

ARMY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2011
PRESIDENT'S BUDGET



SUBMITTED TO CONGRESS FEBRUARY 2010

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ARMY STRONG

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Army Overview

Background

Working capital funds were established by Congress to more effectively control and account for the cost of programs and work performed in the Department of Defense. Under the provisions of Title 10, United States Code, § 2208 the Secretary of Defense may establish working capital funds to finance inventories of supplies; and industrial-type activities that provide common services, such as, repair, manufacturing, or remanufacturing. Unlike profit-oriented commercial businesses, the revolving fund's goal is to break even by returning any monetary gains to appropriated fund customers through lower rates or collecting any monetary losses from customers through higher rates. Revolving fund prices are generally stabilized or fixed during the year of execution to protect customers from unforeseen fluctuations that would impact their ability to execute the programs approved by Congress.

The basic tenet of the revolving fund structure is to create a customer-provider relationship between military operating units and support organizations. This relationship is designed to make managers of the Army Working Capital Fund (AWCF) and decision-makers at all levels more aware of costs for goods and services.



Near Forward Operating Base Lane in Zabul province,
Afghanistan.

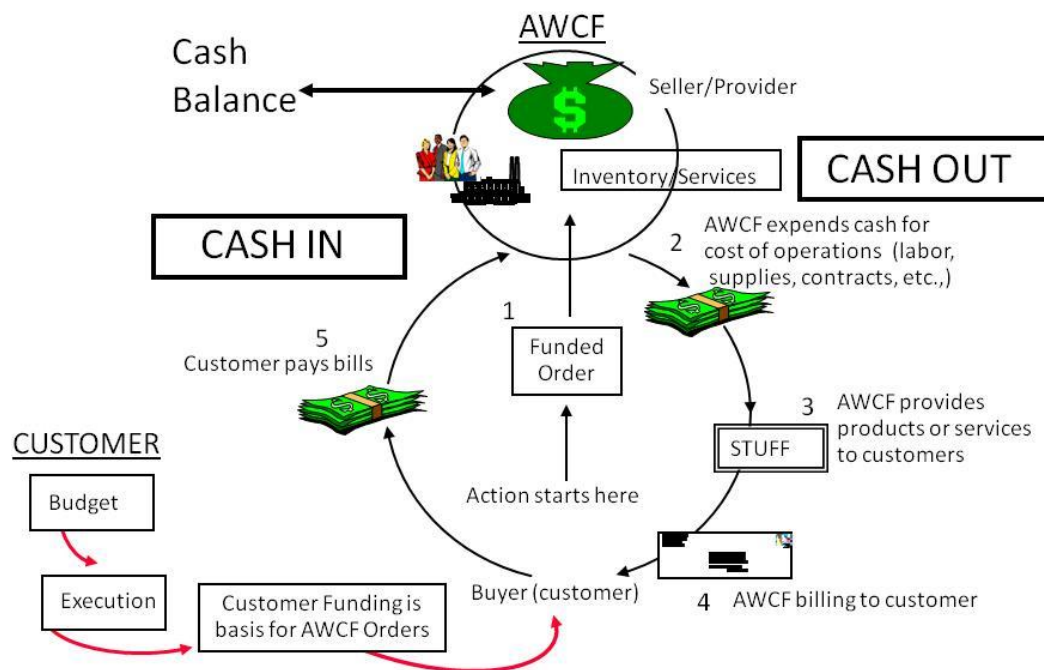
The Army's revolving fund activities evolved from two separate funds. The first type, Stock Funds, deals with procuring materiel in volume from commercial sources and selling to customers or holding in inventory. The second category, Industrial Funds, provides industrial services, such as depot maintenance,



manufacturing, and ammunition storage. Both types of revolving funds are financed primarily by reimbursements from customers' appropriated accounts.

Figure 1 below shows the interaction of the customer's appropriated funds, the AWCF business operations, and cash. Customer appropriated funding is synchronized with the AWCF workload forecast during the budget development. During the year of execution, appropriated fund customers submit funded orders (1) to AWCF providers requesting services (repair, overhaul, or manufacturing) or supplies (spares or repair parts). This obligates appropriated funds. In step 2, AWCF Supply Management purchases inventory for resale to customers. Also in step 2, Industrial Operations orders materiel and hires labor, supporting the projected workload (CASH OUT). In step 3, the customer receives the completed product or service and a bill (4) for payment. The customer pays the AWCF (5) for the materiel or services (CASH IN). Proper pricing of inventory and services, and accurately forecasting workload allows a balance between CASH OUT and CASH IN. Variance between these actions results in either a gain or loss of AWCF cash. Gains are returned to customers through lower future prices while losses are recouped through higher future prices.

Figure 1



- Statutory requirement to maintain positive cash balance at Treasury level.



Introduction

The Fiscal Year 2011 AWCF budget request enables the Army to sustain and maintain its forces, recapitalize its combat equipment, and reset assets to future force configurations while maintaining the fiscal foundation from which the Army defends the Nation. The Army uses the revolving fund concept to operate its supply and industrial facilities. Revolving funds encourage cost-effectiveness and provide flexibility to meet changing workload requirements in the year of execution. They also support full cost visibility and cost recovery while protecting appropriated fund customer accounts from year of execution price changes.

The AWCF consists of the Supply Management and Industrial Operations activity groups, with operations spanning across eighteen cities and local areas within fifteen states. The exact locations are shown in each business activity's portion of this budget. The AWCF activities disbursed and transferred approximately \$18 billion in FY 2009 to maintain the readiness and sustainability of military equipment, while supporting the broader National economy.



Soldiers of 1st Battalion 4th Infantry at patrol base near Forward Operating Base Lane in Zabul province, Afghanistan.

Performance Measures

This budget request supports specific equipment and supply requirements funded by anticipated customer appropriations. As previously discussed, the goal of a revolving fund is to break even over the long term. The revolving fund rates established in this budget are stabilized (fixed) during the year of execution to achieve this goal while protecting customers from unforeseen fluctuations that would impact military programs approved by Congress.

Key financial measures are net operating result (NOR), accumulated operating results, and unit cost.

NOR is similar to the total Net Income of a private business during a fiscal year. The NOR measures the activity's gain or loss within a single fiscal year, monitoring how well the activity performs compared to its budget.



Accumulated operating results (AOR) is similar to equity over time for a private business. The AOR measures actual financial gains and losses, allowing prices and rates to be set at a level that brings the accumulated gains and losses to zero over the budget cycle.

The Unit Cost is a metric used in the Supply Management activity group to relate resources consumed to outputs produced by associating total cost to the work or output. It is measured by dividing gross operating cost (the sum of total obligations, depreciation expense, and credit) by gross sales.

In addition to financial measures (net operating result, accumulated operating results, and unit cost), operational measures assess how well the financial inputs reflected in the AWCF budget support Army strategic goals and operational readiness. Operational measures include productive yield (an indicator of whether direct labor employees can support projected workload) and stock availability (a measure of the ability of AWCF inventory to fill a customer's requisition). These are identified within each activity's narrative.

Activity Groups

Supply Management

The Supply Management activity group buys and manages spares and repair parts for sale to its customers, primarily Army operating units. This activity group supports and builds readiness for today's and tomorrow's challenges. The Army's equipment and operational readiness, and the strength to win the Nation's wars are directly linked to the availability of materiel. The activity group is managed by the Life Cycle Management Commands of the Army Materiel Command. Supply Management administers spares inventory for Army managed items, Non-Army managed items (NAMI), and war reserve secondary items. Supply Management consists of four major commodity groups: aviation and missile; communications-electronics; tank-automotive and armament; and NAMI. Pre-positioned war reserve materiel is retained in protected inventory and released to support deploying combat units. The war reserve stocks contain materiel from all commodity groups. As new equipment is added to Army's operational and training force, new spares are also scheduled



Overhauling vehicle engines at Red River Army Depot. Overhauled engines are returned to Supply Management inventory for sale to Army tactical units.



for inclusion in the Supply Management inventory. For example, spares for Mine Resistant Ambush Protected vehicles are ordered from vendors in FY 2010 so they are available for customer requisitions beginning in FY 2011.

Industrial Operations

The Industrial Operations activity group of the AWCF provides the Army an organic industrial capability to: conduct depot level maintenance, repair and upgrade; produce munitions and large caliber weapons; and store, maintain, and demilitarize materiel for all branches of DOD. Industrial Operations is comprised of thirteen government owned and operated installation activities, each with unique core competencies. These include five “hard-iron” maintenance depots, three arsenals, two munitions production facilities, and three storage sites. Although comprised of various organic industrial capabilities, the preponderance of workload and associated estimates in this budget submission relate to depot level maintenance, repair, and upgrade. Major combat and stability operations are placing tremendous demands on equipment resulting in much higher usage rates than in routine peacetime operations. In Iraq and Afghanistan, for example, usage rates have run over five times higher than comparable peacetime operations. Equipment is also employed in harsh environments and in more demanding ways during combat missions. These factors increase the maintenance requirements beyond what is typically budgeted. The Industrial Operations activities play an integral role in providing Reset support.



Overhauling Heavy Expanded Mobility Tactical Trucks (HEMTT) at Red River Army Depot, Texarkana, Texas

The Army's equipment Reset program is defined as a set of actions restoring equipment to a level of combat capability commensurate with a unit's future mission. Since FY 2007, Congress has specifically appropriated supplemental funds assisting the Army in meeting its Reset requirements. The Reset program ensures Army equipment consumed in the war is replaced or restored for future missions. There are three components of Reset: replacement,¹ recapitalization,²

¹ The purchase of new equipment to replace battle losses, worn out or obsolete equipment, and critical equipment deployed and left in theater, but needed for homeland defense, homeland security and other critical missions.

² A rebuild effort that extends the equipment's useful life by returning it to a near “zero mile/zero hour” condition with either the original performance specifications or with upgraded performance specifications.



and repair.³ These repair programs must continue throughout the current conflict and for an additional three years afterward. This budget submission incorporates depot workload assumptions associated with the Reset program (supplemental funding) and day-to-day operations.

Budget Highlights

Overview

The FY 2011 AWCF budget request supports the Army's plans to maintain and strengthen its war fighting readiness. It is a wartime submission supporting current operations. In recent years, the AWCF has experienced record levels of sales and revenue due to wartime operations.

This budget assumes overall reduced troop strength and a lower OPTEMPO level for the Nation's continued efforts in Overseas Contingency Operations resulting in reduced demands and workload forecasts. Based on reduced troop strength and OPTEMPO level for FY 2010 and FY 2011 the Supply Management activity group assumed sales and demands would be at 33 percent of the FY 2009 level for Operation Iraqi Freedom. For Operation Enduring Freedom a 50 percent increase above FY 2009 levels was assumed for sales and demands. For FY 2011, Industrial Operations assumed Reset new orders would be 73 percent of FY 2009 levels. This budget projects sales and expenditures at more than double pre-war levels to purchase, replenish, and repair inventory, but these levels are lower than the FY 2009 levels. The sufficiency and predictability of resources is critical for accurately forecasting and executing workload. OPTEMPO assumptions assist in the development of the budget request, but as leadership decisions unfold, the projections for the AWCF can change significantly.

Since FY 2004, \$4.9 billion of cash has been transferred from the AWCF to both meet critical Army requirements and as directed by Congress. At some time in the future all or some of this transferred cash must be returned to the AWCF to support payments to commercial vendors when undelivered orders are received. As a result of increased troop levels in Afghanistan, Army anticipates sufficient cash to maintain the required 7 – 10 day balance without resorting to cash surcharges or advance billings.

³ A repair or overhaul effort that returns the equipment's condition to the Army standard. It includes the Special Technical Inspection and Repair Program of aircraft.



Personnel

The AWCF civilian personnel posture reflects an overall decrease through FY 2011 commensurate with the forecasted reductions in workload and implementation of consumable items management and spares acquisition functions moving to Defense Logistics Agency as directed by Base Realignment and Closure 2005. End strength requirements are validated by the U.S. Army Manpower Analysis Agency and the Army Workload and Performance System. Changes to personnel levels are discussed within the narrative of each activity group. Table 1 below shows civilian and military end strength and full time equivalents.

Table 1 Personnel

	FY 2009	FY 2010	FY 2011
Supply Management			
<i>Civilian End Strength</i>	3,021	3,028	2,132
<i>Full Time Equivalents</i>	3,021	3,028	2,132
<i>Military End Strength</i>	11	11	4
<i>Military Average Strength</i>	11	11	4
Industrial Operations			
<i>Civilian End Strength</i>	26,171	25,104	24,603
<i>Full Time Equivalents</i>	25,730	25,787	25,845
<i>Military End Strength</i>	24	25	25
<i>Military Average Strength</i>	24	25	25
Total			
<i>Civilian End Strength</i>	29,192	28,132	26,735
<i>Full Time Equivalents</i>	28,751	28,815	27,977
<i>Military End Strength</i>	35	36	29
<i>Military Average Strength</i>	35	36	29



Revenue and Expenses

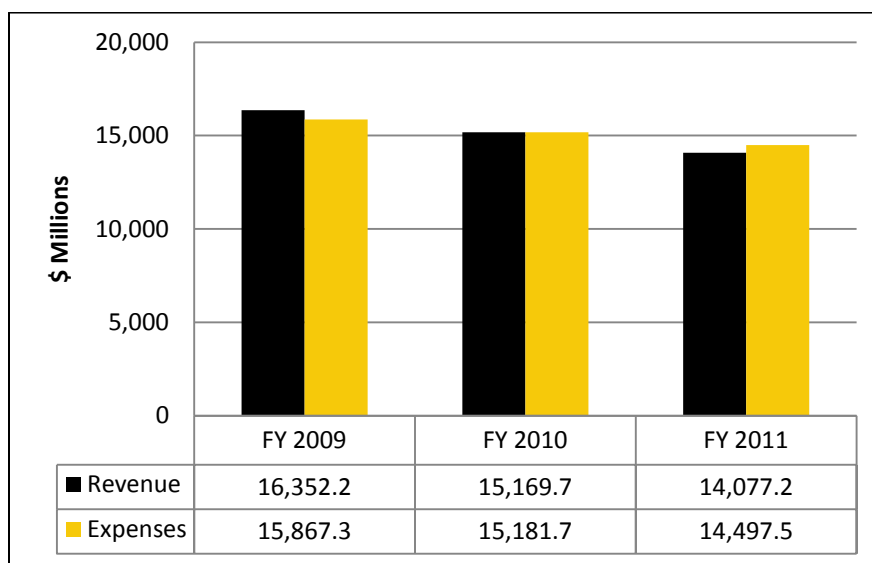
Revenue is an indicator of the combined volume of work completed by the AWCF activity groups. Expenses identify the cost of goods and services produced. Both revenues and expenses are expected to decline in the budget years based on the budget assumptions. Major expense drivers include cost of goods sold for Supply Management and the cost of labor and materiel for Industrial Operations. Table 2 and Chart 1 show revenue and expenses for Supply Management and Industrial Operations.

Table 2 Revenue and Expenses

(\$ Millions)	FY 2009	FY 2010	FY 2011
Revenue			
<i>Supply Management</i>			
<i>Gross Sales</i>	11,747.6	10,059.1	8,717.9
<i>Less Credit</i>	1,630.9	1,438.4	1,151.0
<i>Net Supply Management</i>	10,116.7	8,620.7	7,566.9
<i>Industrial Operations</i>	6,235.5	6,549.0	6,510.3
<i>Total Revenues</i>	16,352.2	15,169.7	14,077.2
Expenses			
<i>Supply Management</i>	9,600.2	8,635.7	7,890.4
<i>Industrial Operations</i>	6,267.1	6,546.0	6,607.1
<i>Total Expenses</i>	15,867.3	15,181.7	14,497.5

Note: Total revenue above does not include appropriated funds for War Reserve Secondary Items shown on Supply Management's exhibit Fund 14, Revenue and Expenses.

Chart 1 Revenue and Expenses



Net and Accumulated Operating Results

Financial performance is measured by comparing actual results to goals. The goal of the AWCF is to break even over time. Army considers several factors when determining the accumulated operating results (AOR) amount to return in the rates. Returning a large positive AOR balance in one year causes the rates to drop significantly in that year and increase significantly in the following year. In addition, the Army reviews the cash balance and the projected balance for the budget year to determine if sufficient cash exists to return the gain to the customers. To avoid future cash surcharges, the Army has previously used some of the positive AOR to partially offset the cash transfers (see table 7 for a complete listing of cash transfers and offsets). In this budget Army is planning to retain a total of \$490.6 million of positive AOR to offset prior year cash transfers. In the next budget cycle Army will evaluate its revised AOR projections, cash position, and impact on FY 2012 rates in determining the amount of AOR to retain. Table 3 below shows the net and accumulated operating results for both Supply Management and Industrial Operations.



A Soldier of the 1st Battalion 26th Infantry on combat patrol near Wala Tongi, Afghanistan in the Konar province.

Table 3 Operating Results

(\$ Millions)	FY 2009	FY 2010	FY 2011
Supply Management			
<i>Net Operating Result</i>	516.5	(15.0)	(323.6)
<i>Retained Earnings</i>	0.0	0.0	(121.6)
<i>Accumulated Operating Results</i>	460.1	445.1	0.0
Industrial Operations			
<i>Net Operating Result</i>	(31.6)	3.0	(96.7)
<i>Retained Earnings</i>	0.0	(114.4)	(254.6)
<i>Accumulated Operating Results</i>	462.7	351.3	0.0

Customer Rates

Each activity group has a unique rate structure. The Supply Management activity group adds a cost recovery rate (CRR) to the price of items to recoup total cost. The CRR is levied based on a percentage of sales. Typical costs categories are supply operations, transportation, and distribution depot costs. The Industrial Operations activity group sets customer rates on a direct labor hour basis.



The hourly composite rate recovers all costs, both direct and overhead. Activity group rates are stabilized so that the customer's buying power is protected from price swings during the year of execution. Table 4 below shows the Supply Management cost recovery rates and Industrial Operations composite direct labor hour rates.

Table 4 Customer Rates

	FY 2009	FY 2010	FY 2011
Supply Management	11.8%	12.0%	14.8%
Industrial Operations	\$161.66	\$148.35	\$146.64

Customer Rate Change

The Supply Management customer rate change is expressed as a percentage change from the rate in the previous year, weighted by total sales. Line 5 on exhibit SM 5b (Customer Price Change) displays this calculation. The FY 2011 price change to customer reflects lower sales based on fewer deployed forces in support of Operation Iraqi Freedom. The negative Industrial Operations price change to customer results from the partial return of positive accumulated operating results. Table 5 shows the customer rate change for both business areas.

Table 5 Price Change to Customer

	FY 2009	FY 2010	FY 2011
Supply Management	0.7%	2.1%	4.5%
Industrial Operations	(3.6%)	(8.2%)	(1.2%)

Fund Balance with Treasury

The Defense Working Capital Fund (DWCF) Fund Balance with Treasury, account symbol 97X4930, is subdivided at the Treasury into five sub-numbered Treasury accounts. The Army's account is 97X4930.001. The current balance of funds with Treasury is equal to the amount as of the beginning of the fiscal year plus the cumulative fiscal-year-to-date amounts of collections, appropriations, and transfers-in minus the cumulative fiscal-year-to-date amounts of disbursements, withdrawals, and transfers-out. The AWCF is required to maintain a positive cash balance to prevent an Antideficiency Act violation under Title 31, United States Code, § 1517(a), *Prohibited obligations and expenditures*. Unlike appropriated funds, the AWCF cash balance is not equal to outstanding



obligations; however, the cash on hand at Treasury must be sufficient to pay bills when due.

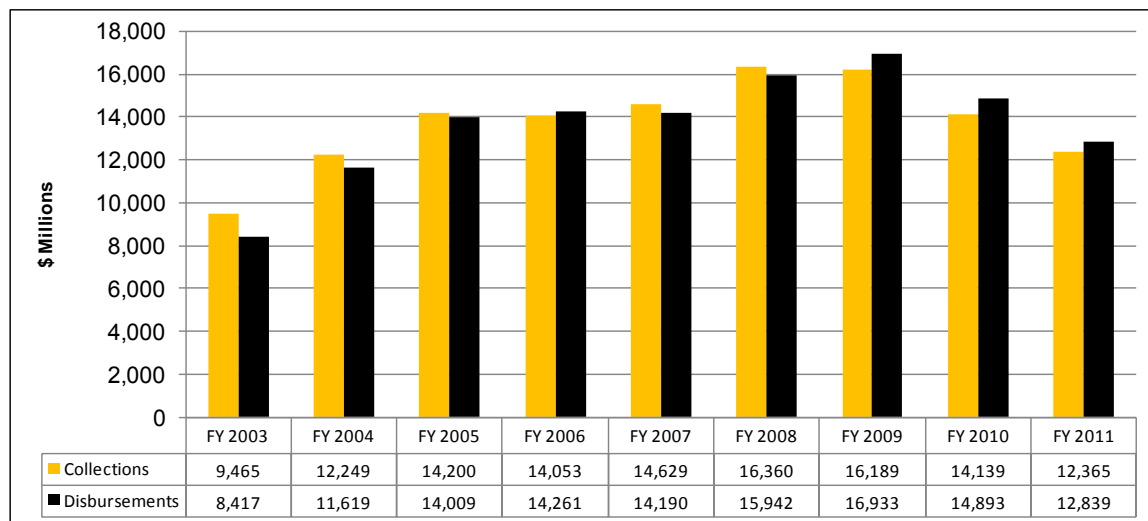
Cash levels should remain sufficient to support seven to ten days of operational disbursements plus cash adequate to meet six months of capital investment program disbursements. The computation also adds any positive accumulative operating results returned to customers plus cash equal to six months of undisbursed direct appropriations.⁴

The cash balance is primarily affected by cash generated from operations but the balance is also impacted by appropriations, transfers, and withdrawals. Maintaining a proper cash balance is dependent on setting rates to recover full costs, including prior year losses; to accurately project work load; and to meet established operational goals.

Cash from Operations

The day-to-day operations of the fund consume and replenish cash. The FY 2011 cash plan includes all expected collections and disbursements from the operations of both the Supply Management and Industrial Operations activity groups, including appropriations and transfers. Chart 2 below only displays collections and disbursements from operations.

Chart 2 Cash from Operations



⁴ This current calculation methodology is the result of an OUSD(C) 7-10 day cash metric review directed by Title XIV Committee on Armed Services House of Representatives report on H.R 2647.



During a time of war, collections from sales are higher than disbursements for materiel deliveries, which increase the on-hand cash balance because of a timing difference. Delivery and disbursement can occur up to 24 months after ordering, while collections continue to increase more immediately due to operational demands. This generates a higher than normal cash balance during this period of time. Although projections show Supply Management sales and collections are decreasing in FY 2011, deliveries and disbursements will not decrease at the same rate until after FY 2011. As a result of increased troop levels in Afghanistan, Army anticipates sufficient cash to maintain the required 7 – 10 day balance without resorting to cash surcharges or advance billings.



A 4.2" mortar crew provides fire support in Afghanistan

Appropriations

The AWCF has received or requested direct appropriations for increasing or replacing war reserve materiel and to cover increased fuel costs. These appropriations further contribute to high cash balances; disbursements occur over an 18 - 24 month period because of procurement lead times. Table 6 below shows the appropriations received or requested by AWCF.

Table 6 Appropriations

(\$ Millions)	FY 2009	FY 2010	FY 2011
Base Funding			
<i>War Reserve Secondary Items</i>	102.2	38.4	54.6
Supplemental Funding			
<i>Army Prepositioned Stocks</i>	443.2	0.0	0.0
<i>Fuel</i>	0.0	8.8	0.0
<i>Total Supplemental Funding</i>	443.2	8.8	0.0
Total Appropriated Funds	545.4	47.2	54.6

- War Reserve Secondary Items – provides funding for war reserve stock.
- Army Prepositioned Stocks – provides funding for replacement of war reserve stocks.
- Fuel – provides funding to Industrial Operations for increased fuel cost in the year of execution.



Cash Transfers

Since FY 2004 approximately \$4.9 billion has been transferred from the AWCF. Table 7 below provides the amount and the details of each transfer.

