - b) We now have models in place that tell us how much is required and a decision history of direction from this SecDef on how much should be budgeted/programmed against the models and a decision history of what the Services actually allocated to these requirements.
 - c) We see no difference between this cost (for R&M) and the costs for sustainment, or BOS, or anything else we include in the analysis.
 - d) We recognize that there is going to be some RM cost reduction from a reduction in physical plant.
 - e) Facilities recapitalization (e.g., restoration and modernization) is a legitimate requirement that represents the "renewal" of DoD's permanent facilities that support ongoing missions. DoD currently

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programs and funds facilities recap at about \$4B-\$6B annually, so this is no small change. We measure our performance every year using the same metrics that we are now planning to include in COBRA.

f) Just as with our facilities sustainment metrics, COBRA should be more defensible by using these metrics that we (and OMB and Congress) have reviewed and sanctioned since the last round of BRAC. For COBRA to ignore it would be a bad idea.

g) The past practice of using the actual MILCON programmed for a losing installation as the "savings" may seem to be more accurate than using the new recap metric. However, this has significant shortcomings. First, the MILCON program represents both "new missions" as well as "recap" of existing facilities. Second, the MILCON program is subject to significant alteration in advance of or following BRAC decisions that could queer the analysis. Third, MILCON (or more specifically, those projects in the "recap" category, not "new mission") represents the funding needed to satisfy the recap requirement, not the requirement itself. The requirement is an annualized average that is ongoing and indefinite in duration--for as long as DoD has need of the facilities. Finally, MILCON does not represent all of the recap funding, either, as much is provided in other appropriations (O&M).

h) BRAC will impact the recap requirement to the extent that it increases or decreases the total DoD facilities inventory, so looking only at the losing installation paints a false picture. When you offset the facilities at the losing installation with new/expanded facilities at gaining installations, the overall impact is much smaller. But it is still a real impact.

3) OSD presented an algorithm to integrate recapitalization savings into COBRA.

a) As soon as a base is approved for closure all recapitalization funding ceases and this funding becomes a recurring cost avoidance beginning in year 1.

b) For years 1-5 (2006-2010) actual budget/programmed figures are available to determine recapitalization funding and they are used to calculate costs for both sources of recapitalization funding (MILCON and O&M recap funds). The military portion of this funding is calculated by adding the cost of any recapitalization MILCON project included in the FY05 PB/FYDP for the installation as a cost avoidance in the year budgeted / programmed.

c) The O&M funds are calculated using the O&M recap funds in the FY05 PB for the Service owning the base. Unlike MILCON, these costs are not identified by installation, only in total by Service. To calculate a cost for each installation the Service total is multiplied by the portion of the Service's PRV that is on the installation in accordance with the formula below.

$$\left(\frac{\text{Installation PRV}}{\text{Service PRV}} \right) (\text{Service O \& M RM FY05})$$

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Add this figure to any identified MILCON to determine recurring RM.

d) For Years 6 and beyond (2011-2025) the annual installation recapitalization cost is based on a recap rate in years from the Service FY05 PB. The annual installation recapitalization cost is calculated by dividing the recap rate into the installation's PRV.

e) The Air Force proposal was similar to OSD's. The difference was that the Air Force wanted to use PRV divided by the recap rate as the recurring cost for all 20 years.

f) Increase in RM cost is determined by using the new MILCON PRV, divide by the recap rate, and add as a recurring cost.

f. R&K has begun to update the model and the manuals. When R&K completes the manuals, they will be staffed by the TABS office and then sent electronically out to the JPAT for review. After the JPAT members have had sufficient time to review the manuals, then the JPAT will meet to discuss, revise, and approve the final draft.

3. Old Due Outs

- a. R&K Engineering is tasked to determine a value for the site preparation standard factor that can be certified. **Still Working**
- b. MAJ Smith will do further investigation into the cost of medical expendables.

4. New Due Outs

5. Policy Issues

- a. Do military eliminations constitute salary savings?
- b. Units using BRAC to "get well" in quantity and quality.
- c. Can cost avoidance savings be calculated from future sustainment no longer required because of facility shutdown?
- d. How will COBRA handle any hiring lag?
- e. Environmental restoration will be determined outside of COBRA.
- f. Recapitalization

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

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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	Completed
OCT 23	Environment	Completed
OCT 30	Medical and TriCare	Completed
NOV 6	S/RM revisited	Completed
NOV 13	Standard Factors / Reports	Read Ahead due 10 NOV

Dave