

# Cost Management Implementation Perspectives from Fort Belvoir

American Society of Military  
Comptrollers

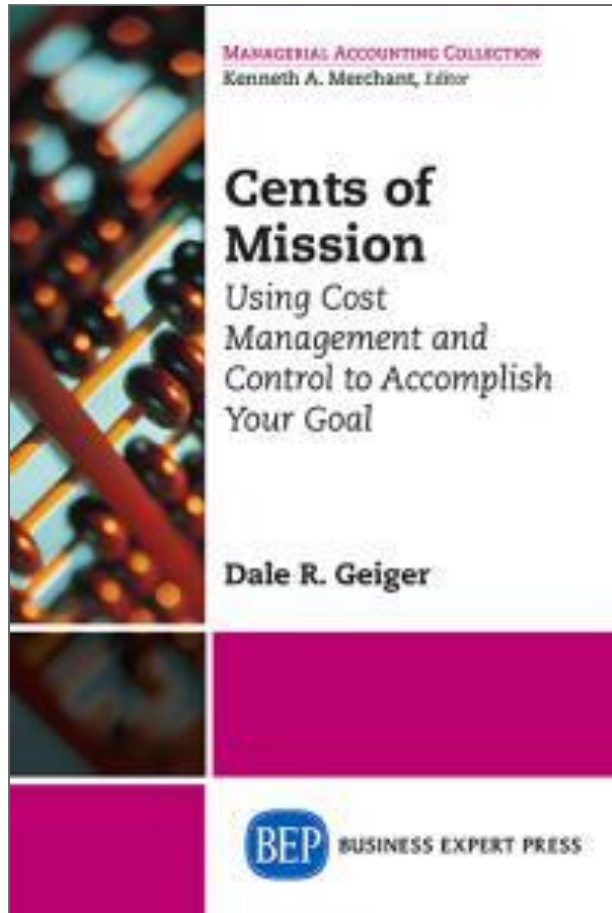
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Dr. Dale R. Geiger [drgeiger@pacbell.net](mailto:drgeiger@pacbell.net)  
Mr. Mike Bidelman [gary.m.bidelman.civ@mail.mil](mailto:gary.m.bidelman.civ@mail.mil)  
Ms. Kelly Burger [kelly.g.burger.civ@mail.mil](mailto:kelly.g.burger.civ@mail.mil)  
Mr. Berry Patrick [berry.w.patrick.naf@mail.mil](mailto:berry.w.patrick.naf@mail.mil)

# Five Premises

- 1) **Budget functions, like marketing and sales, are designed to “sell” outcomes and bring resources into the organization.**
- 2) **Most control functions are designed to prevent overspending budget. This is a good thing, but inefficient.**
- 3) **Inefficient process become ineffective when constraints on resources reach the point of limiting military capability.**
- 4) **Downsizing military capabilities due to constrained resources is a national security issue that begs intense, urgent action.**
- 5) **Constrained resources require a leadership driven management process to achieve desired mission effects cost effectively.**

# Cents of Mission



- **Command and Control or any management process exists ONLY to support the goal of accomplishing the mission**
  - **Armies use it to win on the battlefield**
  - **Companies use it to make a profit**
  - **Individuals use it to accomplish their goals**
- **This universal, timeless process brings discipline, common sense, creativity, and logic to the problem of getting things done in the face of constraints**

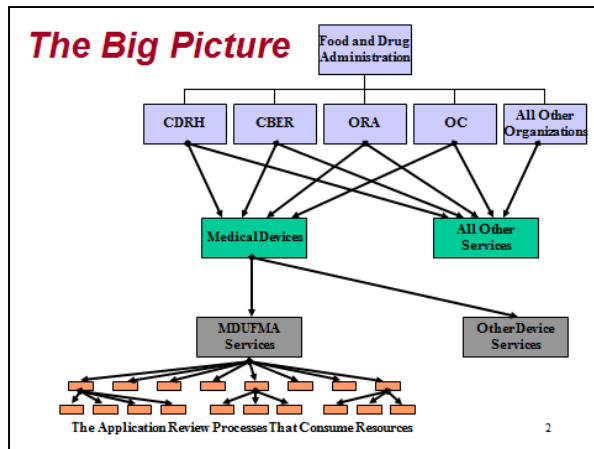
# Framework for Cost Measurement

Purpose	Description
Financial Costing	Cost Accounting Required in External Reporting
Managerial Costing	Costing Developed to Support Internal Needs
Decision Support	Ad Hoc Costing that Informs Decision Makers
Price Setting	Costing that Enables Pricing
Cost Benefit Analysis	Cost Estimates that Inform Choice Among Alternatives
Other Ad Hoc Analyses	Costing Constructed to Support Other Strategic Needs
Control of Operations	Costing that Enables Continuous Improvement in Mission
Organization Based Control	Responsibility Costing of Org Chart Entities
Role Based Control	Costing that Informs Accountable Consumers of Support
Output Based Control	Costing that Enables Accountability for Product or Service Cost

*Contribution to forthcoming Cost Accounting in Government: Theory and Applications*

# Cost Based User Fee Analysis at the Food and Drug Administration

- Performed a detailed excel based analysis of cost distributed to all FDA user fee categories
- Alternative was a very large and expensive cost accounting system



**Prelim CBER FY06 PDUFA**

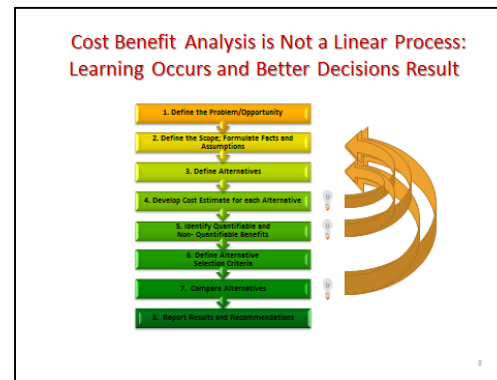
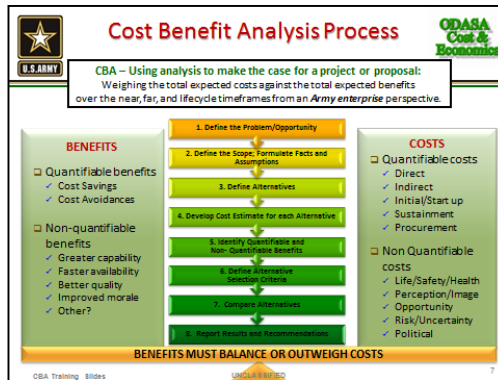
*Congressionally reported PDUFA dollars distributed to cost objects*

