



ACQUISITION,  
TECHNOLOGY  
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**THE UNDER SECRETARY OF DEFENSE**

3010 DEFENSE PENTAGON  
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MEMORANDUM FOR INFRASTRUCTURE EXECUTIVE COUNSEL MEMBERS  
INFRASTRUCTURE STEERING GROUP (ISG) MEMBERS  
CHAIRMEN, JOINT CROSS-SERVICE GROUPS (JCSG)

SUBJECT: Transformation Through Base Realignment and Closure (BRAC 2005) Policy  
Memorandum Three – Selection Criterion 5

**Background**

The Secretary of Defense's memorandum of November 15, 2002, established the authorities, organizational structure, goals, and objectives for the Department's development of BRAC 2005 recommendations. Policy Memoranda One and Two provided further guidance on implementing BRAC 2005. This memorandum is the third in a series of Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) policy memoranda implementing BRAC 2005. The USD (AT&L) will issue additional policy guidance, as necessary, throughout the BRAC process.

**Purpose**

This memorandum describes how BRAC selection criterion 5, "*The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs*" will be implemented during the BRAC process. Selection criterion 5 will be assessed against all scenarios considered during the BRAC scenario analysis process. This memorandum applies to the Military Departments and Joint Cross-Service Groups (JCSGs).

Policy Memorandum One, dated April 16, 2003, directed the Military Departments and the JCSGs to use the Cost of Base Realignment Actions (COBRA) model to calculate costs, savings, and payback (formerly known as return on investment) of proposed realignment and closure actions. Policy Memorandum One also directed the Department of the Army to take the lead in recommending improvements in the COBRA model and in revising standard cost factors used with the model.

COBRA provides a uniform methodology for estimating and itemizing projected costs and savings associated with BRAC closure and realignment scenarios. This guidance, applicable to the Military Departments and the JCSGs, establishes policy and procedures for use of the updated COBRA model when evaluating BRAC selection



criterion 5. It includes policy, responsibilities, and procedures for COBRA use, and discusses how the model's outputs will be used to support the overall BRAC 2005 process. Additionally, this memorandum specifies how the Department will comply with the requirement to take into account the effect of a 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 an affected military installation.

## **Policy Guidance**

### **General**

The Military Departments and JCSGs, hereafter referred to as the “scenario proponents,” are required to use the COBRA model in assessing proposed realignment and closure scenarios during their selection criterion 5 assessments. To perform these assessments, proponents must load scenario-specific data into the COBRA model. This data, used in combination with model algorithms and standard cost factors already developed and pre-loaded into the model, will result in an estimate of costs, savings, and payback for the proposed closure/realignment scenario. The COBRA model uses a Windows format and is easily tailored to provide a variety of reports and information, including payback year, one-time costs, 6-year costs and savings, annual recurring costs and savings, and 20-year net present value (NPV).

Due to the complexity of the COBRA model, four documents will be issued that supplement the policies and procedures in this memorandum. To ensure consistent implementation of the COBRA model in support of selection criterion 5 assessments, all users of the model should become familiar with the content of these documents:

- COBRA Users Manual
- COBRA Algorithm Documentation
- COBRA Analyst Template
- COBRA User Checklist

To obtain needed COBRA data input, scenario proponents will develop COBRA related questions that will be included in scenario data calls. These COBRA-related questions focus exclusively on data not previously gathered concerning specific losing and receiving installations. Scenario data calls will be prepared by the scenario proponents and collected by the appropriate Military Department or Defense Agency.

COBRA results may suggest minor changes in the scenario that would reduce costs or improve long term savings. Comparative assessments of COBRA results for scenarios may enable Military Departments and JCSGs to eliminate scenarios that are inferior to others from a cost perspective.

## **Responsibilities**

Proponents will maintain a list of all scenarios evaluated by COBRA as well as a COBRA summary sheet on each scenario evaluated during the deliberative process. COBRA results and recommendations will be presented in the format provided herein.

Because the updated COBRA software contains many pre-loaded base characteristics and standard cost factors designed to simplify BRAC analysis, access to the COBRA model is restricted to internal Department of Defense use until the release of final recommendations.

