

# **DEFENSE COMMISSARY AGENCY (DeCA)**

**FISCAL YEAR (FY) 2004/FY 2005  
BIENNIAL BUDGET ESTIMATES**

**OPERATING AND CAPITAL BUDGET**



**FEBRUARY 2003**

DEFENSE COMMISSARY AGENCY (DeCA)

FISCAL YEAR (FY) 2004/FY 2005  
BIENNIAL BUDGET ESTIMATES  
FEBRUARY 2003

OPERATING AND CAPITAL BUDGET

	<b>PAGE</b>
<b>OVERVIEW</b>	
Operating and Capital Budget	1-2
Workload Assumptions	3-4
Productivity Assumptions	4-6
<b>OPERATING BUDGET</b>	
Commissary Resale Stocks:	
Narrative	7-12
Revenue and Expenses	13
Source of New Orders and Revenue	14
Supply Management Summary by Division	15-18
Inventory Status	19-22
Commissary Operations:	
Narrative	23-27
Revenue and Expenses	28
Source of New Orders and Revenue	29
Changes in the Costs of Operations	30
<b>CAPITAL BUDGET</b>	
Commissary Operations	
Activity Group Capital Investment Summary	31
Activity Group Capital Purchase Justification	32-39
Capital Budget Execution	40-43

**DEFENSE COMMISSARY AGENCY - CORPORATE OVERVIEW**  
**DeCA WORKING CAPITAL FUND**  
**COMMISSARY RESALE STOCKS AND COMMISSARY OPERATIONS**

The Defense Commissary Agency (DeCA) operates a worldwide system of commissary stores. These commissaries sell food and related household items to active, reserve and guard members of the Military Departments, their families, retirees, and other authorized patrons. The items sold in the commissaries are priced to only recover product cost and, as a result, provide the commissary patron direct savings of approximately 30 percent off the typical market basket survey. These savings are the reason that the commissary system exists, as this benefit is a valuable non-pay component of the total military compensation package. This is especially true in overseas communities and remote locations where the commissaries provide the same quality and types of items found in a typical stateside grocery store, but at substantial savings. The fact that the commissary benefit is instrumental in recruiting and retaining military members, fostering a sense of community, and maintaining a positive sense of quality of life is supported by a number of studies. As a core military family support element, and a valued part of military pay and benefits, commissaries enhance the quality of life for America's military and their families. Thus, military members embrace this valuable contribution and consider it to be one of the most important non-pay compensations they receive. This President's Budget Submission (PB) forms the basis for efficiently delivering the commissary benefit that enhances the quality of life for America's military and their families, especially in this time of increased preparedness for this great nation.

DeCA has transformed its cultural, managerial and organizational base to reduce costs and improve performance throughout the agency. The incorporation of activity-based management concepts at all levels within DeCA, from headquarters down to the departments within each store, is making this possible. DeCA has instilled ownership, greater accountability, efficiency, and effectiveness in commissary operations, enabling us to streamline headquarters, region and store management, and improve store operations. The end result is an efficient commissary system that will maintain quality service. As reflected below, operating costs have been reduced by approximately \$201 million from the levels in the FY 2002 Amended President's Budget:

	FY 2002	FY 2003	FY 2004	Total
FY02 Amended President's Budget	1,144.2	1,173.5	1,128.0	
FY04 President's Budget	1,053.3	1,080.2	1,111.3	
Savings	90.9	93.3	16.7	200.9

DeCA headquarters and field operating activities are located at Fort Lee, Virginia. There are 4 region offices, 29 zones, 276 commissaries, and 12 Navy Exchange Marts (NEXMARTs) on military installations worldwide. DeCA employs over 18,000 personnel, has annual sales of over \$5.0 billion, and has a total annual operating budget of approximately \$1.1 billion in DeCA Working Capital Fund (DeCA WCF) Commissary Operations, and \$7.8 million for Capital Investment. The direct appropriation request to fund the operating costs for FY 2004 is \$1,089.2 million.

DeCA also uses services from Defense Logistics Agency (DLA), Defense Finance and Accounting Service (DFAS), Defense Information Services Agency (DISA), US Transportation Command (USTRANSCOM), and the Military Departments for support in areas associated with procuring fresh fruits and vegetables, disbursing services, construction, transportation, and local base support.

## **I. OPERATING AND CAPITAL BUDGETS**

DeCA financially manages two activity groups within the DeCA WCF: Commissary Resale Stocks and Commissary Operations. DeCA is also responsible for cash management.

a. Commissary Resale Stocks finances the purchase of inventory for resale to authorized patrons. Products offered by commissaries include groceries, meat, poultry, fruits, vegetables, dairy products, and household products. There is no requirement for appropriated fund support in FY 2004. Projected sales for FY 2004 are \$5.2 billion.

b. Commissary Operations finances operating costs for resale stores, agency and region headquarters, field operating activities, and support services. Specific costs include civilian and military labor, labor contracts, travel, transportation of commissary goods overseas, and other indirect support. The primary revenue source for this activity group is funds appropriated by Congress. Commissary Operations also receives additional revenues, about \$31 million, from manufacturers' coupon redemption fees, handling fees for tobacco products, and reimbursements for other support. The Commissary Operations unit cost goal is approximately 22 cents per dollar of sales (operating costs divided by sales).

Surcharge Collections represents a third major source of funding. Surcharge Collections is a trust fund primarily funded by a five percent surcharge applied to patron sales at the checkout counter. This fund was established by law, so authorized patrons share responsibility for overall costs of the commissary system, including store information technology and the commissary construction program. This fund also receives revenue from prompt payment discounts, the sale of used cardboard and equipment, and services provided to others.

## II. WORKLOAD ASSUMPTIONS

The annual sales forecast for FY 2004 is \$5.2 billion. Sales are the primary factor in determining DeCA's workload. However, there are many other factors that influence workload; e.g., authorized patrons, number and location of commissaries, distribution systems, and operating hours and days, among other factors.

a. Patrons: DeCA's total authorized patron base is over 10 million. DeCA's customers include active duty military members, guard and reserve component members, retired personnel and their families, government departments or agencies, 100% disabled veterans, Medal of Honor recipients, and DoD civilians in overseas areas.

b. Organization: DeCA plans to begin FY 2004 with 276 commissaries. There are also 12 NEXMARTs, which combine commissary and exchange operations at small locations overseas. The Navy Exchange Command (NEXCOM) manages these stores, but DeCA provides the resale inventory and reimburses NEXCOM for total costs of commissary operations. DeCA operates 11 central distribution centers (CDC) to support inventory requirements: 3 in Europe and 8 in the Western Pacific.

c. Location: OCONUS and remote locations cost more per dollar of sales than CONUS locations. These commissaries are more expensive because operating and support costs in foreign and remote locations are higher. Many locations service small-to-medium military populations with smaller sales and higher fixed costs. Additionally, there are significant support costs incurred in providing U.S. food products and household items to overseas locations. In spite of these cost considerations, commissary operations overseas are efficient and effective because DeCA's infrastructure provides economies that are not achievable by other alternatives. The commissary system is critical in supporting military members and their families overseas. This military population does not have adequate alternative shopping available. The overseas commissaries are more than a place for acquiring groceries. They are an essential "life-line" for the overseas military community and their quality of life.

d. Hours of Operations: Commissary operating hours and days is determined by sales, patron demographics, and local installation needs. The high sales volume, coupled with limited hours, has an extensive impact on store construction, store layout, and overall operations.

e. Workforce: DeCA projects a civilian end-strength of 18,268 in FY 2004. The full-time equivalent (FTE) level for FY 2004 is 14,980 (13,497 Direct Hire and 1,483 Indirect Hire). The civilian FTEs are below the civilian end strength levels because DeCA uses a mix of full-time, part-time, and intermittent employees to provide scheduling flexibility required by commissaries. In fact, there is continued emphasis on increased use of part-time employees, including students, to reduce payroll costs, increase flexibility in hiring and firing, and provide an ongoing recruitment pipeline for permanent hires. The flexibility to use other than full-time personnel is critical to enable commissaries to function in a business-like manner and to achieve the programmed efficiencies. Military personnel strength level for FY 2004 is 13.

DeCA has been very successful in reducing FTEs by outsourcing certain functions and services under OMB Circular A-76 procedures. DeCA plans to aggressively pursue, at every opportunity, competition and privatization A-76 cost studies. Currently DeCA has about 200 A-76 contracts in effect for shelf stocking, custodial and warehousing functions. An A-76 Task Force has been established with primary responsibility of developing business strategy and determining the direction of DeCA's commercial activities program. The program plays a major role in reducing store level unit costs.