FY2006				IND	BLA	SUPP	SUPP	science	control									
	\$M	PDUFA	%			with	w/o	suppt	lab	surv	misc							
		\$M	%			clin	can											total
Center Director	7.0	5.5	52%	1.9	0.7	0.2	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.6
Biostatistics and Epidemiology	5.3	2.5	48%	1.3	1.0	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.6
Communication, Training, and Ma	5.4	3.5	65%	1.8	0.7	0.2	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5
Compliance & Biologics Quality	8.7	3.6	42%	0.3	1.7	0.1	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.6
Blood Research & Review	15.4	6.3	36%	2.4	1.8	0.4	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.3
Cellular, Tissue & Gene Therapy	10.8	9.5	88%	3.1	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.5
Vaccines Research & Review	25.5	23.9	94%	11.4	4.1	1.5	6.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.9
Management	3.4	5.5	65%	2.8	1.1	0.2	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.5
Information Management	2.4	1.7	71%	0.9	0.3	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7
Other	20.8	0%	0.0%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CBER Direct \$M</b>	<b>112.6</b>	<b>60.7</b>	<b>53%</b>	<b>31.8</b>	<b>11.6</b>	<b>2.7</b>	<b>14.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>60.7</b>

- Industry groups were satisfied with the logic and transparency of the analysis and GAO audited and approved the user fee costing without change

# Cost Benefit Analysis in the United States Army

- Requires a formal Cost Benefit Analysis for all large, non-recurring decisions
- Developed an 8 Step methodology



- Has had significant impact on decision making insuring that cost informed decisions are made based on accurate information
- Has begun proliferating to subordinate commands

# Costing for Strategic Analysis at the United States Army

- Cost analysis is done for many strategic decisions such as deployments and unit structure changes require
- The Army's FORCES and AMCOS systems provide analysts with a wealth of dependable cost factors and rates



**Review: Composite Standard Rate**

**AMCOS**  
The Army Military-Civilian Cost System

All NSPS cost factors were removed from this module.

Category	14	15	16	17
Military Compensation	\$119,000.00	\$119,000.00	\$121,000.00	\$123,000.00
Military Compensation	\$8,000.00	\$8,000.00	\$8,000.00	\$8,000.00
Military Compensation	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00
Other Benefits	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Permanent Change of Station Costs	\$200.00	\$200.00	\$200.00	\$200.00
Travel Pay Actual	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Travel Pay Actual	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Travel Pay Actual	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Travel Pay Actual	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Total	\$126,000.00	\$126,000.00	\$128,000.00	\$130,000.00

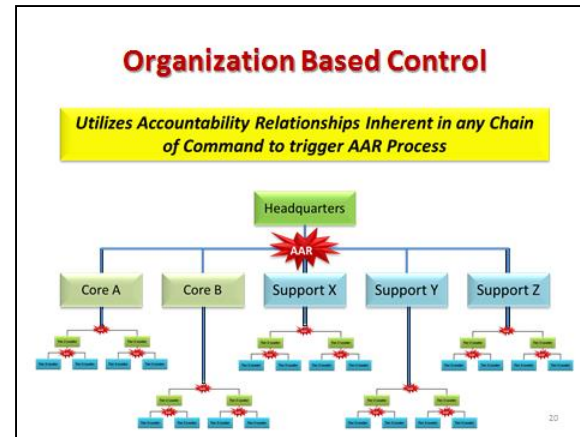
- These systems also provide trusted inputs to Army Cost Benefit Analyses



# Organization Based Control at 3<sup>rd</sup> ACR for Non Deployables Management

- Situation: Weekly Brigade level reporting of status

The image shows a screenshot of a large spreadsheet titled "3d ACR Feb 7 Non Deployable 'Scrub'". The spreadsheet has 21 pages and contains over 400 names. The data is organized into columns with headers such as "Name", "Status", "Location", "Unit", "Type", "Priority", "Action", "Date", "Comments", and "Remarks". The spreadsheet is presented as a stack of pages, with the top page visible and the rest of the stack shown as a series of lines at the bottom.



- Response: Adopted organization based AAR approach to attack issues within CO's control
- Results: 80% reduction in two month in targeted areas with millions of dollars savings to Army



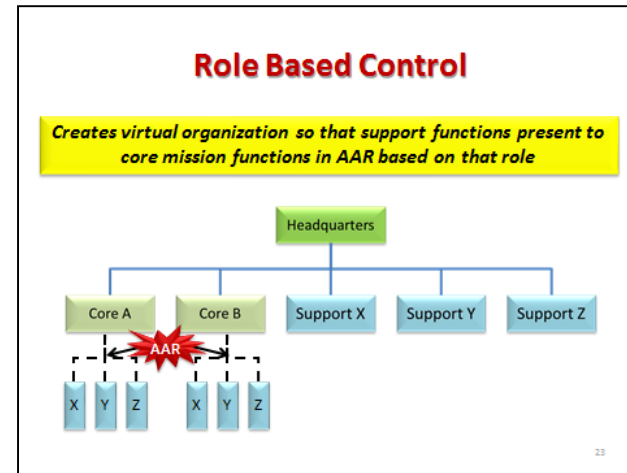
# Role Based Control in Navy Research and Development

- **Situation:** Inefficient use of facilities with no space for growth
- **Response:** Implemented role based cost after action review after fixing cost allocation process

**Proposed Change in Distribution of Facilities Cost**

- Situation: meeting at Navy R&D lab
  - Reviewing a distribution of San Diego facilities cost to operating divisions
  - Existing method allocated based on labor
  - Proposed method allocated based on square feet occupied

Division	30	40	50	70	80	Total
Labor Basis (\$M)	2.3	5.1	2.4	3.8	3.7	17.3
Footage Basis (\$M)	.0	4.0	4.6	4.1	4.6	17.3
Change (\$M)	2.3	1.1	(2.2)	(.3)	(.9)	-



- **Results:** Immediately freed up 35K sq ft saving millions of dollars - meeting continues monthly for last 15 years

# Output Based Control at the Bureau of Engraving and Printing

- **Situation:** Lost stamp printing work due to deficiencies in cost understanding and management
- **Response:** Created output based after action review process and evolved cost measurement to suit leaderships' needs

