

Department of the Navy



INFRASTRUCTURE ANALYSIS TEAM

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IAT/REV
3 June 2004

MEMORANDUM FOR THE INFRASTRUTURE EVALUATION GROUP (IEG)

Subj: REPORT OF IEG DELIBERATIONS OF 27 MAY 2004

- Encl: (1) Military Value Analysis of DON Specific Headquarters and Support Activities Functions Brief of 27 May 2004
- (2) IAT HSA DON Specific Regional Management Proposed Military Value Attributes, Components, and Scoring Statements
- (3) Cost of Base Realignment Actions (COBRA) Overview Brief for IEG of 27 May 2004

1. The thirteenth deliberative session of the Department of the Navy (DON) Infrastructure Evaluation Group (IEG) convened at 1013 on 27 May 2004 in the CNI conference room located at Crystal Plaza 5, 4th floor. The following members of the IEG were present: Ms. Anne R. Davis, Acting Chair; Ms. Ariane Whittemore, alternate for VADM Charles W. Moore, Jr., USN, Member; Mr. Thomas R. Crabtree, alternate for VADM Albert H. Konetzni Jr., USN, Member; Ms. Carla Liberatore, alternate for LtGen Richard L. Kelly, USMC, Member; Dr. Michael F. McGrath, Member; Mr. Robert T. Cali, Member; Mr. Ronnie J. Booth, Navy Audit Service, Representative; and, Mr. Thomas N. Ledvina, Navy Office of General Counsel, Representative. The following members of the IAT were present when the deliberative session commenced: Mr. Dennis Biddick, Chief of Staff; Mr. David W. LaCroix; CAPT Christopher T. Nichols, USN; CAPT Matthew R. Beebe, CEC, USN; CDR Edward L. Jaenichen, USN; CDR Carl W. Deputy, USN; LtCol Robert R. Mullins, USMCR; CDR Jennifer R. Flather, USN; Mr. Michael D. Bowes, CNA; CDR Edward J. Fairbairn, USN; CDR Robert E. Vincent II, JAGC, USN; and, Capt James A. Noel, USMC.

2. Ms. Davis reminded the IEG that the IAT presented a preliminary analysis of 217 "other" DON activities that are not functionally aligned with a JCSG or a DON function at the last deliberative session. At that deliberative session, the IEG conceptually approved five proposed categories for these activities, including Regional Support Activities. Regional Support Activities include numerous geographic shore support

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activities that are not tied to a specific location or set of operational forces. Ms. Davis informed the IEG that the IAT HSA team would present the military value scoring methodology for Regional Support Activities at today's deliberative session. Enclosure (1) pertains.

3. The IAT informed the IEG that the HSA JCSG would conduct military value analysis on the operational functions performed by some of these Regional Support Activities. The IAT's intent is to conduct military value analysis of the management/overhead functions performed vice their operational functions. Specifically, the IAT will focus upon the management of subordinate activities and internal support functions performed by these activities. These management and internal support functions include the following: Administration and Contracting; Administration and Business Management; Environmental Services and Safety; Facilities Management; Financial Management and Comptroller Services; Inspection and Evaluation; Security; and, Supply and Support Services. In order to differentiate operational versus management and internal support functions and refine the list of applicable Regional Support Activities, the IAT recommended inclusion of a series of questions concerning an activity's managerial functions. The IAT proposed that these questions could be included in the "other" activity "mini" data call discussed at last week's deliberative session. The "mini" data call questions will enhance the IAT's understanding of an activity's mission. The IEG approved the IAT's recommendation to prepare a list of appropriate questions.

4. The IAT informed the IEG that the Regional Support Activities universe included 75 naval activities that currently operate on a regional basis. See slide (3) of enclosure (1). The IEG reviewed the proposed universe list and questioned whether Fleet and Industrial Supply Centers (FISC) should be included in the Regional Support Activities universe or in any of the other four categories for the 217 "other" DON activities. The IEG opined that FISC's critical function is to provide operational support to the fleet and noted that the Supply and Storage JCSG would be conducting capacity and military value analysis of the FISC's operational functions. The IEG concluded that performance of peripheral missions did not warrant separate military value analysis for FISCs.