Table 7 Cash Transfers

Year	Transfer To	Amount (\$ Millions)	Reason
FY 2004	OMA	1,300.0	OIF/OEF ^{1/}
	DECA*	41.6	DOD Decision
	OMA*	107.0	Congressionally directed
FY 2005	OMA	700.0	OIF/OEF
FY 2007	WTCV*	107.0	MRAP ^{2/} procurement
	RDTE*	38.7	GFEBS ^{3/}
FY 2008	OMA	420.0	Congressionally directed
	MPA*	30.0	MPA FY 2005 PCS ^{4/}
	OMA	141.4	OIF/OEF
	OMA	658.7	OIF
	MPA*	45.5	MPA FY 2008 Payroll
	NGPA*	154.3	NGPA over-strength
FY 2009	MPA	200.0	MPA FY 2008 PCS/Payroll
	OMA	823.0	Congressionally directed
FY 2010	OMA	150.0	Congressionally directed
Total Transfers		4,917.3	

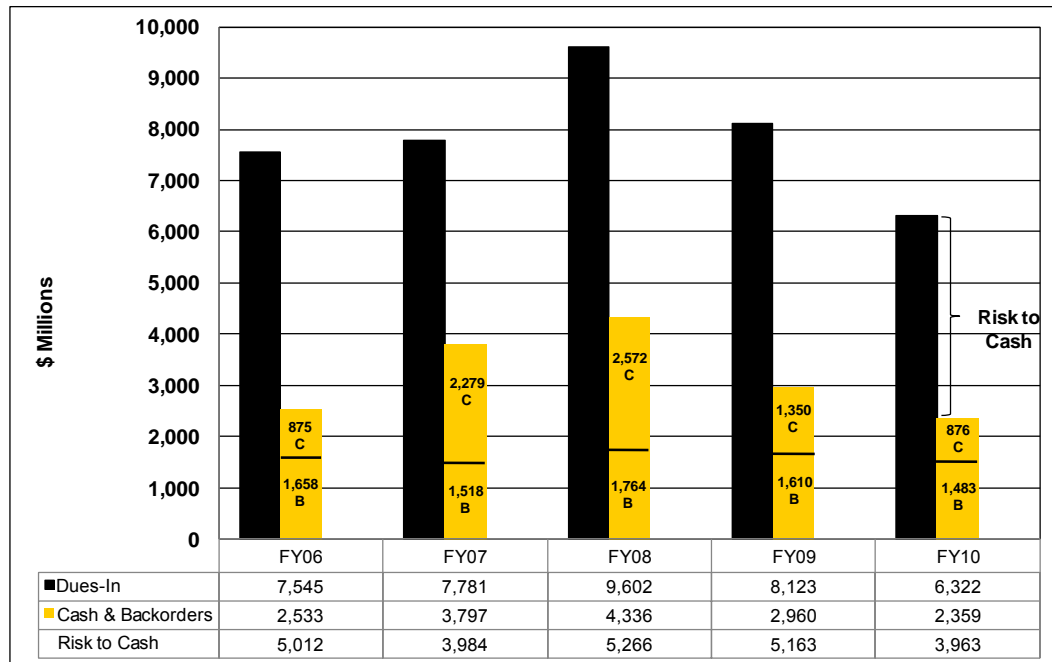
Note: ^{1/} OIF/OEF: Operation Iraqi Freedom/Operation Enduring Freedom
^{2/} MRAP: Mine Resistant Ambush Protected vehicle
^{3/} GFEBS: General Fund Enterprise Business System
^{4/} MPA PCS: Military Personnel, Army Permanent Change of Station

The amounts transferred were used to assist other Army programs and were excess to AWCF requirements at the time of transfer. Factors considered before requesting transfer included: examining the emerging requirements; reviewing the current cash balance; the collections and disbursements projection; reviewing the accumulated operating results; examining undelivered orders; and considering previous amounts transferred. Funds transferred from the cash balance must be repaid at some time in the future to ensure on-hand cash is sufficient to pay bills. Through retained earnings the Army has covered \$920 million of the amount transferred out of the AWCF (\$524.1 million identified by asterisks in Table 7 above). The remaining \$395.9 million partially covers the



\$1.3 billion transferred in FY 2004. Chart 3 displays the potential risk to the AWCF cash balance through FY 2010 should sales rapidly decrease and inventory deliveries continue.

Chart 3 Risk to Cash



Note: FY 2010 is projected.

End of Year Cash Balance

The projected cash balance in the AWCF reflects the anticipated decrease in spares consumption by Operation Iraqi Freedom (OIF) customers. Included in the balance are appropriations received for war reserve materiel, Army prepositioned stocks, spares augmentation, and fuel. The year-end cash balance for FY 2011 is projected to remain above the seven day cash level of \$567.6 million. Operational assumptions used in this budget are that OIF troop levels will rapidly decline beginning in early FY 2010. Supply Management sales and cash collections will decrease commensurate with the troop reductions. Offsetting this decrease are troop strength increases in Afghanistan which will increase sales and cash collections, although not equal to OIF decreases.

Base Realignment and Closure 2005 directed transfer of consumable items management to Defense Logistics Agency (DLA). DLA is reimbursing Army for these items on order and delivered after the transfer date. The AWCF expects to



receive cash transfers from Defense Logistics Agency pending validation of the deliveries.

The Army is taking the following actions to maintain a 7 - 10 day cash balance in the AWCF:

- Retain positive accumulated operating results (AOR). In this budget Army retains \$490.6 million positive AOR.
- Reduce inventory levels at Industrial Operations activities by end of FY 2011. Based on analysis of operating supplies and materiel levels at maintenance depots, consume the materiel without replenishment.
- Maintain unit cost less than 1.0. This budget maintains the Supply Management unit cost at approximately 0.90 which restricts obligations.

Table 8 below shows total collections, disbursements, appropriations, transfers, and ending cash balances. The ending cash balance for FY 2009 reflects the receipt of direct appropriations in FY 2008 (\$1,324.4 million) and in FY 2009 (\$545.4 million). The 7 – 10 cash levels are calculated using the latest methodology which includes allowance for undisbursed appropriations. Army projects the FY 2011 cash balance to be within the 7 – 10 day levels; however, the FY 2010 ending cash balance is expected to be below the 7 day level. If higher than projected sales materialize due to higher troop strength in Afghanistan, the FY 2010 ending cash balance will be within the 7 – 10 day levels.

Table 8 Cash Balance

(\$ Millions)	FY 2009	FY 2010	FY 2011
<i>Disbursements</i>	16,933.1	14,893.0	12,838.7
<i>Collections</i>	16,188.8	14,522.0	12,540.7
<i>Net Outlays from Operations</i>	744.3	371.0	298.0
<i>Direct Appropriations</i>	545.4	47.3	54.6
<i>Transfers Out</i>	1,023.0	150.0	0.0
<i>Total Net Outlays</i>	1,221.9	473.7	243.4
<i>Cash Balance - Operations</i>	608.6	604.0	577.6
<i>Undisbursed Appropriation</i>	741.0	272.0	55.0
<i>Ending Cash Balance</i>	1,349.6	876.0	632.6
<i>10 day Cash Level</i>	1,514.0	1,166.2	713.1
<i>7 day Cash Level</i>	1,321.7	997.0	567.7

Note: Positive net outlays decrease cash



Capital Budget

AWCF activities develop and maintain operational capabilities through acquisition of production equipment, execution of minor construction projects, and acquisition of software. Equipment is acquired to replace obsolete and unserviceable equipment, modernize production and maintenance processes, and eliminate environmental hazards. The cost of these projects is recouped through depreciation expenses included in customer rates. The Supply Management activity group capital budget consists of software development costs for Logistics Modernization Program. The Industrial Operations capital budget funds equipment purchases and facilities upgrades. Increased investment has been budgeted for maintenance depots to ensure production equipment is updated for resetting the force. A more in-depth discussion is provided in each activity group's section and detailed exhibits are provided in the Capital Budget section. Table 9 below summarizes the AWCF capital investment program request.

Table 9 Capital Budget

(\$ Millions)	FY 2009	FY 2010	FY 2011
Supply Management	63.7	59.9	12.6
Industrial Operations	213.7	248.1	205.6
<i>Total Capital Budget</i>	277.4	312.7	218.2
<i>Total Cash Outlays</i>	287.4	231.1	241.4

Minimum Capital Investment for Certain Depots and Arsenals



M2 Bradley
overhaul production
line at Anniston
Army Depot,
Alabama

The National Defense Authorization Act for FY 2007 requires infrastructure investments for the five Army maintenance depots (Anniston, Alabama; Red River, Texas; Letterkenny, Pennsylvania; Tobyhanna, Pennsylvania; and Corpus Christi, Texas) at a minimum of six percent in FY 2009 and beyond. In FY 2009 the National Defense Authorization Act added the three Arsenals (Rock Island, Illinois; Pine Bluff, Arkansas; and Watervliet, New York) to this requirement. Budgeted investment includes capital investments, as well as purchases of equipment (below the capital budget threshold); maintenance and repair of facilities; equipment paid for by other appropriations; and military construction projects. Table 10 on the following page displays the investment budgeted in



this submission. The Minimum Capital Investment exhibit in the Capital Budget section of this submission provides additional details.

Table 10 Minimum Capital Investment

Minimum Required (\$ Millions)	6% FY 2009	6% FY 2010	6% FY 2011
<i>Average Revenue</i>	4,877.7	5,320.7	5,666.9
<i>Investment Target</i>	292.7	319.2	340.0
<i>Budget Investment</i>	473.9	472.9	414.9
<i>Percent Invested</i>	9.7%	8.9%	7.3%



During a recent visit to Watervliet Arsenal, New York, Arsenal Deputy Commander Ed McCarthy explains to the Army Materiel Command's commanding general, Gen. Ann E. Dunwoody, the beginning process for transforming raw pre-form steel into future cannon tubes.



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Supply Management

Introduction

The Supply Management activity group promotes a business-like behavior by relying on sales revenue rather than appropriations to finance continuing operations. Contract authority is used to procure spares and repair carcasses returned from customers. Upon delivery, AWCF cash is used to pay vendors and the spares are placed in inventory awaiting customer demands. Filling these demands results in collection of sales revenue, which restores AWCF cash. The bulk of demands originate from Operation and Maintenance, Army customers, primarily Army operating forces, who request spares to maintain readiness of their combat equipment. Supply Management's rates and budget assumptions are synchronized with Army's appropriated funding requests.

Mission:
Provide the Army with inventory and acquisition management of spares and repair parts in support of equipment sustainment, operational readiness, and combat capability.

The pricing of the Army's spares is based on the most recent acquisition cost from a commercial vendor or the most recent repair cost at either a contractor location or an organic maintenance depot. In addition, the price of each item includes an amount that recovers the Supply Management cost of operations, the cost recovery rate. These costs include civilian labor, transportation of secondary items (spares), storage of spares, accounting services, and disposal fees. This recovery rate is a percent included in each sales transaction.

The financial measures for Supply Management are net operating result (NOR) and accumulated operating results (AOR). The NOR measures the gain or loss within a single fiscal year, monitoring how closely actual sales revenue compares to the amount in the budget. The AOR measures the accumulated gains and losses since the fund's inception. Rates are set during the budget development to bring the AOR to zero during the budget cycle. This process returns accumulated gains through reduced rates and recovers accumulated losses through increased rates.





Functional Description

Supply Management buys and manages an operating inventory of spare and repair parts for sale to its appropriated fund customers. It also maintains a protected inventory of spares in Army Prepositioned Stocks. The AWCF operating inventory is stored and maintained primarily at three types of locations:⁵

- Tactical – at more than 260 support battalion supply support activities (SSAs) under the control of Sustainment Brigade Commanders. These Soldier-manned SSAs provide spares supporting the immediate needs of combat and combat support battalions and companies. The quantity of inventory items is limited to an amount capable of transport by unit organic vehicles or aircraft.
- Installation – at more than 160 Army installation SSAs under the control of the installation Director of Logistics. Operated by Army civilians, these activities provide a means to retrograde unneeded materiel from tactical SSAs to meet other Army requirements. They also stock back-up inventory to meet tactical units' requirements that exceed storage capacity. When deployed to a contingency Theater of Operations (e.g., Iraq or Afghanistan), tactical activities receive back-up support from a Theater Distribution Center established by the deployed force command to centrally receive, redistribute, and retrograde spares as required.⁶
- National – at Defense Logistics Agency distribution depots and Army maintenance depots. This inventory provides a source of rapid replenishment to lower level stockage locations and for the immediate needs of the Army's maintenance depots. Examples are Defense Distribution Depot, Red River, Texas and Defense Distribution Depot, Tobyhanna, Pennsylvania.

⁵ These do not match Army doctrinal descriptions but do describe the functional locations of AWCF spares inventory.

⁶ The Theater Distribution Center supporting operations in Iraq is located at Arifjan, Kuwait.



The AWCF protected inventory is contained in Army Prepositioned Stocks (APS) located in the United States, Europe, South Korea, Kuwait, and stored aboard ships afloat off Guam and Diego Garcia. Pre-positioned war reserve materiel is retained in protected inventory and released to outfit combat and combat support units deploying to perform a combat, peacekeeping, or other contingency operation. Scheduled for completion in 2015, Army is reconfiguring the APS equipment and spares to match the current Brigade Combat Team organizational structure.

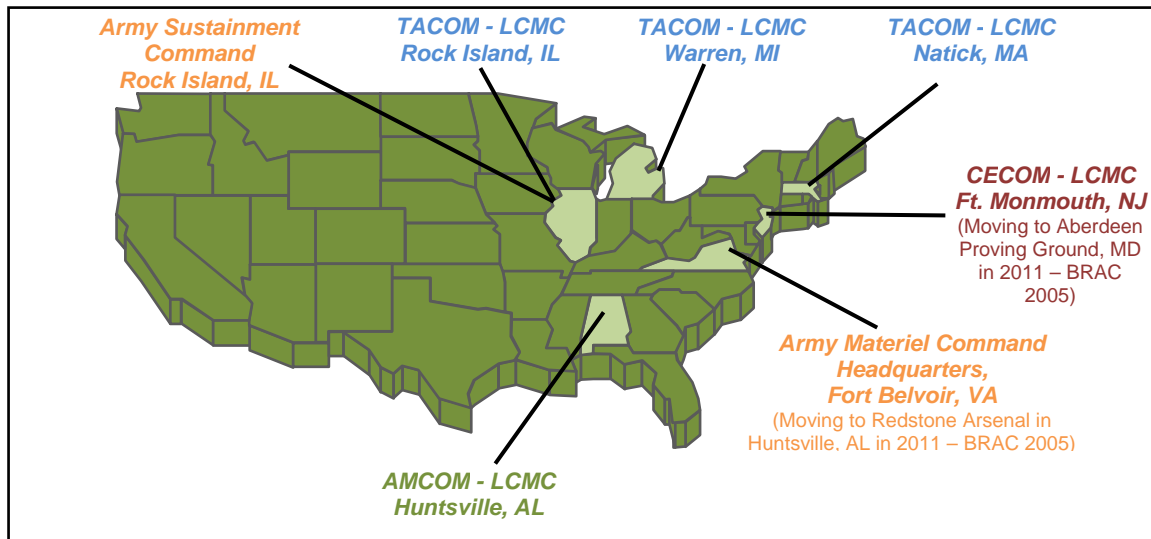


The USNS Pomeroy, seen here in Charleston, SC, is part of the Army's Prepositioned Stock Program

Activity Group Composition

Figure SM-1 below displays the locations of Headquarters, Army Materiel Command (AMC), each Life Cycle Management Command (LCMC), and Army Sustainment Command (ASC). Each LCMC, a subordinate command of AMC, acquires and manages consumable supplies and spare parts for distinct categories of weapon systems. The ASC acquires and maintains the Army Prepositioned Stocks, which contain materiel from each LCMC.

Figure SM-1 Supply Management locations



The Headquarters, Army Materiel Command (AMC) mission is complex and ranges from developing sophisticated weapon systems, to advanced research in such areas as lasers, to maintaining and distributing spare parts. This mission is best summarized by AMC's three core competencies: acquisition excellence, logistics power projection, and technology generation and application. To develop, buy, and maintain materiel for the Army, AMC works closely with industry, colleges and universities, the other Services, and other government agencies to ensure state-of-the-art technology and support are exploited to defend the Nation. Army Materiel Command Headquarters is located at Fort Belvoir, Virginia but is moving to Redstone Arsenal at Huntsville, Alabama as directed by Base Realignment and Closure (BRAC) 2005.

The TACOM-LCMC mission is to develop, acquire, field, and sustain Soldier and ground systems for the warfighter through the integration of effective and timely acquisition, logistics, and cutting-edge technology. They support a diverse set of product lines through their life cycles, from tracked combat and wheeled tactical vehicles, armaments, watercraft, fuel and water distribution equipment, to Soldier, biological, and chemical equipment. Major weapon systems supported include the M1 Abrams tank, M2 Bradley Fighting Vehicle, and M109A6 Paladin howitzer. TACOM-LCMC activities are located at Detroit Arsenal in Warren, Michigan; U.S. Army Soldier Systems Center in Natick, Massachusetts; and Rock Island Arsenal, Illinois.



Gun trucks from 1st Platoon, B Company, 2nd Battalion, 198th Combined Arms in Iraq

The AMCOM-LCMC (Aviation and Missile LCMC) mission is to develop, acquire, field, and sustain aviation, missile, and unmanned vehicle systems, and



Soldiers receive an ammunition re-supply from a CH-47 Chinook in Afghanistan

to ensure system readiness with seamless transition to combat operations. Major weapon systems supported include the AH-64 Apache attack helicopter, UH-60 Blackhawk helicopter, and CH-47 Chinook helicopter. AMCOM-LCMC activities are located at Redstone Arsenal in Huntsville, Alabama.

The CECOM-LCMC (Communications-Electronics LCMC) mission is to develop, acquire, field and sustain Command, Control Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) capabilities for the Army and Joint Force. CECOM-LCMC activities are located at Fort Monmouth, New Jersey but are moving to Aberdeen Proving Ground, Maryland as directed by BRAC 2005.

The Army Sustainment Command mission is to provide combat service support capability to Soldiers serving in combat commands in CONUS and overseas to ensure expeditionary war-fighting readiness and leverage national logistics to



sustain a transforming Army at war. Included in this mission is the responsibility to acquire and maintain Army Prepositioned Stocks. The Army Sustainment Command is located at Rock Island Arsenal, Illinois.

Budget Highlights

Assumptions

This budget submission is a business plan that supports Soldiers and weapon systems readiness for base-funded operational requirements, reset of equipment, and combat activity associated with the deployed force in Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF). FY 2010 and FY 2011 estimates assume troop strength and OPTEMPO level in OIF would be at 33 percent of FY 2009, resulting in lower levels of supply demands and sales than in previous years. Demands and sales in OEF are projected to increase above FY 2009 levels by 50 percent as troop strength increases in OEF. Customer demands and associated hardware obligation authority to fund inventory replenishment are also adjusted based on this assumption. Variability target is included in this budget if changes in funded OPTEMPO levels during the year of execution cause demand activity to exceed the estimates; this ensures supply funding is available to support Soldiers' supplies and spare part requirements.

The FY 2011 estimate includes additional supplemental OEF OPTEMPO activity.



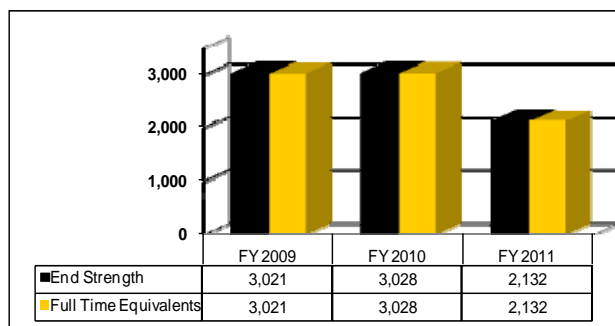
Soldiers from a Field Artillery Regiment traverse a creek during a dismounted patrol in Afghanistan

Personnel

Civilian full time equivalent changes are related to workload adjustments associated with implementation of the Base Realignment and Closure (BRAC) 2005 directed consumable items transfer to the Defense Logistics Agency (DLA) and spares acquisition functions moving from AWCF.

Civilian personnel transfers associated with BRAC 2005 will be completed by FY 2011. The transfer results in lower AWCF civilian pay with a corresponding increase in reimbursements to DLA. As a result of the acquisition transfer, military end strength is reduced from 11 to 4 in FY 2011.

Chart SM-1 Civilian Personnel



Sales

Sales and credit in this submission are impacted by both reduced Operation Iraqi Freedom (OIF) OPTEMPO and by a business process change. Reduced OIF sales are partially offset by increased sales in Operation Enduring Freedom (OEF). Sales reflect income from

operations and do not include appropriations for war reserve materiel and inventory augmentation. The Army implemented Exchange Pricing (EP) in June 2009. FY 2010 and FY 2011 sales and credit estimates include adjustments for the implementation of EP. Under the EP business process, a one-for-one return policy is strictly enforced. The customer pays a reduced price at the time of sale with the expectation that an unserviceable return will occur within sixty days. If a return is not received, a delta bill equal to the difference between the standard price and the exchange price is paid by the customer. Unserviceable credit is no longer given to EP customers for returns. FY 2009 sales and credit include EP transactions from June to September 2009. FY 2010 and FY 2011 sales include estimates for sales at standard price and exchange price and an assumption for delta bills. A corresponding reduction to credit is included in the budget. Table SM-1 displays the EP business process.

Chart SM-2 Gross Sales and Credit

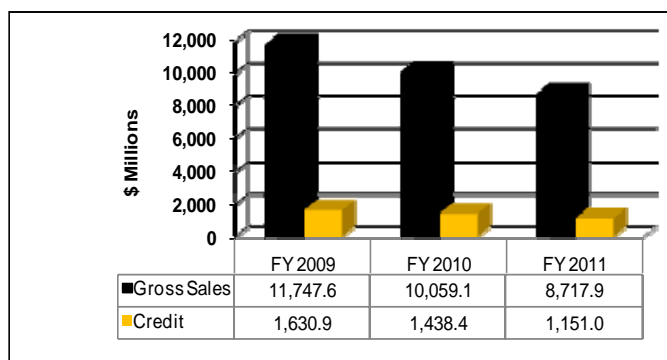


Table SM-1 Impact of Exchange Pricing

Standard Price Sale			Exchange Price Sales		
Creditable Return Made?	Yes	No	Creditable Return Made?	Yes	No
Standard Price Paid	\$100	\$ 100	EP Price Paid	\$ 90	\$ 90
Credit Issued to Customer	\$ 10	\$ -	Delta Bill	\$ -	\$ 10
Net Impact to Customer	\$ 90	\$ 100	Net Impact to Customer	\$ 90	\$ 100

Currently, credit is not allowed for materiel returns in OIF and OEF due to the higher repair cost and washout rate from increased wear and battle damage to the returned items. Sales are displayed on several exhibits: Fund 14, Revenue and Expenses; Fund 11, Source of New Orders and Revenue; and SM 1 Supply Management Summary (sales net of credit).

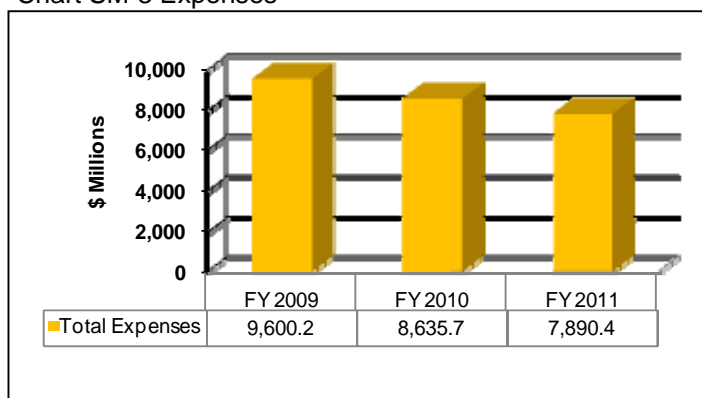


Expenses

Expenses are projected to decrease in FY 2011 in conjunction with lower sales, primarily due to reductions in the cost of goods sold. Supply operations costs and transportation costs are anticipated to decrease in conjunction with fewer Operation Iraqi Freedom (OIF) sales. Lower expenses are partially offset by increases for Operation

Enduring Freedom (OEF) sales. Expenses are displayed on exhibit Fund 14, Revenue and Expenses.

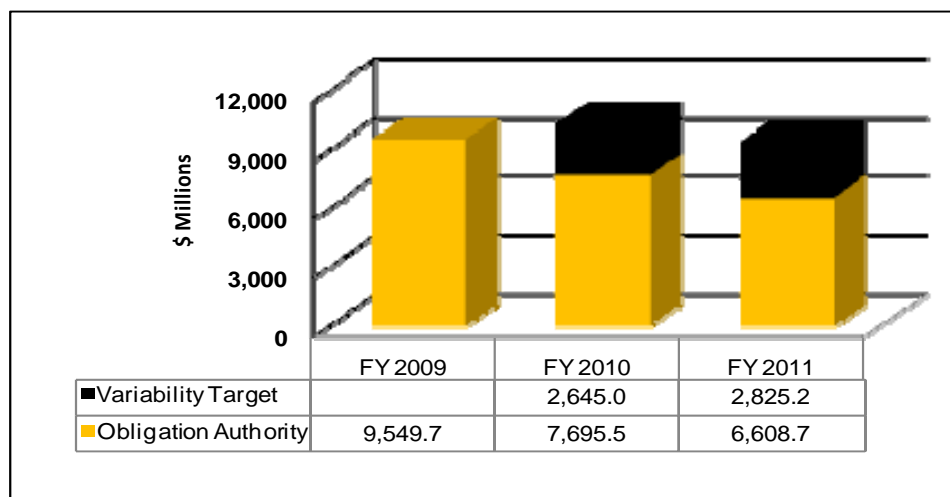
Chart SM-3 Expenses



Operating Obligation Authority

Operating obligation authority is requested for the acquisition and repair of replenishment spares, and Supply Management's cost of operations. Variability target in FY 2010 and FY 2011 is the projected amount of additional cost authority reflected on exhibit SM 1, Supply Management Summary allowing rapid response to variances in costs or customer demands during the execution year. Even with increased activity in OEF, obligation authority requirements are projected to decrease in FY 2011 commensurate with projections of reduced customer demands due to lower force structure and OPTEMPO in OIF. Operating obligation authority is displayed on exhibits SM 1, Supply Management Summary and SM 3b, Operating Requirements by Weapons System.