STATEMENT OF CURRENCY PRODUCTION COSTS  
EASTMAN CURRENCY FACILITY  
JULY 1999 - FY 2000

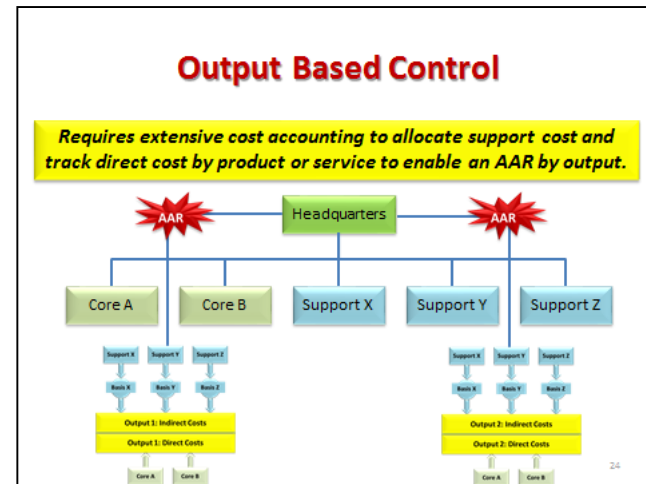
----- NEXT GENERATION CURRENCY DESIGN - \$20 NOTE PRODUCTION -----

OPERATION	UNIT COST PER 1000 NOTES			TOTAL COST IMPACT	JULY PRODUCTION VOLUME		DIFFERENCE JULY	YTD ACTUAL
	STANDARD	ACTUAL	VARIANCE		STANDARD	ACTUAL		
PAPER	\$19.08	\$19.08	\$0.00	\$0				\$19.08
OFFSET INK	0.02	0.03	(\$0.01)	(200)				0.02
SCREEN INK	1.72	1.61	0.11	19,219				1.56
FACE INK - BLACK	1.52	1.48	0.04	1,401				1.41
FACE INK - METALLIC	0.02	0.01	0.01	760				0.01
FACE INK - CMY	1.07	1.28	(\$0.42)	31,281				1.01
OFFSET PRINT	2.05	2.30	(\$0.25)	40,410	2,890,300	47,000	47,907	32,001
PRINT BACKS	2.19	2.04	0.15	60,000	3,493,219	40,000	40,170	30,004
PRINT FACES	2.32	2.01	0.31	(14,800)	2,316,349	38,000	40,070	38,000
	\$31.28	\$30.58	\$0.67	\$94,504				\$31.53
MEDIA EXAM	\$0.71	\$0.07	(\$0.36)	(\$18,200)	1,517,730	41,000	38,421	38,200
COPIE FACES	4.01	4.08	(\$0.07)	(102,200)	1,404,200	31,000	28,349	30,400
COPIE INK	0.01	0.02	(\$0.01)	607				0.00
NOTE PACKAGING	0.40	0.08	(\$0.16)	(7,100)	1,400,000			0.40
FIN FINALE Y	0.32	0.40	(\$0.32)	(25,200)	1,400,000			0.32
	\$8.00	\$10.38	(\$4.71)	(\$11,000)				\$8.76
COST EFFECT OF SPOILAGE	1.07	1.00	0.07	33,300				1.17
TOTAL CASH FLOW - RELATED COST	\$41.01	\$40.48	(\$0.01)	(\$10,240)				\$40.48
DEPRECIATION	4.04	4.04	0.00					4.04
TOTAL MFG COST	\$45.05	\$44.52	(\$0.01)					\$44.52

NOTE: NEGATIVE NUMBERS INDICATE UNFAVORABLE VARIANCES.  
STANDARD COST CHANGED EFFECTIVE JANU. 2000 TO REFLECT: 0) REVISED PROGRAMS AND 1) INCREASE IN \$20 SPOILAGE RATE STANDARD FROM 1.0% TO 1.7%.  
YEAR-TO-DATE COST AND SPOILAGE NUMBERS WERE SIGNIFICANTLY IMPACTED BY THE RETROACTIVE SCRAPPING OF TWO \$20S \$20 PROCESSED IN DECEMBER. IF THESE TWO PROCESSES WERE EXCLUDED FROM SPOILAGE CALCULATIONS, THE YEAR-TO-DATE COST PER 1000 NOTES WOULD BE \$46.16 AND YEAR-TO-DATE SPOILAGE WOULD BE 0.98 PERCENT.

PREPARED BY COST ANALYSIS AND PRICING DIVISION, OFFICE OF FINANCIAL MANAGEMENT

What is Leadership Interested In?

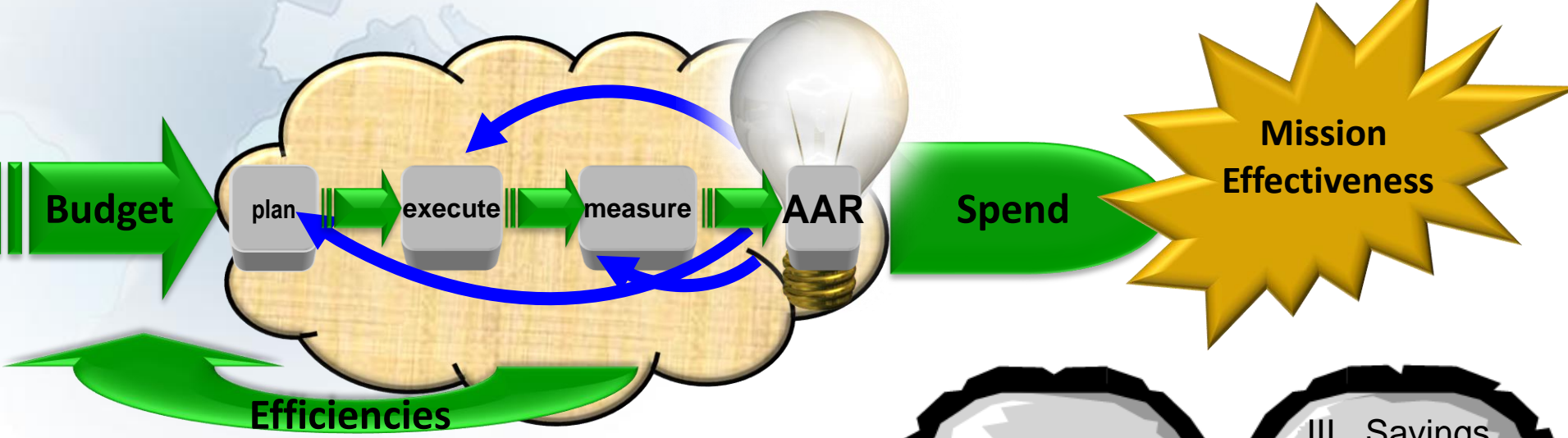


- **Results:** Very effective cost management and control process led by Director



U.S. ARMY

# The Cost Managed Organization



- ❑ Spending, not budget, drives mission
- ❑ Efficiencies are budget multipliers
- ❑ Cost-managed organizations
  - command and control cost
  - self supplement
  - continuously improve
  - aggressively stimulate creativity