5. Ms. Davis noted that the IAT had identified three primary considerations for the military value analysis of Regional Support Activities - alignment, integration, and location.

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Optimal alignment requires an evaluation of an activity's linkages and relationships in order to ascertain which relationships need to be strengthened through realignment. Integration evaluates the balance between efficiency of integration and mission effectiveness. Optimal location requires an evaluation of an activity's area of responsibility and actual location. See slides (5) and (6) of enclosure (1).

6. The IAT provided a list of four proposed attributes and accompanying components and scoring statements designed to assess the geographical responsibilities, span of control, and alignment of Regional Support Activities. See slide (7) of enclosure (1) and enclosure (2). Ms. Davis asked the IEG to review the proposed attributes, components, and scoring statements. She stated that if the IEG determined the attributes, components, and scoring statements were appropriate, then the IAT would prepare applicable military value analysis questions. The IEG reviewed the attributes, components, and scoring statements and directed the IAT to refine the scoring statements and develop questions.

7. Mr. Jack Leather, IAT staff member, entered the deliberative session at 1030. Ms. Whittemore departed the deliberative session at 1116. CAPT Nichols; CAPT Beebe; CDR Jaenichen; CDR Deputy; LtCol Mullins; CDR Flather; and, Mr. Michael D. Bowes departed the deliberative session at 1137.

8. Mr. Jack Leather used enclosure (3) to brief the IEG on the COBRA model. He informed the IEG that OSD assigned the Department of the Army as the lead Service for the implementation and use of the COBRA model and further directed all Services and the JCSGs to use the COBRA model to calculate costs, savings, and return on investment of all proposed realignment and closure actions. He also stated that the ISG has approved the COBRA model methodology for BRAC 2005.

9. The deliberative session adjourned at 1210.


ROBERT E. VINCENT II
CDR, JAGC, U.S. Navy
Recorder, IAT

TAB 1



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Military Value Analysis of DON Specific Headquarters and Support Activities Functions

27 May 2004

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Headquarters and Support Activities

- **Questions to be included in “other” mini-data call to refine targets for Regional analysis effort. Intent is to focus on management vice operational functions.**
- **DON Specific H&SA Regional Support Military Value Methodology:**
 - **Universe**
 - **Attributes**
- **Selection Criteria Weighting**



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Regional Support Activities (75)

- **Definition - Various geographic shore support activities not tied to a specific location or set of operational forces.**

– Navy Installation Management Regions	11
– Engineering Field Activities/Divisions/OICC	11
– Navy Public Works Centers	7
– Navy Reserve Readiness Commands	7
– Navy Legal Service Office	7
– Marine Corps Districts (Recruiting)	6
– <i>Human Resource Service Centers *</i>	6
– Navy Trial Service Offices	5
– <i>Fleet and Industrial Supply Centers *</i>	5
– Navy Recruiting Regions	4
– <i>Health Care Support Organizations *</i>	3
– <i>Navy Personnel Support Activities *</i>	2
– Marine Corps National Capital Region Command	1

** Activities included in JCSSG analysis for operational function*



Functions to be studied

- **Focus not on operational functions, but rather, on management of subordinate activities and internal support as described by:**
 - **Administration and Contracting**
 - **Administration and Business Management**
 - **Environmental Services and Safety**
 - **Facilities Management**
 - **Financial Management/Comptroller Services**
 - **Inspection and Evaluation**
 - **Security**
 - **Supply and Support Services**

DoDD 5100.73 as used by the JCSG

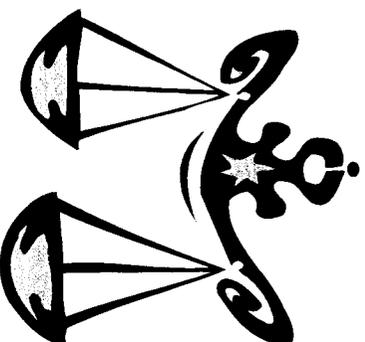


Considerations

- **Alignment**
 - Of what, to what? IM Regions? Force Concentration Areas? FEMA Regions?
- **Integration**
 - Efficiency of integration vs. mission effectiveness?
 - How big is too big?
- **Location**
 - Is alignment just AOR or does it include Flag pole location?