### **III. PRODUCTIVITY ASSUMPTIONS**

As part of the strategic plan development, DeCA is continuously looking to improve the quality of goods and services we provide our patrons while developing more cost effective business practices. Performance measures are used to determine how well DeCA is achieving its strategic plan goals for the following corporate objectives:

a. Increased Customer Savings: Savings are the ultimate performance metric of the commissary system. Customer savings are approximately 30 percent when compared to the commercial sector including super centers. To promote customer savings, DeCA is making the job of bargain hunting easier for shoppers by ensuring they get the best prices on products ranging from snacks to paper goods. The Best Value Item, or BVI program, began in commissaries worldwide on July 1, 2000 with about 100 items in popular sizes and now number greater 600 items. Product selection and variety change rapidly in a continuing effort to drive commissary prices down even further. The BVI program ensures DeCA customers receive goods that are equal to or better than name brand items at the lowest price around. The BVI program also responds to our customers' demand for more price savings. The commissary system is making an effort to encourage single shoppers, military families and retirees on fixed incomes to take greater advantage of their benefit.

b. Improved Customer Satisfaction: DeCA continuously strives to improve the quality of goods and services provided to its patrons while developing more cost effective business practices. To satisfy mission requirements, DeCA must modernize and restructure its operations to meet the changing demands of authorized patrons while, at the same time, ensuring that costs are carefully controlled.

c. Reduce Unit Costs: DeCA benchmarks well against industry, both operationally and financially. However, we believe we must strive to do even better at reducing unit costs, while at the same time improving performance. To this end, sweeping cultural, managerial and organizational changes within DeCA are supported by the implementation of activity-based management concepts throughout the organization. Thus, reducing unit costs and improving service and output. Technology investments are being made based on Return on Investment (ROI). Restructuring, realigning and reducing Headquarters, region and store management are providing more efficient and effective operations and are streamlining the organization.

d. Improve the Infrastructure: To meet customer expectations and enable improvements in sales, savings, and cost with commissaries that are properly sized, configured and maintained by reducing the construction backlog and improve the overall Facility Condition Index (FCI) of the inventory.

<b>Performance Measures</b>					<b>FY 2009</b>
		<b><u>FY 2002</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>Target</u></b>
Customer Savings	●	30%	30%	30%	30%
Commissary Customer Service Survey (CCSS) (1-5 Scale)	●	4.39	4.38	4.42	4.50
Unit Costs (current year \$)	●	.2122	.2125	.2153	.2362
Unit Costs (FY02 Constant \$)		.2122	.2088	.2081	.2057
Facility Condition Index	●	74	76	81	95

e. Shape the Workforce: In order to efficiency provided the commissary benefit, DeCA needs a retail oriented workforce that is multi-skilled, diverse and properly sized, to meet mission requirements. This will be accomplished through implementation of human resources initiatives and pilot programs that provide a more flexible personnel system and performance evaluation and awards systems that mirror the commercial sector.

f. Leverage Technology: DeCA will continue to strive to achieve information technology parity with the commercial sector through the use of leading edge technology.

The following initiatives are used to assist DeCA in achieving the goal of delivering the premier quality of life benefit for our military efficiently and effectively:

a. Improved Convenience and Shopping Cycle Time of Customers: DeCA Zone Managers and Store Directors are identifying convenience products that are frequently shopped by young active duty single shoppers and resetting these categories to the front of the store for customer convenience. In addition, commissaries that carry Home Meal Replacement products are moving these products to the front of the store to allow quick stop and shop access for commissary customers. Resetting commissaries to allow easier access to these types of convenience products will allow express customers to shop and checkout in twenty minutes or less and will make using the commissary benefit more attractive for the active duty customers. Additionally, Store Directors and Zone Managers have coordinated with installations to establish reserved twenty-minute parking spaces for commissary customers.

b. Optimize Store Operating Hours: DeCA Regions are monitoring existing store hours to determine the average cost per output and will adjust store hours within current funding to maximize sales and cost per output. Stores with potential sales opportunities have implemented early bird shopping. The commissary will open earlier with minimum staff to service customers wishing to purchase fifteen items or less.

c. Computer Assisted Ordering (CAO): DeCA implemented CAO at commissaries through FY 2003. CAO will provide the mechanism necessary to increase and maintain sufficient in-stock rates that enable DeCA to provide our customers the right product at the right time throughout the shopping day.

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
<b><i>Workload Indicators</i></b>				
Commissaries (begin year)	281	276	276	276
Annual Sales (\$M)	4,963.2	5,083.0	5,162.4	5,242.6
<b><i>End Strength and Full-time Equivalents (FTEs)</i></b>				
Civilian End Strength	17,950	18,143	18,268	18,499
Direct Hire	16,460	16,660	16,785	17,016
Indirect Hire	1,490	1,490	1,490	1,490
Military End Strength	13	13	13	13
Civilian FTEs	15,408	15,059	14,980	14,984
Direct Hire	13,918	13,576	13,497	13,501
Indirect Hire	1,490	1,483	1483	1,483
Military FTEs	13	13	13	13



# **OPERATING BUDGET**

# **COMMISSARY RESALE STOCKS**

**DEFENSE COMMISSARY AGENCY  
DeCA WORKING CAPITAL FUND  
COMMISSARY RESALE STOCKS**

**FUNCTIONAL DESCRIPTION**

DeCA Commissary Resale Stocks finance resale inventory sold in the commissary system. DeCA's product assortment includes groceries, meat, poultry, fruits, vegetables, dairy products, and household goods. Sales of commissary products generate revenue that DeCA uses to replenish the resale inventory. DeCA Commissary Resale Stocks is self-sufficient, requiring no appropriated fund support, except for recovery of inventory losses due to natural disasters.

DeCA provides commissary patrons with an invaluable non-pay compensation. Authorized commissary patrons include: military members and their families, reserve forces personnel, retired personnel and annuitants. Other authorized sales include government civilian employees overseas, appropriated and non-appropriated fund activities, and U.S. State Department activities. DeCA's total authorized patron baseline is approximately ten million personnel.

DeCA adds a five percent surcharge to sales at the check out counter. This surcharge is required by law and is used to finance certain commissary store infrastructure and construction costs. These funds are managed by DeCA in a revolving trust fund for Commissary Surcharge Collections.

**BUDGET HIGHLIGHTS**

Revenue of approximately \$5.2 billion consists primarily of cash, charge sales, and manufacturer coupons. Cash and coupon transactions to active duty and reserve military members and their families, retirees, foreign entities and non-appropriated funds represent over 99 percent of total revenue. Charge sales include NEXMARTS, National Guard, and other appropriated and non-appropriated fund sales.

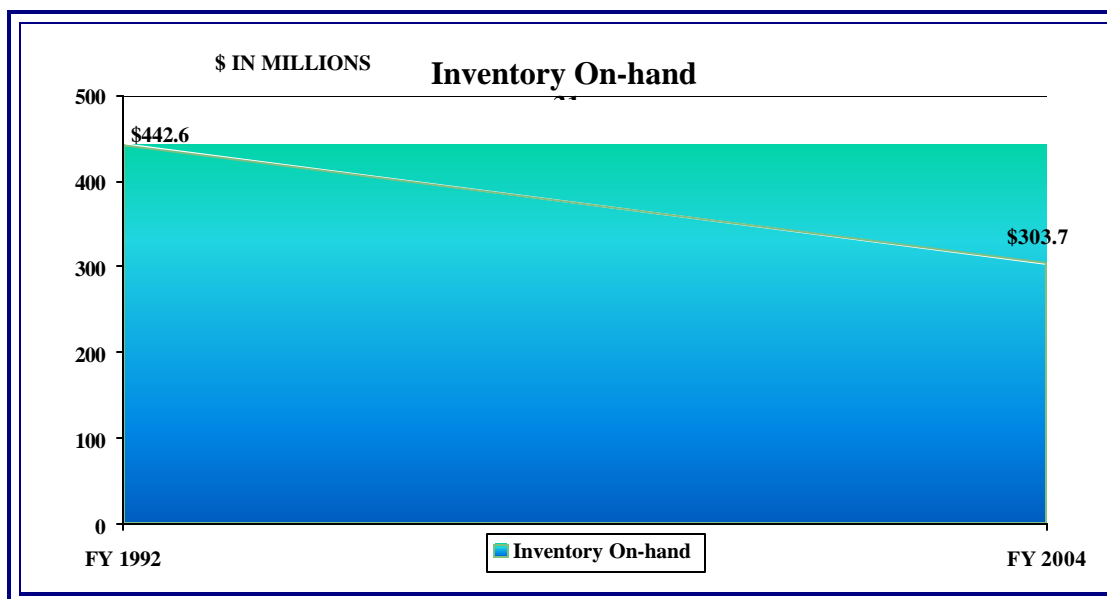
The unit cost goal for this activity group is \$1.00 per dollar of sales because resale products sold must recoup all costs to make the Commissary Resale Stocks fund whole.

Additionally, the commissary benefit was ranked second for enlisted members and third for officers in the rank order of quality of life factors that were satisfiers and reasons to stay in the military, in an August 1999 GAO Report.

**CHANGES IN OPERATIONS**

Department of Defense right-sizing efforts and efficiency reviews from FY 1992 through FY 2004 will result in the net closure of 133 commissaries or a reduction of approximately 32 percent. Commissary sales projections will decline by about 14 percent from FY 1992 through FY 2004.

