UNITED STATES POSTAL SERVICE®

Investment Policies and Procedures — Major Facilities

Handbook F-66A

January 2006
Transmittal Letter

A. Revision. This revised edition of Handbook F-66A, *Investment Policies and Procedures — Major Facilities,* updates the policy and procedures for Postal Service™ investments to ensure that projects adhere to the *Strategic Transformation Plan 2006–2010* strategy to reduce costs. Reducing costs includes the commitment to enhance corporate financial responsibility and to continue to invest in equipment, technology, and facilities. This handbook replaces the March 1999 edition.

B. Explanation. The following manuals are the source information related to the Postal Service's investment policies and processes. This handbook is one of six modules that are published and distributed separately. The following handbooks are used to address the unique requirements associated with specific investment types:

- Handbook F-66, *General Investment Policies and Procedures.*
- Handbook F-66A, *Investment Policies and Procedures — Major Facilities.*
- Handbook F-66B, *Investment Policies and Procedures — Major Equipment.*
- Handbook F-66C, *Field Investment Policies and Procedures.*
- Handbook F-66D, *Investment Policies and Procedures — Business Initiatives, Alliances, Real Estate Development, and Major Operating Expense Investments.*
- Handbook F-66E, *Investment Policies and Procedures — Postal Support and Information Systems.*

C. Changes. Handbook F-66A provides updated guidance concerning major facility investment projects that require Headquarters approval, including documentation, review and approval, validation, compliance, and Decision Analysis Report modification requirements.

D. Online Availability. You may view this handbook in electronic format on the Postal Service PolicyNet Web site.

1. Go to *http://blue.usps.gov.*
2. Under "Essential Links" in the left-hand column, click on *References.*
3. Under "Policies" on the right-hand side, click on *PolicyNet.*
4. Click on *Hbks.*

E. Comments and Questions. Address comments or questions to:

CAPITAL AND PROGRAM EVALUATION
US POSTAL SERVICE
475 L'ENFANT PLZ SW RM 8541
WASHINGTON DC 20260-5231

F. Effective Date. This revision is effective January 2006.

Lynn Malcolm
Vice President, Controller
Finance

Contents

Exhibits

This page intentionally left blank

1 Overview

1-1 About This Handbook

This handbook describes the investment process for major facility projects that require Headquarters approval. The vice president and controller of Finance must approve exceptions to these policies. Sponsors must document requests for exceptions and approvals.

Note that related projects having a common objective must be presented as a single project (unitary plan). Sponsors may not split projects to avoid getting approval from a higher level of management. For example, renovating a main Post Office (MPO) and building a new processing and distribution facility to offload mail processing operations from the MPO must be presented as a single project.

1-2 Purpose

This handbook is intended to serve as a guide to the requirements for initiating major facility investments, which includes the following:

a. Preparing the required documentation.

b. Reviewing, validating, and approving projects at the Headquarters level.

c. Tracking the progress of projects to ensure compliance with the approved plan.

d. Requesting, reviewing, and approving changes to a previously approved project.

The purpose of these policies and procedures is to ensure that major facility investments support the strategic objectives of the Postal Service, make the best use of available resources, and establish management accountability for investment decisions. Whether or not these policies and procedures cover a specific situation, prudent business sense must be applied.

1-3 Definitions

Major facility investments are facility projects that require Headquarters approval (see Exhibit 2-1, Delegations of Approval Authority, in Handbook F-66, *General Investment Policies and Procedures*). This includes the following:

a. Projects that exceed $5 million.

b. Lease and rental agreement projects with an annual rent of $500,000 or more or a total lease cost of $5 million or more. *Total lease cost* is the cost of the lease (including all renewal options during the 10-year operating period and any fixed-price rental options thereafter) discounted at the cost of capital, plus the undiscounted cost of renovations.

Major facility projects may include customer service and sales, processing and distribution, or Headquarters facilities. Within these categories, facility projects may involve any of the following:

a. New construction owned.

b. Purchase of an existing building.

c. Major expansion or renovation.

d. Leasing a facility.

1-4 Project Documentation

The sponsor, or requesting organization, prepares a Decision Analysis Report (DAR) recommending an investment and providing the approving authority with adequate information to make a prudent business decision. Minimum requirements for DARs for major facility projects are addressed in chapter 2. DAR backup documentation requirements are addressed in chapter 3.

1-5 Review and Approval Process

The Headquarters review and approval process for major facility projects is described in chapter 4. Finance must validate major facility projects (see chapter 5).

Field-sponsored projects must be reviewed and approved by the field and are subject to a financial assessment at the area level before they are forwarded to Headquarters for review, validation, and final approval (see Handbook F-66C, *Field Investment Policies and Procedures).*

1-6 Program Performance Metrics

The sponsor must establish metrics (indicators and methods for data capture and reporting) that can be used to evaluate program performance. The sponsor also must establish a process to identify metrics that can be used to track performance of capital and major expense investments for programs that require a DAR. The purpose of this requirement is to establish program-relevant measurements that enable management to identify lessons learned and take corrective actions (as appropriate) in the preliminary implementation phase of programs while determining the likelihood of achieving the savings identified in the DAR. The metric(s) will also be used in after-cost studies in conjunction with other traditional financial-related indicators, such as workhour and dollar savings, to evaluate the success of the program. See Handbook F-66 for additional requirements pertaining to performance metrics.