Chart SM-4 Obligation Authority

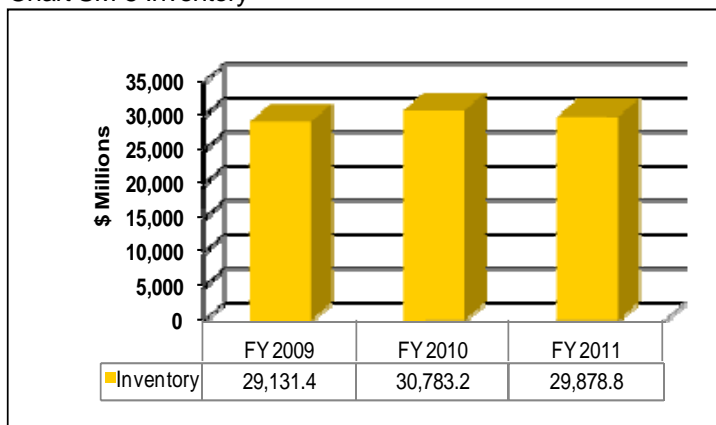


Inventory

Inventory values shown in chart SM-5, include operational inventory; carcasses awaiting repair; inventory required beyond the budget year; economic and contingency retention stock; and secondary items included in war reserve. Spares inventory levels have remained high to ensure high stock

availability for Operation Iraqi Freedom and Operation Enduring Freedom. Efforts to closely manage inventory are currently under way, including restricting operating obligation authority. Inventory is displayed on exhibit SM 4, Inventory Status.

Chart SM-5 Inventory



Operating Results

The net operating result (NOR) represents the difference between revenue and expenses within a fiscal year. The accumulated operating results (AOR) represent the summation of all NOR since activity group inception along with any prior period adjustments. The AWCF operates on a break-even basis during the budget cycle. In this budget Supply Management intends to retain a total of \$121.6 million of positive AOR to offset prior year cash transfers. In the next budget cycle, Supply Management will evaluate its revised AOR projections, cash position, and impact on FY 2012 rates in determining the amount to AOR to retain. The NOR and AOR are displayed on exhibit Fund 14, Revenue and Expenses.

Table SM-2 Operating Results

(\$ Millions)	FY 2009	FY 2010	FY 2011
Net Operating Result	516.5	(15.0)	(323.6)
Retained Earnings			(121.6)
Accumulated Operating Results	460.1	445.1	0.0

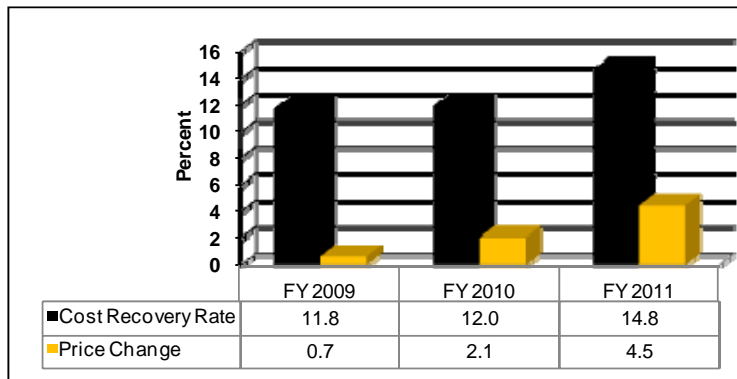


Cost Recovery Rate

The Supply Management cost recovery rate is set to recover full costs. Typical costs recovered are civilian pay, distribution depot costs, transportation costs, other Defense bills associated with supply operations, and costs

of replacing inventory losses. The increased cost recovery rate and the price change in FY 2011 is due to the reduced sales in Operation Iraqi Freedom, partially offset by increased sales in Operation Enduring Freedom. The price change is displayed on exhibit SM 5b, Customer Price Change.

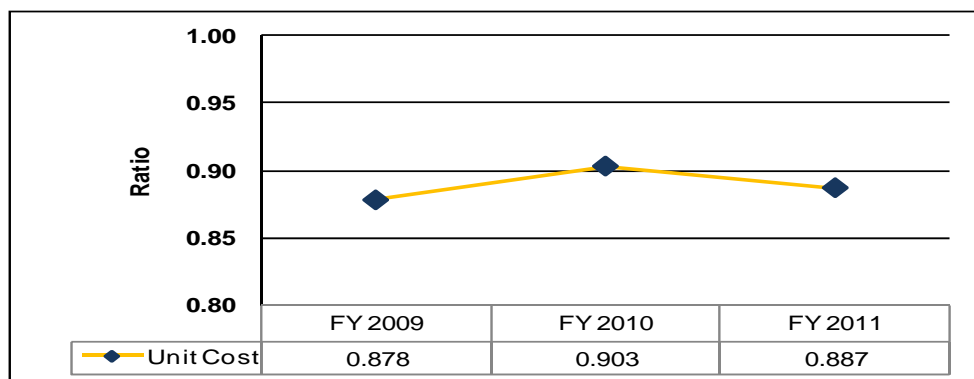
Chart SM-6 Cost Recovery Rate and Price Change



Unit Cost

Unit cost is a ratio that relates resources consumed to outputs produced. The aim of unit cost is to directly associate total cost with the related work or output. The unit costs of less than 1.0 from FY 2009 through FY 2011 indicate a consistent effort to closely manage inventory in relation to the projected declining sales volume. Unit cost below 1.0 indicates total cost authority (which include obligation authority, credit, and depreciation) will be less than the amount required to maintain inventory at the current level.

Chart SM-7 Unit Cost



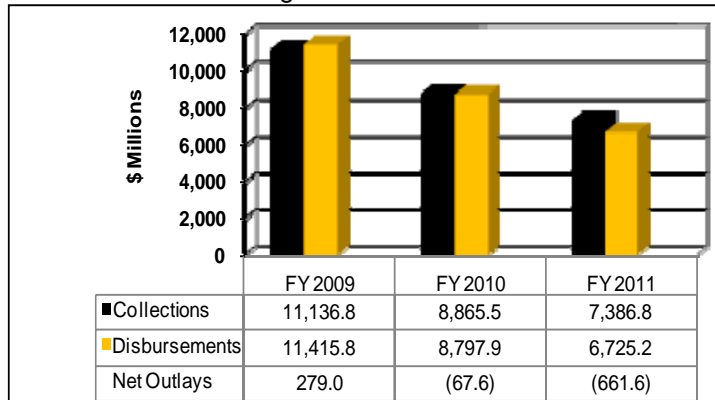
$$\text{Unit cost} = \frac{\text{Obligations} + \text{Credit} + \text{Depreciation expense}}{\text{Gross sales}}$$



Cash Management

Chart SM-8 shows FY 2009 collections that include \$443.2 million of FY 2009 supplemental funding for replenishment of war reserve secondary items. FY 2010 collections and disbursements correspond with decreased activity

Chart SM-8 Cash Management



assumptions associated with wartime requirements. The net outlays in FY 2011 are associated with a unit cost less than 1.0, which restricts obligations.

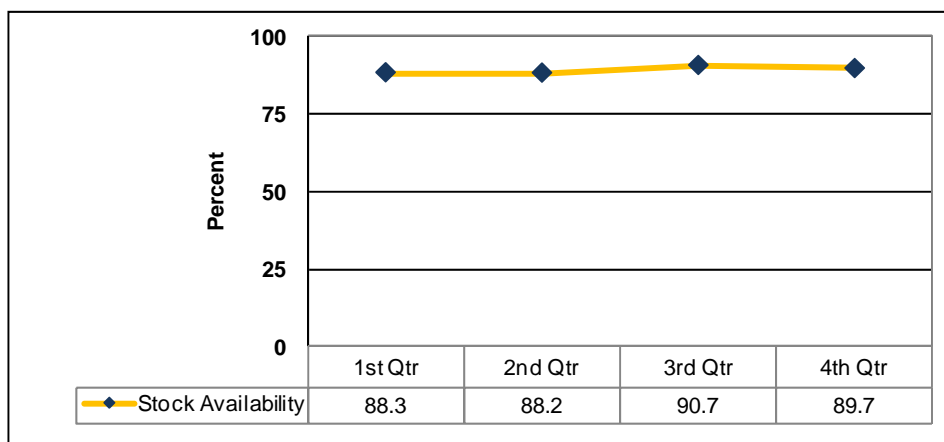
Performance Measurement

Stock Availability

Supplying and maintaining the Army's equipment remain key components of readiness. The AWCF averaged a world-wide stock availability rate of 89.2 percent during FY 2009. This was accomplished through adequate funding of hardware, proper management of the supply chain, and reliable oversight of materiel stockage requirements. Stock availability is above 91 percent for critical, high density weapon systems deployed in Operation Iraqi Freedom and Operation Enduring freedom. This high level equates to a faster response to Soldiers' supply requests. Stock availability has been relatively stable during FY 2009 and is expected to remain stable in FY 2010 as materiel is received from vendors to satisfy customers' supply requisitions. Chart SM-9 shows stock availability achieved at the end of each quarter in FY 2009.



Chart SM-9 Stock Availability

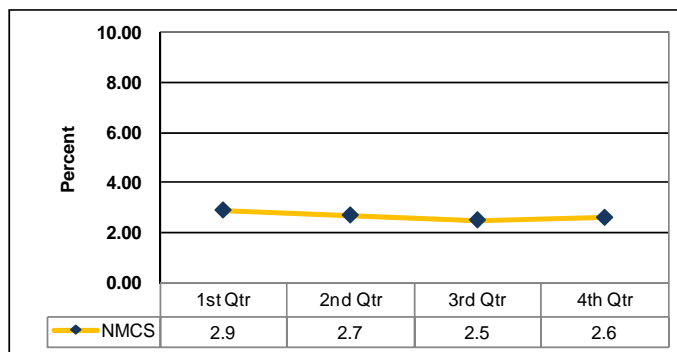


The stock availability goal, a primary performance measure relating supply system ability to fill requisitions, is 85% demand satisfaction.

Non Mission Capable, Supply

The non mission capable, supply (NMCS) value represents the percent of time a weapon system is not mission capable due to lack of critical spare parts. The goal is to maintain NMCS at or below five percent. Chart SM-10 shows NMCS rates

Chart SM-10 Non Mission Capable, Supply



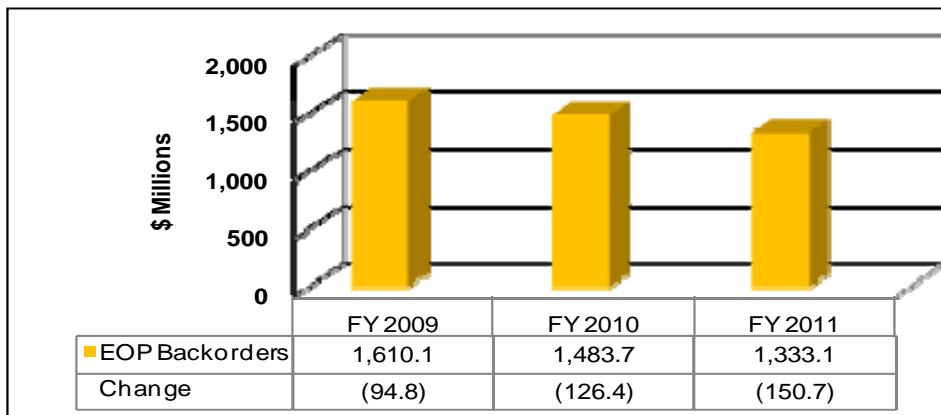
achieved at the end of each quarter in FY 2009. Non mission capable supply by weapons system is displayed on exhibit SM 3b, Operating Requirements by Weapon System.

Customer Backorders

Projected backorders reflect reductions from FY 2009 due to both materiel deliveries and the Base Realignment and Closure directed consumable item transfer to Defense Logistics Agency. Customer backorders for the end of each fiscal year are displayed on exhibit Fund 11, Source of New Orders and Revenue.



Chart SM-11 Customer Backorders



Supply Management Workload

Table SM-3 below displays Supply Management items of interest. The decrease in items managed in FY 2011 is due to the Base Realignment and Closure (BRAC) directed consumable items transfer to the Defense Logistics Agency (DLA). The decreases in requisitions received and issues completed are based on Operation Iraqi Freedom (OIF) deployed force activity assumptions and the BRAC directed consumable item transfer to DLA.

Table SM-3 Supply Management Workload

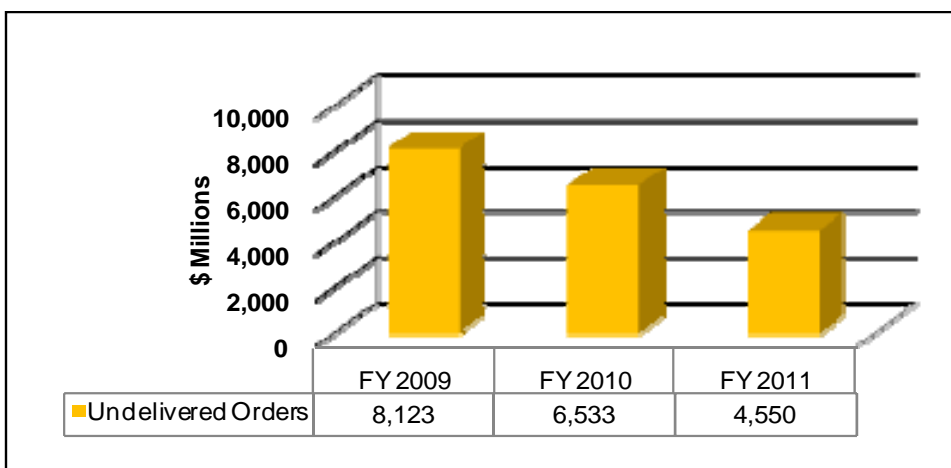
Supply Management Workload	FY 2009	FY 2010	FY 2011
Items Managed	118,643	108,454	103,810
Requisitions Received	1,115,400	932,000	839,000
Issue Completed	1,150,720	1,066,000	978,000
Procurement Receipts	236,400	236,700	214,700
Contracts Awarded	13,550	12,548	11,545

Undelivered Orders

Undelivered orders are goods and services ordered, but not yet received. A sufficient cash balance is required to pay vendors upon receipt of these orders. As shown in chart SM-12, undelivered orders are projected to decrease through FY 2011 due to continued materiel deliveries and decreased new materiel obligations based on lower OPTEMPO in OIF. Undelivered orders from commercial suppliers and repair facilities exceeded \$8.1 billion at the end of FY 2009.



Chart SM-12 Undelivered Orders



Appropriations

War reserve equipment positioned without secondary items would significantly jeopardize the Army's ability to successfully complete its combat missions. The secondary items purchased for

War reserve secondary items improve Army's ability to meet global missions by sustaining the deployed combat force until CONUS-based re-supply commences.

war reserves support important combat weapon systems such as M1 Tanks, Bradley Fighting Vehicles, artillery howitzers, rocket launchers, and HMMWVs. Army received \$443.2 million of FY 2009 supplemental funding to replenish spares in Army Prepositioned Stocks (APS) issued to combat forces during Operation Iraqi Freedom. The secondary items are required to support and maintain combat and lifesaving equipment that is released to deploying forces. War Reserve funding supports the Army's APS Strategy 2015. Appropriations are displayed on exhibit Fund 14 Revenue and Expenses. War reserve inventory is displayed on exhibits SM 4, Inventory Status and SM 6, War Reserve Materiel.

Table SM-4 Appropriations

(\$ Millions)	FY 2009	FY 2010	FY 2011
War Reserve Secondary Items	102.2	38.4	54.6
Supplemental Funds	443.2		
Total Appropriated Funds	545.4	38.4	54.6



Capital Budget

The Supply Management Capital Investment Program (CIP) funds the development of software to improve managerial decision-making and financial data. Logistics Modernization Program (LMP) continues as the main effort of the CIP. LMP re-engineers logistics processes and utilizes modern information technology to provide real-time visibility of the entire logistics supply chain. The planned obligations are shown below. Capital budget obligation authority is displayed on exhibits Fund 9a, Capital Investment Summary; Fund 9b, Capital Purchase Justification; and Fund 9c, Capital Budget Execution.

Table SM-5 Capital Budget

(\$ Millions)	FY 2009	FY 2010	FY 2011
Software	63.7	59.9	12.6
<i>Capital Cash Outlays</i>	<i>111.3</i>	<i>70.4</i>	<i>17.5</i>



**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management**

**Revenue and Expenses
(\$ in Millions)**

	FY 2009	FY 2010	FY 2011
Revenue			
<i>SP Sales</i>	9,119.7	6,484.2	5,393.2
<i>EP Sales</i>	799.7	1,808.0	1,590.1
<i>Delta Sales</i>	19.6	229.8	245.1
<i>AMI Sales</i>	9,939.0	8,522.0	7,228.4
<i>NAMI Sales</i>	1,806.9	1,536.1	1,488.5
<i>AMC MOB Sales</i>	1.7	1.0	1.0
Total Gross Sales	11,747.6	10,059.1	8,717.9
<i>Credit and Allowances</i>	1,630.9	1,438.4	1,151.0
Net Sales	10,116.7	8,620.7	7,566.9
Other Income	545.4	38.4	54.6
<i>War Reserve-Secondary Items</i>	545.4	38.4	54.6
<i>Inventory Augmentation</i>	0.0	0.0	0.0
Total Income	10,662.1	8,659.1	7,621.5
Expenses			
Cost of Materiel Sold from Inventory			
<i>AMI</i>	6,525.1	5,912.5	5,186.3
<i>NAMI</i>	1,806.9	1,536.1	1,488.5
<i>AMC MOB</i>	1.7	1.0	1.0
Total Cost of Materiel Sold from Inventory	8,333.8	7,449.6	6,675.8
<i>Inventory Losses/Obsolescence</i>	129.1	98.1	109.2
Salaries and Wages Total	264.6	268.1	214.8
<i>Military Personnel Compensation & Benefits</i>	0.2	0.2	0.2
<i>Civilian Personnel Compensation & Benefits</i>	264.4	267.9	214.6
<i>Travel & Transportation of Personnel</i>	5.2	3.8	3.8
<i>Materiel & Supplies (For Internal Operations)</i>	1.3	1.0	1.0
<i>Equipment</i>	1.6	1.1	1.1
<i>Other Purchases from Revolving Funds</i>	285.7	330.9	353.3
<i>Transportation of Things</i>	136.7	113.0	110.2
<i>Depreciation - Capital</i>	6.8	54.0	87.6
<i>Printing and Reproduction</i>	0.1	0.2	0.2
<i>Advisory and Assistance Services</i>	28.2	21.4	21.7
<i>Rent, Communication, Utilities & Misc. Charges</i>	4.0	10.1	10.2
<i>Other Purchased Services</i>	403.2	284.4	301.6
Total Expenses	9,600.2	8,635.7	7,890.4
Operating Result	1,061.9	23.4	(268.9)
Operating Result	1,061.9	23.4	(268.9)
<i>Less Recovery of Prior Year Pricing Discrepancies</i>	0.0	0.0	0.0
<i>Other Changes Affecting NOR:</i>			
<i>Less Direct Funding</i>	(545.4)	(38.4)	(54.6)
Net Operating Result	516.5	(15.0)	(323.6)
<i>Prior Year AOR</i>	(56.4)	460.1	445.1
<i>Less Retained Earnings</i>			(121.6)
Accumulated Operating Result	460.1	445.1	0.0

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management**

**Source of New Orders and Revenue
(\$ in Millions)**

	FY 2009	FY 2010	FY 2011
1. New Orders			
a. Orders from DOD Components			
<i>Department of Army Total</i>			
<i>Operation and Maintenance, Army</i>	7,425.6	6,005.3	5,527.7
<i>Operation and Maintenance, ARNG</i>	767.4	522.6	461.0
<i>Operation and Maintenance, AR</i>	53.2	35.1	35.2
Subtotal, Operation and Maintenance	8,246.2	6,563.0	6,023.9
<i>Industrial Operations Business</i>	584.8	713.1	614.5
<i>Procurement Appropriations</i>	1,519.7	1,179.0	833.2
<i>RDT&E</i>	13.7	9.0	7.7
<i>All Other Army</i>	555.8	572.2	382.2
Subtotal, Department of Army	10,920.2	9,036.3	7,861.5
<i>Department of Navy</i>	116.5	122.2	101.1
<i>Department of Air Force</i>	260.7	226.4	187.2
<i>US Marine Corps</i>	278.6	197.7	146.9
<i>Other Department of Defense</i>	85.3	88.9	65.4
Subtotal, Other DOD Services	741.1	635.2	500.6
Total DOD	11,661.3	9,671.5	8,362.1
b. Other Orders			
<i>Supply Support Agreements</i>	81.9	110.7	89.2
<i>Foreign Military Sales</i>	207.2	134.2	101.4
<i>Military Assistance Programs</i>	1.5	3.8	3.4
<i>Other Federal Agencies</i>	5.2	11.7	10.4
<i>All Other</i>	7.5	0.8	0.7
Subtotal, Other Orders	303.3	261.2	205.1
Total New Orders	11,964.6	9,932.7	8,567.2
2. <i>Carry-In Orders (Back Orders From Prior Years)</i>	1,393.2	1,610.1	1,483.7
3. <i>Total Gross Orders</i>	13,357.8	11,542.8	10,050.9
4. <i>Less Carry out</i>	1,610.1	1,483.7	1,333.1
5. Gross Sales	11,747.6	10,059.1	8,717.9
6. <i>Less Credit and Allowances</i>	1,630.9	1,438.4	1,151.0
8. Net Sales	10,116.7	8,620.7	7,566.9

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management**

**Supply Management Summary
(\$ in Millions)**

	Net Customer Orders	Net Sales	Obligation Targets Operating	MOB	Total
Non Army Managed Items (NAMI)					
<i>FY 2009</i>	1,917.1	1,806.2	1,558.2	0.0	1,558.2
<i>FY 2010</i>	1,634.3	1,534.6	1,481.1	0.0	1,481.1
<i>FY 2011</i>	1,598.0	1,487.5	1,492.0	0.0	1,492.0
Army Managed Items (AMI)					
<i>Aviation</i>					
<i>FY 2009</i>	3,148.4	3,156.9	2,979.5	120.0	3,099.5
<i>FY 2010</i>	2,304.9	2,397.8	1,870.1	1.6	1,871.7
<i>FY 2011</i>	2,218.9	2,301.7	1,617.5	2.1	1,619.6
<i>Communications-Electronics</i>					
<i>FY 2009</i>	1,468.1	1,525.8	900.6	153.2	1,053.8
<i>FY 2010</i>	1,110.9	1,126.9	763.5	3.1	766.6
<i>FY 2011</i>	1,061.0	1,096.0	685.6	4.1	689.7
<i>Missiles</i>					
<i>FY 2009</i>	402.6	295.0	129.5	40.7	170.3
<i>FY 2010</i>	182.4	202.2	157.8	1.0	158.8
<i>FY 2011</i>	186.2	240.3	160.5	1.3	161.8
<i>Tank and Automotive</i>					
<i>FY 2009</i>	3,395.8	3,331.2	2,259.8	20.7	2,280.5
<i>FY 2010</i>	3,260.8	3,358.3	2,285.8	5.6	2,291.4
<i>FY 2011</i>	2,351.1	2,440.5	1,515.6	7.3	1,522.9
Total AMI					
FY 2009	8,414.9	8,308.8	6,269.4	334.6	6,604.0
FY 2010	6,859.0	7,085.1	5,077.1	11.3	5,088.4
FY 2011	5,817.2	6,078.4	3,979.2	14.8	3,994.0
AMC Mobilization					
<i>FY 2009</i>	1.7	1.7	0.6	210.8	211.3
<i>FY 2010</i>	1.0	1.0	1.0	27.1	28.1
<i>FY 2011</i>	1.0	1.0	1.0	39.8	40.8
Total Hardware					
FY 2009	10,333.8	10,116.7	7,828.1	545.4	8,373.5
FY 2010	8,494.3	8,620.7	6,559.2	38.4	6,597.6
FY 2011	7,416.2	7,566.9	5,472.2	54.6	5,526.8

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management**

**Supply Management Summary
(\$ in Millions)**

	Net Customer Orders	Net Sales	Obligation Targets Operating	MOB	Total
<i>Cost of Operations (LOGOPS)</i>					
<i>FY 2009</i>			1,130.5	0.0	1,130.5
<i>FY 2010</i>			1,033.9	0.0	1,033.9
<i>FY 2011</i>			1,017.8	0.0	1,017.8
<i>Variability Target</i>					
<i>FY 2009</i>			0.0	0.0	0.0
<i>FY 2010</i>			2,645.0	0.0	2,645.0
<i>FY 2011</i>			2,825.2	0.0	2,825.2
<i>Enterprise Software Initiative</i>					
<i>FY 2009</i>			45.6	0.0	45.6
<i>FY 2010</i>			64.0	0.0	64.0
<i>FY 2011</i>			64.0	0.0	64.0
Total Operating Obligation Authority					
FY 2009	10,333.8	10,116.7	9,004.3	545.4	9,549.7
FY 2010	8,494.3	8,620.7	10,302.2	38.4	10,340.5
FY 2011	7,416.2	7,566.9	9,379.2	54.6	9,433.9
<i>Capital Obligation Authority</i>					
<i>FY 2009</i>			63.1	0.0	63.1
<i>FY 2010</i>			59.9	0.0	59.9
<i>FY 2011</i>			12.6	0.0	12.6
Total Obligation Authority					
FY 2009	10,333.8	10,116.7	9,067.4	545.4	9,612.8
FY 2010	8,494.3	8,620.7	10,362.1	38.4	10,400.5
FY 2011	7,416.2	7,566.9	9,391.8	54.6	9,446.5
Budget Authority					
<i>War Reserve Authority</i>					
<i>FY 2009</i>			0.0	545.4	545.4
<i>FY 2010</i>			0.0	38.4	38.4
<i>FY 2011</i>			0.0	54.6	54.6
<i>Inventory Augmentation</i>					
<i>FY 2009</i>			0.0	0.0	0.0
<i>FY 2010</i>			0.0	0.0	0.0
<i>FY 2011</i>			0.0	0.0	0.0
Total Budget Authority					
FY 2009			0.0	545.4	545.4
FY 2010			0.0	38.4	38.4
FY 2011			0.0	54.6	54.6