I. Thou shall not attack or defend past practice

II. Thou shall always seek better ways to operate

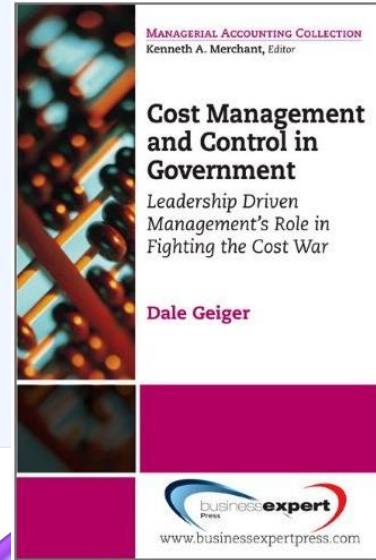
*Should Cost  
Could Cost*

III. Savings shall fund saver's unfunded needs

IV. Command shall understand cost and drive improvement initiatives

*= Less Cost*

# Key Requirements Defined in Cost Management and Control in Government



Aggressive,  
knowledgeable  
leadership  
(cost chain of  
command)



Strong staff,  
strong staff  
organization  
(ACE – Analytic  
Cost Expert)



Learning  
oriented process  
(after action  
review)



Actionable cost  
intelligence  
(managerial  
costing)



# The Fort Belvoir Story

- Mike Bidelman
  - The Senior Leader
  - Director of Resource Management
- Kelly Burger
  - The Analytic Cost Expert
  - Team Lead Manpower Analyst in Resource Management Office
- Berry Patrick
  - The Operational Manager
  - Director of Morale, Welfare, and Recreation



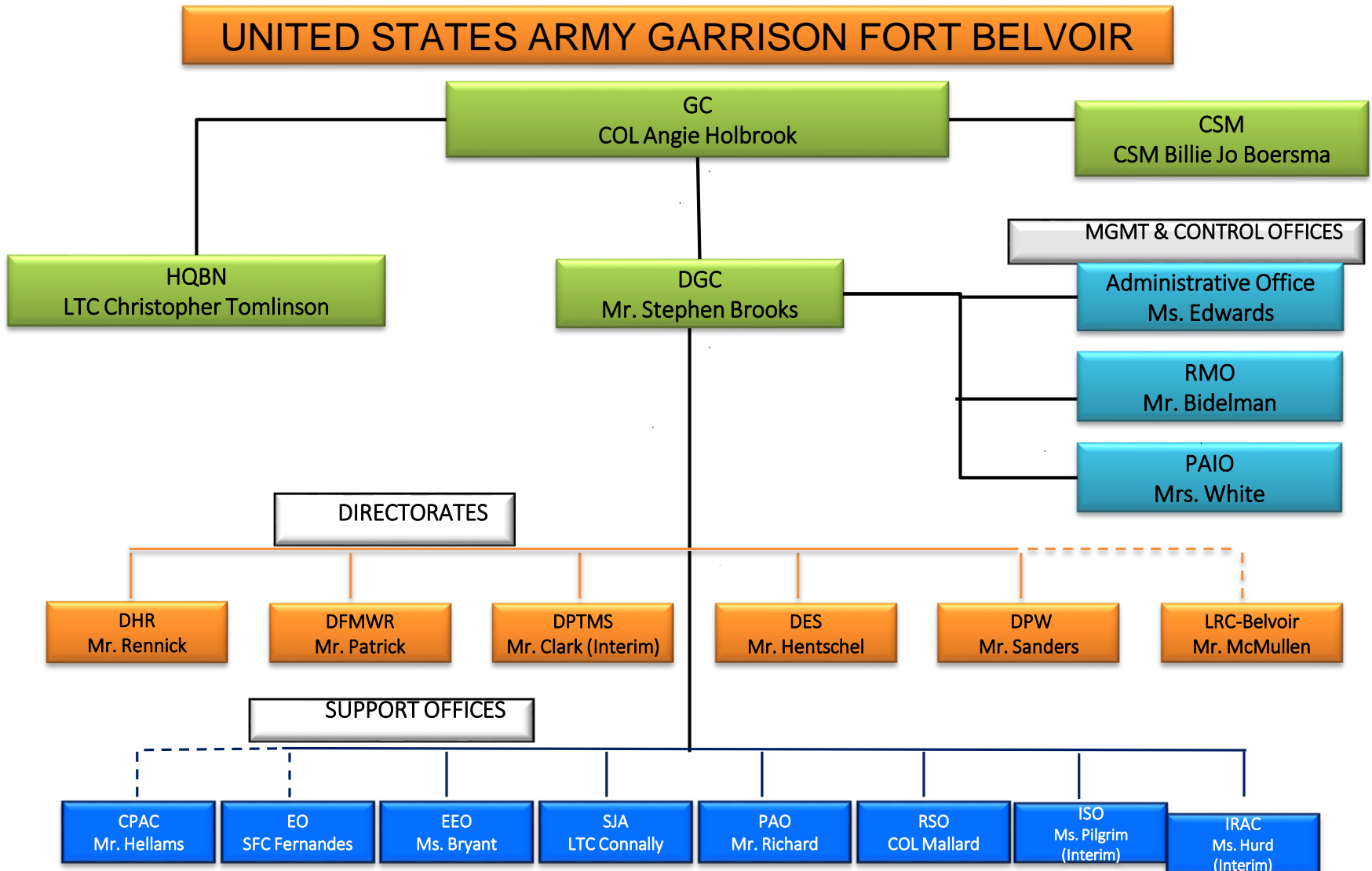


Installation Management Command and the Fort Belvoir Garrison integrate and deliver base support to enable readiness for a globally-responsive Army