Considerations



- **Efficiencies**
 - At what point do we achieve diminishing returns?
 - Is collocation optimum for all commands?
- **Effectiveness**
 - What is the optimum span of control?
 - How many missions (hats) are too many?
 - What is the correct distance between locations?



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Regional Support Attributes/Components

Analyze Regional Support Management to assess geographic responsibilities, span of control, and alignment.

- **Effectiveness of Operation**
 - **Operational Proximity**
 - **Criticality of location/Mobility**
 - **Scope of Responsibility**
- **Efficiency of Operations**
 - **Co-location**
 - **Regional Alignment**
 - **Locality Cost**
- **Quality of Facilities**
 - **Security**
 - **Facility Condition**
 - **Personnel Support**
 - **Medical**
 - **Housing**
 - **Employment**
 - **MWR/MCCS/Fleet and Family Services**
 - **Metropolitan Area Characteristics**



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BRAC 1995 Military Value Weights

FUNCTION	READINESS	FACILITIES	MOBILIZATION CAPABILITY	COST AND MANPOWER
REDCOMS	50%	10%	30%	10%
EFDS	40%	20%	10%	30%

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BRAC 2005 DON Specific H&SA Military Value Weights

CRITERIA				
FUNCTION	READINESS	FACILITIES	SURGE CAPABILITY	COST AND MANPOWER
Regional Support Activities	___%	___%	___%	___%
	50	15	15	20
	55	25	5	15
	50	20	15	15
Recruiting Reserves OPS E&T	40	30	15	15

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TAB 2

REGIONAL MANAGEMENT

Proposed Military Value Attribute, Components, and Statements

EFFECTIVENESS OF OPERATION (OP)

Operational Proximity

- Relative proximity to customers / subsidiary organizations.
- Relative proximity to related peer organizations.

Criticality of Location / Mobility

- Relative mobility (admin support component difficult to separate from current location)
- Location within current area is critical to mission.

Scope of Responsibility

- Number of customers/subsidiary organizations currently served.
- Number of customers/subsidiary organizations currently supported beyond 100 miles.
- Single-hatted commanding officer
- Service provided to customers outside DoN.

EFFICIENCY OF OPERATION (EF)

Co-location

- Proximity to other DoN regional organization headquarters.
- Proximity to Naval force concentration.

Regional Alignment

- Degree of alignment of regional boundaries with those of other regional organizations.

Locality Cost

- Relative locality cost factors.
- Type of installation (military; owned vs. leased).

QUALITY OF FACILITIES (QF)

Security

- Relative security posture of the regional headquarters.

Facility Condition

- Facility condition code for regional headquarters.

PERSONNEL SUPPORT/QOL (PS)

Medical

- Located within medical catchment area of an in-patient military medical treatment facility.

Housing

- Relative value of community housing availability, affordability and proximity.

Employment

- Relative opportunity for dependent / off-duty employment.

MWR/MCCS/Fleet and Family Services

- Relative availability of base services.
- Relative availability of child development services

Metropolitan Area Characteristics

- Relative proximity to a nearest commercial airport that offers regularly scheduled service by a major airline carrier.
- Relative local crime rate.

TAB 3



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COBRA Overview

Infrastructure Evaluation Group

27 May 2004

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Why COBRA?

“DoD components and the JCSSGs must use the COBRA model to calculate costs, savings, and return on investment of proposed realignment and closure actions.”

“The Department of the Army will be the lead Service for this effort.”