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management**

**Operating Requirements by Weapons System
(\$ in Millions)**

	FY 2009		FY 2010		FY 2011	
	Obligations	NMCSR ¹	Obligations	NMCSR ¹	Obligations	NMCSR ¹
<i>AH-64, Apache</i>	551.9	4.0%	354.6	≤ 25.0%	284.1	≤ 25.0%
<i>CH-47D, Chinook</i>	608.6	7.6%	373.2	≤ 25.0%	329.2	≤ 25.0%
<i>UH-60, Black Hawk</i>	1,391.3	2.5%	1,057.6	≤ 25.0%	932.8	≤ 25.0%
<i>OH-58D, Kiowa Warrior</i>	214.5	1.2%	135.6	≤ 25.0%	63.4	≤ 25.0%
<i>Other Aviation</i>	213.2	0.0%	171.7	≤ 25.0%	183.3	≤ 25.0%
<i>MLRS</i>	1.5	1.0%	3.3	≤ 10.0%	4.2	≤ 10.0%
<i>Patriot</i>	72.6	3.0%	79.8	≤ 10.0%	79.7	≤ 10.0%
<i>Other Missile</i>	55.5	0.0%	32.9	≤ 10.0%	37.2	≤ 10.0%
<i>Firefinder</i>	333.8	0.0%	138.0	≤ 10.0%	65.4	≤ 10.0%
<i>Night Vision Goggles</i>	84.1	1.0%	83.0	≤ 10.0%	65.1	≤ 10.0%
<i>SINCGARS</i>	103.0	0.0%	95.5	≤ 10.0%	77.8	≤ 10.0%
<i>Other Communication-Electronics</i>	379.7	1.5%	234.6	≤ 10.0%	302.3	≤ 10.0%
<i>FMTV</i>	23.0	2.5%	21.6	≤ 10.0%	18.9	≤ 10.0%
<i>HEMTT</i>	89.7	2.6%	148.6	≤ 10.0%	96.1	≤ 10.0%
<i>HMMWV</i>	147.2	1.2%	149.9	≤ 10.0%	99.5	≤ 10.0%
<i>M109A6, Paladin</i>	46.9	3.2%	37.8	≤ 10.0%	24.8	≤ 10.0%
<i>M198, Towed Howitzer</i>	5.9	1.0%	2.0	≤ 10.0%	1.9	≤ 10.0%
<i>M1A1, Abrams Tank</i>	342.9	1.6%	283.4	≤ 10.0%	198.4	≤ 10.0%
<i>M1A2, Abrams Tank (SEP)</i>	55.0	1.6%	0.0	≤ 10.0%	0.0	≤ 10.0%
<i>M2/M3, Bradley Fighting Vehicle</i>	247.3	1.5%	210.2	≤ 10.0%	174.6	≤ 10.0%
<i>Stryker</i>	7.2	1.3%	0.0	≤ 10.0%	0.0	≤ 10.0%
<i>Other Tank-Automotive</i>	1,294.6	1.1%	1,463.9	≤ 10.0%	940.5	≤ 10.0%
Subtotal	6,269.4		5,077.1		3,979.2	
<i>NAMI</i>	1,558.2		1,481.1		1,492.0	
<i>AMC-MOB</i>	0.6		1.0		1.0	
TOTAL	7,828.1		6,559.2		5,472.2	

^{1/} NMCS - Non Mission Capable Supply Rate represents the percent of time a weapon system is not mission capable due to lack of critical spare parts. FY 2009 is actual data. FY 2010 and FY 2011 are Army's goal.

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management**

**Inventory Status
(\$ in Millions)**

	FY 2009			
	Total	Mobilization	Operating	Other
1. Inventory Beginning of Period (BOP)	33,819.0	2,132.3	19,071.9	12,614.8
2. BOP Inventory Adjustments				
a. Reclassification	0.0	(62.1)	(2,273.5)	2,335.6
b. Price Change Amount	(306.6)	(39.0)	(275.5)	7.9
c. Adjusted Inventory BOP (1+2A+2B)	33,512.5	2,031.2	16,522.9	14,958.3
3. Receipts	8,812.2	908.4	7,903.8	-
4. Sales	11,474.4	-	11,474.4	-
5. Inventory Adjustments				
a. Capitalization	(278.7)	7.4	(46.1)	(240.0)
b. Returns from Customers	2,288.3	-	2,025.3	263.0
c. Returns from Customers w/o Credit	6,737.9	(0.0)	1,375.1	5,362.8
d. Returns to Suppliers	(1,171.4)	-	-	(1,171.4)
e. Transfers to DRMS	(4,765.9)	(0.2)	-	(4,765.7)
f. Issues/Receipts w/o Adjustments	(66.4)	(26.0)	-	(40.4)
g. Other	(4,462.7)	(287.6)	(2,421.5)	(1,753.6)
h. Total	(1,718.9)	(306.4)	932.8	(2,345.3)
6. Inventory End of Period (EOP)	29,131.4	2,633.2	13,885.1	12,613.0
7. Inventory EOP, Revalued (LAC Discounted)	25,339.3	1,877.3	13,087.6	10,374.4
a. Economic Retention (MEMO)	4,889.0	-	-	4,889.0
b. Contingency Retention (MEMO)	3,695.2	-	-	3,695.2
c. Potential Transfer to DRMS (MEMO)	3,050.3	-	-	3,050.3
8. On Order EOP at Cost	6,537.8	33.5	6,504.3	-

9. NARRATIVE:

The Communications-Electronics LCMC, the Aviation and Missile LCMC, and the Soldier Support Team inventory is valued at Moving Average Cost (MAC). The inventory valuation move from Standard Price to MAC for the Aviation and Missile LCMC was due to the conversion to LMP. This move decreased inventory. All other inventory is valued at Standard Price. Column "Other" includes inventory that stratifies beyond budget year and economic and contingency retention stock.

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management**

**Inventory Status
(\$ in Millions)**

	FY 2010			
	Total	Mobilization	Operating	Other
1. Inventory Beginning of Period (BOP)	29,131.4	2,633.2	13,885.1	12,613.0
2. BOP Inventory Adjustments				
a. Reclassification	536.4	551.7	(1,356.1)	1,340.8
b. Price Change Amount	363.9	31.3	146.9	185.7
c. Adjusted Inventory BOP (1+2A+2B)	30,031.7	3,216.2	12,675.9	14,139.5
3. Receipts	6,990.0	197.2	6,792.8	-
4. Sales	10,610.3	-	10,610.3	-
5. Inventory Adjustments				
a. Capitalization	132.1	-	327.2	(195.1)
b. Returns from Customers	2,273.1	-	1,738.5	534.6
c. Returns from Customers w/o Credit	7,557.6	-	1,088.4	6,469.2
d. Returns to Suppliers	(151.8)	-	-	(151.8)
e. Transfers to DRMS	(4,323.3)	-	-	(4,323.3)
f. Issues/Receipts w/o Adjustments	(52.0)	-	-	(52.0)
g. Other	(1,063.9)	-	(540.3)	(523.6)
h. Total	4,371.8	-	2,613.8	1,758.0
6. Inventory End of Period (EOP)	30,783.2	3,413.4	11,472.2	15,897.5
7. Inventory EOP, Revalued (LAC Discounted)	28,062.6	2,574.5	10,782.6	14,705.5
a. Economic Retention (MEMO)	7,004.0	-	-	7,004.0
b. Contingency Retention (MEMO)	5,081.1	-	-	5,081.1
c. Potential Transfer to DRMS (MEMO)	2,615.6	-	-	2,615.6
8. On Order EOP at Cost	5,712.2	397.7	5,314.5	-

9. NARRATIVE:

The Communications-Electronics LCMC, the Aviation and Missile LCMC, and the Soldier Support Team inventory is valued at Moving Average Cost (MAC). All other inventory is valued at Standard Price. Column "Other" includes inventory that stratifies beyond budget year and economic and contingency retention stock.

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management**

**Inventory Status
(\$ in Millions)**

	FY 2011 Total	Mobilization	Operating	Other
1. Inventory Beginning of Period (BOP)	30,783.2	3,413.4	11,472.2	15,897.5
2. BOP Inventory Adjustments				
a. Reclassification	-	402.7	1,813.0	(2,215.7)
b. Price Change Amount	524.8	46.4	204.7	273.7
c. Adjusted Inventory BOP (1+2A+2B)	31,308.0	3,862.5	13,489.9	13,955.5
3. Receipts	5,745.5	127.3	5,618.2	-
4. Sales	8,422.2	-	8,422.2	-
5. Inventory Adjustments				
a. Capitalization	(857.5)	-	(802.5)	(55.0)
b. Returns from Customers	2,042.5	-	1,622.7	419.8
c. Returns from Customers w/o Credit	7,069.0	-	967.4	6,101.6
d. Returns to Suppliers	(102.8)	-	-	(102.8)
e. Transfers to DRMS	(4,549.8)	-	-	(4,549.8)
f. Issues/Receipts w/o Adjustments	(30.2)	-	-	(30.2)
g. Other	(2,323.7)	-	(822.3)	(1,501.4)
h. Total	1,247.5	-	965.3	282.2
6. Inventory End of Period (EOP)	29,878.8	3,989.8	11,651.2	14,237.7
7. Inventory EOP, Revalued (LAC Discounted)	26,978.6	3,027.7	10,730.3	13,220.6
a. Economic Retention (MEMO)	5,812.6	-	-	5,812.6
b. Contingency Retention (MEMO)	5,020.8	-	-	5,020.8
c. Potential Transfer to DRMS (MEMO)	2,387.2	-	-	2,387.2
8. On Order EOP at Cost	4,479.3	315.3	4,164.0	-
9. NARRATIVE:				

The Communications-Electronics LCMC, the Aviation and Missile LCMC, and the Soldier Support Team inventory is valued at Moving Average Cost (MAC). All other inventory is valued at Standard Price. Column "Other" includes inventory that stratifies beyond budget year and economic and contingency retention stock.

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management**

**War Reserve Materiel
(\$ in Millions)**

	FY 2009		
	Total	Protected	Other
1. Inventory Beginning of Period (BOP)	2,132.3	2,110.8	21.5
2. Price Change	(39.0)	(39.0)	0.0
3. Reclassification	(62.1)	(60.7)	(1.4)
4. Inventory Changes			
a. Receipts at Standard Price	908.4	904.8	3.6
(1) Purchases	908.4	904.8	3.6
(2) Returns from customers	0.0	0.0	0.0
b. Issues at Standard Price	0.0	0.0	0.0
(1) Sales	0.0	0.0	0.0
(2) Returns to Suppliers	0.0	0.0	0.0
(3) Disposals	0.0	0.0	0.0
c. Adjustments at Standard Price	(306.4)	(304.8)	(1.6)
(1) Capitalizations	7.4	7.4	0.0
(2) Gains and losses	(289.7)	(289.7)	0.0
(3) Other	(24.1)	(22.5)	(1.6)
5. Inventory End of Period (EOP)	2,633.2	2,611.1	22.1
6. Stockpile Costs			
a. Storage	11.4		
b. Manage	0.0		
c. Maintenance/Other	0.0		
Total	11.4		
7. WRM Budget Request			
a. Additional WRM	545.4		
b. Replenishment WRM	0.0		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
Total	545.4		

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management**

**War Reserve Materiel
(\$ in Millions)**

	FY 2010		
	Total	Protected	Other
1. Inventory Beginning of Period (BOP)	2,633.2	2,611.1	22.1
2. Price Change	31.3	31.3	0.0
3. Reclassification	551.7	551.7	0.0
4. Inventory Changes			
a. Receipts at Standard Price	197.2	90.8	106.4
(1) Purchases	197.2	90.8	106.4
(2) Returns from customers	0.0	0.0	0.0
b. Issues at Standard Price	0.0	0.0	0.0
(1) Sales	0.0	0.0	0.0
(2) Returns to Suppliers	0.0	0.0	0.0
(3) Disposals	0.0	0.0	0.0
c. Adjustments at Standard Price	0.0	0.0	0.0
(1) Capitalizations	0.0	0.0	0.0
(2) Gains and losses	0.0	0.0	0.0
(3) Other	0.0	0.0	0.0
5. Inventory End of Period (EOP)	3,413.4	3,284.9	128.5
6. Stockpile Costs			
a. Storage	0.0		
b. Manage	0.5		
c. Maintenance/Other	0.0		
Total	0.5		
7. WRM Budget Request			
a. Additional WRM	38.4		
b. Replenishment WRM	1.0		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
Total	39.4		

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management**

**War Reserve Materiel
(\$ in Millions)**

	FY 2011		
	Total	Protected	Other
1. Inventory Beginning of Period (BOP)	3,413.4	3,284.9	128.5
2. Price Change	46.4	46.3	0.1
3. Reclassification	402.7	402.7	0.0
4. Inventory Changes			
a. Receipts at Standard Price	127.3	125.1	2.2
(1) Purchases	127.3	125.1	2.2
(2) Returns from customers	0.0	0.0	0.0
b. Issues at Standard Price	0.0	0.0	0.0
(1) Sales	0.0	0.0	0.0
(2) Returns to Suppliers	0.0	0.0	0.0
(3) Disposals	0.0	0.0	0.0
c. Adjustments at Standard Price	0.0	0.0	0.0
(1) Capitalizations	0.0	0.0	0.0
(2) Gains and losses	0.0	0.0	0.0
(3) Other	0.0	0.0	0.0
5. Inventory End of Period (EOP)	3,989.8	3,859.0	130.8
6. Stockpile Costs			
a. Storage	0.0		
b. Manage	0.5		
c. Maintenance/Other	0.0		
Total	0.5		
7. WRM Budget Request			
a. Additional WRM	54.6		
b. Replenishment WRM	1.0		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
Total	55.6		

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management
Customer Price Change
(\$ in Millions)**

(\$ in Millions)	FY 2009	FY 2010	FY 2011
1. Total AMI Materiel Cost	10,371.7	8,732.2	7,407.2
2. Less LAC Materiel Inflation Adjustment	202.8	171.1	143.8
3. Revised Gross Sales at Cost	10,168.9	8,561.1	7,263.4
4. Cost Recovery in Dollars	1,132.2	1,044.8	1,097.1
5. Change to Customers			
a. Previous Year's Cost Recovery Rate	13.0%	11.8%	12.0%
b. This year's Cost Recovery Dollars plus Inflation adjustment divided by Revised Gross Sales at Cost	13.8%	14.2%	17.1%
c. Percent Change to Customer	0.7%	2.1%	4.5%

**EXHIBIT SM 5b
CUSTOMER PRICE CHANGE**

Industrial Operations

Introduction

The Industrial Operations activity group is comprised of thirteen government-owned and operated installation activities, each with unique core competencies. Industrial Operations promotes business-like behavior by relying on revenue instead of direct appropriations to finance continuing operations. Customers purchase services from Industrial Operations activities. These services include, but are not limited to repairing and upgrading equipment, producing weapons and munitions, and storing and demilitarizing materiel. The goal for the Industrial Operations activity is to generate enough revenue to recover the full cost of operations while breaking even over the long term.

The key financial measures for Industrial Operations are the net operating result (NOR) and accumulated operating results (AOR). The NOR measures the activity's gain or loss within a single fiscal year, monitoring how well the activity performs compared to its budget. The AOR measures the activity's accumulated gains and losses since inception. Rates are set to break even by bringing the AOR to zero over the budget cycle. This strategy returns accumulated gains through reduced rates and recovers accumulated losses through increased rates.

Mission:

- ***Provide an organic industrial capability to conduct depot level repair and upgrade***
- ***Produce munitions and large caliber weapons***
- ***Store, maintain, and demilitarize materiel for the Department of Defense***

The Industrial Operations activity relies heavily on customers funded by direct appropriations to support its operations. The rates are set to:

- Recover the activity's costs such as payroll, supplies, contracts, equipment, inventory, depreciation, and maintenance
- Maintain a sufficient cash corpus to cover seven to ten days of operating disbursements and six months of capital disbursements
- Break even over the long run

Rates and other budget assumptions are synchronized with the appropriated funding levels of Army customers. Reductions to the customers' appropriated funding requests not only impact the business by adversely affecting work loading decisions and projected staffing levels, but also affect Army and other customers' equipment readiness.





Functional Description

The Army Working Capital Fund Industrial Operations activity group includes five depots, three arsenals, two munitions production facilities, and three storage sites. This activity group performs the following mission functions:

- Provides depot level maintenance, repair, and modernization of weapon systems and component parts
- Manufactures, renovates, and demilitarizes materiel
- Produces munitions and large caliber weapons
- Performs a full range of ammunition maintenance services for DOD and U.S. allies
- Performs ammunition receipt, storage, and issue functions

In addition to the mission functions, eight of the thirteen activity groups provide installation base support for both internal operations and tenant activities. Corpus Christi Army Depot and Crane Army Ammunition Activity are tenants on Navy installations. Rock Island Arsenal receives installation base support from the Army Installation Management Command. The Army's intent is to have the Army Installation Management Command provide installation base support for all of the Industrial Operations sites.

Industrial Operations activities collaborate with the private sector using formal Public-Private Partnership agreements to perform work or utilize facilities and equipment. Under authority granted by Title 10, United States Code, § 2474, these partnerships create opportunities for both the public and private sectors by capitalizing on each other's strengths and efficiencies. The benefits to the Army and its customers include: leveraging capacity; sustaining core maintenance capabilities; sharing of overhead costs; and enhancing technical expertise in the workforce. The benefits to private industry include: access to specialized facilities, equipment and processes; stimulating local economies; and expertise in new emerging technologies. Current partnership agreements include:



Anniston Army Depot employee strips down an M818 five-ton at Camp Arifjan, Kuwait



The Boeing Company; General Dynamics Land Systems; Sikorsky Aircraft Corporation; and Honeywell International.

The five “hard-iron” maintenance depots (Anniston, Corpus Christi, Letterkenny, Red River, and Tobyhanna), Pine Bluff Arsenal, and Sierra Army Depot are designated as Centers of Industrial and Technical Excellence (CITE) for the performance of core maintenance workload in support of DOD and foreign allies. The CITE designation provides authority under Title 10, United States Code, § 2474 to partner with and lease facilities to industry on programs relating to core maintenance and technical expertise.

In FY 2009, Red River Army Depot received a bronze Shingo Award for excellence in manufacturing of the Up-Armored High Mobility Multi-Wheeled Vehicle Egress



Up-Armored High Mobility Multi-Wheeled
Vehicle Egress Assistance Trainer

Assistance Trainer (UAH/HEAT). This device trains Soldiers how to quickly exit an upended vehicle. UAH/HEAT production increased 736 percent from FY 2006 to FY 2008 and average defects per item were reduced by 44 percent. The Bronze Medallion is awarded to organizations that exhibit excellence in manufacturing by using a tool-based approach. Established in 1988, the Shingo Prize is administered by Utah State University and is referred to as the “Nobel Prize for manufacturing” by *BusinessWeek* magazine (May 15, 2000).

These awards recognize industry leaders who promote world-class business and manufacturing processes that enable on-time delivery and customer satisfaction.

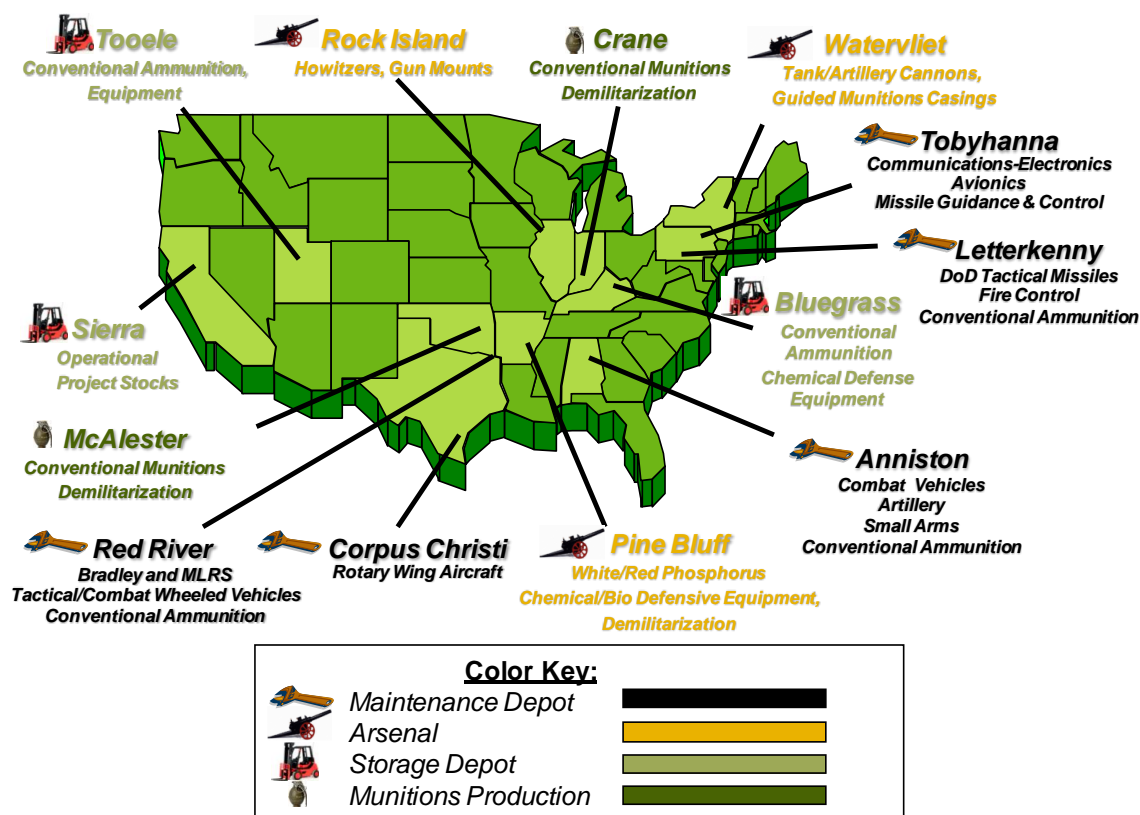
On-site examiners conducted Shingo Prize evaluations and scored the following areas:

- Cost improvement
- Partnering practices with suppliers and customers
- Quality and results
- Innovation and development
- Environmental practices
- Vision and strategy
- Leadership
- Empowerment
- Consistent improvement in each of these areas



Activity Group Composition

Figure IO-1 Industrial Operations Activity Group Composition



The U.S. Army Materiel Command (AMC) is headquartered at Ft. Belvoir, Virginia and accomplishes its mission through 10 Major Subordinate Commands (MSCs) that direct the activities of depots, arsenals, ammunition plants, laboratories, test activities and procurement operations. The Industrial Operation installations or activities fall under the direct command and control of the Life Cycle Management Commands, each aligned in accordance with the nature of its mission. AMC Headquarters will relocate to Redstone Arsenal in Huntsville, Alabama in FY 2011 under Base Realignment and Closure Act 2005. Following are the Industrial Operations installations and their major core mission functions.



Anniston Army Depot (ANAD)

Location: Anniston, Alabama

2009 Workforce: 4,358

Description: A vital part of the community since opening in 1942, the depot's annual economic impact is estimated to be about \$1.1 billion and indirectly supports over 18,000 jobs in the Anniston area. It is the only Army depot capable of performing maintenance on both heavy and light-tracked combat vehicles, and their components. The depot is designated as the Center of Industrial and Technical Excellence for the M1 Abrams Tank and is the primary depot for the repair of the Armored Vehicle Launched Bridge, and the M728 and M88 combat vehicles. ANAD also has responsibility for the overhaul of the M113 Family of Vehicles, Stryker, M9 Armored Combat Earthmover, small arms, and the towed and self-propelled artillery. The depot performs maintenance on individual and crew-served weapons as well as land combat missiles and small arms, and is actively engaged in the Reset of equipment returning from operations in Iraq and Afghanistan. The depot currently stores a portion of the Nation's chemical munitions stockpile until the stockpile is demilitarized. ANAD also provides installation support to attached organizations and assigned operating facilities.

Blue Grass Army Depot (BGAD)

Location: Richmond, Kentucky

2009 Workforce: 1,098

Description: BGAD is a Strategic Mobility Power Projection ammunition depot with the mission to receive, store, issue, renovate, modify, maintain, and demilitarize conventional munitions for all DOD services. Blue Grass stores and manages all Army Special Operations Forces ammunition. The depot is DOD's primary center for surveillance, receipt, storage, issue, testing, and minor repair of Individual Protection Chemical Defense Equipment. Additionally, BGAD maintains an Industrial Services capability providing receipt, storage, cutting, and fabrication of raw materials and metal parts for high visibility programs such as the Mine Resistant Ambush Protected family of vehicles. Anniston Munitions Center, located at Anniston Army Depot, is under the command and control of BGAD and serves as a multifunctional production facility; primary missile storage and maintenance depot; and as a storage and demilitarization depot for other conventional ammunition items. BGAD also provides installation support to attached organizations and assigned operating facilities.