**We are the Army's Home – Serving the Rugged Professional**

**Mr. Mike Bidelman [gary.m.bidelman.civ@mail.mil](mailto:gary.m.bidelman.civ@mail.mil)**

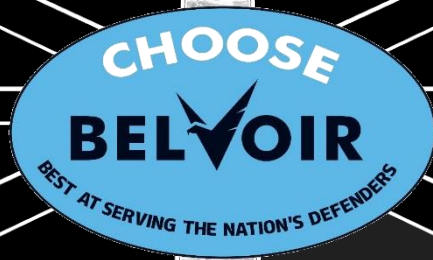
# Fort Belvoir Installation Overview





# Mission

# Partners

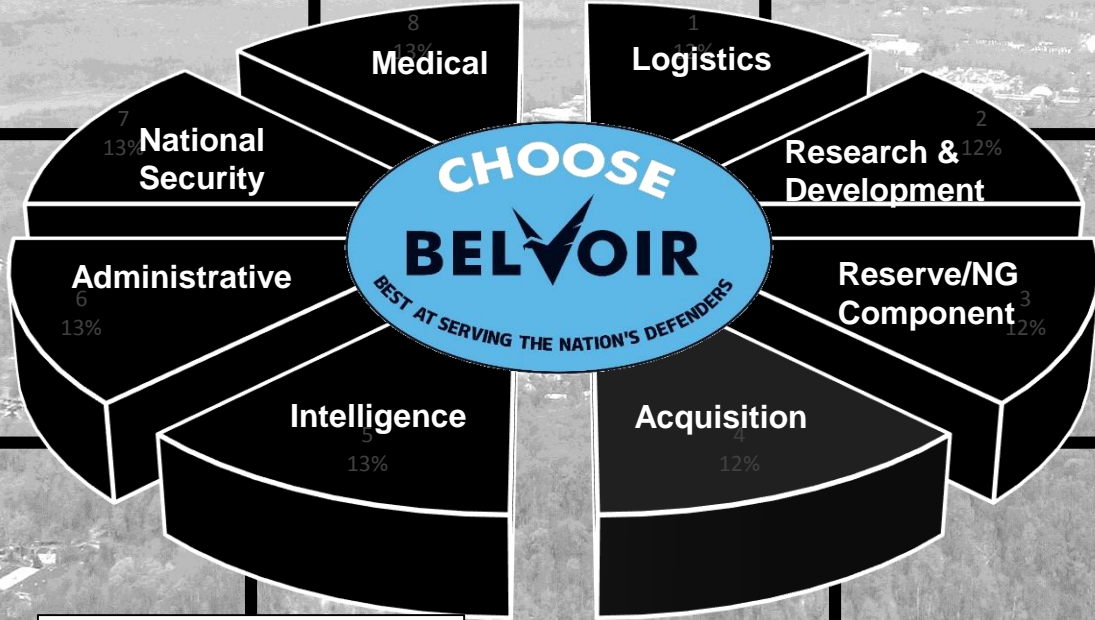


- Fort Belvoir Community Hospital
- Warrior In Transition Battalion
- Regional Health Command – Atlantic
- Public Health Command – Veterinary Services
- Logan Dental

- Defense Logistics Agency
- Logistics Innovation Agency
- Logistics & Readiness Center
- Joint Personal Property Shipping Office
- Logistics Svcs Washington
- Rapid Equipping Force
- 12<sup>th</sup> Aviation Battalion

- Night Vision & Electronic Sensors Directorate
- USA Research, Development & Engineering Command
- Missile Defense Agency
- Army Research Lab
- Army Research Institute

- Army Chief Information Office/G6
- Criminal Investigative Command
- USA Nuclear & Chemical Agency
- Defense Threat Reduction Agency



- 29<sup>th</sup> Infantry Division
- Operational Support Airlift Agency
- Office of Chief of Army Reserves
- 299<sup>th</sup> Engineering Command

- Office of the Admin. Ass't. to the Secretary of the Army
- USA Legal Service Agency
- Manpower Analysis Agency
- Center for Army Analysis
- Washington HQ Services
- Office of the Sec of Defense
- USA Audit Agency
- Network Enterprise Center
- Army Force Management Support Agency
- Army Inspector General School
- Defense Contract Audit Agency
- Army Headquarters Services

- National Geospatial-Intelligence Agency
- INSCOM
- Military Intelligence Readiness Command
- USA Cyber Command
- Aerospace Data Facility - East
- Defense Technical Information Center
- Defense Intelligence Agency

- Acquisition Support Center
- PEO Enterprise Info Systems
- PEO Soldier
- PM Expeditionary Energy & Sustainment Systems
- PM Terrestrial Sensors
- PM Force Protection Systems
- Defense Acquisition University

Key:  
 General Officer  
 Senior Executive Service

# Fort Belvoir Investment OPS Mgrs and ACEs

## FY15 Graduates

### (6) OPS Manager

Olga Bryant, EEO  
Lynne Castro, PAIO  
John Grenfell, RMO  
Kelly Parry, RMO  
Kevin Rennick, DHR  
Andrea White, PAIO

### (4) ACE

Staci Hill-Good, PAIO  
Donna Landon, PAIO  
Noreen Modesto-Towns, DHR  
Kathy Whatley, RMO

### (5) Losses

Michelle Smith, ACE/RMO  
Crystal Aldridge, ACE/JAG  
Sara Cermenaro, ACE/DPW  
John Burns, OPS Mgr/DPTMS  
Lidia Slominski, DFMWR

## FY17 Graduates

### (6) OPS Manager

Steven Galay, DES  
Craig Hartman, RMO  
Kelly Burger, RMO  
SFC Pedro Reyes, RSO  
Kevin Good, DES  
Craig Lewis, DPW

### (10) ACE

Jason Roberts, DES  
James Peters, DHR  
John Backus, DPTMS  
Rhonda Allen, DPW  
Sybille Vega, DPW  
Rena Robinson, EEO  
Scott Bruning, ISO  
WO1 Taysia Jackson, SJA  
LTC Sammie Davis, PAIO  
Chaplain Gunther, RSO



# Fort Belvoir Cost Management Objectives

Garrison Commander directs 5% cost savings annually for each directorate

Conducts monthly After Action Review (AAR) comparing plan to actual with variance analysis

Analytical Cost Experts (ACE) and Operations Manager attend

Lowest level echelon brief; avoid directors briefing

Garrison does not tax directorates; allow savings to fund un-funded requirements



# Fort Belvoir Cost Management Lessons Learned

Getting buy-in is hard; directors/managers resist

Leader sets the tone (garrison/directorate); strong interest by either GC or DGC

Level of director support is evident in the timely completing of AAR slides and attendance of ACE and Ops Mgr at the meetings

Meeting 5% cost savings; some directorates can meet - but not all

Cost analysis adds value to decision making when used (hub and spoke analysis) – senior leaders require data and analysis to influence at HQDA level



# Cost Management – Where we need help

Cost analysts and cost accountants on the TDA/TOE; CP 11 and BC 36 develop requirement

GFEBs cost data is there; below Army level, no one is looking and conducting meaningful analysis (IMCOM ISR Cost is developed; lack the impact at garrison level); DASA-CE

Army is challenged with getting cost culture inculcated across the force; CP 11 and BC 36

Army leaders at all levels make cost a priority; generation of leaders with access to OCO funding; CP 11 and BC 36







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**We are the Army's Home – Serving the Rugged Professional**