DeCA has reduced the investment in inventory for both operating and safety levels. The inventory levels are expressed in days of supply based on average daily sales. Projected average daily sales are \$14.1 million for FY 2004, with 23 days of supply. In comparison, average daily sales for FY 1991 were \$16.5 million with 28 days of supply. This represents an 18 percent reduction in terms of days of supply through FY 2004. DeCA will reduce the on-hand inventory level by 31 percent from the level maintained by the Military Departments at the end of FY 1991 as noted in the following chart:



Realignment of functional areas into Business Areas within DeCA has improved operational efficiencies and effectiveness in delivering the commissary benefit. The Marketing Business Unit of the Product Support Business Area is one of the key players in the success of the Agency's efforts to achieve overall cost reductions and keep customer prices at commissaries significantly below those in the commercial sector.

The Marketing Business Unit (MBU) performs centralized category management reviews for new, national brands and Regional/Local products. The MBU conducts category reviews to ensure product selections within the managed categories continue to provide our patrons with desired products at the lowest prices available. Analysis of product movement and price data ensures optimum price negotiations for both national and regional products. The category review and analysis also serves as the basis for refining product selection for category plans, plan-o-grams and store resets to ensure the right product facing and quantity are available for commissary patrons.

DeCA is continuously looking to improve the quality of goods and services we provide our patrons while developing more cost effective business practices. Some of the initiatives that facilitate increasing sales include:

- a. Increase Customer Savings. DeCA continually strives to provide our customers, savings through Manager's Specials and the Best Value Item (BVI) program. Manager's Specials are generally top-selling, recognizable brands at deeply discounted prices that go on sale for a short time. Manager's Specials provide our customers greater savings than the already low prices offered in the commissary. In addition to the Manager's Specials the Best Value Items (BVI) program continues to be a great success with our customers. The BVI program ensures DeCA customers receive name brand quality items at the lowest price found on DeCA shelves as well as the lowest price (for the same size item, national or store brand) at grocery stores, supermarkets, or supercenters. Through Manager's Specials and the BVI program DeCA is responding to our customers needs with quality products and greater savings. The commissary system is making a concerted effort worldwide to encourage single shoppers, military families and retirees to take advantage of their benefit. Our customers have earned their benefit and DeCA is committed to ensuring they get the best prices through these programs.
- b. Market the Benefit. In an effort to get in touch with our customers, we are focusing our marketing efforts on building sales by carefully listening to our customer groups, targeting our mix of products and services, and reenergizing store operations to deliver the benefit in a more convenient and complete manner than ever before. Store Directors have created customer groups to receive feedback and provide continuous improvements in the delivery of the commissary benefit. Store Directors are briefing the commissary benefit to new recruits at the Services' orientation briefings, installation meetings and other venues whenever the opportunity is available. DeCA is bringing the commissary benefit to Reserve and National Guard units through off-site case lot sales and our annual World's Biggest Case Lot Sale.
- c. Computer Assisted Ordering (CAO) DeCA implemented CAO at commissaries through FY 2003. CAO will provide the mechanism necessary to increase and maintain sufficient in-stock rates that enable DeCA to provide our customers the right product at the right time throughout the shopping day. CAO will help ensure all stores are in compliance with promotional programs and that store displays for promotional items are available throughout the promotional period. Commissaries need to have merchandise available in order to generate sales and keep customers satisfied
- d. Improve Convenience and Shopping Cycle Time of Customers. DeCA Zone Managers and Store Directors continuously identify convenience products that are frequently shopped by young active duty single shoppers and are resetting these categories to the front of the store for customer convenience. In addition, commissaries that carry Home Meal Replacement products are moving these products to the front of the store to allow quick stop and shop access for commissary

customers. Resetting commissaries to allow easier access for grab and go products will allow customers to shop and checkout in twenty minutes or less and will make using the commissary benefit more attractive for our active duty customers.

e. Optimize Store Operating Hours. DeCA Regions and stores continuously evaluate and adjust store hours within the existing resources to provide maximum convenience for our customers. Stores with potential sales opportunities will implement early bird shopping, where the commissary store will open up earlier with minimum staff to support foot traffic, for fifteen items or less. Implementation of early bird shopping hours will provide additional access and greater convenience for our customers.

f. Improve Produce Customer Satisfaction. DeCA continues to work with the Defense Supply Center Philadelphia (DSCP) to ensure they deliver quality produce to our commissaries. DeCA will reject produce deliveries that do not meet our quality standards, at or better than commercial standards, at the time of delivery. DeCA is demanding superior support from DSCP for the replacement of rejected produce, with quality product, within a few hours of notification. In addition to obtaining better produce, the merchandising of produce will be eye appealing to enhance the visual impact and quality of selections offered our customers. Additionally, DeCA created and deployed a produce team to make unannounced visits to commissary produce departments worldwide. The produce team provides technical expertise and training to enhance produce department operations worldwide. Produce department inspections focus on quality of product received from DSCP, merchandising of products, fixtures and equipment condition, proper handling and culling techniques to include technical assistance vital to improving our produce departments throughout DeCA. The produce team will take immediate action to help resolve any deficiencies that may exist in the stores they review. Our goal is to make DeCA produce departments the place where our customers choose to shop for their produce needs.

g. Improve Store Infrastructure; DeCA has realigned operating costs that were previously paid out of the Surcharge Collections account, into the Commissary Operations account. The realignment enabled the surcharge funding to re-energize the construction program and help reduce the construction backlog. Because the new store layout designed for Super Stores worked so well, DeCA plans to implement this design in all commissaries. Implementation of the new store design throughout DeCA commissaries will take a few years. Standardizing the commissary layout will allow our customers to travel around the world and still feel right at home when they shop their commissary. The improved facility conditions and revised store layouts will enhance our customers shopping experience and help generate additional sales.

DeCA productivity is best illustrated by comparing workload data between commercial supermarkets and the commissary system. This comparison clearly demonstrates that commissaries are cost effective and highly used by their patrons.

(Source for Supermarket Data: Supermarket Facts Industry Overview 2001)

<b>WORKLOAD DATA – AVERAGES</b>	<b>DeCA COMMISSARIES</b>	<b>COMMERCIAL SUPERMARKETS</b>
Weekly Sales per Store	\$ 463,521	\$ 368,779
Weekly Sales Per Square Foot	\$ 15.89	\$10.83
Sales Per Customer Transaction	\$ 57.66	\$ 25.66

(Commissary data for CONUS locations used for comparison.)

<b><u>Workload Indicators</u></b>	<b><u>FY02</u></b>	<b><u>FY03</u></b>	<b><u>FY04</u></b>	<b><u>FY05</u></b>
Number Commissaries (begin year)	281	276	276	276
Resale Stocks Sales (\$ Millions)	4963.2	5083.0	5162.4	5242.6
Ending Inventory On-Hand (\$ Millions)	298.5	301.2	303.7	309

<b><u>Performance Measures</u></b>	<b><u>FY02</u></b>	<b><u>FY03</u></b>	<b><u>FY04</u></b>	<b><u>FY05</u></b>
Inventory Turns	14.5	14.8	15.1	15.3
Customer Savings	30%	30%	30%	30%
Commissary Customer Satisfaction Survey (CCSS)	4.39	4.38	4.42	4.46

<b><u>Financial Indicators</u></b>	<b><u>FY02</u></b>	<b><u>FY03</u></b>	<b><u>FY04</u></b>	<b><u>FY05</u></b>
Revenue (\$ Millions)	4,962.0	5,076.8	5,156.2	5,236.4
Cost of Goods Sold (\$ Millions)	4,961.4	5,083.3	5,162.7	5,236.4
Net Operating Results (\$ Millions)	0.6	(6.5)	(6.5)	0.00
Accumulated Operating Results	13.0	6.5	0.0	0.0
Unit Cost (Per \$ of Sales)	1.00	1.00	1.00	1.00
Collections	4,998.0	5,076.8	5,162.7	5,236.4
Disbursements	4,970.7	5,083.3	5,156.2	5,236.4
Outlays	(27.3)	6.5	6.5	0.0



**DeCA WORKING CAPITAL FUND**  
**ACTIVITY GROUP: COMMISSARY RESALE STOCKS**  
**REVENUE AND EXPENSES**  
(Dollars in Millions)