Crane Army Ammunition Activity (CAAA)

Location: Crane, Indiana

2009 Workforce: 929

Description: CAAA a Tier I ammunition storage site which stores war reserve ammunition. Tier I facilities store ammunition for the first 30 days of war reserve and for training. CAAA's mission is to produce and renovate conventional ammunition and ammunition-related components. This includes manufacturing, engineering, and product assurance in support of production. Other functions are storing, shipping, demilitarizing, and disposing of conventional ammunition and related items. CAAA's diverse manufacturing capabilities allow for the production of detonators weighing only 20 grams to 40,000-pound cast shock test charges. CAAA has extensive renovation and maintenance capabilities for conventional munitions and is the recognized center of technical excellence for the production of pyrotechnic devices including signal smoke, illuminating and infrared flares, and distress signals. Letterkenny Munitions Center (LEMC), located at Letterkenny Army Depot, is under the command and control of CAAA. LEMC stores, maintains, distributes, and demilitarizes conventional ammunition. Iowa, Mississippi, and Milan (Tennessee) Army Ammunition Plants are also under the command and control of CAAA.

Corpus Christi Army Depot (CCAD)

Location: Corpus Christi, Texas

2009 Workforce: 3,905

Description: The CCAD mission is to overhaul, repair, modify, retrofit, test and modernize helicopters and associated components for government agencies and U.S. allies. CCAD serves as the depot training base for active duty Army, National Guard, Reserve, and foreign military personnel. CCAD provides worldwide on-site maintenance services, aircraft crash analysis, lubricating oil analysis, and chemical, metallurgical, and training support services to customers. Designated as the Center of Industrial and Technical Excellence for rotary wing aircraft, CCAD supports the Apache, Blackhawk, Apache, Chinook, Cobra, Kiowa, Iroquois, Pave Hawk, and Seahawk helicopters. CCAD is also actively engaged in the Reset of equipment returning from operations in Iraq and Afghanistan.



Letterkenny Army Depot (LEAD)

Location: Chambersburg, Pennsylvania

2009 Workforce: 1,674

Description: LEAD performs maintenance, modification, storage, and demilitarization operations on tactical missiles and ammunition. It has unique tactical missile repair capabilities supporting a variety of DOD missile systems including the Patriot and its ground support and radar equipment. Letterkenny Army Depot (LEAD) is the designated Center of Industrial and Technical Excellence for air defense and tactical missile ground support equipment. In addition, it supports repair and maintenance programs on a multitude of generators and the Army's Recapitalization (RECAP) program for the High Mobility Multipurpose Wheeled Vehicle (HMMWV) family. LEAD is rebuilding HMMWVs that are returning from Southwest Asia and modifying them to support add-on armor. LEAD also provides installation support to attached organizations and assigned operating facilities.

McAlester Army Ammunition Plant (MCAAP)

Location: McAlester, Oklahoma

2009 Workforce: 1,767

Description: MCAAP produces and renovates conventional ammunition, bombs, warheads, rockets, missiles, and ammunition-related components; performs engineering and product assurance in support of production; and receives, stores, ships, demilitarizes, and disposes of conventional and missile ammunition and related items. It serves both as a Tier I munitions storage and maintenance depot, as well as a production facility. Tier I ammunition facilities store ammunition for the first 30 days of war reserve and for training. The Red River Munitions Center (RRMC), located at Red River Army Depot, is under the command and control of MCAAP. RRMC stores, maintains, and distributes conventional ammunition. MCAAP also provides installation support to attached organizations and assigned operating facilities.

Pine Bluff Arsenal (PBA)

Location: Pine Bluff, Arkansas

2009 Workforce: 1,050

Description: With a local economic impact exceeding \$160 million annually, Pine Bluff Arsenal produces, renovates, and stores more than 60 different conventional ammunition products ranging in caliber from 40 mm to 175 mm. Specialties include production of munitions containing payloads for smoke, non-lethal, riot control, incendiary, illumination, and infrared uses. Designated the Center of Industrial and Technical Excellence for Chemical and Biological



Defense Equipment, Pine Bluff Arsenal (PBA) is a leader in the field of protective mask fabrication, repair, and recertification, and represents the Army's sole facility for the repair and rebuild of a series of masks and breathing apparatus. It provides maintenance, upgrade, storage, and mission support for various mobile and powered Soldier support systems. PBA has strengthened business initiatives by forming Public-Private Partnerships with the Domestic Preparedness Equipment Technical Assistance Program (for the Department of Homeland Security). Pine Bluff Arsenal also provides installation support to attached organizations and assigned operating facilities.

Rock Island Arsenal-Joint Manufacturing and Technology Center (RIA-JMTC)

Location: Rock Island, Illinois

2009 Workforce: 1,714

Description: RIA-JMTC manufactures weapons, weapon components, and mobile maintenance systems. Specially trained machinists fabricate prototypes in the fully equipped prototype shop and the manufacturing complex is capable of limited initial production, to include spare and repair parts. RIA-JMTC is currently producing the M119A2 Howitzer, Forward Repair System, Shop Equipment Contact Maintenance, as well as manufacturing artillery, gun mounts, recoil mechanisms, small arms, aircraft weapon sub-systems, and weapons simulators. In addition, it produces a host of spare and repair parts and demilitarizes containers.

Red River Army Depot (RRAD)

Location: Texarkana, Texas

2009 Workforce: 3,682

Description: RRAD's mission is to conduct ground combat, air defense and tactical systems maintenance, missile certification, and related support services worldwide for the Army, DOD components, and allied nations. Systems supported include the Bradley Fighting Vehicle System (BFVS), Multiple Launch Rocket System (MLRS), Small Emplacement Excavator (SEE), five-ton dump truck, Heavy Expanded Mobility Tactical Truck, 25-ton crane, track and road wheels, High Mobility Multipurpose Wheeled Vehicle (HMMWV), M800 and M900 series trucks, and various configurations of trailers. In addition, it has been named as the depot source of repair for the Mine Resistant Ambush Protected (MRAP) vehicle. RRAD is designated as the Center of Industrial and Technical Excellence for tactical and wheeled vehicles, BFVS, MLRS Chassis, SEE, and rubber products necessary for depot maintenance missions. RRAD continuously restructures its facility to maximize both production capacity and flexibility to assume new programs. The depot has accommodated surge levels for repair



and recapitalization of light and heavy tracked vehicles, road wheel and track, electronic systems, missile systems, towed and self-propelled artillery, tactical and wheeled vehicles, and support equipment. Red River Army Depot also provides installation support to attached organizations and assigned operating facilities.

Sierra Army Depot (SIAD)

Location: Herlong, California

2009 Workforce: 858

Description: SIAD provides a complete range of logistics support, as the Center of Industrial and Technical Excellence for Reverse Osmosis Water Purification Units as well as Operational Project Stocks, including receipt, storage, repair, shipping, maintenance, containerization and fabrication of assets. SIAD supports critical Operational Project Systems including Deployable Medical Systems, Petroleum and Water Systems, strategic configured loads and Force Provider. SIAD is the redistribution point for containers of secondary items returning from Southwest Asia. It also provides installation support to attached organizations and assigned operating facilities.

Tooele Army Depot (TEAD)

Location: Tooele, Utah

2009 Workforce: 492

Description: TEAD serves as a life cycle engineering installation for the design, development, manufacturing and fielding of munitions systems and ammunition peculiar equipment throughout the world. As a Tier I ammunition depot, TEAD receives, stores, issues, renovates, modifies, maintains, and destroys conventional munitions for all of DOD. TEAD provides America's joint fighting forces with munitions and Ammunition Peculiar Equipment in support of military missions before, during, and after any contingency. It also provides installation support to attached organizations and assigned operating facilities.

Tobyhanna Army Depot (TYAD)

Location: Tobyhanna, Pennsylvania

2009 Workforce: 4,228

Description: TYAD is a full-service repair, overhaul, and fabrication facility for communications-electronics systems, equipment, and select missile guidance systems and it provides for the maintenance, issue, and disposal of assigned commodities of DOD and other customers. It is designated as the Center of Industrial and Technical Excellence for Command, Control, Communications,



Computers, Intelligence, Surveillance and Reconnaissance (C4ISR), electronics, avionics, and missile guidance and control. Tobyhanna Army Depot (TYAD) is the Air Force Technology Repair Center for radio and satellite communication equipment, computers, air traffic control, surveillance, and range threat systems. TYAD is also actively engaged in the Reset of equipment returning from operations in Iraq and Afghanistan. It provides installation support to attached organizations and assigned operating facilities.

Watervliet Arsenal (WVA)

Location: Watervliet, New York

2009 Workforce: 625

Description: WVA produces armaments, mortars, recoilless rifles, howitzers and is recognized as the premier cannon-maker for the Army. This includes all life cycle support elements from research and development through prototype, manufacturing, testing support, legacy system support, and technical expertise. The guns manufactured at WVA provide the firepower for the Army's main battlefield tank, the M1A1 Abrams. WVA also provides installation support to attached organizations and assigned operating facilities.

Budget Highlights

Assumptions

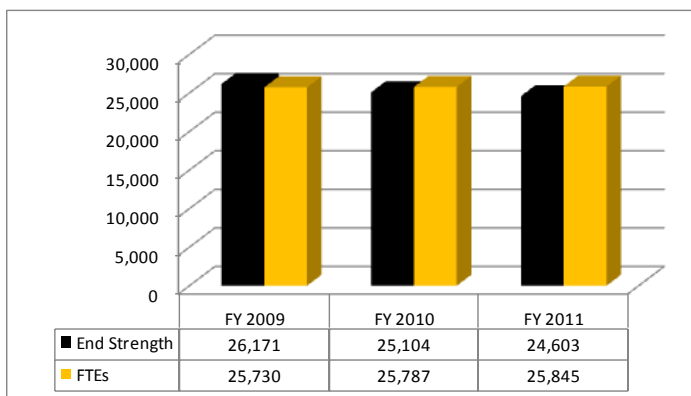
This submission reflects a business plan that supports equipment readiness requirements associated with heightened global commitments and operating tempo (OPTEMPO). Reset workload assumptions are built into the budget estimate in order to properly size the workforce and to define facility and material requirements. The projected Reset new orders for FY 2011 are 73 percent of the FY 2009 levels. Other assumptions reflected in this budget support baseline requirements and the Army's recapitalization (RECAP) program. The Industrial Operations installations continue to operate at historically high levels of production in order to accommodate rapidly changing warfighter needs and remain poised to increase throughput to meet our customers changing demands. This submission reflects continued use of contract and temporary labor, as well as the use of overtime to accomplish the workload.



Personnel

Civilian end-strength and full time equivalents (FTEs) support workload production estimates in this budget. The civilian workforce is decreasing slightly over the budget years based on workload estimates. The Industrial Operations installations are still pursuing workforce revitalization initiatives through local co-ops with colleges and trade schools.

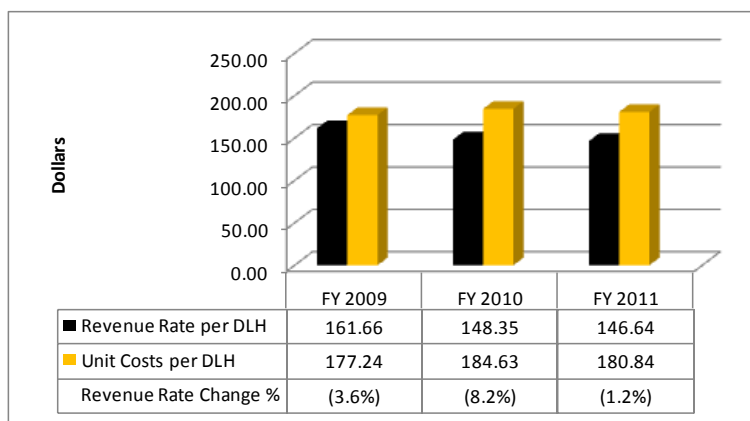
Chart IO-1 Civilian Personnel



Several installations have instituted the Student Career Experience Program. The Student Career Experience Program (SCEP) is a three-tiered co-op program beginning with junior and senior high school students, which typically results in a job as part of the permanent workforce; there are more than 300 students enrolled in the SCEP from both technical and four-year colleges. Various intern and apprentice programs are also ongoing. Due to the specialized nature of the work, skill level requirements and training can take upward of two to three years before an employee is considered a journeyman, able to perform specific tasks without supervision. In addition to civilian personnel, the Industrial Operations activities employ a total of 25 military personnel.

Direct Labor Hour Rate

Chart IO-2 Direct Labor Hour Rate



The composite rate is an aggregate hourly rate as of a point in time for stabilized workload. It is comprised of direct labor and material costs, overhead costs (mission indirect and non-mission indirect costs) and accumulated operating results adjustments that are designed to return gains or recover losses.

The composite rate is influenced by several factors: 1) commodity mix of the workload planned (labor intensive, material intensive or both); 2) the amount of gains to be returned or losses to be recovered over the budgeted years; 3) the amount of stabilized direct labor hours available to return gains or recover losses; 4) the number of total direct labor hours available to distribute overhead cost



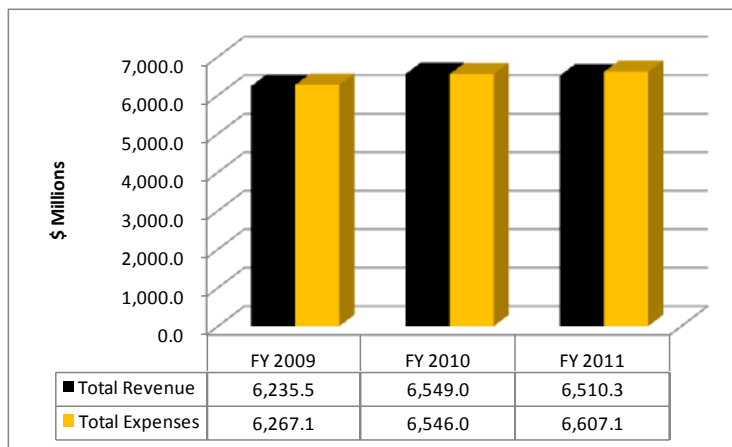
(stabilized and non-stabilized workload). A change to the revenue rate directly affects the total revenue and new order value for the budget year. The revenue rate remains relatively stable from FY 2010 to FY 2011 due to a partial return of prior year accumulated operating results (AOR) gains.

Revenue and Expenses

The Industrial Operations revenue amount represents earnings from various customer appropriations.

Total expenses include material, labor, storage, and other direct or indirect costs associated with the products or services being provided. FY 2011 expenses increase even though revenue decreases due to the return of AOR to the customer. Revenue and expenses are displayed on Exhibit Fund 14, Revenue and Expenses.

Chart IO-3 Revenue and Expenses



Operating Result

The net operating result (NOR) represents the difference between revenue and expenses within a fiscal year. The AOR represents the summation of all NOR since activity group inception along with any prior period adjustments. AOR at the end of FY 2009 was \$426.7 million and Industrial Operations set rates to return \$96.7 million of this AOR in FY 2011. This budget intends to retain a total of \$369.0 million of positive AOR to offset prior year cash transfers. In the next budget cycle, Industrial Operations will reevaluate its revised AOR projections, cash position, and impact on FY 2012 rates in determining the amount of AOR to retain. The NOR, retained earnings, and AOR are displayed on Exhibit Fund 14, Revenue and Expenses.

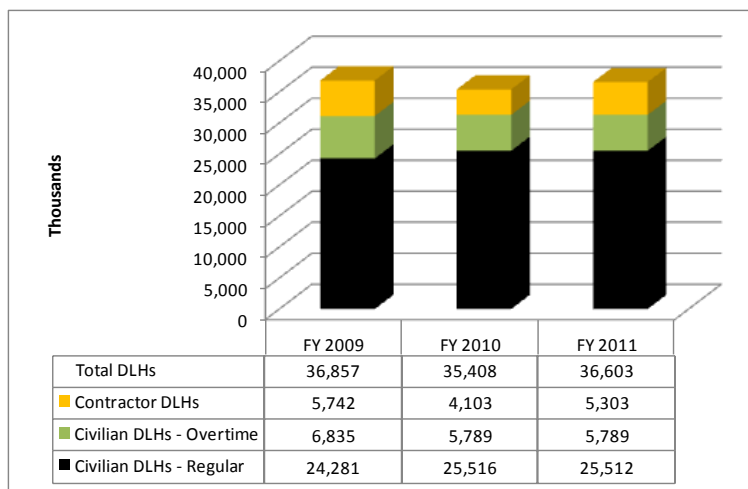
Table IO-1 Operating Results

(\$ Millions)	FY 2009	FY 2010	FY 2011
Net Operating Result	(31.6)	3.0	(96.7)
Retained Earnings	0.0	(114.4)	(254.6)
Accumulated Operating Results	462.7	351.3	0.0



Direct Labor Hour (DLH)

Chart IO-4 Direct Labor Hours



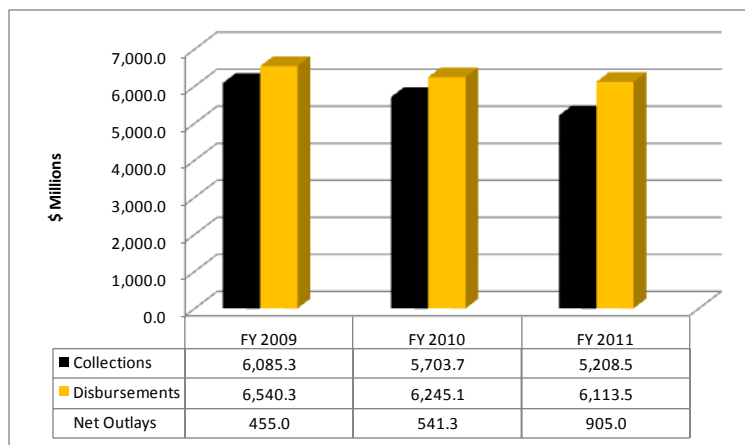
Total direct labor hours (DLHs) represent the total number of hours required to complete the Industrial Operations direct mission workload. FY 2011 total DLHs increase slightly from the FY 2010 levels but remain in proportion with anticipated workload completions. Industrial Operations activities are prepared to increase overtime and contractor field team DLHs to

augment the regular hours performed by the civilian workforce should requirements for additional work occur in the year of execution.

Cash Management

Chart IO-5 Cash Management

Cash is managed at the corporate level. Collections are projected based on revenue and changes in accounts receivable. Disbursements are projected based on monthly operating expenses, changes in accounts payable, and Capital Investment Program obligations.



New Orders

Industrial Operations expects the same volume of work in FY 2011 as in FY 2010. This budget estimate includes workload associated with base program requirements and the anticipated Reset workload funded in the Overseas Contingency Operations request. The Reset program ensures Army equipment is restored to a level of combat capability commensurate with a unit's future mission. The Reset program must continue throughout the current conflict and an additional three years afterward. Industrial Operations installations adjust workload projections based on discussions and delivery schedule requirements provided by their customers. New order



estimates are displayed in table IO-2. Exhibit Fund 11, Source of New Orders and Revenue, displays total new order estimates by fund category.

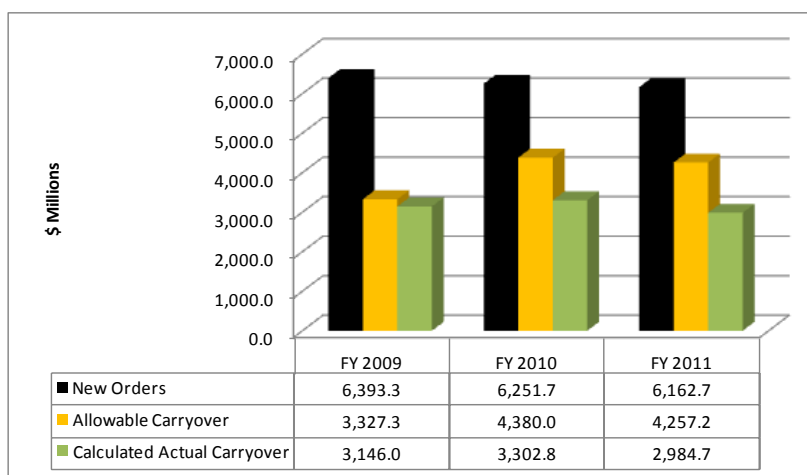
Table IO-2 New Orders

(\$ Millions)	FY 2009	FY 2010	FY 2011
IO New Order Estimates for Reset	2,598.8	1,976.9	1,884.7
Total IO New Order Estimates	6,393.3	6,251.7	6,162.7

Carryover

Carryover, or unfilled orders, is the dollar value of work that has been ordered and funded by customers but not completed by the industrial activities by the end of the fiscal year. Carryover leads to better planning, better decision making, and

Chart IO-6 New Orders and Carryover



cost efficiencies. It also prevents production line stoppages and ensures the activities have funded work to provide a smooth transition between fiscal years. The amounts depicted in the allowable carryover display exclude estimates for:

- Aviation crash and battle damaged aircraft
- 4th quarter non-Army customer orders
- Public-Private Partnership between Anniston Army Depot and General Dynamics for M1 tanks

The allowable carryover calculation includes the second year procurement outlay rate for Ordnance installations. This aligns with expected completion rates by recognizing that multiyear appropriations often fund manufacturing or recapitalization of equipment requiring longer lead times and higher standards of repair.⁷ Based on new order projections and estimated workload completions, the FY 2011 budgeted carryover amount is below the allowable carryover amount as displayed on exhibit Fund 11a, Carryover Reconciliation.

⁷ GAO Draft Report, *Army Working Capital Fund: Actions Needed to Improve Budgeting for Carryover at Army Ordnance Activities*, GAO-09-415, April 2009.



Performance Measurements

Performance measurements and goals for the Industrial Operations activity group include the Net Operating Result, Accumulated Operating Results (AOR), and the Productive Yield. The FY 2009 actual results and the projections for FY 2010 and FY 2011 are shown on table IO-3.

Table IO-3 Performance Measurements

Measurements/Goal	FY 2009	FY 2010	FY 2011
Net Operating Result (\$M)	(31.6)	3.0	(96.7)
Accumulated Operating Results (\$M)	462.7	351.3	0.0
Productive Yield (Goal 1,615)	1,603	1,617	1,616

The customer rates in this budget return prior year gains, and also preserve AOR to lessen the impacts to the cash position and future rates. Productive Yield represents the average number of regular direct labor hours for each full time equivalent position involved in production and is an indicator of whether direct labor employees can support projected workload. The goal is 1,615 productive labor hours per employee. In this submission, the Industrial Operations activity projections meet the goal for FY 2011.



Mine Resistant Ambush Protected vehicle with Overhead Wire Mitigation Kits produced at Blue Grass Army Depot

Business Process Improvements



Rock Island Arsenal employees inspect an M119 Howitzer

Industrial Operations is entering the sixth year of Lean Six Sigma implementation. Lean Six Sigma is a philosophy used in manufacturing that seeks to streamline processes while reducing variations in the production process. Business process improvement efforts use commercial best practices to reduce costs, optimize production capability, and improve quality in support of customer requirements. The customer ultimately garners the benefits of these efficiencies through reduced turn-around times, decreased material and labor costs, and increased throughput. In FY 2009, the Army

Materiel Command reported \$39.5 million in net cost savings and \$119.7 million in net cost avoidance from the application of Lean Six Sigma. Industrial Operations has



achieved efficiencies in its major production lines and is now primarily focused on other smaller production lines and logistical support areas.

Successful 2009 lean events resulting in increased throughput and reduced turn-around times:

- Letterkenny Army Depot reduced the time allotted for a HMMWV Recapitalization by 10 percent, increasing production from 18 to 20 per day
- Tobyhanna Army Depot reduced repair cycle time for the AN/TYQ-23 Tactical Air Operations Module by 33 percent
- Tobyhanna Army Depot reduced direct labor hours for the Battery Assembly used in the AN/APX-118 and AN/APX-123 Identification Friend or Foe Digital Transponders by 55 percent
- Anniston Army Depot decreased the manual cycle time by 67 percent for the mixed model vehicle disassembly line, increasing cycle efficiency from 38 percent to 90 percent
- Red River Army Depot's In Line Transmission production line decreased man hours from 75.4 in FY 2006 to 39.8 man hours per unit in FY 2009, a 47 percent improvement

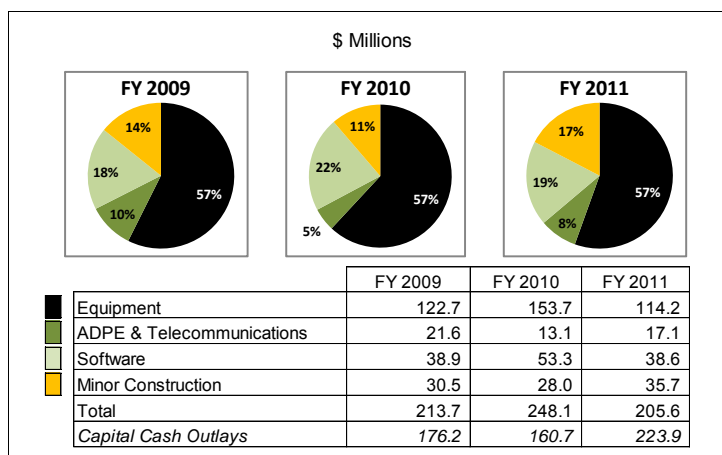
Appropriations

The Industrial Operations activity group expects to receive an \$8.8 million appropriation for fuel price increases in FY 2010 as displayed under revenue on Exhibit Fund 14, Revenue and Expenses.⁸

Capital Budget

Chart IO-7 Capital Budget

The AWCF capitalizes and depreciates any item with an acquisition cost equal to or greater than \$250,000 (\$100,000 for Military Construction) and having a useful life of two years or more. The categories in the Capital Investment Program include: Equipment; Automated Data Processing Equipment (ADPE) and



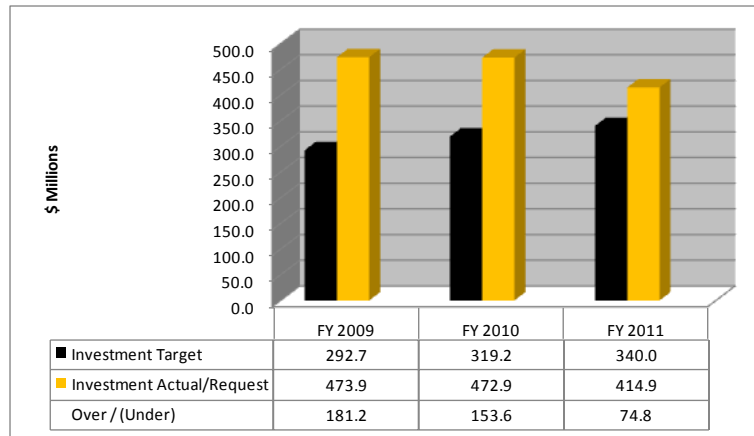
⁸ The FY 2010 prices for fuel are calculated using the current fuel composite rate of \$118.02 per barrel versus the FY 2010 President's Budget rate of \$89.46. This results in a projected revenue shortfall of \$11.524 million for Army. The FY 2010 supplemental request covers \$8.792 million and the remaining \$2.732 million will be recorded as a loss.