**Ms. Kelly Burger [kelly.g.burger.civ@mail.mil](mailto:kelly.g.burger.civ@mail.mil)**

# Cost Management: Creating the Organization's Cost Warriors

## Cost Management Roles:

- (1) OPS Manager
- (2) ACE

## Consideration for selection:

- Strong Analytical Skills
- Basic to Strong Math/ Excel Skills
- Working Knowledge of Budgets or Strong Interest in Budgets/Cost Savings
- Creativity- Ability to Think Outside of the Box
- Willingness to Learn and Work- Time/labor intensive
- \*\*Works well to build a team of Ops Managers and ACE's within same office/budget





# Cost Management: Training and Implementation Process

## Pre-Course Work

- (1) Readings/ Initial Exams
- (2) Math Qualification Exam (ACE Specific)

## Class Work

- (1) 3 weeks of class time
- (2) Various readings, in class projects and assignments
- (3) *Group Project- Real to the Organization***
  - (a) Brainstorm
  - (b) Perform initial analysis
  - (c) Choose project(s) to pursue based on resources/objective
  - (d) Compete Initial Analysis and brief initiative to class and command leadership

## Post-Class Work

- (1) Grow, develop and execute initiative(s)
- (2) Actively identify/pursuing additional cost saving initiatives
- (3) Highlight successes (and lessons learned) with leadership and peers
  - Inculcate a culture of cost saving within the organization



# Cost Saving Initiatives- DPW

## Initiatives:

### Directorate of Public Works (DPW)

- (a) **Problem** – Facility roofs only assessed when work order is placed- 75% result in full roof replacement
- (b) **Approach**- Change mentality from client driven to strategic maintenance/repair
- (c) **Potential Impact**-
  - (1) Cost Savings- Roof repairs are 2.73% the cost of total roof replacement. (2) Pre-identified roof repairs (vs replacements) yields, \$405,157.12 in savings.
  - (2) Better ability to project costs for roof maintenance, repair and replacements



# Directorate of Public Works (DPW)

## Facility Roof Repair and Replacement

- Roofs are only assessed after a notification is received of a roofing problem.
- Historically 75% of the reported roofs have to be completely replaced because of the advanced deterioration that occurs.
- A cost management solution is to apply a different approach to accessing roofs and potential facility repairs that are directly attributed to lacking visibility of roof conditions.
- The cost structure would consist of an initial investment for a roof survey and the cost per square footage of each roof to either be repaired or replaced. The proactive approach over time will ensure better visibility of roof conditions which allow repairs that are less costly, extend the useful life of the roof for another 5, 10 or 20 years, and provide data for financial requirements.



# Directorate of Public Works (DPW)

## Statement of Activities

Roof Work FY2016	Number of Facilit	Total Cost	Average Cost
Roof Repairs	3	16558	5528
Roof Replacements	7	1418049	202578

**\*\*70% of roof work consists of total replacement. Current cost of roof repairs is 2.73% of a total roof replacement cost.**

## Variances

Contracts	10				10
Replace Roofs	5	[2]	7		7
Repair Roofs	5	2	3		3
Roof Repair Cost	27644	0	27644	11057.54	16586.46
Roof Replacement Cost	1012892	0	1012892	[407157.11]	1418050

**RESULTS: Based on FY16 observations, if (2) roofs could be repaired prior to replacement, savings: \$405,157.12. In addition, once the survey has been completed, which is estimated at \$1,000,000.00. The initial investment of initial survey, \$1,000,000, will be recovered by avoiding (4) roof replacements.**



# Cost Saving Initiatives- DPTMS Venue

## Director of Plans, Training, Mobility and Security (DPTMS)

- (a) Problem:** Fort Belvoir provides Venue usage to Partners and outside customers at no cost.
- (a) Approach:** Market research demonstrates the average cost to rent a “like” venue is \$10/seat.
- (b) Potential Impact:** Implementing ~20% of Market Value Costs and utilizing historical annual usage data results in an est. \$120,300/ 6 month period



# MARKET SURVEY: CONFERENCE ROOMS FOR RENT

Source: Office Of Administrative Assistant Secretary to the Secretary of the Army (OAA) list of meeting spaces in MD/VA/DC/NC area. <https://securecac.hqda.pentagon.mil/oaacustomer/docs/conf/GovernmentOwnedFacilities.xls>

State	Location	Facility Name	Capacity	Cost	Government agency	Additional Remarks
Virginia	Ft. Belvoir	Fort Belvoir Community Center	400	500	Army	N/A
Maryland	Bethesda/	Building 45 lower level	200	1030	US Department of Health & Human	Building 45 lower level consists of a LCD projection, network connection, 3
Maryland	Bethesda/	Rockledge II Conference Room 9112/9116	100	1235	US Department of Health & Human	Rockledge II consists of a LCD projection, network connection, 35mm slide p
Maryland	Bethesda/	Building 45 Auditorium Balcony A	100	1440	US Department of Health & Human	The Auditorium Balcony A consists of a LCD projection, network connectio
Maryland	Bethesda/	Building 45 Auditorium Balcony B	100	1440	US Department of Health & Human	The Auditorium Balcony B consists of a LCD projection, network connectio
Maryland	Bethesda/	6001 Executive Blvd Conference Room C	100	1545	US Department of Health & Human	Conference Room C consists of a LCD projection, network connection, 35r
Virginia	Ft. Belvoir	Fort Belvoir Officers Club	150	1800	Army	N/A
Maryland	Bethesda/	Building 31 Room 6C10	100	1900	US Department of Health & Human	Room 6C10 consists of a LCD projection, network connection, 35mm slide p
Maryland	Bethesda/	Fishers Lane Conference Room508/509	150	1960	US Department of Health & Human	Fishers Lane conference room consists of a LCD projection, network conn
Maryland	Bethesda/	Chapel/Lecture Hall	150	2575	US Department of Health & Human	The Chapel/Lecture Hall consists of a LCD projection, network connection,
Maryland	Bethesda/	Wilson Hall	134	2575	US Department of Health & Human	The Wilson Hall consists of a LCD projection, network connection, 35mm sli
Maryland	Bethesda/	Fishers Lane Conference Room	200	3090	US Department of Health & Human	Fishers Lane conference room consists of a LCD projection, network conn
Maryland	Bethesda/	Lipsett Amphitheater	260	3090	US Department of Health & Human	The Lipsett Amphitheater consists of a LCD projection, network connection
Maryland	Bethesda/	Main Auditorium	500	4120	US Department of Health & Human	The Main Auditorium consists of a LCD projection, network connection, 35r
Maryland	Bethesda/	Masur Auditorium	488	4120	US Department of Health & Human	The Masur Auditorium consists of a LCD projection, network connection, 35
Maryland	Bethesda/	Building 45 Combined Auditoria Main Auditorium	1000	8440	US Department of Health & Human	The facility consists of a LCD projection, network connection, 35mm slide p
Maryland	Potomac	Bolger Center	400	228	GSA	The Bolger Center consists of 75 spacious meeting rooms for groups up to
District of	Department	Herbert C. Hoover Building	580	1000	GSA	The Herbert C. Hoover Building consist of 3 different conference rooms (ca
District of	Washington	Andrew W. Mellon Auditorium	450 class	12000	Interstate Commerce Commission	N/A
Pennsylva	Fort	Keystone Conference Center Penn National	350	800	Army National Guard	KCC is a multi-purpose facility. It offers top-notch facilities for official meeti
			<b>5462</b>	<b>54888</b>		
TO RENT A FACILITY, CHARGE TEN DOLLARS						

Average cost to rent a conference room, meeting space, or auditorium with AV equip is:  
\$10 per seat, based on *seating capacity*.