Transformation Through Base Realignment and Closure (BRAC 2005) Policy
Memorandum One – Policy, Responsibilities, and Procedures

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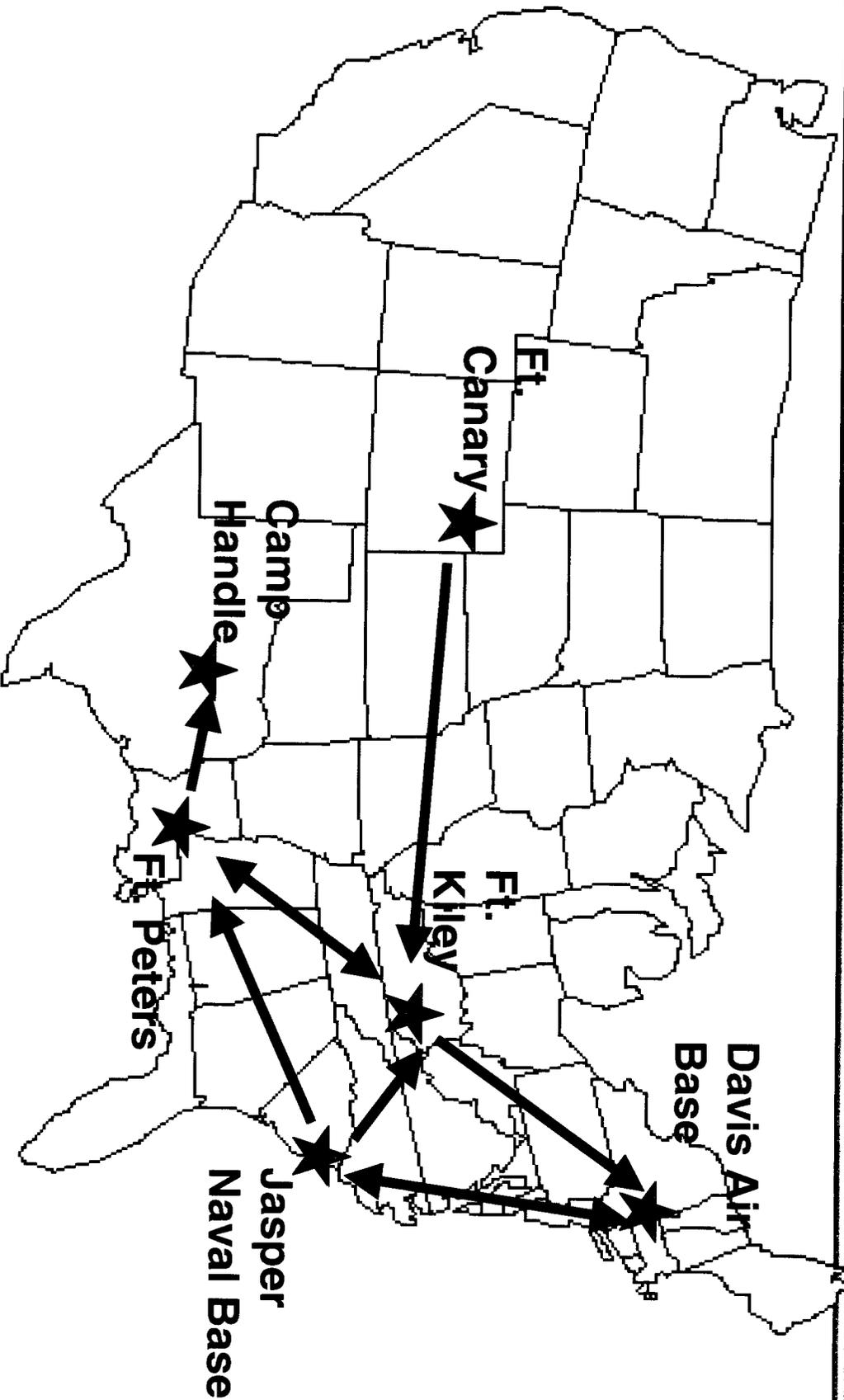


The COBRA Model

- **Capabilities.**
 - A joint tool.
 - Estimates costs and savings of stationing actions.
 - Comparative, macro-level tool.
- **Characteristics.**
 - Not an optimizing or budgetary tool.
 - A “MACRO” level model
 - Models all actions in 6 years and assumes steady state thru 20 years.



