



DON Business Plan for NWCF Organization – Today and Tomorrow

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- ❑ Budgetary Outlook
- ❑ Net Operating Results
- ❑ Cash Levels
- ❑ NWCF IWARS Conclusions
- ❑ Long Term Rates
- ❑ Compliance with Policy
- ❑ Summary

- ❑ Major NWCF customer appropriations constrained (flat or reduced) FY 2002-out
- ❑ No significant increase expected with Amended FY 2002 Budget
- ❑ NWCF costs must be controlled
- ❑ Strategic Sourcing savings critical to success

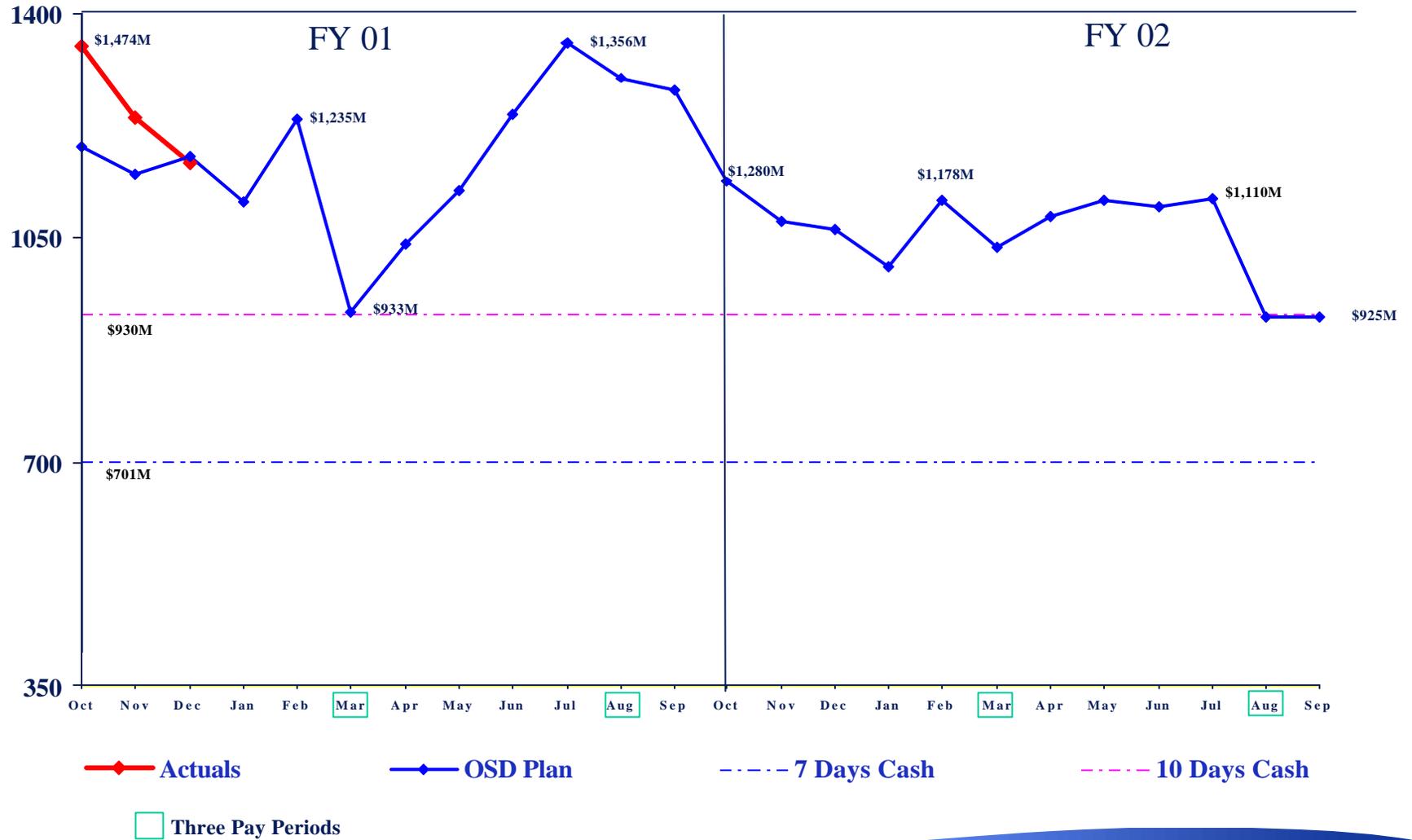
- Recent NOR performance against plan has generally been good

	Actual Cost	NOR-Plan	NOR-Actual	Variance
Total NWCF	(\$ Millions)	(\$ Millions)	(\$ Millions)	(\$ Millions)
FY 1997	20,625.2	-385.0	-334.2	50.8
FY 1998	20,667.1	262.3	304.9	42.6
FY 1999	19,982.4	-56.2	-175.6	-119.4
FY 2000	20,735.1	-164.2	-126.5	37.7

*NWCF Cash Plan
FY 2001 - FY 2002*

- FY 2000 ending cash balance: \$1,474M
- Current budget assumes transfer of approximately \$250M in FY 2001
- \$400M also to be returned to customers in FY 2002 via lower Supply rates

OSD Cash Plan FY 2001 - FY 2002



NWCF IWARS Conclusions

- NWCF is significant resource area not receiving OPNAV review during PPBS programming phase
 - Formal review of NWCF issues (large cost base changes, infrastructure initiatives and major workload changes) during POM Cycle is likely
 - Should help avoid “surprises” to fix during DoN Budget Reviews
- Appropriated funding is potential option for some NWCF activities

Long Term Rate-Setting Concerns

- ❑ With FY 01 Budget, FMB began calculating “notional” NWCF outyear rates
 - ❑ Composite rate calculations based on primary cost factors of labor and non-labor
 - ❑ Specific savings initiatives also reflected (i.e. Strategic Sourcing)
 - ❑ Allows for better allocation of outyear resources to NWCF customers than using general inflation index
 - ❑ Forms rough baseline for comparison when conducting 1st review of budget year

- ❑ **Carryover Concern**
 - **Need to monitor carryover, particularly in light of current Congressional and GAO scrutiny**
 - ❑ **Brief review indicated many O&MN project orders and RDTEN work requests were initiated late in FY 2000 for which very little work was completed prior to the end of the fiscal year**
- ❑ **Use of Project Orders**
 - **Need to review use of project orders to ensure they are being appropriately used**
 - ❑ **For certain, definite and specific efforts**
 - ❑ **Fixed price agreements must be accurate**
- ❑ **Work performed must be part of the activity's mission, authorized and funded**
 - **If not, creates NWCF losses and results in disputes over who pays for cost overruns**

- ❑ Given tight budgetary climate, good NWCF financial performance must continue – large cost increases not affordable
- ❑ Initiatives like Strategic Sourcing and ERP are key to success
- ❑ NWCF activities must ensure compliance with financial policy guidelines