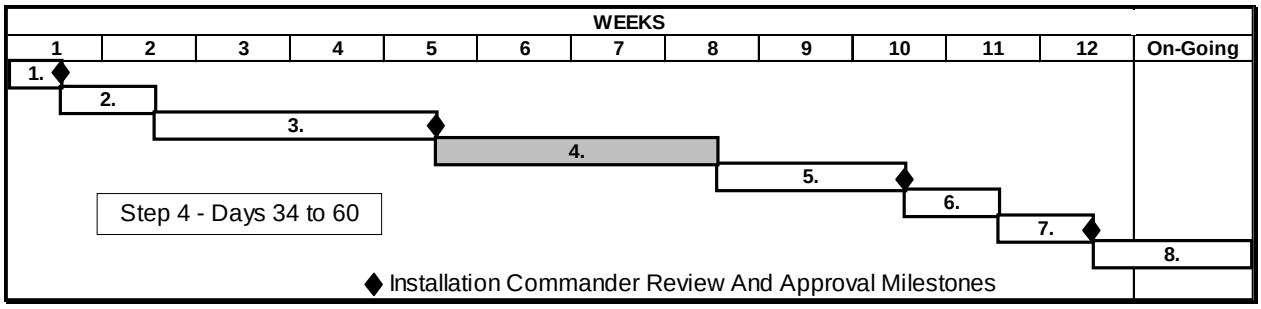
STEP 4: IDENTIFY COSTS OF RESOURCES



4.1 OVERVIEW

The purpose of this step is to collect all costs associated with each resource in the LCBM at the sub-function level. This information will help identify which functions and core business areas consume most of the resources at the installation. Those business areas which consume most of the installation's resources will be the target of further analysis in subsequent steps.

4.2 RESOURCE COST CATEGORIES

For purposes of the BUA, resources can be broken down into five main areas:

1) Manpower (civilian and military personnel);
2) Facilities (operations & maintenance and capital investments);
3) Supplies and Equipment;
4) Contract services (including outsourced functions); and
5) Other resources.

Although these five categories could be broken down further into other very detailed sub-elements, this categorization is sufficient to identify the business areas which consume the majority of the resources on the installation.

CO Tip: These five categories are sufficient to categorize all costs. Guard against the complexity of further categorization.

4.3 COLLECT RESOURCE COST DATA ON LOCAL MODEL

Using the LCBM, identify and compile all annual costs associated with each sub-function in the LCBM by resource category (manpower, facilities, supplies and equipment, contract services, and other costs). To accomplish this, design a data-gathering process and related tools that best suits the installation.

This guide provides several options for developing costs for each resource category. In addition, OMB Circular A-76 provides specific guidance which must be used when performing CA studies.

The outcome of this cost collection effort will most likely take the form of a database or spreadsheet like the one shown in Exhibit 8. The source of data for each resource category in the exhibit is described below.

EXHIBIT 8: SAMPLE SUB-FUNCTION COST REPORT

Sample cost break-down for all sub-functions within a function.

Resource Category (Cost / Year)	Sub-Function 1	Sub-Function 2	. . . . .	Sub-Function "n"	Function Total
Manpower (MILPERS)	$10,345	$25,583		$5,686	$41,614
Manpower (CIVPERS)	$55,439	…		…	…
Facilities, O&M	$201,643	…		…	…
Facilities, Capital	$700,439	…		…	…
Equipment	$255,090	…		…	…
Contract Services	$90,454	…		…	…
Other Resources	$101,000				
Total	$1,313,410	…		…	…

4.3.1 Manpower

4.3.1.1 Civilian Manpower (CIVPERS)

Using the IMAP methodology and the corresponding cost account codes, identify the CIVPERS costs per year of each sub-function being studied.

4.3.1.2 Military Manpower (MILPERS)

The IMAP structure does not assign military manpower costs by individual sub-functions. Use the A-76 manpower costs methodology to calculate the MILPERS cost rates for each sub-function.

CO Tip: Your base manpower and personnel staff should be able to assist in computing civilian and military manpower costs.