A COBRA Scenario





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COBRA Data

- Static installation data - starting position (“baseline”)
 - Population
 - Operating Costs
 - Demographics
 - Installation specific cost factors
- Dynamic scenario data
 - Personnel moved/eliminated/added
 - Equipment moved
 - Scheduling of moves/eliminations
 - Identified unique costs and savings
 - Construction/rehabilitation requirements
- Standard Factors
 - Demographics
 - Financial cost data
 - Pay and allowances
 - Civilian, transportation, and construction costing factors
 - Relocation program factors



Data Screens

- **Screen One – General Scenario**
- **Screen Two – Distance Table**
- **Screen Three – Movement Table**
- **Screen Four – Base Information (Static)**
- **Screen Five – Base Information (Dynamic)**
- **Screen Six – Base Information (Personnel)**
- **Screen Seven – Base Information (MILCON)**
- **Screen Eight – Base Information (Enclave)**



COBRA Outputs

- ***Net Present Value***
- ***Payback Year***
- ***Payback Period***
- **Realignment Summary**
- **One-Time Cost Summary**
- **Recurring Cost Summary (e.g. S/RM, BOS)**
- **Military Construction Summary**
- **Personnel Summary**

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“Big Four” Cost Drivers

- Military Construction (MILCON).
 - Use DoD Facilities Pricing Guide (FPG) to determine costs.
 - e.g. \$164 a square foot to build a general admin building.
- Personnel Salaries.
 - An average civilian position costs \$900K NPV over 20 years.
 - \$100 million building equates to 107 civilian positions.
- Sustainment (S/RM).
 - Sustainment requirements determined by the Facilities Sustainment Model (FSM).
 - Average annual sustainment requirement for a medium sized DoD installation is between \$10 and \$20 million.
- Base Operating Support (BOS).
 - Algorithm refined to capture the fixed cost of establishing an installation.
 - Average medium sized DoD installation annual BOS expenditure is between \$50 and \$150 million.

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JPAT

- **Mission:** Provide auditable COBRA model for the Services and JCSCGs for BRAC 2005 scenario analysis.
- **JPAT Members:** OSD, Services, JCSCGs, and DLA.
- **Process:** Review, refine, verify, and validate COBRA inputs, outputs, algorithms, operations and functionality.
- **Principles:** Establish Service consistency, eliminate national averages, utilize improved data collection, and integrate a decade of change.
- Briefed progress to DAS's and obtained ISG approval.

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JPAT Accomplishments

- ✓ Increased installation specific data (e.g. locality pay rates, freight rates).
- ✓ Added enclave cost calculations.
- ✓ Increased cooperation with auditors and GAO.
- ✓ Improved algorithms for BOS, median home price, rehab factors, and military construction.
- ✓ Integrated privatization.

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COBRA Data

- **Overview of COBRA Static and Standard Factors data sources**
 - Static Data is installation specific
 - Standard Factors are “global” with some variation by MILDEP/DA
- **Five Types of Sources**
 - Data call questions
 - Data from official sources (memos)
 - Open source data (MAJ Smith certifies)
 - JPAT approved analysis
 - OSD

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Static Installation Data

Data Elements

- Total authorized officers/enlisted/civilians/students
- Installation cost for surface freight
- Starting square footage of facilities
- Officers/enlisted/civilians involved in sustainment (sustainment payroll costs)
- Installation BOS expenditures
- Officers/enlisted/civilians involved in BOS (BOS payroll costs)
- Family housing budget
- Housing privatization schedule
- Officer/enlisted family units vacant