Telecommunications; Software; and Minor Construction. A detailed listing of all approved and requested capital projects are provided in the capital budget section of this submission along with supporting justification.

Minimum Capital Investment for Certain Depots and Arsenals

Chart IO-8 Minimum Capital Investment



The National Defense Authorization Act for FY 2007 requires the five Army maintenance depots (Anniston, Red River, Letterkenny, Tobyhanna, and Corpus Christi) to invest in their infrastructure, a minimum of six percent starting in FY 2009. The National Defense Authorization Act

for FY 2009 added the three arsenals (Rock Island, Pine Bluff, and Watervliet) to this requirement. Budgeted amounts include capital investments as well as purchases of non-capital equipment, maintenance and repair of facilities, equipment paid for by other appropriations, productivity investments, and Military Construction projects. Total Army investment meets the six percent minimum requirement. Exhibit Fund 6, Minimum Capital Investment for Certain Depots and Arsenals, displays a detailed breakout by investment category.



**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Revenue and Expenses
(\$ in Millions)**

	FY 2009	FY 2010	FY 2011
Revenue			
Gross Sales:	6,228.9	6,534.1	6,504.6
Operations	6,182.0	6,468.2	6,429.4
Surcharges			
Depreciation	46.9	65.9	75.1
Direct Appropriation Fuel Supplemental		8.8	
Other Income (DWCF IMC)			
Other Income (Unfunded Depreciation)	6.6	6.1	5.8
Total Income:	6,235.5	6,549.0	6,510.3
Expenses			
Salaries and Wages:	2,201.8	2,195.4	2,150.2
Military Personnel Compensation & Benefits	2.8	3.1	3.2
Civilian Personnel Compensation & Benefits	2,199.0	2,192.3	2,147.0
Travel & Transportation of Personnel	47.2	47.0	44.2
Materials & Supplies (For Internal Operations)	2,150.2	2,553.4	2,746.9
Equipment	116.3	119.2	115.3
Other Purchases from Revolving Funds	283.4	293.0	371.8
Transportation of Things	17.3	13.0	13.2
Depreciation - Capital	53.5	72.0	80.9
Printing and Reproduction	2.4	1.9	1.9
Advisory and Assistance Services	161.6	136.9	134.2
Rent, Communication, Utilities, & Misc. Charges	95.6	98.8	101.5
Other Purchased Services	1,138.0	1,015.4	847.0
Total Expenses:	6,267.1	6,546.0	6,607.1
Revenue less costs incurred before extraordinary items	(31.6)	3.0	(96.7)
Net Operating Result	(31.6)	3.0	(96.7)
Recoverable AOR			
a. AOR Beginning of Year (Unadjusted)	481.5	462.7	351.3
b. +/- Prior Year Adjustments	12.8		
c. Equals AOR BOY (Adjusted)	494.3	462.7	351.3
d. +/- Net Operating Results	(31.6)	3.0	(96.7)
e. - Non-recoverable Amount (current year only)			
f. - Retained Earnings		(114.4)	(254.6)
g. Equals Recoverable AOR EOP	462.7	351.3	0.0

**EXHIBIT FUND 14
REVENUE AND EXPENSES**

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Source of New Orders and Revenue
(\$ in Millions)**

	FY 2009	FY 2010	FY 2011
1. New Orders			
a. Orders from DoD Components:			
Department of Army			
Operations & Maintenance, Army	2,519.1	2,517.2	2,386.8
Operations & Maintenance, ARNG	47.7	95.1	90.0
Operations & Maintenance, AR	63.3	73.6	66.5
Subtotal, O&M:	2,630.2	2,685.9	2,543.4
Aircraft Procurement	126.9	112.3	158.5
Missile Procurement	25.2	6.7	5.4
Weapons & Tracked Combat Vehicles	199.9	218.4	298.0
Procurement of Ammunition	147.1	100.6	92.3
Other Procurement	936.3	725.2	579.0
Subtotal, Procurement:	1,435.3	1,163.1	1,133.3
RDTE	26.9	17.6	13.5
BRAC	1.9	1.5	2.6
Family Housing	1.9	1.6	1.6
Military Construction	0.1	-	-
Chem Agents & Munitions Dest, Army	18.3	36.3	39.1
Other	3.4	0.0	0.0
Subtotal, Other Army:	52.4	56.9	56.8
Subtotal, Department of Army:	4,117.9	3,906.0	3,733.5
Department of Air Force O&M	134.7	94.4	67.8
Department of Air Force Investment	47.1	21.4	48.9
Department of Navy O&M	27.2	8.5	7.3
Department of Navy Investment	26.0	51.0	72.2
US Marines O&M	115.3	198.9	164.7
US Marines Investment	34.2	27.7	28.5
Department of Defense O&M	1.6	0.1	0.1
Department of Defense Investment	-	-	-
Subtotal, Other DoD Services:	386.0	401.8	389.6
Other DoD Agencies	73.4	39.4	37.3
Subtotal, DoD Agencies:	73.4	39.4	37.3

Note: New Orders include estimates for Reset Workload - FY09 \$2,598.8, FY10 \$1,976.9, FY11 \$1,884.7

**EXHIBIT FUND 11
SOURCE OF NEW ORDERS AND REVENUE**

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Source of New Orders and Revenue
(\$ in Millions)**

	FY 2009	FY 2010	FY 2011
b. DWCF:			
Industrial Operations, Army	45.3	37.4	114.2
Supply Management, Army	1,353.0	1,443.3	1,428.2
Supply Management, Air Force	51.5	58.5	58.7
Supply Management, Navy	49.8	63.0	55.9
Supply Management, Marine Corps	1.4	0.1	0.1
DECA	0.1	0.1	0.1
DFAS	0.3	0.4	0.1
DISA	3.1	2.2	2.1
DLA	25.6	35.4	33.9
TRANSCOM	-	-	-
Other	13.0	4.5	4.8
Subtotal, DWCF:	1,543.2	1,644.9	1,698.2
c. Total DoD	6,120.5	5,992.1	5,858.5
d. Other Orders:			
Other Federal Agencies	19.8	11.3	48.5
Foreign Military Sales	134.1	108.7	117.0
Trust Fund	-	-	-
Nonappropriated	7.2	7.3	6.7
Non-Federal Agencies	111.6	132.3	132.0
Subtotal, Other Orders:	272.7	259.6	304.3
Total New Orders:	6,393.3	6,251.7	6,162.7
2. Carry-in Orders	3,755.1	3,919.4	3,637.0
3. Total Gross Orders	10,148.4	10,171.2	9,799.8
4. Revenue (-)	6,228.9	6,534.1	6,504.6
5. End of Year Work-inProcess (-)	-	-	-
6. FMS, BRAC, Other Federal, and Non-Federal orders (-)	296.4	159.4	141.4
Crash Damage	90.2	80.0	80.0
4th Quarter Other Service Workload	61.5	61.5	61.5
Public Private Partnership	325.3	33.3	27.6
Other	-	-	-
7. Calculated Actual Carryover	3,146.0	3,302.8	2,984.7
8. Allowable Carry-over	3,327.3	4,380.0	4,257.2
9. Over/Under Allowable Carry-over	(181.3)	(1,077.2)	(1,272.5)
Memo:			
Depots-Allowable Carry-over	2,661.8	3,504.0	3,405.8
Over/(Under) Allowable Carry-over	(145.0)	(861.8)	(1,018.0)
Ordnance-Allowable Carry-over	665.5	876.0	851.4
Over/(Under) Allowable Carry-over	(36.3)	(215.4)	(254.5)

**EXHIBIT FUND 11
SOURCE OF NEW ORDERS AND REVENUE**

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Carryover Reconciliation
(\$ in Millions)**

	FY 2009	FY 2010	FY 2011
1. Net Carry-In	3,755.1	3,919.4	3,637.0
2. Revenue	6,228.9	6,534.1	6,504.6
3. New Orders	6,393.3	6,251.7	6,162.7
4. Exclusions:			
FMS	134.1	108.7	117.0
BRAC	1.9	1.5	2.6
Other Federal Depts & Agencies	19.8	11.3	48.5
Non-Federal and Others	118.8	139.6	138.8
Crash Damage	79.2	80.0	80.0
4th Quarter Other Service Workload	65.0	65.0	65.0
Public Private Partnerships	275.7	55.4	35.5
Other			
5. Orders for Carryover Calculation	5,698.9	5,790.2	5,675.3
6. Weighted Composite Outlay Rate	47%	30%	29%
7. Carryover Rate	53%	70%	71%
8. 2nd Year Procurement Outlay Rates			
A. Aircraft Procurement	61%	58%	58%
B. Missile Procurement	56%	50%	50%
C. Weapons & Tracked Combat Vehicles	53%	42%	42%
D. Procurement of Ammunition	60%	54%	54%
E. Other Procurement	64%	57%	57%
F. Airforce Investment	55%	55%	55%
G. Navy Investment	51%	48%	48%
H. Marines Investment	51%	48%	48%
9. 2nd year Procurement Carryover Rates			
A. Aircraft Procurement	39%	42%	42%
B. Missile Procurement	44%	50%	50%
C. Weapons & Tracked Combat Vehicles	47%	58%	58%
D. Procurement of Ammunition	40%	46%	46%
E. Other Procurement	36%	43%	43%
F. Airforce Investment	46%	45%	45%
G. Navy Investment	49%	52%	52%
H. Marines Investment	49%	52%	52%
10. Allowable Carryover	3,016.8	4,075.8	4,005.6
Prior Year Proc. Carryover	310.5	304.2	251.6
Total Allowable Carryover	3,327.3	4,380.0	4,257.2
11. Balance of Customer Orders at Year End	3,919.4	3,637.0	3,295.2
12. Work-in-progress			
13. Exclusions:			
FMS	167.3	96.4	79.8
BRAC	50.7	20.9	1.5
Other Federal Depts & Agencies	22.5	10.0	30.7
Non-Federal and Others	55.9	32.2	29.4
Crash Damage	90.2	80.0	80.0
4th Quarter Other Service Workload	61.5	61.5	61.5
Public Private Partnerships	325.3	33.3	27.6
Other			
14. Calculated Actual Carryover	3,146.0	3,302.8	2,984.7

**EXHIBIT FUND 11a
CARRYOVER RECONCILIATION**

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Changes in the Cost of Operations
(\$ in Millions)**

		<u>Expenses</u>
FY 2009 Actual		6,267.1
FY 2010 Estimate in President's Budget		6,419.2
Pricing Adjustments		8.8
FY 2010 Pay		
-Civilian Personnel		
-Military Personnel		
Inflation Change	(2.8)	
FY 2010 Fuel Change	11.5	
 Program Changes		 118.1
Labor	(25.5)	
Travel	4.3	
Materials	(104.1)	
Equipment	8.1	
Transportation	(5.0)	
Advisory and Assistance Services	5.8	
Other Purchased Services	79.8	
Other	154.6	
 FY 2010 Current Estimate		 6,546.0
Pricing Adjustments		107.3
FY 2010 Pay Raise	33.9	
-Civilian Personnel	33.9	
-Military Personnel	0.1	
Materials and Supplies	53.1	
Other	20.3	
 Program Changes		 (46.3)
Labor	(79.2)	
Material	140.4	
Equipment	(5.9)	
Depreciation	8.9	
Other Purchased Services	(182.6)	
Other	72.1	
 FY 2011 Budget Estimate		 6,607.1

**EXHIBIT FUND 2
CHANGES IN THE COST OF OPERATIONS**

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Material Inventory Data
(\$ in Millions)**

FY 2009				
	<u>Total</u>	<u>Mobilization</u>	-----Peacetime----- <u>Operating</u>	<u>Other</u>
Material Inventory BOP	366.5		366.5	
<u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	2,308.3		2,308.3	
B. Purchase of long lead items in advance of customer orders (+)	134.0		134.0	
C. Other Purchases (list) (+)	10.8		10.8	
D. Total Purchases	2,453.0		2,453.0	
<u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	2,150.2		2,150.2	
B. Disposals, theft, losses due to damages (-)	17.8		17.8	
C. Other reductions (list) (-)	1.5		1.5	
D. Total inventory adjustments	2,169.4		2,169.4	
Material Inventory EOP	650.0		650.0	
FY 2010				
	<u>Total</u>	<u>Mobilization</u>	-----Peacetime----- <u>Operating</u>	<u>Other</u>
Material Inventory BOP	650.0		650.0	
<u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	2,414.3		2,414.3	
B. Purchase of long lead items in advance of customer orders (+)	130.9		130.9	
C. Other Purchases (list) (+)	8.9		8.9	
D. Total Purchases	2,554.1		2,554.1	
<u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	2,553.4		2,553.4	
B. Disposals, theft, losses due to damages (-)	19.2		19.2	
C. Other reductions (list) (-)	26.5		26.5	
D. Total inventory adjustments	2,599.1		2,599.1	
Material Inventory EOP	605.0		605.0	
FY 2011				
	<u>Total</u>	<u>Mobilization</u>	-----Peacetime----- <u>Operating</u>	<u>Other</u>
Material Inventory BOP	605.0		605.0	
<u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	2,440.6		2,440.6	
B. Purchase of long lead items in advance of customer orders (+)	128.9		128.9	
Other Purchases (list) (+)	8.7		8.7	
D. Total Purchases	2,578.2		2,578.2	
<u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	2,746.9		2,746.9	
B. Disposals, theft, losses due to damages (-)	18.5		18.5	
C. Other reductions (list) (-)	11.5		11.5	
D. Total inventory adjustments	2,776.9		2,776.9	
Material Inventory EOP	406.3		406.3	

**EXHIBIT FUND 16
MATERIAL INVENTORY DATA**

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Capital Budget

Introduction

The primary goal of the Capital Investment Program (CIP) within the AWCF is to establish a capability for reinvestment in the infrastructure of business areas in order to facilitate mid and long term cost reductions. The objective is to improve product and service quality and timeliness, reduce costs, and foster comparable and competitive business operations. The CIP provides the framework for planning, coordinating, and controlling AWCF resources and expenditures to obtain capital assets. Included in the capital budget are the following types of assets: automated data processing equipment (ADPE); non-ADPE equipment; automated data processing software, whether internally or externally developed; and minor construction.

The following exhibits justify the purchase of assets that equal or exceed capitalization thresholds and have a useful life of two or more years. Except for minor construction projects, the Capital Budget includes items purchased by a revolving fund with a unit cost that is greater than or equal to \$250,000. The capitalization threshold for Minor Construction is \$100,000. Once approved, the budget permits an AWCF Activity to use contract authority to purchase capital assets.



Anna Elston turns different diameters on a lathe at Anniston Army Depot's Career Academy.



**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management
Capital Investment Summary**

(\$ in Millions)		FY 2009		FY 2010		FY 2011	
Line No	Description	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	Automated Data Processing						
04-3	<i>Terminal Servers</i>	1	0.611	0	0.000	0	0.000
	ADP TOTAL						
	SOFTWARE						
00-2	<i>Logistics Modernization Program (LMP)</i>	1	57.400	1	59.938	1	12.580
04-7	<i>Exchange Pricing (EP)</i>	1	5.669		0.000		0.000
	SOFTWARE TOTAL	2	63.069	1	59.938	1	12.580
	Activity TOTAL	5	63.680	1	59.938	1	12.580
	<i>Total Capital Outlays</i>		111.258		70.356		17.518
	<i>Total Depreciation Expense</i>		6.824		54.024		87.605

Capital Purchase Justification

Narrative Justification

a. **Capability of existing equipment and shortcomings:** The current Army legacy logistics systems (i.e. the Commodity Command Supply System (CCSS) and the Standard Depot System (SDS)) are based on 35 year old technology and out dated business processes. Legacy system processes are characterized by its lack of flexibility, outmoded supply chain practices, limited asset visibility and lack of planning and analysis tools. This has resulted in increased processing times and increased quantities of inventory at all levels. These severe limitations in AMC's legacy financial and logistics systems are preventing Army from being in compliance with the Chief Financial Officer Act (CFO) of 1990 . The existing suite of legacy systems are incapable of supporting either Army's Transformation requirements or the DoD Business Systems Transition Plan.

c. **Impact Without Proposed Capital Investments:** Army reliance upon outdated/outmoded legacy systems, processes and technology will continue with ever increasing risk of catastrophic system failure as supportability becomes increasingly difficult and complex. Given our inability to achieve Army Transformation goals, DoD Business Systems Transformation planning or leverage of modern business processes, the results will be reflected in increasingly inefficient use of resources. Continued dependence on unreliable data and data sources, implementation of manual workarounds and our ongoing use of proprietary software will continue to hinder Army's ability to provide the agile, modern and integrated logistics support capability and environment required to meet today's War fighter mission.

e. **Full Operational Capability Date** 2010

Investment Cost \$450,700.000 Present Value of Benefits: \$1,287,000.000 Benefit to Investment Ratio: 2.856 Payback Period: 9.5 Years

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Supply Management**

**Capital Budget Execution
(\$ in Millions)**

	<u>Approved Project Title</u>	<u>Approved Project Amount</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation</u>
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AUTOMATED DATA PROCESSING

<i>FY 2009</i>	<i>Terminal Servers</i>	0.611		0.611		(0.611)	Project cancelled
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SOFTWARE

		63.069		68.162	60.304	(7.858)	
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<i>FY 2009</i>	<i>Exchange Pricing</i>	5.669		10.762	2.904	(7.858)	Carryover of 2.860
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<i>FY 2009</i>	<i>Logistics Modernization Program</i>	57.400		57.400	57.400		
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FY 2009	TOTAL	63.680		68.773	60.304	(8.469)	
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	<u>Approved Project Title</u>	<u>Approved Project Amount</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation</u>
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SOFTWARE

<i>FY 2010</i>	<i>Logistics Modernization Program</i>				59.938		
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FY 2010	TOTAL				59.938		
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	<u>Approved Project Title</u>	<u>Approved Project Amount</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation</u>
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FY 2011

AUTOMATED DATA PROCESSING

SOFTWARE

<i>FY 2011</i>	<i>Logistics Modernization Program</i>				12.580		
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FY 2011	TOTAL				12.580		
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**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

Capital Investment Summary

(\$ in Millions)		FY 2009		FY 2010		FY 2011	
Line No.	Description	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
05-13	EQUIPMENT CAPABILITIES						
	- Replacement	71	67.209	32	41.966	33	79.915
	- Productivity	39	47.319	30	109.363	29	32.511
	- New Mission	7	3.038	3	1.970	2	1.728
	- Environmental	2	2.296	1	0.398	0	0.000
	EQUIPMENT TOTAL	119	119.862	66	153.697	64	114.154
	ADPE & Telecommunications Equipment Capabilities						
04-26	Miscellaneous ADPE	7	4.940	4	1.499	2	0.538
06-46	Automatic Identification Technology (AIT)	3	16.910	4	11.600	4	16.600
	ADPE & TELECOMMUNICATIONS EQUIPMENT TOTAL	10	21.850	8	13.099	6	17.138
	SOFTWARE DEVELOPMENT						
09-03	Automatic Storage and Retrieval System (ASRS)	1	0.495	0	0.000	0	0.000
10-01	Depot Workload Dashboard	0	0.000	1	0.426	1	0.511
09-04	Document Management System	1	0.732	0	0.000	0	0.000
99-08	Army Workload Performance System (AWPS)	1	5.564	1	4.865	1	4.967
07-35	Environmental Safety and Occupational Health Program	1	2.500	1	2.500	0	0.000
10-02	Automatic Identification Technology (AIT)	0	0.000	1	4.700	0	0.000
00-02	Logistics Modernization Program (LMP)						
	Core LMP	1	24.600	1	25.688	1	5.391
	Children						
	Integration of Automatic Technology (AIT) with LMP	0	0.000	1	4.400	1	3.000
	Manufacturing Execution System	1	5.600	1	9.000	1	17.800
	Expanded AMMO Functionality in LMP	0	0.000	1	1.706	1	6.893
	SOFTWARE TOTAL	6	39.491	8	53.285	6	38.562
	MINOR CONSTRUCTION CAPABILITIES						
05-26	Various Minor Construction \$100K <\$750K	68	32.544	49	28.041	59	35.741
	MINOR CONSTRUCTION TOTAL	68	32.544	49	28.041		35.741
	ACTIVITY GROUP TOTAL	203	213.747	131	248.122	135	205.595
	Total Capital Outlays		176.161		160.741		223.918
	Total Depreciation Expense		53.508		72.000		80.900

Capital Purchase Justification

Narrative Justification

b. **ANTICIPATED BENEFITS:** Acquisition of this equipment improves productivity, increases capacity that cannot be met with current equipment; replaces unsafe, inoperable or unusable assets; and includes requirements for environmental hazardous waste reduction or regulatory agency mandated requirements. This new equipment increases reliability and productivity, thus enabling the installation to be competitive.

d. **ECONOMIC ANALYSIS PERFORMED?** Economic Analyses have been performed on individual projects when required and are available upon request.

Investment Cost	N/A	Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A
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**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

Capital Purchase Justification

AUTOMATED DATA PROCESSING EQUIPMENT (ADPE) AND TELECOMMUNICATIONS									
<i>(\$ in Thousands)</i>									
Line No	Item Description	Activity Identification							
04-26	Miscellaneous ADPE < \$1M	Industrial Operations							
		FY 2009			FY 2010			FY 2011	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Miscellaneous ADPE < \$1M	7		4,940.000	4		1,499.000	2		538.000
Total	7		4,940.000	4		1,499.000	2		538.000

Narrative Justification

- a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: These miscellaneous information management projects replace old/obsolete and unreliable equipment with state-of-the-art equipment.
- b. ANTICIPATED BENEFITS: Replacement of obsolete equipment will improve processing speeds, increase productivity and reduce maintenance costs. Projects allow sites to conform to Army standards and improve communications with other Army sites. New technology will improve security and lessen the threat of access by unauthorized sources.
- c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Systems and equipment will continue to be unreliable, downtime will increase and administrative costs will rise. Users will be unable to communicate with higher headquarters, other installations, and customers via electronic means. Data will be at risk for release to unauthorized users.
- d. ECONOMIC ANALYSIS PERFORMED? Economic Analyses have been performed on individual projects when required and are available upon request.