4.3.2 Facilities

4.3.2.1 Facility Operations and Maintenance

The IMAP structure does not assign facility O&M costs by individual sub-functions. The team must devise a methodology to allocate installation-wide costs to each facility on the base, then assign facilities to each sub-function.

Annual facility O&M costs can be computed in varying levels of detail, depending on the time and information available. The following are four ways in which these costs have been collected in the past:

1) Annual O&M costs are allocated on a "flat" distribution to all sub-functions by their proportion of gross area.

CO Tip: Facility O&M expenditures are one of the most predominant at an installation. Although functions with large facilities collect the highest facility costs on a gross area basis, there is no way to determine which facilities or sub-functions are actually absorbing O&M resources at less than acceptable rates.

2) Facilities are assessed for structural condition or support to the mission using a rating or scoring system against a standard. The assumption is that a more degraded facility consumes more resources—either to sustain its current condition or to upgrade its condition to standard. Per area costs are allocated

against these ratings to determine where annual O&M funds are used the most.

3) Annual O&M funds are categorized into more detailed sub-accounts (e.g., operations, utilities, maintenance, etc.). These sub-accounts may identify possible areas of improvement in a more focused manner.

4) To determine expected and real costs, annual O&M funds are computed based on research of historical and current work orders, backlogs of maintenance and repair and any other hard costs such as metered utilities, if available.

4.3.2.2 Facility Capital Investment

There are two possible methods of computing annualized facility capital investment costs. Both are shown below:

1) From real property records, determine the Plant Replacement Value (PRV) of a facility. Divide the PRV by the expected economic life of the facility to compute an annualized facility capital investment cost.

2) From real property records and programming documents, determine the historic and projected capital investments for a facility. Divide this amount by the expected economic life of the facility to compute an annualized facility capital investment cost.

CO Tip: Your base engineers should be able to assist in computing estimated or real facility O&M and capital investment costs.

4.3.3 Supplies and Equipment

Supplies and equipment costs consist of the total annual cost for operating supplies, consumable equipment and capital investment equipment for each sub-function.

4.3.3.1 Supplies and Consumable Equipment

Using the IMAP methodology and the corresponding cost account codes, identify the annual supplies and consumable equipment costs of each sub-function being studied.

4.3.3.2 Capital Investment Equipment

Use depreciation schedules and terminal value computations for individual equipment items to determine annualized costs. Add the annualized cost for individual capital investment equipment items in each sub-function.

CO Tip: Your base supply, transportation and procurement staff should be able to assist in computing supply, consumable equipment, and capital equipment costs.

4.3.4 Contract Services

Identify the annual cost of contracts. Add to the contract cost any indirect government costs related to the contractors execution of the contract. For example, identify any unreimbursed government cost of utilities and maintenance for facilities which the contractor uses in the performance of the contract.

Consider prison labor or other “free” resources as contract services and determine the cost for each service provided.

Compute the manpower equivalent for each contract service activity. This is important when improving functions that are outsourced or preparing other functions for competition. Refer to the A-76 study

manpower costing guidance for information on how to perform these calculations.

CO Tip: Your procurement and manpower staff should be able to assist in computing contract services costs.

4.3.5 Other Resources

Other resources could be reimbursable accounts, community funds, and land or other assets available to the installation through joint-use agreements. Using the IMAP methodology and the corresponding cost account codes, identify any annual costs associated with these resources for each sub-function being studied.

CO Tip: Your real property and procurement staff should be able to assist in computing the value of other resources.

4.4 SUMMARIZE COSTS INTO FUNCTIONS AND BUSINESS AREAS

The information on Exhibit 8 can now be summarized by core business area in much the same way that sub-functions were summarized by function.

Summarizing sub-function costs into functions and core business areas will help identify which major areas in an installation consume most of the resources.

Exhibit 9 is a sample summary report with the function costs aggregated into core business areas. This summary report is essential for the next step in the business unit analysis study. The goal of this summary is to identify the distribution of resource consumption at an installation. This information may help identify which business areas consume most of the base's resources. It may also help determine which functions within them consume the most resources.