	<u><b>FY 2002</b></u>	<u><b>FY 2003</b></u>	<u><b>FY 2004</b></u>	<u><b>FY 2005</b></u>
<b>Revenue:</b>				
Gross Sales	4,963.2	5,083.0	5,162.4	5,242.6
Operations	4,963.2	5,083.0	5,162.4	5,242.6
Capital Surcharge				
Depreciation excluding Major Construction				
Other Income				
Refunds/Discounts	(1.2)	(6.2)	(6.2)	(6.2)
<b>Total Income:</b>	<b>4,962.0</b>	<b>5,076.8</b>	<b>5,156.2</b>	<b>5,236.4</b>
 <b>Expenses:</b>				
Cost of Material Sold from Inventory	4,961.4	5,083.3	5,162.7	5,236.4
 <b>Salaries and Wages:</b>				
Military Personnel Compensation & Benefits				
Civilian Personnel Compensation & Benefits				
Travel & Transportation of Personnel				
Materials & Supplies (for Internal Operations)				
Equipment				
Transportation of Things				
Depreciation				
Printing & Reproduction				
Advisory & Assistance Services				
Rent, Communication, Utilities, & Misc. Charges				
Other Purchased Services				
 <b>Total Expenses</b>	<b>4,961.4</b>	<b>5,083.3</b>	<b>5,162.7</b>	<b>5,236.4</b>
 <b>Operating Result</b>	<b>0.6</b>	<b>(6.5)</b>	<b>(6.5)</b>	<b>0.0</b>
 Less Cash Surcharge Reservation	0.0	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0	0.0
Other Adjustments Affecting NOR	0.0	0.0	0.0	0.0
 <b>Net Operating Result</b>	<b>0.6</b>	<b>(6.5)</b>	<b>(6.5)</b>	<b>0.0</b>
 Other Changes Affecting AOR	12.4	0.0	0.0	0.0
 <b>Accumulated Operating Result</b>	<b>13.0</b>	<b>6.5</b>	<b>0.0</b>	<b>0.0</b>

**ACTIVITY GROUP ANALYSIS  
DEFENSE COMMISSARY AGENCY/COMMISSARY RESALE STOCKS  
SOURCE OF NEW ORDERS AND REVENUE**

(Dollars in Millions)

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>
<b>1. New Orders</b>				
<b>a. Orders from DoD Components:</b>				
Army	0.4	0.3	0.3	0.3
Navy	8.4	5.2	5.2	5.2
Air Force	0.1	0.3	0.3	0.3
Marine Corps				
Other	0.2	0.3	0.3	0.3
<b>b. Orders from Other Fund Activity Groups</b>				
<b>c. Total DoD</b>	9.1	6.1	6.1	6.1
<b>d. Other Orders:</b>				
Other Federal Agencies	1.2	1.1	1.1	1.1
Trust Fund				
Non Federal Agencies	4,952.9	5,075.8	5,155.2	5,235.4
Foreign Military Sales				
<b>Total New Orders</b>	4,963.2	5,083.0	5,162.4	5,242.6
<b>2. Carry-in Orders</b>				
<b>3. Total Gross Orders</b>	4,963.2	5,083.0	5,162.4	5,242.6
<b>4. Revenue</b>				
<b>5. End of Year Work-in-Progress</b>				
<b>6. Direct Contract Obligations</b>				
<b>7. Non DoD, BRAC, FMS, and DWCF Orders</b>				
<b>8. Funded Carry-over</b>				
<b>9. Months of Carryover</b>				









FY 2002 BUDGET		DIVISION: Commissary Resale Stocks		February 2003
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT		(Dollars in Millions)		
INVENTORY STATUS	TOTAL	MOBILIZATION	PEACETIME OPERATING	PEACETIME OTHER
<b>1. INVENTORY BOP</b>	315.1		315.1	
<b>2. BOP INVENTORY ADJUSTMENTS</b>				
a. RECLASSIFICATION CHANGE (Memo)				
b. PRICE CHANGE AMOUNT (Memo)				
c. INVENTORY RECLASSIFIED AND REPRICED				
<b>3. RECEIPTS AT STANDARD</b>	4,963.1		4,963.1	
<b>4. SALES AT STANDARD</b>	4,963.2		4,963.2	
<b>5. INVENTORY ADJUSTMENTS</b>				
a. CAPITALIZATIONS + or (-)				
b. RETURNS FROM CUSTOMERS FOR CREDIT +				
c. RETURNS FROM CUSTOMERS WITHOUT CREDIT				
d. RETURNS TO SUPPLIERS (-)				
e. TRANSFERS TO PROPERTY DISPOSAL (-)				
f. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)				
g. OTHER	2.3		2.3	
h. TOTAL ADJUSTMENTS				
<b>6. INVENTORY EOP</b>	317.3		317.3	
<b>7. INVENTORY EOP, REVALUED (LAC, DISCOUNTED)</b>				
a. ECONOMIC RETENTION (Memo)				
b. CONTINGENCY RETENTION (Memo)				
c. POTENTIAL DOD REUTILIZATION (Memo)				
<b>8. INVENTORY ON ORDER EOP (Memo)</b>	5.1		5.1	
<b>9. NARRATIVE:</b>				

FY 2003 BUDGET		DIVISION: Commissary Resale Stocks		February 2003
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT		(Dollars in Millions)		
INVENTORY STATUS	TOTAL	MOBILIZATION	PEACETIME OPERATING	PEACETIME OTHER
<b>1. INVENTORY BOP</b>	317.3		317.3	
<b>2. BOP INVENTORY ADJUSTMENTS</b>				
a. RECLASSIFICATION CHANGE (Memo)				
b. PRICE CHANGE AMOUNT (Memo)				
c. INVENTORY RECLASSIFIED AND REPRICED				
<b>3. RECEIPTS AT STANDARD</b>	5,083.3		5,083.3	
<b>4. SALES AT STANDARD</b>	5,083.0		5,083.0	
<b>5. INVENTORY ADJUSTMENTS</b>				
a. CAPITALIZATIONS + or (-)				
b. RETURNS FROM CUSTOMERS FOR CREDIT +				
c. RETURNS FROM CUSTOMERS WITHOUT CREDIT				
d. RETURNS TO SUPPLIERS (-)				
e. TRANSFERS TO PROPERTY DISPOSAL (-)				
f. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)				
g. OTHER : Increased Inventory In Support Of Sales	2.7		2.7	
h. TOTAL ADJUSTMENTS				
<b>6. INVENTORY EOP</b>	320.3		320.3	
<b>7. INVENTORY EOP, REVALUED (LAC, DISCOUNTED)</b>				
a. ECONOMIC RETENTION (Memo)				
b. CONTINGENCY RETENTION (Memo)				
c. POTENTIAL DOD REUTILIZATION (Memo)				
<b>8. INVENTORY ON ORDER EOP (Memo)</b>	5.0		5.0	
<b>9. NARRATIVE</b>				



FY 2004 BUDGET		DIVISION: Commissary Resale Stocks		February 2003
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT		(Dollars in Millions)		
INVENTORY STATUS	TOTAL	MOBILIZATION	PEACETIME OPERATING	PEACETIME OTHER
<b>1. INVENTORY BOP</b>	320.3		320.3	
<b>2. BOP INVENTORY ADJUSTMENTS</b>				
a. RECLASSIFICATION CHANGE (Memo)				
b. PRICE CHANGE AMOUNT (Memo)				
c. INVENTORY RECLASSIFIED AND REPRICED				
<b>3. RECEIPTS AT STANDARD</b>	5,162.7		5,162.7	
<b>4. SALES AT STANDARD</b>	5,162.4		5,162.4	
<b>5. INVENTORY ADJUSTMENTS</b>				
a. CAPITALIZATIONS + or (-)				
b. RETURNS FROM CUSTOMERS FOR CREDIT +				
c. RETURNS FROM CUSTOMERS WITHOUT CREDIT				
d. RETURNS TO SUPPLIERS (-)				
e. TRANSFERS TO PROPERTY DISPOSAL (-)				
f. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)				
g. OTHER : Increased Inventory In Support Of Sales	2.5		2.5	
h. TOTAL ADJUSTMENTS				
<b>6. INVENTORY EOP</b>	323.1		323.1	
<b>7. INVENTORY EOP, REVALUED (LAC, DISCOUNTED)</b>				
a. ECONOMIC RETENTION (Memo)				
b. CONTINGENCY RETENTION (Memo)				
c. POTENTIAL DOD REUTILIZATION (Memo)				
<b>8. INVENTORY ON ORDER EOP (Memo)</b>	5.0		5.0	
<b>9. NARRATIVE</b>				

FY 2005 BUDGET		DIVISION: Commissary Resale Stocks		February 2003
DEFENSE COMMISSARY AGENCY SUPPLY MANAGEMENT		(Dollars in Millions)		
INVENTORY STATUS	TOTAL	MOBILIZATION	PEACETIME OPERATING	PEACETIME OTHER
<b>1. INVENTORY BOP</b>	323.1		323.1	
<b>2. BOP INVENTORY ADJUSTMENTS</b>				
a. RECLASSIFICATION CHANGE (Memo)				
b. PRICE CHANGE AMOUNT (Memo)				
c. INVENTORY RECLASSIFIED AND REPRICED				
<b>3. RECEIPTS AT STANDARD</b>	5,242.6		5,242.6	
<b>4. SALES AT STANDARD</b>	5,242.6		5,242.6	
<b>5. INVENTORY ADJUSTMENTS</b>				
a. CAPITALIZATIONS + or (-)				
b. RETURNS FROM CUSTOMERS FOR CREDIT +				
c. RETURNS FROM CUSTOMERS WITHOUT CREDIT				
d. RETURNS TO SUPPLIERS (-)				
e. TRANSFERS TO PROPERTY DISPOSAL (-)				
f. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)				
g. OTHER : Increased Inventory In Support Of Sales	5.3		5.3	
h. TOTAL ADJUSTMENTS				
<b>6. INVENTORY EOP</b>	328.4		328.4	
<b>7. INVENTORY EOP, REVALUED (LAC, DISCOUNTED)</b>				
a. ECONOMIC RETENTION (Memo)				
b. CONTINGENCY RETENTION (Memo)				
c. POTENTIAL DOD REUTILIZATION (Memo)				
<b>8. INVENTORY ON ORDER EOP (Memo)</b>	5.0		5.0	
<b>9. NARRATIVE</b>				