ECONOMIC INDICATORS:

Investment Cost \$9,442.000 Present Value of Benefits: N/A Benefit to Investment Ratio: N/A Payback Period: N/A

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

Capital Purchase Justification

AUTOMATED DATA PROCESSING EQUIPMENT (ADPE) AND TELECOMMUNICATIONS									
(\$ in Thousands)									
Line No	Item Description	FY 2009			FY 2010			FY 2011	
06-46	Automatic Identification Technology (AIT)								
		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost
Element of Cost									
AIT		3		16,910.000	4		11,600.000	4	
Total		3		16,910.000	4		11,600.000	4	

Narrative Justification

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Army's five maintenance depots currently have extremely limited automatic identification technology (AIT) capability. Current automated capabilities do not tie into an Enterprise Resource Planning (ERP), nor do they send data to shop floor control systems or inventory/accountability systems. This requires depot personnel to manually key data into systems resulting in expenditure of many man-hours that could be used to perform other vital depot functions. AIT is an enabling technology that will be linked to an automated management network that includes communications and information security. This will allow use of the full potential of automated data and will result in significant improvements to the supply chain, maintenance, manufacturing, and remanufacturing business processes. The AMC Enterprise AIT Program, a major element of the command's Information Technology (IT) Industrial Base Modernization (IBM) Program, will provide automated accurate data to supervisors and workers that will result in significant improvements to the supply chain, maintenance, manufacturing, and remanufacturing business processes. The combination of AIT enablers with automated information systems (AIS) will allow the tracking of materiel in motion and will provide real time data. This submission is to satisfy AIT needs and on-going AIT initiatives to meet the mandates for item unique identification (IUID), active and passive radio frequency identification (RFID), and Wide Area Workflow (WAWF). Presently, AMC installations do not have the required business process hardware to support the use of automated reporting in their respective shop floor operations. They are unable to capitalize on labor/production reporting and material movement essential to delivering a modernized and efficient business solution to the shop floor. Presently AMC depots/arsenals/plants/activities/centers do not have the capability to read RFID and interface with the WAWF. They are unable to electronically accept vendor pallets and cases and report receipt to the WAWF.

b. ANTICIPATED BENEFITS: The AIT implementation contract will provide hardware acquisition, installation, test, and configuration as an industrial base expansion of the initial implementation at Corpus Christi and Tobyhanna Army Depots. This will establish a state-of-the-art AIT capability to automatically capture the source data required to fully use the potential of the Single Army Logistics Enterprise (SALE). The FY 2010 funds will continue the initial AIT program implementation at Tobyhanna Army Depot and Corpus Christi Army Depot with AIT installation at Letterkenny Army Depot, Red River Army Depot and Anniston Army Depot. FY 2010 funds will also provide IUID hardware and software for the 13 AMC AWCF-funded industrial base organizations. This IUID capability is required to meet OSD mandates to mark tangible property. IUID hardware acquired will include parts marking equipment, verification devices, management software and other capabilities. FY 2010 funding will also provide implementation of the AIT Enterprise solution to the Sierra Army Depot, and begin implementation at the Rock Island Arsenal and Pine Bluff Arsenal. FY 2011 funding will finish AIT installation at Rock Island and Pine Bluff Arsenals and installation at Watervliet Arsenal, Crane Army Ammunition Activity and McCalister Army Ammunition Plant.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to fund would prohibit the Army from realizing many tangible (man-hours) and intangible (real time data) benefits inherent in implementing AIT. In addition, the Army will not conform to OSD mandated AIT, RFID, WAWF and IUID policies. Currently, the intense data requirements require diverting labor and productivity to manually inputting data.

d. ECONOMIC ANALYSIS PERFORMED? AIT and IUID are directed by OSD; therefore, an EA is not required for AIT and IUID implementation at AMC Industrial facilities. Reference policy memorandum, Acting DUSD (AT&L), 2 Oct 2003.

ECONOMIC INDICATORS:

Investment Cost \$112,901.000 Present Value of Benefits: N/A Benefit to Investment Ratio: N/A Payback Period: N/A

Capital Purchase Justification

(\$ in Thousands)

Narrative Justification

d. ECONOMIC ANALYSIS PERFORMED: Cost Analysis not required, as directed by DoD Joint Vision FY 2010. Joint Chief of Staff Implementation Policy CJCSI 3010.01. The Defense Planning Guidance (DPG) for FY 1999 to FY 2003 and the Quadrennial Defense Review (QDR) of May 1997. This project is downward directed and qualifies as an EA exemption.

Investment Cost

\$3,187,000 Present Value of Benefits:

\$3,650,000 Benefit to Investment Ratio:

1.145 Payback Period:

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

Capital Purchase Justification

SOFTWARE									
(\$ in Thousands)									
Line No	Item Description	Activity Identification							
99-08	Army Workload and Performance System (AWPS)	Industrial Operations							
		FY 2009			FY 2010			FY 2011	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Army Workload and Performance System (AWPS)	1		5,564.000	1		4,865.000	1		4,967.000
Total	1		5,564.000	1		4,865.000	1		4,967.000

Narrative Justification

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Development requirements will continue in FY 2010 with Department of the Army/Army Materiel Command report requirements; replacement equipment; deployment of AWPS-Logistics Modernization Program (LMP) to LMP deployment sites anticipated for FY 2010/2011. Government Accountability Office concluded in February 1997 that the Army cannot identify and prioritize its institutional workload. The material weakness stated that "...managers at all levels do not have the information needed to improve work performance, improve organizational efficiency, and determine support staffing needs, manpower budgets, and personnel reductions."

b. ANTICIPATED BENEFITS: The AWPS will assist the AMC and its subordinate LCMCs in managing complex workload and employment strategies in the Industrial Operations business area. Production and resource controllers at MSC/AMC can isolate key scheduling and cost problems at the product level, and evaluate the dollar and manpower impact of various workload changes through the sophisticated "what if" capability. Funding supports Program management and continued implementation of the AWPS/LMP Interface at LMP deployed sites.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Without additional expenditures, there will be no integration with the new LMP financial and workload control data base. As a result, AWPS will cease to function at AMC LMP deployment sites and core workload and manpower functionality for the Army will cease to exist.

d. ECONOMIC ANALYSIS PERFORMED? No, Exempt. GAO 03-21 Dated 30 Oct 2002, references the House Committee on National Security direction to Army to develop AWPS.

ECONOMIC INDICATORS:

Investment Cost \$63,636.000 Present Value of Benefits: N/A Benefit to Investment Ratio: N/A Payback Period: N/A

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

Capital Purchase Justification

SOFTWARE									
(\$ in Thousands)									
Line No	Item Description	Activity Identification							
10-02	Automatic Identification Technology (AIT)	Industrial Operations							
		FY 2009			FY 2010			FY 2011	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Automatic Identification Technology (AIT) Software	0		0.000	1	4,700.000	4,700.000	0		0.000
Total	0		0.000	1	4,700.000	4,700.000	0		0.000

Narrative Justification

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The lack of ability to effectively manage the data collection through the AIT infrastructure is a major obstacle to the leveraging of the existing AIT capabilities and to providing data in near real-time to the appropriate business applications. At present there is much duplication of effort required in collecting data essential for management decisions and routine installation operations. The current operating system is expensive to sustain and to refresh. Operating system is obsolete; and as a result no longer able to achieve network accreditation. AMC needs a software capability that will provide the needed infrastructure to gather, assemble and format data transmitted from the various AIT devices in performance of various logistical processes at AMC industrial sites to Logistics Modernization System (LMP) or other business application. Requirement is a one time enterprise buy of software licenses for the AMC industrial base enabling the transmission of data into LMP.

b. ANTICIPATED BENEFITS: Purchase of licenses enables refresh of existing operating system software to support necessary business process applications required to optimize AIT technology in support of the current functionality. Refreshed operating system software facilitates the implementation of directed AIT infrastructure and meets the government's immediate requirement to maintain existing ammunition automation capabilities.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to purchase these licences will prohibit accreditation of the system and will inhibit the use of automated data entry and electronic data transfer that supports the storage, distribution and transportation functions at the ordnance activities. Operationally will result in delays in order processing and manual input will be required. If this refresh is not implemented approximately 260 additional man years with an estimated cost of \$70M would be required if this is not deployed before LMP D3 implementation in Oct 2010.

d. ECONOMIC ANALYSIS PERFORMED: AIT capability is directed by OSD; therefore an EA is not required. Reference policy memorandum, Acting DUSD (AT&L), subject: Radio Frequency Identification (RFID) Policy, 2 OCT 2003.

e. FULL OPERATIONAL CAPABILITY DATE: FY 2010

ECONOMIC INDICATORS:

Investment Cost \$4,700.000 Present Value of Benefits: N/A Benefit to Investment Ratio: N/A Payback Period: N/A

Capital Purchase Justification

Narrative Justification

b. Anticipated Benefits: LMP will correct the above-noted deficiencies and enable the Army to take advantage of commercial expertise, experience and investments in supply chain process improvements and Information Technology (IT). The LMP solution employs and leverages an integrated commercial Enterprise Resource Planning (ERP) package provided by SAP America. Army benefits from the LMP solution include: Comprehensive solution with enhanced functionality, improved and streamlined processes, real-time processing and availability of information from a single authoritative integrated database, integrated processes and information throughout entire lifecycle, unqualified financial reporting, real-time alerts and exception reporting. Full deployment of LMP will ensure CFO, Business Enterprise Architecture (BEA), and Federal Financial Management Improvement Act (FFMIA) compliance. Funding is essential to enhance initial deployment operations, deploy SAP software upgrades, and to develop and incorporate unique functional capabilities required for AMCOM Life Cycle Management Command, TACOM Life Cycle Management Command, Army Sustainment Command (ASC), Joint Munitions Command (JMC) and associated depots, arsenals and other industrial base activities, and address externally driven requirements from organizations such as the Government Accountability Office (GAO) and Business Transformation Agency (BTA). LMP will provide a national logistics strategic view of depot workload planning, cost and execution. This funding supports LMP supply management requirements, which represents 70% of the CORE LMP Army Working Capital Fund (AWCF) CIP requirement. The requested funding in FY11 also includes \$750K to build interfaces with the General Fund Enterprise Business System (GFEBS). Specific functionality will include: an outbound interface that generates commitments to GFEBS from LMP, an inbound acknowledgement from GFEBS to our request for commitment from Acquisition and Project Systems from the outbound interface, an outbound interface to send the obligations to GFEBS from LMP, an interface for synchronizing GFEBS to LMP, and a table to map the LMP plants to the GFEBS plants and send it to GFEBS. Total Core LMP AWCF CIP required is: FY 2009 - \$82.0M, FY 2010 - \$84.9M, FY 2011 - \$18.7M.

d. **Economic Analysis Performed:** In FY 2005, a Business Case Analysis was completed for LMP. In March 2008 an updated Economic Analysis was completed and validated by ODASA-CE in June 2008.

Investment Cost	\$450,700.000	Present Value of Benefits:	\$ 1,287,000.000	Benefit to Investment Ratio:	2.856	Payback Period:	9.5 Years
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Capital Purchase Justification

(\$ in Thousands)

Line No	Item Description	Activity Identification							
00-02	Manufacturing Execution System	Industrial Operations							
		FY 2009			FY 2010				FY 2011
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Manufacturing Execution System	1		5,600,000	1		9,000,000	1		17,800,000
Total	1		5,600,000	1		9,000,000	1		17,800,000

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** Lack of modernized technology at the industrial base shop floor has caused inefficiency and ineffectiveness in performing the depots' and arsenals' mission because of loss of the visibility of work in-process causing material cost escalation, labor costs increases caused by continuous causative research and processes which are not in conformance with the lean concept. On-going initiatives that include Automatic Identification Technology (AIT) and Manufacturing Execution System (MES) will provide for a combination of AIT enablers with the automated information systems (AIS) to track materiel in motion, provide for real time data and management of the end-to-end business processes in an industrial plant. The lack of interfaces and data feeds from the existing legacy systems and also from the Logistics Modernization Program (LMP) will not allow the depots to achieve full potential of real-time information unless required interfaces and data feeds are provided.

b. ANTICIPATED BENEFITS: MES is a system that can manage the end-to-end business processes in the industrial base environment. Some of the capabilities may include but are not limited to work in progress, tool & equipment management, document management, production and capacity planning, labor and production reporting, inventory management, root cause analysis, etc.. The MES with shop floor maintenance repair and overhaul (MRO) capability provides functionality that includes disassembly, disposition, repair, assembly and part and asset serialization and component tracking. MES has the ability to capture data in real time enabling better shop floor decision making. The primary selling point for MES is that 196 spaces can be taken in FY 2012 and out, and 63 additional spaces can be taken in FY 2013 and out. The BIR is based solely on these savings. MES is assumed to be operational until FY 2022. MES will collect production input from automatic and human interface data collection devices and make the data available to other planning software. A fully integrated MES will increase maintenance depot operational efficiencies and reduce overall depot costs. MES will reduce automation sustainment costs, software fees, and system infrastructure requirements at each maintenance depot. MES will also ensure a common operating environment exists throughout the depot maintenance community. MES provides increased asset visibility and facilitates lean remanufacturing and the incorporation of DoD Item Unique Identification (UID) requirements as well as helping to reduce total ownership cost which will adversely affect the depot rates and therefore the cost to the war fighter. IBM MES data feeds to legacy systems on the industrial base shop floor will eliminate inefficiency and ineffectiveness in performing the depot mission. The real-time information on the shop floor will reduce the loss of work in process visibility causing material cost escalation and labor costs increases caused by continuous causative research.

C. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Without MES manpower savings cannot be achieved. Failure to complete this project will result in the continuation of relying on numerous unique legacy systems without benefits of real-time information to the shop floor. The status quo will result in an erroneous financial burden on the depots to maintain the numerous unique legacy systems. Additionally, the efficiency of the depot will be much less than optimal without the implementation of this project. The depots will be less able to support the Army Transformation and the RECAP and RESET programs.

d. **ECONOMIC ANALYSIS PERFORMED:** Completed May 2006 and updated April 2009.

Investment Cost	\$66,195,000	Present Value of Benefits:	\$132,902,000	Benefit to Investment Ratio:	2.008	Payback Period: 5.98 Years
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Capital Purchase Justification

(\$ in Thousands)

Narrative Justification

b. ANTICIPATED BENEFITS: As part of the continuing efforts to modernize the Army ammunitions management, portfolio management and the technology investments both today and in the future, JMC has evaluated and determined other legacy Ammunition systems will be subsumed by LMP (e.g. Munitions, Transportation Management System and the Munitions Total Management System - Field Module). LMP will correct the above-noted deficiencies and enable the Army to take advantage of commercial expertise, experience and investments in ammunition supply chain process improvements and Information Technology (IT). The Army Materiel Command (AMC), the Joint Munitions Command (JMC) and other DoD organizations benefit from the re-engineered business processes and integrated logistics and financial services embedded in the LMP solution. LMP is an integral component of the Single Army Logistics Enterprise (SALE), representing the National level supply chain solution, enabling one authoritative end to end logistics system. Expanded AMMO functionality in LMP provides and the Army benefits by: reduced cycle times and out of stock rates, total visibility of orders from start to finish, worldwide visibility of assets in real time, multiple sales order processing and release capability, increased accuracy and higher visibility of maintenance actions, drill down capabilities to trace sales and purchase orders, greater material movement oversight, powerful anticipatory logistics planning tool, reduced stockage levels and logistics footprint, enhanced procurement of weapon systems and spares and services. This funding supports Ammunition Industrial Operations requirements.

d. ECONOMIC ANALYSIS PERFORMED: Yes, completed in Jan 2007.

e. FULL OPERATIONAL CAPABILITY DATE: FY 2015

ECONOMIC INDICATORS:

Investment Cost	\$27,100,000	Present Value of Benefits:	\$31,900,000	Benefit to Investment Ratio:	1.177	Payback Period:	6.5 Years
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**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

Capital Purchase Justification

MINOR CONSTRUCTION									
(\$ in Thousands)									
Line No	Item Description			Activity Identification					
05-26	Various Minor Construction <\$750K			Industrial Operations					
		FY 2009			FY 2010			FY 2011	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction \$100K < \$750K	68		32,544.000	49		28,041.000	59		35,741.000
Total	68		32,544.000	49		28,041.000	59		35,741.000

Narrative Justification

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Various minor construction projects costing <\$750K, will improve the efficiency of the industrial operations through new, modernized additions to renovate existing facilities. The construction projects are additions or modifications to meet mission needs improve the quality of life (safety/environmental concerns).

b. ANTICIPATED BENEFITS: The projects will increase productivity and allow for quality of life improvements. Specifically, the efficiency of the mission work will improve with plant layout, better electrical distribution, improved lighting and heating, ventilation and air conditioning. The projects specific to quality of life improvements, will improve worker morale, and eliminate potential health and safety concerns.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If not approved, improvements in mission areas and production efficiencies will continue to degrade. Without the improvements, worker morale will continue to decline, the work environment will erode, and worker safety and health will continue to be a major concern, effecting quality of life.

d. ECONOMIC ANALYSIS PERFORMED? Economic Analyses have been performed on individual projects when required and are available upon request.

ECONOMIC INDICATORS:

Investment Cost N/A Present Value of Benefits: N/A Benefit to Investment Ratio: N/A Payback Period: N/A

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY09	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT - Replacement						
	Various Capital Equipment-Replacement	67.209	26.956	94.165	88.823	5.343	
FY09	Power Train Transmission Facility Equipment		21.002	21.002	21.002	-	Reprogrammed from Miscellaneous Various Capital Equipment (VCE) and Minor Construction (MC)
FY09	Small Arms Facility Equipment	11.200	(4.590)	6.610	6.835	(0.225)	
FY09	CNC Vertical Turning Center		0.925	0.925	0.925	-	
FY09	Electron Beam Welder	2.358		2.358	2.358	-	
FY09	Vertical Lathe	1.181		1.181	1.171	0.010	
FY09	Laser Cutter	1.169	(1.169)	0.000	0.000	-	
FY09	BGMC Bulldozer	0.399	(0.399)	0.000	0.000	-	
FY09	Railroad Tie Inserter	0.312		0.312	0.312	-	
FY09	XRAY Machine LEMC	2.148	(1.054)	1.094	1.094	-	
FY09	Railroad Spike Puller	0.124		0.124	0.124	-	
FY09	Water Jet	0.306		0.306	0.306	-	
FY09	Bulldozer D7R	0.339	0.660	0.999	0.874	0.125	
FY09	CNC Machine Center	0.339		0.339	0.339	-	
FY09	750 Ton Press Brake	0.347		0.347	0.347	-	
FY09	2 Twin Spindle CNC Lathes	0.988		0.988	0.988	-	
FY09	Super Stackler	0.519	0.145	0.664	0.664	-	
FY09	CNC Step Grinder Rebuild	0.408		0.408	0.408	-	
FY09	CNC 6 Axis Bridge Mill	3.274		3.274	3.274	-	
FY09	Deep Hole Boring Lathe	1.532		1.532	1.532	-	
FY09	Water Cutting System		0.464	0.464	0.464	-	
FY09	Transmission Test Stand		0.278	0.278	0.278	-	
FY09	MSSC Equipment		3.550	3.550	3.550	-	
FY09	Wheel Cleaning and Finishing System	0.567		0.567	0.567	-	
FY09	PMF Computer System	2.988		2.988	2.988	-	
FY09	Automated T-157 Track Injection Molding	4.408		4.408	4.908	(0.500)	
FY09	Water Cutting System	0.971		0.971	0.971	-	
FY09	Ballbore Matching System	0.334		0.334	0.334	-	
FY09	Super Stackler	0.584		0.584	0.584	-	
FY09	621 G Wheel Tractor	0.642		0.642	0.642	-	
FY09	CNC Hydraulic Press Brake Rep. (Pacific K175-8ft)	0.220	(0.220)	0.000	0.000	-	
FY09	Blast Booth	0.700		0.700	0.700	-	
FY09	Spot Welder Replacement for McCreery	0.297	(0.297)	0.000	0.000	-	
FY09	VXI ATE Test System Replacement	0.333	0.118	0.451	0.451	-	
FY09	C41SR (Partial of FY10 Project Program)		1.060	1.060	1.060	-	
FY09	New Gantry Bed Mill	1.200		1.200	1.200	-	
FY09	Purchase 2 New HAAS		0.484	0.484	0.484	-	
FY09	Rebuild Lucas		0.650	0.650	0.650	-	
FY09	Purchase New Gun Drill		0.411	0.411	0.411	-	
FY09	Purchase 2 New Maching Centers		3.200	3.200	3.200	-	
FY09	Cincinnati Grinder		0.506	0.506	0.506	-	
FY09	5 Axis Machine		0.801	0.801	0.801	-	
FY09	Plunge Grinder		0.431	0.431	0.431	-	

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY09	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
	EQUIPMENT - Replacement cont.						
FY09	Cutting/Burning Machine Plasma CNC	0.644	0.010	0.654	0.513	0.141	W&T excess returned
FY09	Furnace Heat Treating Large	0.415		0.415	0.000	0.415	Funded in FY08
FY09	Room Sand Blast Air	0.365		0.365	0.365	-	W&T
FY09	Test Stand M1 Turret Distribution Valve	0.456		0.456	0.408	0.048	W&T
FY09	Gymnasticator Mechanical	0.655	0.174	0.829	0.829	-	W&T
FY09	Gymnasticator Mechanical	0.675	0.154	0.829	0.829	-	W&T
FY09	Cutting Machine Water Jet CNC	0.577		0.577	0.577	-	W&T
FY09	Cutting Sys Laser Abrasive Waterjet CNC (Jet Edge)	0.622		0.622	0.000	0.622	W&T
FY09	Room Sand Blast Air	0.365		0.365	0.347	0.018	W&T
FY09	Grinding Machine	1.500		1.500	1.419	0.081	W&T
FY09	Investment Casting Shell Line	2.600		2.600	3.100	(0.500)	W&T
FY09	ORIONS, 2200 (2)	1.500		1.500	0.000	1.500	Funded in FY08
FY09	Press, Injection Mold	1.102		1.102	1.102	-	W&T
FY09	Press, Injection Mold	1.102		1.102	1.102	-	W&T
FY09	Press, Injection Mold	1.102		1.102	1.102	-	W&T
FY09	Press, Injection Mold	1.102		1.102	1.102	-	W&T
FY09	OD Grinder	1.303	0.510	1.813	1.813	-	W&T
FY09	Vertical Milling Machine	1.183		1.183	1.183	-	W&T
FY09	CNC Vertical Turning Lathe	2.000		2.000	1.200	0.800	W&T
FY09	T-700 GG Rotor Grinder	1.300	(0.976)	0.324	0.000	0.324	No longer needed
FY09	Road repairs for the restricted storage area	0.650		0.650	0.000	0.650	Executed in FY08
FY09	6 Pack Storage Facility with fencing	0.700		0.700	0.700	-	W&T
FY09	Repair and Upgrade two loading platforms	0.600		0.600	0.589	0.011	W&T
FY09	Loading dock	0.578		0.578	0.567	0.011	W&T
FY09	Cincinnati CL-7A Laser	0.650		0.650	0.000	0.650	W&T
FY09	STRIPPIT 4030 Laser	0.850		0.850	0.000	0.850	W&T
FY09	ACCURSHEAR 875012	0.250		0.250	0.000	0.250	No longer needed
FY09	Punch Press	0.750		0.750	0.689	0.061	W&T
	Automated Storage and Retrieval System (ASRS) Automatic Conveyer System						
FY09	(Mini-Load)	0.900		0.900	0.899	0.001	W&T
FY09	McCreery Welder	0.297		0.297	0.297	-	W&T
FY09	Hydraulic Press Brake	0.230	0.128	0.358	0.358	-	W&T

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY09	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
	EQUIPMENT - Productivity						
	Various Capital Equipment-Productivity	47.319	-18.756	28.563	28.280	0.283	
FY09	Replace Dust Collection System Booth 409	2.525	(2.525)	0.000	0.000	-	
FY09	4 Axis Horizontal Boring Mill 145	1.928	(1.928)	0.000	0.000	-	
FY09	Paint Drying Oven Bldg 433	0.319	(0.319)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Paint Drying Oven Bldg 409	0.319	(0.319)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Paint Drying Oven Bldg 433	0.319	(0.319)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Paint Drying Oven Bldg 409	0.319	(0.319)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	600 Ton Press 108	0.156	(0.156)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Rotary Blast Tables Bldg 129	0.830	(0.830)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Upgrade Metal Finish Operation 129(07)	3.104	(3.104)	0.000	0.000	-	
FY09	Vertical Turret Lathe Bldg 147	0.614	(0.614)	0.000	0.000	-	
FY09	Cleaning & Finishing Line Bldg 114	0.179	(0.179)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Cylindrical Grinder Bldg 129	0.211	(0.211)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Cylindrical Grinder Bldg 147	0.260	(0.260)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Electroless Nickel Plating Line Bldg 114	0.261	(0.261)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Monarch Engine Lathe 147	0.443	(0.443)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Plating Line Bldg 114	0.816	(0.816)	0.000	0.000	-	
FY09	Falcon 300 CNC Lathe Bldg 128	0.343	(0.343)	0.000	0.000	-	
FY09	Replace Regenerative Thermal OX 433	1.925	(1.925)	0.000	0.000	-	
FY09	Rotary Blast Tables Bldg 114	0.498	(0.498)	0.000	0.000	-	
FY09	Vapor Degreaser	0.595	(0.595)	0.000	0.000	-	
FY09	Transmission Detergent Flush	0.250	(0.250)	0.000	0.000	-	
FY09	Transmission Oil Flow Machine	0.250	(0.250)	0.000	0.000	-	
FY09	Metal Spray Booths #3	0.891		0.891	0.799	0.092	
FY09	5-Axis Tool Grinder	0.823		0.823	0.798	0.025	
FY09	Tab Angle for PT Shop	0.300	(0.300)	0.000	0.000	-	
FY09	Laser Tracker for Fixture Calibration	0.200	(0.200)	0.000	0.000	-	
FY09	EDM	0.372	0.030	0.402	0.402	-	
FY09	Metal Spray Booths #7	0.681	0.073	0.754	0.754	-	
FY09	Water Jet	0.311	0.021	0.332	0.332	-	
FY09	Airframes Cleaning Shop Replacement J309202		1.126	1.126	1.126	-	
FY09	Air Scrubber Replacement for Advanced Metal Finishing Facility J310501		0.769	0.769	0.769	-	
FY09	Robotic Water Jet Stripping System J311408		0.928	0.928	0.928	-	
FY09	Consolidated Grenade Fill & LAP Line	4.687	2.113	6.800	6.800	-	
FY09	Inventory Control System	0.309	(0.309)	0.000	0.000	-	
FY09	Horizontal Honing Machine	0.250	(0.250)	0.000	0.000	-	
FY09	Blast Booth	0.345	(0.345)	0.000	0.000	-	
FY09	Engine Test Cell	0.192	(0.192)	0.000	0.000	-	
FY09	Paint Carousel	0.365	(0.365)	0.000	0.000	-	
FY09	TOW Traversing Test Station Upgrade	0.440	(0.440)	0.000	0.000	-	
FY09	Power Converters, 2 ea	0.212	(0.212)	0.000	0.000	-	
FY09	CNC Hydraulic Press Brake	0.271	0.196	0.467	0.467	-	
FY09	Replace G&L Milling machine	1.190		1.190	1.190	-	
FY09	Crane RT875E	0.588		0.588	0.588	-	
FY09	Replace Waterjet Cutting Machine	0.387		0.387	0.387	-	
FY09	3-D Laser	1.185		1.185	1.185	-	
FY09	CNC Step Grinder Rebuild	0.482		0.482	0.482	-	
FY09	3-D Laser (CNC 11 Axis)	1.391	(1.391)	0.000	0.000	-	
FY09	Water Jet	0.534	(0.534)	0.000	0.000	-	
FY09	Induction Heat Treatment System	0.330	(0.330)	0.000	0.000	-	
FY09	Robotic Coating System	1.500	(1.500)	0.000	0.000	-	
FY09	Dyno Roll set	0.450	(0.450)	0.000	0.000	-	
FY09	Building 9 Blast Booth - Zirconium Aluminum	0.750	(0.750)	0.000	0.000	-	
FY09	Aircraft System & Component Emulator (SCATS)	0.444	(0.444)	0.000	0.000	-	
FY09	Flying Probe Test System	0.259	(0.259)	0.000	0.000	-	
FY09	Boresight System MD13032 for AN/MPQ-T3	0.179	(0.179)	0.000	0.000	-	
FY09	Unique ID (UID/RFID) System	0.709		0.709	0.709	-	
FY09	Conveyorized Liquid Paint Line		1.517	1.517	1.517	-	From New Mission and other VCE
FY09	Laser Cutter	0.650	1.005	1.655	1.655	-	From New Mission
FY09	Missile Transmitter Test Set	0.360	0.592	0.952	0.952	-	From New Mission
FY09	Rebuild Rapid Bore WV11616	0.475	(0.475)	0.000	0.000	-	Cancelled
FY09	Rebuild, Retrofit Series 60 Omni-Mill, WV12344	0.675		0.675	0.675	-	
FY09	Rebuild, Retrofit Series 80 Omni-Mill, WV12556	0.650	(0.650)	0.000	0.000	-	
FY09	Rebuild, Lucas	0.650		0.650	0.650	-	
FY09	Rebuild, Retrofit 5-axis K&T WV12609	0.750		0.750	0.730	0.020	