CO Tip: Identify the three or four "Main Event" business areas that consume the majority of your resources.

The opportunity to improve performance and reduce costs at the installation is most apparent in these main event areas not because of their poor performance (which has not been determined) but rather because of the large amount of resources they consume. Furthermore, identifying only the "top three or four" business areas focuses attention on them to ensure any key improvements can be monitored and executed in a timely manner.

To better visualize the consumption of resources between functions, present the results of this summary in a pie-chart or similar graph. Exhibit 10 is a sample graph depicting all functions within the Community Support business area.

4.5 PRODUCTS OF THIS STEP

- Sub-function cost reports
- Function and core business area cost summary reports

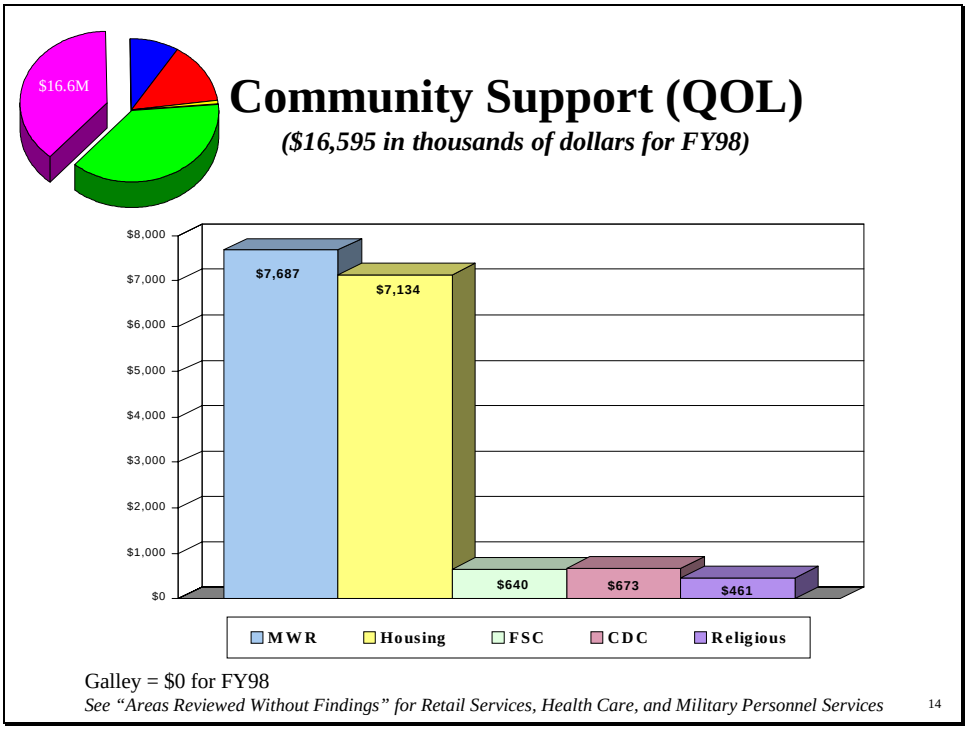
EXHIBIT 9: SAMPLE FUNCTION AND CORE BUSINESS AREA COST SUMMARY REPORT

Sample cost break-down for all functions within a core business area.

Resource Category (Cost / Year)	Function 1	Function 2	. . . . .	Function "n"	Business Area Total
Manpower (MILPERS)	$120,300	$325,750		$145,100	$591,150
Manpower (CIVPERS)	$255,600	…		…	…
Facilities, O&M	$1,201,000	…		…	…
Facilities, Capital	$8,700,000	…		…	…
Equipment	$755,000	…		…	…
Contract Services	$300,500	…		…	…
Other Costs	$101,000				
Total	$11,433,400	…		…	…

EXHIBIT 10: SAMPLE CORE BUSINESS AREA MAIN EVENT CHART

Main Event areas under the Community Support (QOL) business area are MWR and Housing.



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