# COMMISSARY OPERATIONS

**DEFENSE COMMISSARY AGENCY (DeCA)  
WORKING CAPITAL FUND  
COMMISSARY OPERATIONS**

**FUNCTIONAL DESCRIPTION**

Commissary Operations finances 276 commissaries, 11 central distribution centers, 12 NEXMARTs, 29 zones, 4 region offices, field operating activities, headquarters, and related support services. Areas of significant cost include U.S. and foreign national civilian labor, A-76 and other support contracts, operating supplies, transportation of commissary goods overseas and in-theater, DoD service providers like the Defense Finance and Accounting Service (DFAS), Defense Information Systems Agency (DISA), and Defense Logistics Agency (DLA), and base operations support.

Commissaries sell products at acquisition cost to authorized patrons, while maintaining high standards for quality, facilities, products, and services. A direct appropriation from Congress is an essential part of this process and is the foundation that allows military members and their families to receive direct savings of approximately 30 percent below the typical market basket. Thereby making the commissary benefit, an integral part of the non-pay compensation package used in recruiting and retaining military members.

**BUDGET HIGHLIGHTS**

Appropriated funds requests represents 96.8 percent of required revenue. Remaining revenue is obtained through other sources such as, fees paid by grocery manufacturers for redemption of manufacturers coupons, cost recovery fees for selling tobacco in commissaries, and funds from the Government of Korea as part of their agreement to share costs.

The Military Departments that provide operational oversight of the commissary system, have committed to retaining the commissary benefit to include mission changes due to base realignment and closure, quality of life concerns, expansion of operating hours, and other business-like considerations. This President's Budget (PB) submission reflects this commitment by requesting cost authority of \$1,111.3M for FY 2004. The planned Accumulated Operating Result (AOR) is breakeven for FY 2005 with a unit cost goal of \$.2153 in FY 2004.

The chart below summarizes revenue and expenses during this budget cycle.

	FY 2002	FY 2003	FY 2004	FY 2005
<b>REVENUE (\$M):</b>				
Services Reimbursement				1102.6
APF Transfer	1091.3	959.1	1089.2	
Other Reimb/Adj (Deprec)	31.1	39.4	38.3	39.1
Total Revenue	1,122.4	998.5	1,127.5	1,141.7
<b>EXPENSES \$M</b>	1,053.3	1,080.2	1,111.3	1,146.8
Less Capital Reserve	(12.3)	0	0	0
NOR \$M	56.8	(81.7)	16.2	(5.1)
AOR \$M	70.6	(11.1)	5.1	0

DeCA projects 18,268 civilians in FY 2004. Full-time equivalent (FTE) levels for FY 2004 are 14,980. Civilian FTEs are consistently below the civilian end strength levels because DeCA uses a mix of full-time, part-time, and intermittent employees to provide scheduling flexibility required by commissaries.

a. DeCA has complied with Program Decision Memorandum (PDM) direction on Competitive and Strategic Sourcing. Detailed plans for all competitive sourcing and strategic sourcing studies are being developed.

b. DeCA has developed engineered staffing standards to support the new commissary organizational structure. The standards support both department level and total store staffing requirements to realize unit cost reductions.

c. DeCA has been successful in reducing FTEs by outsourcing certain functions and services under OMB Circular A-76 procedures. DeCA plans to aggressively pursue, at every opportunity, competition and privatization A-76 cost studies. Currently DeCA has about 200 A-76 contracts in effect for shelf stocking, custodial and warehousing functions. An A-76 Task Force has been established with primary responsibility of developing business strategy and determining the direction of DeCA's commercial activities program. The program plays a major role in reducing store level unit costs.

### **CHANGES IN OPERATIONS**

DeCA is making the job of bargain hunting easier for shoppers by ensuring they get the best prices on products ranging from snacks to paper goods. The Best Value Item, or BVI program, began in commissaries worldwide on July 1, 2000 with about 100 items in popular sizes. Posters greet customers at the door and flyers are handed out explaining that a BVI sign means that product has been identified as the best price available on grocery shelves anywhere. Overall, commissaries have been seeing positive sales numbers since the

inception of the BVI program.

DeCA is constantly striving to make produce more appealing to customers. One technique being used is sampling. One of the more elaborate sampling techniques is to feature a chef preparing exotic produce items. Additionally, DeCA has focused on building brand equity by offering more nationally recognized brand names. This practice not only allows the commissaries to appeal to patrons attracted by brand names, but also provides DeCA the opportunity to take advantage of the marketing resources of the larger companies.

### **MISSION EFFECTIVENESS**

DeCA has successfully demonstrated its ability to operate an efficient and cost effective commissary system that provides a valuable non-pay benefit, improves the quality of life of authorized patrons, and enhances military readiness by retaining quality personnel.

a. Customer surveys have found that the military member and their families, the reserve components, and retirees consistently rank the commissary system as their number one non-pay benefit, ahead of other non-pay benefits such as medical and MWR programs. This perception of the commissary benefit greatly assists the Department in retaining a quality military force.

b. DeCA has established a Manager's Specials Program that offers extra low prices on popular products for a short promotional period. The Manager's Special Program has created a dual benefit for customers and DeCA. Customers win because they are getting extremely low prices on high demand products. DeCA wins because it is able to deliver greater savings to customers. The Manager's Specials Program encourages customers to shop more frequently to take advantage of the specials. The program is an excellent tool for increasing the benefit.

To continue satisfying its mission requirements, DeCA must continue modernizing commissary operations. The patron of today is much different than of yesterday; e.g., over 67 percent of the active duty population is married. Given the increased deployments because of the tragic events of 9/11, family considerations are extremely important to the modern volunteer military member. With the pressure to retain a qualified workforce, the commissary system is striving to better understand customer expectations and provide services that are required by today's forces. MacDill AFB now offers patrons fresh deli sandwiches with a convenient lunch hour checkout. New focus has been placed on the Home Meal Replacement category as a response to the need of our military members and their families.

DeCA continues to seek improved customer service by conducting surveys semi-annually and analyzing results using the Commissary Customer Satisfaction Survey (CCSS). The scores consistently show the positive results of a customer service focus. Patrons now rate all areas at “good” or “better” on a scale from zero to five. The latest survey shows improved scores in every survey item. Improvements to the CCSS have been initiated to shift emphasis from demographics to customer satisfaction. This approach focuses on responding quickly to customer survey concerns and maximizes customer input in operational decisions.

DeCA is engaged in developing performance metrics to establish a sound linkage between its resource requirements and its outputs. This effort will provide meaningful measures for program evaluation and decision analysis. This Agency’s key performance metrics are taking shape around such key indices as customer satisfaction, patron savings, and unit cost reductions.

DeCA’s goal is to deliver the premier quality of life benefit for our military efficiently and effectively. This overarching goal is directly supported by strategic objectives and action plans to fulfill the goal. Together, these metrics are guiding improvements throughout the commissary system and provide the foundation of this submission:

Maintain Customer Savings: The program and performance metrics outlined in this budget request ensure the long-term viability of customer savings. They also reflect DeCA’s ability to leverage our worldwide sales activities into the best prices for our military and their families and operate high unit cost stores in remote and overseas locations by leveraging the cost efficiencies of the larger stores. Finally, they reflect the continuing feedback we receive from our customers and their satisfaction with multiple aspects of our store operations, prices and service. Our target is to maintain 30 percent overall savings versus all commercial competition.

Reduce Unit Cost: DeCA benchmarks well against industry, both operationally and financially. However, we believe we must strive to do even better at reducing unit costs, while at the same time improving performance. To this end, the metrics outlined in this budget estimate are supported by the implementation of activity-based management concepts at all levels within DeCA, from headquarters down to the departments within each store. The intent is to reduce unit costs throughout the organization and at the same time improve service and outputs. Technology investments are being made based on return on investment. Restructuring, realigning and reducing headquarters and region and store management is providing more efficient and effective operations and is streamlining the organization. To support this more efficient organizational structure, there is continued emphasis on increased use of part-time employees, including students, to reduce payroll costs, increase flexibility in hiring and firing, and provide an ongoing recruitment pipeline for permanent hires.

Improve the Infrastructure: The construction program supported by this budget submission accelerates elimination of the backlog in needed construction and repairs from FY 2009 to FY 2008. Similarly, it supports a restructured information technology program that accelerates the beginning of the replacement of the Point-Of-Sale (POS) system from FY 2007 to FY 2004.