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY09	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
	EQUIPMENT - Productivity cont.						
FY09	Rebuild, Retrofit G & L Bickford WV12469	0.650		0.650	0.650	-	
FY09	Rebuild, Retrofit G & L Orion WV12689	0.650	(0.650)	0.000	0.000	-	Cancelled
FY09	Rebuild, Retrofit G & L VTC 4-AXIS, WV12708	0.675		0.675	0.654	0.021	
FY09	Rebuild, Retrofit Heller Mill, WV12092	0.475		0.475	0.475	-	
FY09	Rebuild, Retrofit Heller Mill, WV12159	0.475		0.475	0.381	0.094	
FY09	Rebuild, Retrofit K&T, WV12310	0.650		0.650	0.622	0.028	
FY09	Rebuild, Retrofit Red Ring Grinder WV11810	0.425	(0.425)	0.000	0.000	-	Cancelled
FY09	Rebuild, Retrofit Wohlenberg Lathe WV12256 (2-carriage)	0.495		0.495	0.495	-	
FY09	Rebuild, Retrofit RD&D Lathe, WV12605	0.495	0.007	0.502	0.502	-	
FY09	Rebuild, Retrofit Cin OD Grinder WV12167	0.625	(0.019)	0.606	0.606	-	Terminated for cause
	EQUIPMENT - New Mission						
	Various Capital Equipment-New Mission	3.038	(3.038)	0.000	0.000	-	
FY09	Firefinder Elevated Temperature Chamber (FETCH)	2.186	(2.186)	0.000	0.000	-	Reprogrammed within VCE
FY09	Next Generation Electronics Repair	0.331	(0.331)	0.000	0.000	-	Reprogrammed within VCE
FY09	Machining Center - Horizontal	0.521	(0.521)	0.000	0.000	-	Reprogrammed within VCE
	EQUIPMENT - Environmental						
	Various Capital Equipment-Environmental	2.296	(2.296)	0.000	0.000	-	
FY09	Air Pollution Control Equipment 409(07)	1.480	(1.480)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Plating Line Bldg 114	0.816	(0.816)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
	ADPE & TELECOMMUNICATIONS EQUIPMENT	21.850	(0.236)	21.614	21.614	-	
FY09	Miscellaneous ADPE	4.940	(3.371)	1.569	1.569	-	Reprogrammed to Base Radio
FY09	Base Radio System	0.000	3.135	3.135	3.135	-	
FY09	Automatic Identification Technology	16.910		16.910	16.910	-	
	SOFTWARE DEVELOPMENT	39.491	(0.555)	38.936	30.793	8.143	
FY09	Logistics Modernization Program	24.600		24.600	24.600	-	
FY09	Industrial Base Modernization	5.600		5.600	0.000	5.600	Carryover to FY10
FY09	Environmental, Safety, and Occupational Health Program (ESOHP)	2.500		2.500	0.000	2.500	Carryover to FY10
FY09	ASRS Baseline Rewrite for LAN Integration	0.495	(0.495)	0.000	0.000	-	.219 reprog. to ADPE, .276 reprog. to VCE
FY09	Document Management Software System	0.732	(0.060)	0.672	0.629	0.043	
FY09	Army Workload Performance System (AWPS)	5.564		5.564	5.564	-	

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY09	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
MINOR CONSTRUCTION		32.544	(2.075)	30.469	30.405	0.064	
FY09	Automated Blowdown Controllers	0.179	(0.179)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Production Administration Building (07)	0.703	0.040	0.743	0.743	-	
FY09	Production Storage Facility	0.724		0.724	0.724	-	
FY09	Upgrade Condensate Return System	0.749	(0.213)	0.536	0.536	-	
FY09	Construct Hardstand	0.731	(0.731)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Construct Training Facility 212	0.725	(0.725)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Floor Repair @ Bldg 1701	0.300	(0.300)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Renovate/Expand Bldg 434	0.725	(0.725)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Replace Waste Filter Press @IWTP	0.325	(0.325)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Sewage Sludge Filter Press	0.325	(0.325)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Upgrade & Renovate Dynamometer Facility	0.725	(0.725)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Upgrade Aeration Pond Blowers	0.672	(0.672)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Upgrade Small Arms Repair Facility(07)	0.725	(0.725)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Upgrade Industrial Wastewater Treatment	0.732	(0.732)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Upgrade Sewage Treatment Plant	0.180	(0.180)	0.000	0.000	-	Deleted to pay for Powertrain Trans. Fac. Equip.
FY09	Construct Plasma, Upgrade	1.944	0.143	2.087	2.087	-	
FY09	Paint Area Addition 409		2.615	2.615	2.615	-	
FY09	Addition to Bldg 409 for Paint Area	0.750	(0.750)	0.000	0.000	-	
FY09	Provide cooling to Bldg 440	0.724	(0.724)	0.000	0.000	-	
FY09	Munitions Igloo to replace G504	0.736	(0.736)	0.000	0.000	-	Cancelled
FY09	Construct Inert Storage Facility A (ADMC)	0.394	(0.394)	0.000	0.000	-	Cancelled
FY09	Renovate Bldg 658 (ADMC)	0.725	(0.725)	0.000	0.000	-	Cancelled
FY09	H.E. Storage Magazine Site QQ	0.331	(0.331)	0.000	0.000	-	Cancelled
FY09	H.E. Storage Magazine Site UU	0.331	(0.331)	0.000	0.000	-	Cancelled
FY09	Fire Suppression Bldg 151	0.274	(0.274)	0.000	0.000	-	Cancelled
FY09	Fire Suppression Bldg 138	0.296	(0.296)	0.000	0.000	-	Cancelled
FY09	Join Building 134 & 135	0.744	(0.744)	0.000	0.000	-	Cancelled
FY09	Pave C, D, & 5(Marshalling Yard #2)	0.329	(0.329)	0.000	0.000	-	Cancelled
FY09	Replace Fueling Station, B. 34-914	0.667	(0.667)	0.000	0.000	-	Cancelled
FY09	Construct Motor Milling Facility (ADMC)	0.725	(0.725)	0.000	0.000	-	Cancelled
FY09	H.E. Storage Magazine Site 3	0.331	(0.331)	0.000	0.000	-	Cancelled
FY09	VTS Explosives Laboratory	0.602	0.068	0.670	0.606	0.064	Realigned from cancelled projects
FY09	Upgrade Fire Protection System, B. 34-910	0.162	0.060	0.222	0.222	-	Realigned from cancelled projects
FY09	Upgrade Fire Protection System, B. 32-520	0.408	0.192	0.600	0.600	-	Realigned from cancelled projects
FY09	Upgrade Fire Protection System, B. 44-100	0.133	0.008	0.141	0.141	-	Realigned from cancelled projects
FY09	Upgrade Fire Protection System, B. 23-370	0.135	(0.028)	0.107	0.107	-	
FY09	Replace Fueling Station, B. 32-050	0.548	(0.548)	0.000	0.000	-	
FY09	Renovate bldg 380 ADMC		0.725	0.725	0.725	-	Realigned from cancelled projects
FY09	Mfr and Repair Bldg		0.693	0.693	0.693	-	Realigned from cancelled projects
FY09	Bldg 380 Truck Yd ADMC		0.650	0.650	0.650	-	Realigned from cancelled projects
FY09	Sidewinder Missile Maintenance Facility 5311		0.694	0.694	0.694	-	Realigned from cancelled projects
FY09	Security System High Risk Mtl Ops Plant Bldg 104		0.499	0.499	0.499	-	Realigned from cancelled projects
FY09	Bldg 186 Decontamination		0.140	0.140	0.140	-	Realigned from cancelled projects
FY09	Bldg 16 Addition		0.452	0.452	0.452	-	Realigned from cancelled projects
FY09	Marid Bldg	0.308		0.308	0.308	-	Realigned from cancelled projects
FY09	Upgrade Fire Protection Bldg 34-650		0.577	0.577	0.577	-	Realigned from cancelled projects
FY09	Cover between 32-210 and 32-250		0.421	0.421	0.421	-	Realigned from cancelled projects
FY09	Pre-Constructed Bldg		0.463	0.463	0.463	-	Realigned from cancelled projects
FY09	Replace Heating System 1254-55		0.159	0.159	0.159	-	Realigned from cancelled projects
FY09	Road to Munitions Center		0.134	0.134	0.134	-	Realigned from cancelled projects
FY09	Enlarge G32		0.732	0.732	0.732	-	Realigned from cancelled projects
FY09	Manufacturing Facility Upgrade Bldg 155		0.422	0.422	0.422	-	Realigned from cancelled projects
FY09	Secure Holding Area Burning Grounds	0.733	(0.733)	0.000	0.000	-	Reprogrammed to VCE
FY09	Secure Holding Area Demo Range	0.668	(0.668)	0.000	0.000	-	Reprogrammed to VCE
FY09	Fire Suppression Bldg 160	0.274	(0.274)	0.000	0.000	-	Reprogrammed to VCE
FY09	Construct Break/Lunch Room in Bldg 1221	0.155	0.000	0.155	0.155	-	
FY09	Administration Office	0.400	(0.400)	0.000	0.000	-	Obligated in prior year
FY09	Expand Classified Bldg S-394 HP0P15 New Requirement	0.651	0.000	0.651	0.651	-	
FY09	Construct Mission facility HP0919 New Requirement	0.723	0.000	0.723	0.723	-	
FY09	Vehicle Staging Area - Test Track	0.729	(0.098)	0.631	0.631	-	
FY09	Climate Control Machine Shop Bldg 315	0.724	(0.724)	0.000	0.000	-	

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY09	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
MINOR CONSTRUCTION cont.							
FY09	Paint and Prep and Deprocess Area 561	0.750		0.750	0.750	-	Reprogrammed from VCE
FY09	Bldg 373 Addition		0.749	0.749	0.749	-	Reprogrammed from VCE
FY09	Wash Rack Bldg 561		0.660	0.660	0.660	-	Reprogrammed from VCE
FY09	Restrooms		0.184	0.184	0.184	-	Reprogrammed from VCE
FY09	Blasting Facility		0.771	0.771	0.771	-	Reprogrammed from VCE
FY09	Hardstand Lighting #1 (IPDS Staging Area)	0.457	(0.021)	0.436	0.436	-	
FY09	Heat & Insulate Warehouse 308	0.568	(0.191)	0.377	0.377	-	
FY09	Heat & Insulate Warehouse 309	0.568	(0.191)	0.377	0.377	-	
FY09	Heat & Insulate Warehouse 310	0.568	(0.191)	0.377	0.377	-	
FY09	Heat & Insulate Warehouse 311	0.568	(0.193)	0.375	0.375	-	
FY09	Lighting Support AJ1 5- Acre Hardstand	0.579	(0.579)	0.000	0.000	-	Funded with excess from Heat Insulate Warehouse
FY09	Lighting AJ1 at Bldg 306	0.579	(0.579)	0.000	0.000	-	Cancelled
FY09	Lighting for AJ1 at Bldg 307	0.579	(0.579)	0.000	0.000	-	Cancelled
FY09	High Mass Lighting Area		0.436	0.436	0.436	-	Reprogrammed from VCE
FY09	Paint and Prep at 214		0.646	0.646	0.646	-	Reprogrammed from VCE
FY09	Hardstand		0.747	0.747	0.747	-	Reprogrammed from VCE
FY09	Hardstand		0.747	0.747	0.747	-	Reprogrammed from VCE
FY09	Radar Test Site Expansion Bldg 233	0.745	(0.745)	0.000	0.000	-	Cancelled
FY09	Blast Booth	0.750	(0.750)	0.000	0.000	-	Cancelled
FY09	HVAC	0.659	0.054	0.713	0.713	-	Funded from cancelled project
FY09	Restrooms Bldg 5		0.439	0.439	0.439	-	Funded from cancelled project
FY09	Paving New Parking Lots		0.749	0.749	0.749	-	Funded from cancelled project
FY09	FRA Expansion and Improvement		0.745	0.745	0.745	-	Reprogrammed from VCE
FY09	C41SR Administrative Support Bldg 1		0.737	0.737	0.737	-	Reprogrammed from VCE
FY09	Bldg 41 Work Vehicle Garage Addition		0.679	0.679	0.679	-	Reprogrammed from VCE
FY09	Stairs Bldg 1B		0.539	0.539	0.539	-	Reprogrammed from VCE
FY09	Fire Station Addition		0.562	0.562	0.562	-	Reprogrammed from VCE
	TOTAL	213.747	0.000	213.747	199.915	13.833	

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY10	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
	EQUIPMENT	153.697	0.000	153.697	153.697	-	
	EQUIPMENT-Replacement					-	
FY10	Various Capital Equipment - Replacement	41.966		41.966	41.966	-	
	EQUIPMENT-Productivity					-	
FY10	Various Capital Equipment - Productivity	109.363		109.363	109.363	-	
	EQUIPMENT - New Mission					-	
FY10	Various Capital Equipment - New Mission	1.970		1.970	1.970	-	
	EQUIPMENT-Environmental					-	
FY10	Various Capital Equipment - Environmental	0.398		0.398	0.398	-	
	ADPE & TELECOMMUNICATIONS EQUIPMENT	17.799	(4.700)	13.099	13.099	-	Reprogrammed from AIT ADPE
FY10	Miscellaneous ADPE < \$1M	1.499		1.499	1.499	-	
FY10	Automatic Identification Technology (AIT)	16.300	(4.700)	11.600	11.600	-	Reprogrammed to AIT software
	SOFTWARE DEVELOPMENT	48.585	4.700	53.285	53.285	-	
FY10	Industrial Base Modernization MES	9.000		9.000	9.000	-	
FY10	Expanded AMMO Functionality in LMP	1.706		1.706	1.706	-	
FY10	Army Workload Performance System (AWPS)	4.865		4.865	4.865	-	
FY10	Logistics Modernization Program	25.688		25.688	25.688	-	
FY10	Integration of Automatic Technology (AIT) with LMP	4.400		4.400	4.400	-	
FY10	Environmental, Safety, and Occupational Health Program (ESOHP)	2.500		2.500	2.500	-	
FY10	Depot Workload Dashboard	0.426		0.426	0.426	-	
FY10	Automatic Identification Technology (AIT)	0.000	4.700	4.700	4.700	-	
	MINOR CONSTRUCTION	28.041	0.000	28.041	28.041	-	
FY10	Various Minor Construction <\$750K	28.041		28.041	28.041	-	
	TOTAL	248.122	0.000	248.122	248.122	-	

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY11	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
	EQUIPMENT	0.000	0.000	0.000	114.154	114.154	No prior submission/approval of projects
FY11	EQUIPMENT - Replacement Various Capital Equipment - Replacement				79.915	79.915	
FY11	EQUIPMENT - Productivity Various Capital Equipment - Productivity				32.511	32.511	
FY11	EQUIPMENT - New Mission Various Capital Equipment - New Mission				1.728	1.728	
FY11	EQUIPMENT-Environmental Various Capital Equipment - Environmental				0.000	0.000	
	ADPE & TELECOMMUNICATIONS EQUIPMENT	0.000	0.000	0.000	17.138	17.138	No prior submission/approval of projects
FY11	Miscellaneous ADPE < \$1M				0.538	0.538	
FY11	Automatic Identification Technology (AIT)				16.600	16.600	
	SOFTWARE DEVELOPMENT	0.000	0.000	0.000	38.562	38.562	No prior submission/approval of projects
FY11	Army Workload and Performance System (AWPS)				4.967	4.967	
FY11	Logistics Modernization Program				5.391	5.391	
FY11	Integration of Automatic Technology (AIT) with LMP				3.000	3.000	
FY11	Industrial Base Modernization (IBM - MES Depots)				17.800	17.800	
FY11	Industrial Base Modernization (IBM - MES Arsenal)				0.000	0.000	
FY11	Expanded AMMO Functionality in LMP				6.893	6.893	
FY11	Depot Workload Dashboard				0.511	0.511	
	MINOR CONSTRUCTION	0.000	0.000	0.000	35.741	35.741	No prior submission/approval of projects
FY11	Various Minor Construction <\$750K				35.741	35.741	
	TOTAL	0.000	0.000	0.000	205.595	205.595	

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Minimum Capital Investment for Certain Depots and Arsenal
(\$ in Millions)**

	Revenue			Budgeted Capital			Difference		
	3 Year Average						Positive numbers exceed required investment		
	FY 2009	FY 2010	FY 2011	FY 2009	FY 2010	FY 2011	FY 2009	FY 2010	FY 2011
							6.0%	6.0%	6.0%
ANAD									
Revenue	1,135.076	1,133.592	1,098.828						
Capital Investment Program				48.826	21.116	21.070			
Facilities Sustainment, Restoration and Modernization				25.234	26.390	24.753			
Equipment (Fund 1a- 500 lines)				21.963	10.857	12.393			
Productivity Enhancements				4.005	0.500	0.500			
MILCON				18.000	3.300	0.000			
Actual/ Budgeted Investment				118.028	62.163	58.716			
Required Investment				68.105	68.016	65.930			
Over (+)/ Under (-) Investment							49.923	(5.853)	(7.214)
CCAD									
Revenue	1,185.220	1,214.109	1,294.911						
Capital Investment Program				7.031	109.382	86.360			
Facilities Sustainment, Restoration and Modernization				13.040	17.277	17.284			
Equipment (Fund 1a- 500 lines)				17.920	27.744	29.156			
Productivity Enhancements				0.000	0.000	0.000			
MILCON				38.416	0.000	0.000			
Actual/ Budgeted Investment				76.407	154.403	132.800			
Required Investment				71.113	72.847	77.695			
Over (+)/ Under (-) Investment							5.294	81.556	55.105
LEAD									
Revenue	472.469	547.547	604.250						
Capital Investment Program				6.494	11.187	8.188			
Facilities Sustainment, Restoration and Modernization				16.919	16.088	13.640			
Equipment (Fund 1a- 500 lines)				8.309	7.560	6.660			
Productivity Enhancements				0.000	0.000	0.000			
MILCON				0.000	0.000	0.000			
Actual/ Budgeted Investment				31.721	34.835	28.488			
Required Investment				28.348	32.853	36.255			
Over (+)/ Under (-) Investment							3.373	1.982	(7.767)

**EXHIBIT FUND 6
MINIMUM CAPITAL INVESTMENT FOR CERTAIN DEPOTS AND ARSENALS**

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Minimum Capital Investment for Certain Depots and Arsenal
(\$ in Millions)**

	Revenue			Budgeted Capital			Difference		
	3 Year Average						Positive numbers exceed required investment		
	FY 2009	FY 2010	FY 2011	FY 2009	FY 2010	FY 2011	FY 2009	FY 2010	FY 2011
RRAD							6.0%	6.0%	6.0%
Revenue	778.639	939.898	1,102.191						
Capital Investment Program				16.000	22.369	21.744			
Facilities Sustainment, Restoration and Modernization				21.162	20.072	21.553			
Equipment (Fund 1a- 500 lines)				11.300	12.729	12.984			
Productivity Enhancements				0.481	0.000	0.000			
MILCON				7.781	0.000	0.000			
Actual/ Budgeted Investment				56.724	55.169	56.281			
Required Investment				46.718	56.394	66.131			
Over (+)/ Under (-) Investment							10.005	(1.225)	(9.850)
TYAD									
Revenue	710.624	813.997	847.798						
Capital Investment Program				54.807	23.791	11.170			
Facilities Sustainment, Restoration and Modernization				31.626	25.906	33.389			
Equipment (Fund 1a- 500 lines)				20.218	16.103	14.698			
Productivity Enhancements				0.933	0.884	0.888			
MILCON				0.000	0.000	0.000			
Actual/ Budgeted Investment				107.584	66.684	60.146			
Required Investment				42.637	48.840	50.868			
Over (+)/ Under (-) Investment							64.947	17.844	9.278
PBA									
Revenue	166.128	183.115	196.679						
Capital Investment Program				9.497	6.930	10.995			
Facilities Sustainment, Restoration and Modernization				4.562	8.233	7.535			
Equipment (Fund 1a- 500 lines)				5.855	3.705	3.256			
Productivity Enhancements				0.567	0.000	0.000			
MILCON				0.000	25.000	0.000			
Actual/ Budgeted Investment				20.481	43.868	21.786			
Required Investment				9.968	10.987	11.801			
Over (+)/ Under (-) Investment							10.513	32.881	9.985

**EXHIBIT FUND 6
MINIMUM CAPITAL INVESTMENT FOR CERTAIN DEPOTS AND ARSENALS**

**Army Working Capital Fund
Fiscal Year (FY) 2011 Budget Estimates
Industrial Operations**

**Minimum Capital Investment for Certain Depots and Arsenal
(\$ in Millions)**

	Revenue			Budgeted Capital			Difference		
	3 Year Average						Positive numbers exceed required investment		
	FY 2009	FY 2010	FY 2011	FY 2009	FY 2010	FY 2011	FY 2009	FY 2010	FY 2011
RIA							6.0%	6.0%	6.0%
Revenue	316.347	363.773	390.256						
Capital Investment Program				14.759	11.455	11.490			
Facilities Sustainment, Restoration and Modernization				8.227	11.709	11.897			
Equipment (Fund 1a- 500 lines)				15.419	14.653	14.887			
Productivity Enhancements				0.000	0.000	0.000			
MILCON				0.000	0.000	0.000			
Actual/ Budgeted Investment				38.405	37.817	38.274			
Required Investment				18.981	21.826	23.415			
Over (+)/ Under (-) Investment							19.425	15.991	14.859
WVA									
Revenue	113.197	124.697	131.973						
Capital Investment Program				17.890	11.166	11.278			
Facilities Sustainment, Restoration and Modernization				6.667	6.430	6.735			
Equipment (Fund 1a- 500 lines)				0.000	0.350	0.350			
Productivity Enhancements				0.000	0.000	0.000			
MILCON				0.000	0.000	0.000			
Actual/ Budgeted Investment				24.557	17.946	18.363			
Required Investment				6.792	7.482	7.918			
Over (+)/ Under (-) Investment							17.765	10.464	10.445
TOTAL ARMY									
Revenue	4,877.701	5,320.729	5,666.885						
Capital Investment Program				175.304	217.395	182.295			
Facilities Sustainment, Restoration and Modernization				127.437	132.105	136.786			
Equipment (Fund 1a- 500 lines)				100.984	93.701	94.384			
Productivity Enhancements				5.986	1.384	1.388			
MILCON				64.197	28.300	0.000			
Actual/ Budgeted Investment				473.907	472.885	414.853			
Required Investment				292.662	319.244	340.013			
Over (+)/ Under (-) Investment							181.245	153.641	74.840
Investment percentage							9.7%	8.9%	7.3%

**EXHIBIT FUND 6
MINIMUM CAPITAL INVESTMENT FOR CERTAIN DEPOTS AND ARSENALS**



A Soldier stands against the Afghan skyline after securing a combat outpost in Afghanistan.

Warrior Ethos

I will always place the mission first.

I will never accept defeat.

I will never quit.

I will never leave a fallen comrade.

