Cost Management Implementation Perspectives from Fort Belvoir

American Society of Military Comptrollers

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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

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

*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

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.

- 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

- 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

**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
- Results: Very effective cost management and control process led by Director
I. Thou shall not attack or defend past practice

II. Thou shall always seek better ways to operate

III. Savings shall fund saver’s unfunded needs

IV. Command shall understand cost and drive improvement initiatives

Should Cost
Could Cost

= Less Cost

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

UNITED STATES ARMY GARRISON FORT BELVOIR

GC
COL Angie Holbrook

CSM
CSM Billie Jo Boersma

MGMT & CONTROL OFFICES
Administrative Office
Ms. Edwards

RMO
Mr. Bidelman

PAIO
Mrs. White

HQBN
LTC Christopher Tomlinson

DGC
Mr. Stephen Brooks

DIRECTORATES

DHR
Mr. Rennick

DFMWR
Mr. Patrick

DPTMS
Mr. Clark (Interim)

DES
Mr. Hentschel

DPW
Mr. Sanders

LRC-Belvoir
Mr. McMullen

SUPPORT OFFICES

CPAC
Mr. Hellams

EO
SFC Fernandes

EEO
Ms. Bryant

SJA
LTC Connally

PAO
Mr. Richard

RSO
COL Mallard

ISO
Ms. Pilgrim (Interim)

IRAC
Ms. Hurd (Interim)
Mission

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

Partners

- Night Vision & Electronic Sensors Directorate
- USA Research, Development & Engineering Command
- Missile Defense Agency
- Army Research Lab
- Army Research Institute
- 29th Infantry Division
- Operational Support Airlift Agency
- Office of Chief of Army Reserves
- 299th Engineering Command

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
- Renae 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.
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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Ms. Kelly Burger  
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
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
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

<table>
<thead>
<tr>
<th>Roof Work FY2016</th>
<th>Number of Facilities</th>
<th>Total Cost</th>
<th>Average Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roof Repairs</td>
<td>3</td>
<td>16558</td>
<td>5528</td>
</tr>
<tr>
<td>Roof Replacements</td>
<td>7</td>
<td>1418049</td>
<td>202578</td>
</tr>
</tbody>
</table>

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

Variances

<table>
<thead>
<tr>
<th>Contracts</th>
<th>10</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replace Roofs</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Repair Roofs</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Roof Repair Cost</td>
<td>27644</td>
<td>0</td>
</tr>
<tr>
<td>Roof Replacement Cost</td>
<td>1012892</td>
<td>0</td>
</tr>
</tbody>
</table>

**RESULTS:** Based on FY16 observations, if (2) roofs could been 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

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

<table>
<thead>
<tr>
<th>AVG Belvoir Theater Capacity</th>
<th>OAA Market Cost</th>
<th>20% of Market Cost</th>
<th>40% of Market Cost</th>
<th>60% of Market Cost</th>
<th>80% of Market Cost</th>
<th>100% of Market Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>517</td>
<td>$ 5,166.67</td>
<td>$ 1,033.33</td>
<td>$ 2,066.67</td>
<td>$ 3,100.00</td>
<td>$ 4,133.33</td>
<td>$ 5,166.67</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>USAG-FORT BELVOIR DPTMS VENUES May-Nov ‘16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seats</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Wood Theater</td>
</tr>
<tr>
<td>Wallace Theater</td>
</tr>
<tr>
<td>Thurman Hall</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>QTR FY 16</th>
<th>Planned Usage</th>
<th>Actual Usage</th>
<th>Variance</th>
<th>Planned Billable</th>
<th>Actual Billable</th>
<th>Variance</th>
<th>Planned Collection</th>
<th>Actual Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>21</td>
<td>21</td>
<td>0</td>
<td>18</td>
<td>0</td>
<td>(18)</td>
<td>2520</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>21</td>
<td>12</td>
<td>(9)</td>
<td>18</td>
<td>0</td>
<td>(18)</td>
<td>2520</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>21</td>
<td>22</td>
<td>1</td>
<td>18</td>
<td>0</td>
<td>(18)</td>
<td>2520</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>21</td>
<td>30</td>
<td>9</td>
<td>18</td>
<td>0</td>
<td>(18)</td>
<td>2520</td>
<td>0</td>
</tr>
</tbody>
</table>
## Flag Sets: Results

### Breakeven Quantity Calculation

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Price per unit</th>
<th>$ 120.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>Variable Cost per unit</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>Fixed Cost</td>
<td>$ 10,000</td>
</tr>
<tr>
<td>Profit</td>
<td>Profit Target</td>
<td>$ 30,000</td>
</tr>
</tbody>
</table>

**Solve**: Profit Target Units = 334

### Breakeven Point

The graph shows the relationship between units and dollars. The intersection of the two lines indicates the breakeven point, where the revenue equals the total cost.