<b><u>Workload Indicators</u></b>	<b><u>FY 2002</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>
Commissaries (begin year)	281	276	276	276
Annual Sales (\$M)	4,963.2	5,083.0	5,162.4	5,242.6
<b><u>Performance Indicators</u></b> <b><u>(Goals for FY03-FY05)</u></b>	<b><u>FY 2002</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>
Customer Savings	30%	30%	30%	30%
Commissary Customer Service Survey (CCSS)	4.39	4.38	4.42	4.46
<b><u>End Strength and Full-time Equivalents (FTEs)</u></b>	<b><u>FY 2002</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>
Civilian End Strength	17,950	18,143	18,268	18,499
Military End Strength	13	13	13	13
Civilian FTEs	15,408	15,059	14,980	14,984
Military FTEs	13	13	13	13



**ACTIVITY GROUP: COMMISSARY OPERATIONS**  
**REVENUE AND EXPENSES**  
(Dollars in Millions)

	<u><b>FY 2002</b></u>	<u><b>FY 2003</b></u>	<u><b>FY 2004</b></u>	<u><b>FY 2005</b></u>
<b>Revenue:</b>				
<b>Services Reimbursement</b>				
<b>Operations</b>				1,102.6
<b>Capital</b>				
<b>Total Services Reimbursement</b>				1,102.6
<b>Depreciation (Excluding Major Construction)</b>	2.1	4.6	7.8	5.6
<b>Other Income</b>	29.0	34.8	30.5	32.9
<b>Total Income:</b>	31.1	39.4	38.3	1,141.1
<b>Expenses:</b>				
<b>Salaries and Wages:</b>				
<b>Military Personnel Compensation &amp; Benefits</b>	0.9	1.1	1.1	1.1
<b>Civilian Personnel Compensation &amp; Benefits</b>	626.9	621.1	644.8	672.7
<b>Travel &amp; Transportation of Personnel</b>	8.0	11.9	10.7	10.9
<b>Materials &amp; Supplies (for Internal Operations)</b>	49.3	50.9	48.9	48.7
<b>Other Purchases from Revolving Funds</b>	36.5	27.7	28.1	28.5
<b>Transportation of Things</b>	107.2	110.3	111.7	113.7
<b>Depreciation</b>	2.1	4.6	7.8	5.6
<b>Printing &amp; Reproduction</b>	0.3	0.7	0.7	0.8
<b>Advisory &amp; Assistance Services</b>	0.0	0.6	0.6	0.6
<b>Rent, Communication &amp; Misc. Charges</b>	50.9	52.1	54.4	54.6
<b>Other Purchased Services</b>	171.2	199.2	202.5	209.6
<b>Total Expenses</b>	1,053.3	1,080.2	1,111.3	1,146.8
<b>Operating Result</b>	(1,022.2)	(1,040.8)	(1,073.0)	(5.7)
<b>Less Capital Reservation</b>	(12.3)	0.0	0.0	0.0
<b>Plus Appropriations Affecting NOR/AOR</b>	1,091.3	959.1	1,089.2	0.6
<b>Net Operating Result</b>	56.8	(81.7)	16.2	(5.1)
<b>Other Changes Affecting AOR</b>	0.0	0.0	0.0	0.0
<b>Accumulated Operating Result</b>	70.6	(11.1)	5.1	0.0

**ACTIVITY GROUP ANALYSIS**  
**DEFENSE COMMISSARY AGENCY/COMMISSARY OPERATIONS**  
**SOURCE OF NEW ORDERS AND REVENUE**  
(Dollars in Millions)

	<u><b>FY 2002</b></u>	<u><b>FY 2003</b></u>	<u><b>FY 2004</b></u>
<b>1. New Orders</b>			
<b>a. Orders from DoD Components:</b>			
Army Operations and Maintenance	0.0	0.0	0.0
Navy Operations and Maintenance	0.0	0.0	0.0
Marine Corps Operations and Maintenance	0.0	0.0	0.0
Air Force Operations and Maintenance	0.0	0.0	0.0
Other Reimbursements (Non-Appropriated Funds and Trust Funds)	10.3	12.9	10.0
<b>b. Orders from other Fund Activity Group</b>	0.0	0.0	0.0
<b>c. Total DoD</b>	10.3	12.9	10.0
<b>d. Other Orders:</b>			
Other Federal Agencies	1.2	1.3	1.3
Trust Fund	0.0	0.0	0.0
Non Federal Agencies	17.5	20.6	19.2
Foreign Military Sales	0.0	0.0	0.0
<b>Total New Orders</b>	18.7	21.9	20.5
<b>2. Carry-In Orders</b>	0.0	0.0	0.0
<b>3. Total Gross Orders</b>	29.0	34.8	30.5
<b>4. Funded Carry-over</b>	0.0	0.0	0.0
<b>5. Total Gross Sales</b>	29.0	34.8	30.5

**Defense Commissary Agency/Commissary Operations**  
**Changes in the Costs of Operation**  
**February 2003**  
**(Dollars in Millions)**

	<u>Expenses</u>
1. FY 2002 Actual Costs	1,053.3
2. FY 2003 PB	1,114.0
3. Pricing Adjustments	
FY 2003 Pay Raises Civilian Personnel	2.2
Retirement & FEHB Accrual	(27.6)
General Purchases Inflation	(3.2)
DOL Wage Rate	1.6
4. Productivity Initiatives and Other Efficiencies	
Productivity Initiatives	(1.8)
5. Program Changes:	
Store Openings	(0.2)
Store Closures	1.0
Workload Adjustments	4.2
6. Other Changes:	
One-Time Congressional Adjustment (Sec 8109, DoD Appropriations Act, Public Law 107-248))	(10.0)
7. FY 2003 Current Estimate	1,080.2
8. Pricing Adjustments	
Annualization of Prior Year Pay Raise	2.2
FY 2004 Pay Raises	
Civilian Personnel	18.7
General Purchases Inflation	7.7
9. Productivity Initiatives and Other Efficiencies	
Productivity Initiatives	(10.2)
10. Program Changes:	
Workload Adjustment	1.7
Store Openings	1.0
11. Other Changes:	
Increase Due to One-Time FY 2003 Congressional Adjustment (Section 8109, DoD Appropriations Act, Public Law 107-248)	10.0
12. FY 2004 Current Estimate:	1,111.3
13. FY 2005 Current Estimate:	1,146.8

# **CAPITAL BUDGET**

# COMMISSARY OPERATIONS

<b>Activity Group Capital Investment Summary</b> <b>Component: Defense Commissary Agency</b> <b>Activity Group: Commissary Operations</b> <b>February 2003</b> <b>(\$ in Millions)</b>									
<u>Line Number</u>	<u>Item Description</u>	FY 2002		FY 2003		FY 2004		FY 2005	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1000	Equipment, Other Than ADPE and Telecommunications Resources								
2000	ADPE and Telecommunications Equipment								
2001	ADP Equipment (<500K)	3	0.5	2	0.6				
2002	ADP Equipment (\$500K-999K) - Located at DeCA HQ	3	1.7	2	1.2				
2003	ADP Equipment \$1,000K and Over	1	0.5						
2004	Defense Civilian Personnel Data System	1	1.8	1	1.4	1	2.0	1	3.8
2005	Corporate Decision Support System	1	2.7	1	1.4	1	2.8	1	1.0
2006	Corporate Server III								
2007	Video Teleconferencing System	1	1.6						
	DeCA Electronic Records Management & Archive					1	3.0	1	0.8
3000	Software Development/Modernization								
3001	\$500-999K - Externally Developed (Located at DeCA Headquarters)	0	0.0						
4000	Minor Construction								
	TOTAL CAPITAL PURCHASE PROGRAM	10	8.8	6	4.6	3	7.8	3	5.6
	Total Capital Outlays		4.4		6.5		6.4		6.5
	Total Depreciation Expense		2.1		4.6		7.8		5.6

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)									
B. DeCA WCE/ Commissary Operations February 2003				A. FY 2004/2005 President's Budget					
C. Line No. & Item Description 2001. Various ADP Equipment \$100-\$499K				D. Activity Identification					
Element of Cost	FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Various ADP Equipment \$100K-\$499K	3	500.0	500.0	2	600.0	600.0			
FY 2002									
Standardize Shared Tape Storage - \$100,000									
Expand Connectivity to Shared Disk - \$300,000									
Upgrade Shared Disk Storage - \$100,000									
FY 2003									
Standardize Shared Tape Storage - \$100,000									
Upgrade Shared Disk Storage - \$500,000									