## **Key Terms and Procedures**

The following guidance provides instructions on key COBRA calculations. More complete and detailed guidance is provided to COBRA users in the four documents listed in the General section above. A review of these documents is required before using the model.

Losing Installation: An installation from which missions, units or activities would cease or be relocated pursuant to a closure or realignment recommendation. An installation can be a losing installation for one recommendation and a receiving installation for a different recommendation.

Receiving Installation: An installation to which missions, units or activities would be relocated pursuant to a closure or realignment recommendation. An installation can be a receiving installation for one recommendation and a losing installation for a different recommendation.

Close: Any action that ceases or relocates all current missions of an installation and eliminates or relocates all current personnel positions (military, civilian and contractor), except for personnel required for caretaking, conducting any ongoing environmental cleanup, or property disposal. Retention of a small enclave, not associated with the main mission of the base, is still a closure. (To ensure the application of a specific COBRA algorithm, users are instructed to use a “deactivate” button for closures where an enclave is going to be maintained).

Realign: Includes any action that both reduces and relocates functions and civilian personnel positions, but does not include a reduction in force resulting from workload adjustments, reduced personnel or funding levels, or skill imbalances.

Proposal: A description of one or more potential closure or realignment actions that have not been declared as a scenario for formal analysis by either a JCSG or a Military Department. Normally includes detail on the transfer of units, missions or other

work activity; facilities or locations that would close or lose such effort; facilities or locations that would gain from the losing locations; tenants or other missions or functions that would be affected by the action. A proposal can come from ideas or options derived from Optimization Tools. Proposals must be catalogued at the JCSG or MilDep level for tracking

Scenario: A proposal that has been declared for formal analysis by a Military Department/JCSG deliberative body. The content of a scenario is the same as the content of a proposal. The only difference is that it has been declared for analysis by a deliberative body. Once declared, a scenario is registered at the ISG by inputting it into the ISG BRAC Scenario Tracking Tool.

Scenario Analysis: The process to formally evaluate a scenario against all eight selection criteria.

Candidate recommendations: A scenario that a JCSG or Military Department has formally analyzed against all eight selection criteria and which it recommends to the ISG and IEC respectively for SecDef approval. A JCSG Candidate Recommendation must be approved by the ISG, IEC, and SecDef before it becomes a Recommendation. A Military Department Candidate Recommendation must be approved by the IEC and SecDef before it becomes a Recommendation.

### **Payback (formerly known as “return on investment”)**

Scenario proponents will calculate payback (in years) for each proposed closure or realignment recommendation. In accordance with guidance herein, all costs and savings attributable over time to a closure or realignment scenario must be calculated, including costs and/or savings at receiving locations. Costs or savings elements that are identified, but determined insignificant, need not be reported in the recommendation. However, scenario proponents must maintain a record of these determinations with each scenario file to document that these cost or savings elements have been considered during the scenario analysis.

### **Discount and Inflation Rates**

OMB establishes a discount rate for government-wide use in February each year, to be used for the succeeding twelve months. Based on the most current guidance provided in OMB Circular A-94, dated February 2004, COBRA will use the average of the 10-year real discount rate and the 30-year real discount rate to create the required 20-year rate. This average rate is presently 3.15 percent and is already pre-loaded into the COBRA model. If a significant change in the real discount rate is realized in 2005, the OSD BRAC Office will update COBRA standard factors and forward them to scenario proponents to be used to update COBRA results.

Costs and savings data entered into the COBRA model during the scenario analysis process must be entered in fiscal year 2005 dollars. When data is in other than fiscal year 2005 dollars, it must be converted using the table below. To convert then-year dollars to fiscal year 2005 dollars, multiply the then-year dollar by the appropriate adjustment factor. For example, to convert 1999 or 2008 dollars to 2005 dollars, multiply those amounts by 1.163 and 0.929, respectively.

**Table for Converting Then-Year Dollars to 2005 Dollars\***

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Factor</b>	1.191	1.163	1.133	1.100	1.069	1.044	1.020
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Factor</b>	1.000	0.977	0.953	0.929	0.906	0.88	0.86

\* Derived from the "National Defense Budget Estimates for FY 2005," Office of the Under Secretary of Defense (Comptroller), March 2004, Table 5-5, Total Column.