# Market Research

## Potential Cost Drivers

AVG Belvoir Theater Capacity	OAA Market Cost	20% of Market Cost	40% of Market Cost	60% of Market Cost	80% of Market Cost	100% of Market Cost
517	\$ 5,166.67	\$ 1,033.33	\$ 2,066.67	\$ 3,100.00	\$ 4,133.33	\$ 5,166.67

## Recommendation:

Initially utilize ~20% of Market Value Costs and increase Percentages annually to determine what the market will bear





# MARKET SURVEY: CONFERENCE ROOMS FOR RENT

<b>USAG-FORT BELVOIR DPTMS VENUES May-Nov '16</b>					
	Seats	Typical Fee \$	Proposed fee 20% of Market Rate	Events	Fees
Wood Theater	400	4000	800	99	79.2K
Wallace Theater	800	1600	320	78	25.0K
Thurman Hall	350	700	140	115	16.1K
Potential Semi-Annual Reimbursables					120.3K



# Venue Usage

## Conclusions:

**Utilizing Charging partners \$1,000 per use (~20% of Market Value of \$10 per seat), will enable Garrison to collect \$120K of additional reimbursable funds per each six month period at historical usage rates. Additionally, Recommend the GC increase Market Cost Percentages annually to determine what the market will bear.**

**Further Analysis: Identified opportunities to utilize existing resources to lessen requirement of manpower needed to implement.**

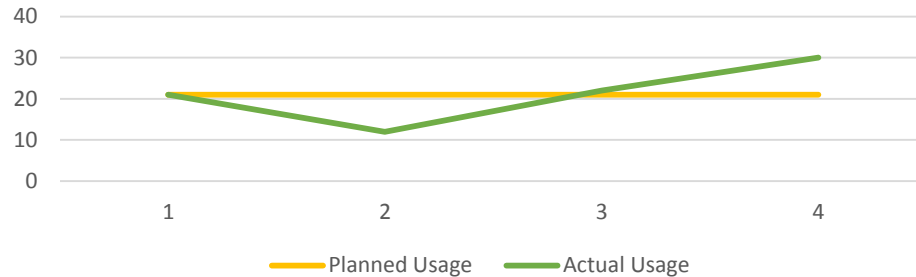


# Cost Saving Initiatives- DPTMS Flags

## Directorate of Plans, Training, Mobilization and Security

- (a) Problem:** Fort Belvoir provides Flag Sets to customers at no charge and incurs full cost of storing and replacing flags, along with associated labor in scheduling and preparing flags for usage.
- (b) Approach:** Distribute the cost of replacing the flags and the labor to end user
- (c) Potential Impact:**

Flag Set Usage – Planned vs. Actual  
FY 16 Quarterly View



QTR	Planned Usage	Actual Usage	Variance	Planned Billable	Actual Billable	Variance	Planned Collection	Actual Collection
FY 16 1	21	21	0	18	0	(18)	2520	0
2	21	12	(9)	18	0	(18)	2520	0
3	21	22	1	18	0	(18)	2520	0
4	21	30	9	18	0	(18)	2520	0

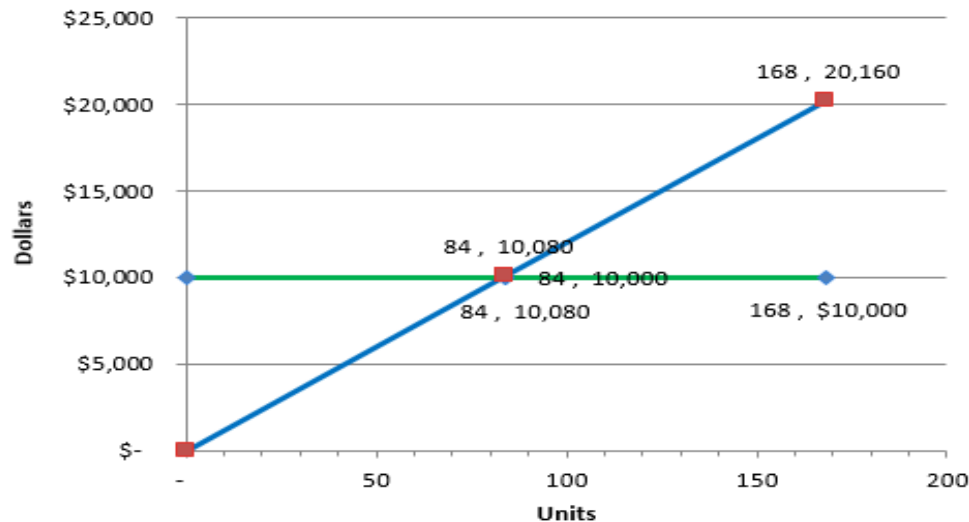


# Flag Sets:Results

## Breakeven Quantity Calculation

Revenue	Price per unit	\$ 120.00
Cost	Variable Cost per unit	\$ -
	Fixed Cost	\$ 10,000
Profit	Profit Target	\$ 30,000
<b>Solve</b>	<b>Profit Target Units</b>	<b>334</b>

## Breakeven Point



Intersection of the two lines indicates Breakeven point quantity and the Revenue at that quantity

◆ Total Cost  
■ Revenue



U.S. ARMY



# Lessons Learned

- **Better understanding of process...how we do things**
- **Increased Communication- how can we make things better?**
- **Understanding lost opportunities/opportunity costs that come from “business as usual approach”**
- **Focus on continual improvements**
  - **Within teams, departments, directorates, other agencies**





Installation Management Command and the Fort Belvoir Garrison integrate and deliver base support to enable readiness for a globally-responsive Army