- **Intersection**: 168, $10,000
- **Points on the Line**:
  - 84, 10,080
  - 10,000

The diagram illustrates how revenue and cost are calculated at different quantities.
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
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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
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
<table>
<thead>
<tr>
<th>FY13</th>
<th>%</th>
<th>FY14</th>
<th>%</th>
<th>FY14B</th>
<th>%</th>
<th>FY15B</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>994,667</td>
<td>861,314</td>
<td>1,148,000</td>
<td>1,148,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CoGS</td>
<td>436,059</td>
<td>43.8%</td>
<td>394,751</td>
<td>45.8%</td>
<td>555,596</td>
<td>48.4%</td>
<td>493,160</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>1,818,670</td>
<td>1,764,161</td>
<td>1,843,000</td>
<td>1,625,500</td>
<td></td>
<td></td>
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<tr>
<td>UFM Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAFES Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor</td>
<td>1,752,415</td>
<td>62.2%</td>
<td>1,793,408</td>
<td>67.8%</td>
<td>1,973,428</td>
<td>66.0%</td>
<td>1,715,539</td>
</tr>
<tr>
<td>Other Operating Expense</td>
<td>539,550</td>
<td>638,083</td>
<td>460,463</td>
<td>485,678</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td>6,224</td>
<td>17,898</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other Expense</td>
<td>(125)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NIBD</td>
<td>91,662</td>
<td>3.3%</td>
<td>(182,869)</td>
<td>-6.9%</td>
<td>1,513</td>
<td>0.1%</td>
<td>79,123</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>2,819,561</td>
<td>2,643,373</td>
<td>2,991,000</td>
<td>2,773,500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>2,819,561</td>
<td>2,643,373</td>
<td>2,991,000</td>
<td>2,773,500</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# LQ - GOLF

## February MTD Performance

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY15B</th>
<th>FY14</th>
<th>FY15</th>
<th>FY15B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>27,126</td>
<td>18,783</td>
<td>53,500</td>
<td>246,540</td>
<td>165,867</td>
<td>346,000</td>
</tr>
<tr>
<td>CoGS</td>
<td>6,659</td>
<td>18,350</td>
<td>20,975</td>
<td>126,241</td>
<td>94,338</td>
<td>140,920</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>47,040</td>
<td>47,154</td>
<td>61,350</td>
<td>439,151</td>
<td>365,259</td>
<td>414,450</td>
</tr>
<tr>
<td>UFM Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>AAFES Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Labor</td>
<td>117,938</td>
<td>102,114</td>
<td>104,071</td>
<td>633,048</td>
<td>605,447</td>
<td>593,916</td>
</tr>
<tr>
<td>Other Operating Expense</td>
<td>30,606</td>
<td>41,257</td>
<td>39,769</td>
<td>207,230</td>
<td>192,724</td>
<td>200,205</td>
</tr>
<tr>
<td>Other Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2,358</td>
<td>1,040</td>
<td>0</td>
</tr>
<tr>
<td>Other Expense</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>NIBD</td>
<td>(81,037)</td>
<td>(95,784)</td>
<td>(49,965)</td>
<td>(278,470)</td>
<td>(360,343)</td>
<td>(174,591)</td>
</tr>
</tbody>
</table>

## YTD Performance

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY15B</th>
<th>FY14</th>
<th>FY15</th>
<th>FY15B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>27,126</td>
<td>18,783</td>
<td>53,500</td>
<td>246,540</td>
<td>165,867</td>
<td>346,000</td>
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<tr>
<td>CoGS</td>
<td>6,659</td>
<td>18,350</td>
<td>20,975</td>
<td>126,241</td>
<td>94,338</td>
<td>140,920</td>
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<tr>
<td>Other Operating Income</td>
<td>47,040</td>
<td>47,154</td>
<td>61,350</td>
<td>439,151</td>
<td>365,259</td>
<td>414,450</td>
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<td>UFM Income</td>
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<td>0</td>
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</tr>
<tr>
<td>AAFES Income</td>
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<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>Labor</td>
<td>117,938</td>
<td>102,114</td>
<td>104,071</td>
<td>633,048</td>
<td>605,447</td>
<td>593,916</td>
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<tr>
<td>Other Operating Expense</td>
<td>30,606</td>
<td>41,257</td>
<td>39,769</td>
<td>207,230</td>
<td>192,724</td>
<td>200,205</td>
</tr>
<tr>
<td>Other Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2,358</td>
<td>1,040</td>
<td>0</td>
</tr>
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<td>(49,965)</td>
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<td>(174,591)</td>
</tr>
</tbody>
</table>

## Net Revenue

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY15B</th>
<th>FY14</th>
<th>FY15</th>
<th>FY15B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Revenue</td>
<td>74,166</td>
<td>65,937</td>
<td>114,850</td>
<td>688,049</td>
<td>532,166</td>
<td>760,450</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>74,166</td>
<td>65,937</td>
<td>114,850</td>
<td>688,049</td>
<td>532,166</td>
<td>760,450</td>
</tr>
</tbody>
</table>
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!!**