### **Medical Costs**

COBRA already incorporates discrete cost assumptions based upon a variety of factors including the type of patient population served and the non-DoD medical care options such as TRICARE and MEDICARE available to the DoD-served population. Scenario proponents must manually enter any costs or savings from hospital contracts.

### **Homeowners Assistance Program (HAP)**

The US Army Corps of Engineers will provide a list of installations that have a reasonable possibility of having a HAP program approved if the installation is selected for closure or realignment. That list will be incorporated into the COBRA model algorithms and HAP costs for these installations will automatically be included in COBRA calculations.

### **Land Purchases**

If scenario proponents plan a land purchase to support a scenario option, this estimated expense must be manually entered as a unique one-time cost.

### **Force Structure and Manpower Changes**

The costs or savings associated with force structure changes are not included in the COBRA calculations because they were previously identified in the Force Structure Plan and are not associated with the BRAC action to close or realign an installation. To

do otherwise would be to inappropriately credit costs or savings to the BRAC action. The manpower costs or savings associated with the BRAC action, however, should be included in the COBRA calculations because they are a direct result of the BRAC recommendation and are not the result of previously identified force structure changes.

### **Military Construction**

When a scenario requires new construction or renovation of an existing facility, scenario proponents will input anticipated construction requirements in terms of facility analysis category (FAC) code, square footage, and other known requirements. The model uses this input to project a military construction cost.

### **Military Construction Cost Avoidance**

When a scenario affects a losing installation where recapitalization resources for an existing facility are programmed, the savings associated with this facility are already captured by the model's recapitalization calculation. Therefore, scenario proponents will not enter any construction cost avoidances (savings) for this type of military construction.

When a scenario affects an installation at which there is a military construction project, authorized and appropriated in Fiscal Year 2005 or earlier, for a new facility that creates new footprint or supports new missions, such that the project is no longer required due to the BRAC action, scenario proponents must manually enter the construction cost avoidance (savings) associated with that project.

### **Designation of Receiving Bases**

When a scenario involves the relocation of 100 or more personnel (any combination of military or civilian), scenario proponents must identify a specific receiving base for that scenario. For scenarios involving relocation of less than 100 personnel, scenario proponents may, but do not have to identify a specific receiving site. If they do not identify a specific receiving location, they must establish a generic "base x" within the COBRA model to act as the surrogate receiving base for these smaller units or activities. The COBRA Users Manual referenced previously highlights the detailed information that must be entered in the model to characterize the BRAC closure or realignment action as it impacts both losing and receiving installations.

### **DoD Tenants and Enclaves**

Scenario proponents (Military Departments and JCSGs) will consider the impact of a scenario on each tenant or supported activity occupying an installation, including Reserve Component organizations, regardless of Military Service. All costs associated with relocating tenants affected by the scenario to receiving sites should be included in

the COBRA calculations. In some cases, the scenario may specify the creation of an installation enclave to avoid the transfer of tenant/supported activities. If an enclave is specified, scenario proponents must enter into COBRA each FAC code for a facility to be included in the enclave, along with required construction and any other costs to outfit the enclave. The candidate recommendation must include an explanation of any planned enclaves, including affected units/activities.

### **Unemployment Costs**

Military Departments and Defense Agencies annually budget unemployment contributions to the Federal Employees Compensation Account for DoD military and civilian employees. COBRA automatically calculates this cost based on the DoD employees whose unemployment is directly attributed to closures and realignments.

### **Standard Factors for COBRA**

All of the standard factors used in COBRA algorithms reflect standard rates which will be applied consistently in all closure and realignment scenario calculations. A single COBRA standard-factors file will be issued with the COBRA model and will not be changed without OSD approval.