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)									
B. DeCA WCF/ Commissary Operations February 2003					A. FY 2004/2005 President's Budget				
C. Line No. & Item Description 2002. Various ADP Equipment \$500-\$999K					D. Activity Identification				
Element of Cost	FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Various ADP Equipment \$500K-\$999K	3	1,708.0	1,708.0	2	1,217.0	1,217.0			
<u>FY 2002</u>									
Public Key Infrastructure Computer Software (Operating System) - \$508,000									
Enterprise Storage - \$600,000									
<u>Software</u>									
Information Technology Architecture - \$600,000									
<u>FY 2003</u>									
Public Key Infrastructure Computer software (Operating System) - \$517,000									
Worldwide WEB A I Computer Hardware (Production) - \$700,000									



ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)									
B. DeCA WCF/ Commissary Operations February 2003					A. FY 2004/2005 President's Budget				
C. Line No. & Item Description 2003. Defense Civilian Personnel Data System					D. Activity Identification				
Element of Cost	FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP Equipment (Productivity) > \$1M	1	500.0	500.0						
<p>Narrative Justification: FY 2002 funds were used to support the mandated Modern Defense Civilian Personnel Data System (DCPDS). Modern DCPDS was scheduled to convert to web-enabled technology, Version 11i, during FY02, but was recently changed to February 2003. Users of the system are required to have computers with a more powerful capability than ever before. Although the Headquarters and Region Headquarters were able to meet this requirement, the Human Resource Operations Division (HROD) and the store level users did not have the required equipment to meet this need. DeCA also is deploying the Oracle Training Administration (OTA), a component of Modern DCPDS. In order to retrieve data from the input from OTA, \$35K was required to create standard reports.</p> <p>Economic Analysis Summary: The Director of Civilian Personnel Management Service (CPMS) has directed that the Department of Defense convert Modern DCPDS Version 11i effective February 2003. Equipment must be in place prior to the deployment. CPMS has also mandated that OTA is the only official training application for the Department of Defense.</p> <p>Impact of Project Disapproval: Without the required hardware, DeCA will not be able to process personnel actions in 2003. Without the standard reports for OTA, DeCA will not be able to retrieve data from OTA.</p>									

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)										A. FY 2004/2005 President's Budget			
B. DeCA WCF/Commissary Operations February 2003		C. Line No. & Item Description 2004. Corporate Decision Support System				D. Activity Identification							
		FY 2002				FY 2003				FY 2004			
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP Equipment (Productivity) > \$1M		1	1,822.0	1,822.0	1	1,350.0	1,350.0	1	2,000.0	2,000.0	1	3,800.0	3,800.0
<p>Narrative Justification: Corporate Decision Support System (CDSS) provides DeCA with a single, logical view of sales data across the enterprise empowering end-users to make informed business decisions, obtain competitive advantage and achieve parity with industry. In line with the Agency's Strategic Objectives: increase sales, reduce unit cost and improve savings to customers, CDSS must be populated with the additional cost, savings, demographics and Capital Investment data to meet these objectives. CDSS is the keeper of the Agency's corporate data. After CDSS is fully populated, the data will be used by all levels of management within DeCA HQs, Regions, and stores to make better-informed business decisions. In accordance with the CII 5-year architecture plan, contractor services for skill sets unavailable within DeCA are required. J2EE specialists for design, development, test and deployment are critical to the success of this corporate project. For this reason, the estimated price of \$1,350.0 is needed for FY 03. DeCA is currently loading 8 to 9 gigabytes of raw data per day into the CDSS on the NCR WorldMark 4851 platform. With an estimated 300% increase in growth in data elements, the current configuration cannot keep up with the demand for utilization. DeCA is heavily invested in the current system, with complete corporate sponsorship. It is imperative that the additional processors and software be precisely compatible with what DeCA presently owns. DeCA also plans a Technical Refresh/Expansion of the CDSS hardware suite costing \$3,800.0 in FY05. In FY02 an increase of funding in the amount of \$.322K supported a single logical view of all sales data across the enterprise empowering end users with the ability to make informed business decisions, obtain competitive advantage and achieved parity with industry. This is in accordance with the agency's Information Technology 5-year Architecture Plan.</p> <p>Economic Analysis Summary: In accordance with DeCA's Strategic Initiatives, DeCA requires this additional processing capability to increase sales, decrease costs and achieve parity with private industry. To maintain operational continuity, this additional equipment will be an optimally configured, cost effective solution compatible with the present DeCA system. DeCA plans to purchase 2 NCR WorldMark processors with the corresponding software for each, for a total cost of \$2,000.0. DeCA must ensure continuity of operations and support for its business systems in order to continue to reduce unit costs, sustain its initial investment in CDSS and avoid costs that would be incurred if compatible hardware and software were not acquired. Comparative analysis indicates an investment (or cost avoidance) of \$7.5M would be required to replace all hardware, software, licensing fees and re-development services to convert to a different hardware platform and a different database environment at this time.</p> <p>Impact of Project Disapproval: DeCA will be unable to meet its Strategic Initiatives of increasing sales, reducing unit costs and achieving parity with private industry, and therefore unable to provide the resulting benefit to our soldiers, airman, seamen, marines, their families and our retirees.</p>													

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)																	
A. FY 2004/2005 President's Budget																	
D. Activity Identification																	
C. Line No. & Item Description 2005. Corporate Server III																	
FY 2002												FY 2003		FY 2004		FY 2005	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost					
ADP Equipment (Productivity) > \$1M	1	2,741.0	2,741.0	1	1,400.0	1,400.0	1	2,800.0	2,800.0	1	1,000.0	1,000.0					
<p>Narrative Justification: In the mid-90's DeCA embarked on a program to provide continuous technical refresh of its corporate servers. The original servers (Corporate I) were purchased in early 1995. When these servers reached capacity, DeCA elected to purchase newer technology in 1998 (Corporate II). The Agency intends to refresh its corporate servers on a four-year cycle. This will mean that a server is eight years old when removed from the inventory. Industry standards determine that a server has depleted its value in eight years. The speed of technological change determines that servers loose value much faster. DeCA will migrate applications to new corporate servers based on the criticality of the application and the urgency to utilize new technology features to improve functionality or efficiency of the applications. The Corporate I and II Servers are the platforms on which the development, testing and production for many of DeCA's most critical information systems are accomplished. These systems include DeCA's Interactive Business System (DIBS), Computer Assisted Ordering, bill paying, electronic data interchange, data warehousing, and item movement, and are essential to DeCA's mission. The Corporate I Server has reached the end of its lifecycle and requires maintenance and contracted technical support expenditures of over \$6M per year. The Corporate Servers are the backbone of DeCA's Enterprise Computing initiative. This initiative will bring a multitude of stovepipe systems into a single operating environment and drastically cut operating costs. DeCA will consolidate systems that are dispersed on multiple smaller servers. The maintenance and contracted technical support of these smaller servers exceeds \$1.7M annually. These platforms have reached the end of their lifecycles. They are no longer being manufactured and are difficult to maintain. Due to their age these platform's maintenance costs continue to increase. The Corporate III Server will also be utilized to host new requirements that are generated by DoD or by business requirements of the Agency. —this amount is compensated by elimination of maintenance and technical support for the Corporate I server and the smaller servers in the first year alone. The Corporate III Server will utilize the latest technology and its' maintenance costs will be lower. The purchase of the Corporate III server is part of a planned technology refresh in FY 2003 and 2004. During FY 2003 through FY 2006, DeCA will initiate the Technology refresh of the EMC disk array for Centralized Disk Storage. The EMC disk array will provide more reliable data replication and enhanced backup capabilities to an alternate processing center for disaster recovery. The EMC technology refresh will use state of the art technology to enhance disaster recovery preparedness as directed by OSD. The increase of FY02 funding in the amount of \$.628K was necessary because the maintenance support for DeCA corporate application expired in October 2002 forcing a system upgrade. DeCA hardware did not have the capacity necessary to accommodate the change needed. In accordance with DeCA's 5-year Architecture Plan, we upgraded to Hewlett Packard hardware that is used by DeCA corporate applications. This is standardizing our hardware and allowing additional sharing of computer resources in the future.</p> <p>Economic Analysis Summary: The recommended alternative is based on comparison of current hardware maintenance and operating costs versus a technology refresh with maintenance. DeCA requires Corporate Server hardware and software to replace obsolete production equipment platforms that can no longer be supported. The Corporate III suite will include a server for developing and testing systems to ensure configuration management prior to publishing the system to the production server. DeCA did a refresh of its corporate servers in FY2002. DeCA also intends to acquire a copy of the Corporate III Server for business continuance and to provide additional capacity for testing and production growth at a cost of \$1.3 in FY 2003 and \$2.1 M in FY 2004. This equipment will be located at the Agency's alternate operation site. The DeCA technical support staff will be able to perform the work that is now accomplished by contractors because the new Corporate III platform will utilize DeCA standard operating system and utilities for which the DeCA staff is trained and experienced. During FY 2003 through FY 2006, DeCA will initiate the Technology refresh of the EMC disk array for Centralized Disk Storage, and more reliable data replication to an alternate processing center at a cost of \$.700 M per year. DeCA will also enhance the backup capabilities at the alternate processing center in the event of a disaster at a projected cost of \$.3 M in FY2005 to refresh the Tape Library at the alternate site. The EMC technology refresh will use state of the art technology to enhance disaster recovery preparedness as directed by OSD. The current EMC disk arrays in use at DeCA were purchased in 1998 and have less capacity and slower networking technology than today's technology. The current alternate site tape library was purchased in FY 2001. During FY 2007 through FY 2009, DeCA will be repeating the technology refresh cycle initiated in 2002 with the replacement of the Corporate / Enterprise Server Environment with state of the art technology.</p> <p>Impact of Project Disapproval: Not purchasing the Corporate III servers means continuing critical DeCA systems on platforms that are no longer supported. The maintenance costs will increase annually and spare parts may no longer be available. The ability of the Agency to continue to perform mission critical functions such as bill paying, inventory management and electronic commerce will be imperilled. Additionally, the Agency will be unable to develop additional applications to address new business requirements. Not approving FY 2003 through FY 2006 funding will greatly compromise DeCA's ability to comply with the OSD mandate to implement and maintain the architecture for Business Continuance of the Commissary benefit in the event of a disaster at either of DeCA's two processing centers. This would eliminate the Commissary benefit to our Military and their families.</p>																	