**We are the Army's Home – Serving the Rugged Professional**

**Mr. Berry Patrick [berry.w.patrick.naf@mail.mil](mailto:berry.w.patrick.naf@mail.mil)**



# Cost Management – Why did we begin process?

- **Needed a comprehensive and organized approach to cost *and* revenue management**
- **Declining APF funding**
- **Declining NAF program revenue**
- **Trend of increased operating costs**
- **Programs operating in deficit**
- **Dissatisfied customers and command leadership**
- **Need to self-generate revenue**



# Cost Management – Preparation

- **Reviewed processes, procedures, policies**
- **Implemented/conducted trend analysis (day to day, month to month, year to year)**
- **Implemented/conducted monthly/quarterly financial reviews**
- **Training and re-training – continuously invest in our people**





# FMWR Overview

## Golf

- **Cost Analysis**
  - **Work Plan Analysis/Square Foot Calculation**
  - **Labor/Scheduling**
  - **Pricing Survey/Review**
  - **Cost of Goods Sold (COGS)/Product Line Review**



# FMWR Overview

## Golf

- **Revenue Analysis**
  - **Sales Trends**
    - **Per Customer**
    - **Time of Day/Day of Week**
  - **Annual Green Fee Trends**
  - **Daily Play**
  - **Demographics of Rounds Played**



# FMWR Overview

## Golf

- **Focus Areas**
  - **Saturation Marketing/Expanded Market Strategy**
  - **Labor Reduction Plan**
  - **Programming/Tournaments/Special Events**
  - **Annual Green Fee Campaign**
  - **New Food Operation: “Niblick’s Clubhouse Grill”**
- **Course Conditions/Facility Improvements**
- **Impact of “Red Bull” Rounds Played**



# FMWR Overview

## LQ - Golf

	YTD Performance							
	FY13	%	FY14	%	FY14B	%	FY15B	%
Sales	994,667		861,314		1,148,000		1,148,000	
CoGS	436,059	43.8%	394,751	45.8%	555,596	48.4%	493,160	43.0%
Other Operating Income	1,818,670		1,764,161		1,843,000		1,625,500	
UFM Income	0		0		0		0	
AAFES Income	0		0		0		0	
Labor	1,752,415	62.2%	1,793,408	67.8%	1,973,428	66.0%	1,715,539	61.9%
Other Operating Expense	539,550		638,083		460,463		485,678	
Other Income	6,224		17,898		0		0	
Other Expense	(125)		0		0		0	
<b>NIBD</b>	<b>91,662</b>	<b>3.3%</b>	<b>(182,869)</b>	<b>-6.9%</b>	<b>1,513</b>	<b>0.1%</b>	<b>79,123</b>	<b>2.9%</b>
Net Revenue	2,819,561		2,643,373		2,991,000		2,773,500	
Total Revenue	2,819,561		2,643,373		2,991,000		2,773,500	

# LQ - GOLF

	February MTD Performance						YTD Performance					
	FY14	%	FY15	%	FY15B	%	FY14	%	FY15	%	FY15B	%
Sales	27,126		18,783		53,500		246,540		165,867		346,000	
CoGS	6,659	24.5%	18,350	97.7%	20,975	39.2%	126,241	51.2%	94,338	56.9%	140,920	40.7%
Other Operating Income	47,040		47,154		61,350		439,151		365,259		414,450	
UFM Income	0		0		0		0		0		0	
AAFES Income	0		0		0		0		0		0	
Labor	117,938	159.0%	102,114	154.9%	104,071	90.6%	633,048	92.0%	605,447	113.8%	593,916	78.1%
Other Operating Expense	30,606		41,257		39,769		207,230		192,724		200,205	
Other Income	0		0		0		2,358		1,040		0	
Other Expense	0		0		0		0		0		0	
<b>NIBD</b>	<b>(81,037)</b>	<b>-109.3%</b>	<b>(95,784)</b>	<b>-145.3%</b>	<b>(49,965)</b>	<b>-43.5%</b>	<b>(278,470)</b>	<b>-40.5%</b>	<b>(360,343)</b>	<b>-67.7%</b>	<b>(174,591)</b>	<b>-23.0%</b>
Net Revenue	74,166		65,937		114,850		688,049		532,166		760,450	
Total Revenue	74,166		65,937		114,850		688,049		532,166		760,450	



# Cost Management – Operationalization

- **Established clear vision for the future and set performance goals**
- **Developed forecasts for future operations**
- **Implemented spending limitations**
- **Continuously evaluated and adjusted all programs, services, products, etc.**
- **Developed contingency plans for various situations to contain costs and maximize revenues e.g. snow days, rain days, etc.**
- **Implemented greater accountability and internal controls**
- **Emphasized continuous process analysis and improvement (eliminated “this is how we have always done it mentality)**



# Cost Management – Operationalization

- **Reviewed and controlled labor**
  - scheduling, overtime/comp time, and workforce restructuring
- **Contained costs/restricted spending with credit cards**
- **Reviewed and adjusted accounting procedures e.g. expense items vs capital expenditures**
- **Liquidated unused/excess equipment – NAF property sales generated revenue and reduced backlog of excess equipment**
- **Improved and increased internal controls**
  - Increased unannounced inventories and spot checks
- **Empowered managers and supervisors**
- **Reward innovation**





# Cost Management – Results

- **\$456K deficit turned into a \$230 net profit in golf**
- **Reinvested in needed improvements**
- **Improved customer service and customer loyalty**
- **Improved staff morale**
- **Expanded and improved relationships**



# Cost Management – Lessons Learned

- **What would we do differently:**
  - **Start sooner**
  - **Train all managers in cost management**
  - **Stay on course and committed to cost and revenue management**

**This is not a “flavor of the month’ approach...must sustain over long term**





# Key Points - Conclusions

- **Its not an accounting problem: it is a people problem (opportunity)**
- **Don't wait for perfect numbers – companies with clean audit opinions go bankrupt every day**
- **Compliance to rules, regulations, and restrictions is not a management control process**
- **Cost must be aggressively, continuously, relentlessly ATTACKED**
- **Reporting cost to you (or by you) does not imply that leadership driven management has occurred**
- **Its not as hard as its sometimes made out to be - - - but it doesn't happen by itself**
- **The payback should be greater than 10 times the effort**
- **Don't wait for perfect intelligence or a perfect plan**

# Payoff: Cost Management and Control

- Promises *better achievement* of mission
- Provides an *aggressive, forward leaning alternative* to defensive reaction to cuts, limits, and controls



“A good plan violently executed now is better than a perfect plan next week” LTG G. Patton

- Reduced resources are becoming a way of life
- *Cost Management and Control can provide significant benefits to the Nation!!*