### **Environmental Restoration Costs**

Restoration costs are expenses associated with clean up and reclamation of environmentally contaminated areas. Since the Department of Defense has a legal obligation to perform environmental restoration regardless of whether a base is closed, realigned, or remains open, environmental restoration costs at closing bases are not to be considered in the cost of closure calculations. The Department will consider the impact of costs related to potential environmental restoration in its Selection Criterion 8 analysis, through the review of certified data regarding pre-existing, known environmental restoration projects at installations that are identified during scenario development as candidates for closure or realignment. More detailed information on the consideration of environmental restoration costs within BRAC analyses is provided in separate policy guidance.

### **Other Environmental Costs**

Environmental compliance, pollution prevention, and conservation expenses are already captured in the COBRA model through the installation Base Operating Support costs. Other environmental costs that are capacity-related, such as costs associated with increases or changes in the environmental carrying capacity of an installation, must be manually added to the COBRA model. For instance, if a scenario would exceed the capacity of the wastewater treatment plant at the receiving site, then the scenario

proponent must decide whether to upgrade the old facility or build a new wastewater treatment plant to accommodate the scenario. Likewise, the scenario proponent must calculate the impact on landfills, other waste treatment facilities, and pollution control equipment. Scenario proponents will enter such expenses as construction or rehabilitation costs.

### **BRAC 2005 Effects on other Department of Defense Activities or other Federal Agencies**

Section 2913(d) of the Defense Base Closure and Realignment Act of 1990, as amended, requires the Department's cost and savings criteria to *"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."*

By estimating the costs and savings to the Department of Defense associated with a proposed closure or realignment action, the COBRA model takes into account the effect of the proposed closure or realignment action on the costs of all DoD activities, satisfying the requirements of Section 2913(d) with respect to activities of the Department of Defense.

The COBRA model cannot determine the effect of the proposed action on the costs of "any other Federal agency that may be required to assume responsibility for activities" at a closing or realigning installation because it does not include estimates of non-DoD entity costs or savings. Furthermore, independently estimating the costs and savings to these agencies may be inadequate because such information is outside the control of the Department and therefore any effort to estimate these costs would be highly speculative. Additionally, the non-DoD agency may choose to relocate rather than remain and assume base operating responsibilities, potentially achieving savings that would skew any DoD cost estimates. Consequently, the Department cannot rely on the COBRA model or undertake independent estimates of the costs and savings to these agencies in order to take into account the effect on these costs and satisfy the requirements of Section 2913(d) with respect to non-DoD Federal agencies.

In order to satisfy the requirements of Section 2913(d) with respect to non-DoD Federal agencies, when a scenario directly impacts a non-DoD Federal agency, the scenario proponent will first assume that such agency will be required to assume responsibility for base operating activities on the military installation. The scenario proponent will further assume that because such agency will be required to assume base operating responsibilities it did not have before the proposed action, the effect of the action will be to increase that agency's costs. The scenario proponent will document these effects for consideration by decision makers as further described below.

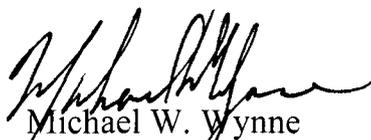
## BRAC 2005 COBRA Results and Recommendations

The following format will be used to display scenario COBRA payback projections for each BRAC 2005 candidate recommendation:

The total estimated one-time cost to the Department of Defense to implement this recommendation is \$ \_\_\_\_\_. The net of all costs and savings to the Department during the implementation period is a cost of \$ \_\_\_\_\_. Annual recurring savings to the Department after implementation are \$ \_\_\_\_\_ with a payback expected in \_\_\_\_\_ years. The net present value of the costs and savings to the Department over 20 years is a savings of \$ \_\_\_\_\_.

If a proponent's BRAC 2005 scenario affects another Federal agency, the following additional paragraph will be added to the candidate recommendation:

“This recommendation affects \_\_\_\_\_, a non-DoD Federal agency. In the absence of access to credible cost and savings information for that agency or knowledge regarding whether that agency will remain on the installation, the Department assumed that the non-DoD Federal agency will be required to assume new base operating responsibilities on the affected installation. The Department further assumed that because of these new base operating responsibilities, the effect of the recommendation on the non-DoD agency would be an increase in its costs. As required by Section 2913(d) of the BRAC statute, the Department has taken the effect on the costs of this agency into account when making this recommendation.”



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