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OSD (P&R) Data

Data Elements

- Officer/enlisted accompanied %
- Average officer/enlisted salary
- Median GS rate and step (median GS salary)
- Average time on station
- Average one-time PCS cost (officer/enlisted)
- Civilian
 - Turnover rate
 - Early / regular retirement rate
 - Retirement / RIF pay factor
 - Priority placement rate
 - PPP involving PCS
 - Average PCS cost



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SDDC Data

Data Elements

- **Vehicle railcar ship costs**
- **Total household goods cost**
- **Equipment packing and crating**
- **Storage in transit cost**
- **Air transport cost**

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OSD(HA) Data

Data Elements

- Number of active duty inpatient admissions (MTF)
- Number of active duty outpatient visits (MTF)
- Number of active duty prescriptions
- Number of retiree inpatient admissions
- Number of active duty inpatient admissions (downtown)
- Number of active duty outpatient visits (downtown)
- Number of retiree outpatient visits
- Number of retiree prescriptions
- Number of retiree 65 & over inpatient admissions
- Number of retiree 65 & over outpatient visits
- Number of retiree 65 & over prescriptions

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Open Source Data

Certified by Army

- DoD Facilities Pricing Guide
 - MILCON contingency rate – 1.05
 - MILCON medical design rate – 1.13
 - MILCON other design rate – 1.09
 - MILCON SIOH rate – 1.06
 - Area cost Factor - area specific
- Joint Travel Regulation (JTR)
 - Home sale reimbursement rate – 10%
 - Maximum home sale reimbursement - \$50000
 - Home purchase reimbursement rate – 5%
 - Maximum home purchase reimbursement - \$50000
 - Civilian household good – 18000 lbs.
 - POV reimbursement – 0.20 \$/mile

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Open Source Data(cont.)

- Joint Forces Travel Regulation (JFTR)
 - Officer HHG accompanied – 15290 lbs.
 - Enlisted HHG accompanied – 9204 lbs.
 - Officer HHG unaccompanied – 13712 lbs.
 - Enlisted HHG unaccompanied – 6960 lbs.
- Officer / enlisted BAH – per diem committee
- Per diem rate – per diem committee
- Locality pay factor – OPM
- Department of Labor
 - Average unemployment cost – 261.4 \$/week
 - Unemployment eligibility – 16.31 weeks
- Home ownership rate – Census Bureau – 68.4 %
- USA Corps of Engineers
 - HAP home value rate
 - HPA receiving rate
- NPV discount rate – OMB – 3.15% (2/2004 OMB A-94)

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JPAT Approved Analysis

Certified by Army

- Mothball costs (closing) – 0.17 \$/sq. ft.
- Mothball costs (deact) – 0.43 \$/sq. ft.
- Site preparation rate – 0.71 \$/sq. ft.
- Rehab vs. new MILCON (default) – 0.47
- Rehab vs. new MILCON (red) – 0.64
- Rehab vs. new MILCON (amber) – 0.29
- IT connect factor – 200 \$/person
- Unit cost adjustment (UCA) – Service specific

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OSD (AT&L) Data

Data Elements

- **Total installation sustainment requirement**
- **Installation plant replacement value (PRV)**
- **Service recap rate**
- **Service sustainment rate**

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MILDEP Data Call

Data Element	Army	Navy	Air Force
Number of Personnel Authorized	ASIP	Installation	SAF/DPM
Cost and Utilization of Family Housing	Installation	N4/LF	Installation
Surface Motor Freight Cost	Installation	N4/LF	Installation
Square Footage of Existing Facilities	RPLANS	Installation	Installation
Personnel Involved in Sustainment	Installation	Installation	SAF/DPM
Base Operating Support	CEAC	Installation	SAF/FMBO
Number of Personnel Authorized (tenants)	ASIP	Installation	SAF/DPM
Housing Privatization Schedule	DASA (P&P)	N4/LF	Installation

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Questions?