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)											
B. DeCA WCF/ Commissary Operations February 2003			C. Line No. & Item Description 2006, Video Teleconferencing			A. FY 2004/2005 President's Budget					
						D. Activity Identification					
			FY 2002			FY 2003			FY 2004		
Element of Cost	Quantity	Unit Cost	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Total Cost
ADP Equipment (Productivity) > \$1M	1	1,600.0	1,600.0	1,600.0							
<p>Narrative Justification: FY 2002 funds were used for Phase I acquisition of a standardized Video Teleconferencing (VTC) solution for HQ DeCA, each of the respective Region HQ, and the Far East. In accordance with DeCA's Strategic Goals and Objectives, implementing a VTC solution ensures DeCA is moving forward to ensure parity with industry and employ technology that improves the benefit, reduces travel costs, and supports a skilled workforce. VTC is a technology that allows people to interact with others in remote locations as naturally as meeting with them in the same conference room, and makes use of people and resources that might not be so readily available, for face-to-face meetings, due to prohibitive costs or short notice. VTC provides a highly effective meeting environment where communication is made simpler and more time efficient, expediting decision making. The VTC initiative will provide the benefits of multi-point conferencing, allow remote presentations and training, provide collaboration tools, maintain staff assistance to the field, and reduce TDY requirements in the outyears. FY 02 funds requested include hardware/software installation, training, and one-year maintenance. Integration, upgrades, and installation of VTC equipment and Multiple Conferencing Units (MCU) at HQ DeCA, the respective Region HQ, and the Far East totals \$1,600M.</p> <p>Economic Analysis Summary: In September 2000, the Operations/Systems Modernization Branch began Concept Exploration to find Commercial Off The Shelf (COTS) products that could be used within DeCA to reduce the TDY travel budget without reducing the quality of training and other staff assistance to the field. Eastern Region HQ and Area Offices were already using the PolyCom Viewstation MP model between their three sites.</p> <p>Impact of Project Disapproval: Project disapproval would deter meeting the Agency Strategic Objectives of using technology to reduce travel costs and maintaining quality training and staff assistance to the field.</p>											

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)									
B. DeCA WCF/ Commissary Operations February 2003					A. FY 2004/2005 President's Budget				
C. Line No. & Item Description 2007. DeCA Electronic Records Management & Archive					D. Activity Identification				
Element of Cost	FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP Equipment (Productivity) > \$1M							1	2,969.0	2,969.0
							1	849.0	849.0
<p>Narrative Justification: Recommend implementation of a fully Certified Electronic Records Management System (DERMA). In the mid-90's the Defense Commissary Agency Information Systems Review Council (DAISRC) approved the total Electronic Records Management concept for DeCA. The system is mandated by several e-Government initiatives. A partial approval of funding (surcharge) was made available in order to implement this initiative to eliminate the massive paper records storage of financial transactions at the commissaries. The system was dubbed DeCA's Document Management System (DMS). This portion of the Electronic Records Management concept was pilot tested and has been totally implemented throughout all commissaries and currently houses only the financial records. The Presidents e-Government initiatives is now of greater paramount concern than ever before in completing the electronic records management program for DeCA.</p> <p>Economic Analysis Summary: Purchase of this Records Management Application(RMA) software which is fully compliant with DoD Standard 5015.2 and certified by DISA for use up to Top Secret meets ISO 9000/9001 standards and DITSCAP requirements for secure and authorized use. The current software application is outdated and does not fully meet agency needs. Disaster recovery and the maintenance of the existing system is costly. Implementation of this fully integrated system will reduce overall agency costs, expand its use, fully compliant with federal mandates, and is in line with the agencies strategic objectives. In FY04 we require \$1,919.0 for software, \$168.0 for hardware and \$882 for contract services to implement this project. In FY05 there is an additional requirement of \$168.0 for hardware and \$681.0 for software.</p> <p>Impact of Project Disapproval: Residual effects of offsite storage of these records have resulted in agencies overall cost of normal operational support. In addition, word has been received from the Fort Lee Installation Records Holding Area (RHA) that no paper-based records (except for permanent records that are transferred to a records center immediately upon receipt) will be accepted for holding purposes due to elimination of all Army RHA facilities. DeCA has a RHA, but without the ability to transfer temporary records to the installation, the anticipated RHA saturation point will be reached during 2003. Implementation of the remaining portion of the electronic records system will greatly eliminate storage problems that will be encountered.</p>									

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)										A. FY 2004/2005 President's Budget			
B. DeCA WCF/ Commissary Operations February 2003		C. Line No. & Item Description 3001. Software Development \$500-\$999K				D. Activity Identification							
		FY 2002			FY 2003			FY 2004			FY 2005		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Externally Developed Software \$500K-\$999K		0	0.0	0.0									
FY 2002													
Momentum Financials (American Management Systems (AMS)) - Funds not required													

**Defense Commissary Agency**  
**Activity Group: Commissary Operations**  
**FY 2002**  
**FY 2004/2005 President's Budget**

**PROJECTS ON THE FY 2003 PRESIDENT'S BUDGET**

(Dollars in Millions)					
<u><b>FY</b></u>	<u><b>Approved Project</b></u>	<u><b>Reprogs</b></u>	<u><b>Approved Proj Cost</b></u>	<u><b>Current Proj Cost</b></u>	<u><b>Asset/ Deficiency</b></u>
					<u><b>Explanation</b></u>
	Equipment except ADPE and TELCOM				
	Equipment - ADPE and TELCOM	0.950	8.871	8.871	0.000 1/
	Software Development	0.000	0.000	0.000	0.000 2/
	Minor Construction				
	Total FY 2002	0.950	8.871	8.871	0.000

1/ Approval from OSD Comptroller Revolving Funds, 16 Sep 2003, to reprogram funds

2/ Due to PBD 704, dtd December 11, 2001 funds were not required

**Defense Commissary Agency**  
**Activity Group: Commissary Operations**  
**FY 2003**  
**FY 2004/2005 President's Budget**

**PROJECTS ON THE FY 2003 PRESIDENT'S BUDGET**

(Dollars in Millions)					
<u><b>FY</b></u>	<u><b>Project</b></u>	<u><b>Reprogs</b></u>	<u><b>Approved Proj Cost</b></u>	<u><b>Current Proj Cost</b></u>	<u><b>Asset/ Deficiency</b></u>
	Equipment except ADPE and TELCOM				
	Equipment - ADPE and TELCOM	0.500	4.600	4.567	(0.033)
	Software Development	(0.500)	0.000	0.000	1/
	Minor Construction				
	Total FY 2003	0.000	4.600	4.567	(0.033)

1/ Due to PBD 704, dtd December 11, 2001 funds are not required.



**Defense Commissary Agency**  
**Activity Group: Commissary Operations**  
**FY 2004**  
**FY 2004/2005 President's Budget**

**PROJECTS ON THE FY 2003 PRESIDENT'S BUDGET**

(Dollars in Millions)					
<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>
	Equipment except ADPE and TELCOM				
	Equipment - ADPE and TELCOM		0.000	7.769	7.769
	Software Development		0.000	0.000	0.000
	Minor Construction				
	Total FY 2004		0.000	7.769	7.769

**Defense Commissary Agency**  
**Activity Group: Commissary Operations**  
**FY 2005**  
**FY 2004/2005 President's Budget**

**PROJECTS ON THE FY 2003 PRESIDENT'S BUDGET**

(Dollars in Millions)					
<u><b>FY</b></u>	<u><b>Approved Project</b></u>	<u><b>Reprogs</b></u>	<u><b>Approved Proj Cost</b></u>	<u><b>Current Proj Cost</b></u>	<u><b>Asset/Deficiency</b></u>
					<u><b>Explanation</b></u>
	Equipment except ADPE and TELCOM				
	Equipment - ADPE and TELCOM		0.000	5.649	5.649
	Software Development		0.000	0.000	0.000
	Minor Construction				
	Total FY 2005		0.000	5.649	5.649