1-7 Risk Management

Risk management includes the process associated with identifying, analyzing, prioritizing and controlling, and mitigating investment risk. The risk management process involves the following four processes:

a. **Risk identification —** determining which risks are likely to affect the investment project and documenting the characteristics of each risk.

b. **Risk prioritization and quantification —** defining opportunities and response to potential threats and rank them.

c. **Risk analysis —** evaluating risks and risk interactions to assess the range of possible investment (project) outcomes.

d. **Risk response control —** responding to change in risk over the course of the investment project — based on the risk management plan (i.e., program management plan).

The DAR narrative and backup documentation must address each of these four processes. Risk identification, analysis, and prioritization and quantification fit easily into existing investment analysis activities.

Risk response control is a process that involves more than agreement with assumptions and their accompanying calculations. An integrated multi-functional approach for responding to and controlling risk has the following benefits:

a. Provides for the overall mitigation of investment risks.

b. Influences the extent with which senior management may favorably view an investment.

A process that identifies and mitigates known risks combined with identified strategies that can be implemented when the magnitude and range of risks become known. This may make investments with relatively higher (than average) risk potential become viable and suitable for senior management's approval. For example, if maintaining the project schedule is identified as a

risk, then actions that describe how schedule slippage will be addressed may contribute to the eventual approval of the investment — even when a specific risk has been identified. See Handbook F-66, subchapter 5-5, for detailed risk analysis requirements.

1-8 Compliance Procedures

Major facility projects are tracked throughout the progress of the investment using DAR Compliance Reports, which the sponsor must prepare quarterly from the time a project is approved until 18 months after completion or move-in (see chapter 6 and Handbook F-66, chapter 7).

1-9 DAR Modifications

If the scope of an investment changes significantly after it has been approved, the sponsor must prepare a DAR Modification Request to request a change from the approved plan. The appropriate approving official must review, validate, and approve this request before the sponsor may take action that departs from the approved DAR (see chapter 7).

2 Decision Analysis Report

2-1 About This Chapter

This chapter presents the minimum requirements for DARs for major facility projects. The backup documentation requirements are discussed in chapter 3.

2-2 Purpose

The purpose of a DAR is to ensure that Postal Service investments are properly documented and reviewed. A DAR must be prepared when the requiring organization requests an investment. The DAR defines the problem and details the need for the expenditure, providing sufficient detail to enable the approving officials to make an informed decision.

2-3 Responsibility

2-3.1 Sponsor

The *sponsor* is the person in the functional organization who is requesting the project. The sponsor ensures that the DAR and all required backup documentation are prepared. The sponsor also ensures that the project is implemented in accordance with the final approved DAR.

2-3.2 Preparer

Usually the sponsor prepares the DAR for a major facility. An analyst at a facilities service office (FSO); the Memphis Major Facilities Office (MFO); or Facilities Planning and Approval, Headquarters; may prepare the DAR on behalf of the sponsor.

2-3.3 Reviewer

The manager of Facilities Planning and Approval, must review all DARs for major facility projects before the DAR is forwarded to the approving officials.

2-3.4 Approving Officials

The DAR must be approved at the level specified in Handbook F-66, Exhibit 2-1, Delegations of Approval Authority. Major facility projects may require approval by all of the following:

a. Plant or district manager.

b. Area Capital Investment Committee (CIC).

c. Vice president of Area Operations.

d. Headquarters vice president or deputy postmaster general and chief operating officer (COO).

e. Headquarters CIC.

f. Postmaster general/chief executive officer (PMG/CEO).

g. Board of Governors (after review and concurrence by the Capital Projects Committee of the Board).

2-4 DAR Planning Activities

The following planning activities occur before the DAR is prepared and generate information to develop the DAR:

a. The sponsor identifies a need.

b. The project is added to the Five-Year Capital Investment Plan through the prioritization process.

c. The sponsor develops the facility planning concept (FPC).

d. A planning parameters meeting is held to finalize the FPC and identify alternative solutions.

e. The sponsor develops space and site requirements.

f. The sponsor conducts real estate activities and develops estimates of construction costs.

g. The sponsor completes retail studies.

h. The sponsor provides operational data to the person who prepares the DAR.

2-5 Format

The DAR for any project that requires Headquarters approval must be prepared as follows:

a. Use Microsoft Word for the text and Microsoft Word or Excel for the exhibits, in accordance with Postal Service standards.

b. Format the text in Arial 10-point type, left-justified, and single-spaced.

c. Set all margins (top, bottom, right, and left) to 1 inch.

d. Number all pages consecutively after the table of contents, except page 1.

e. Title all exhibits and include the name of the project on each.

f. Spell out numbers from zero to nine, and use numerals for larger numbers. However, use numerals for all measurements, percentages, and dollar amounts (e.g., 6.4 acres, 3 years, 7 percent, and $28.2 million).

g. Spell out terms the first time they are used; if an abbreviated form is commonly used, include it in parentheses; thereafter, use the abbreviation or acronym.

h. Print the document on paper that measures 8-1/2 by 11 inches. Print on one side only.

See exhibits 2-2 and 2-3 for sample DARs in the approved format.

2-6 DAR Components

A DAR is composed of a narrative section, exhibits, and required backup documentation. Normally the narrative section is 2–5 pages. However, the complexity of the project determines the amount of detail required. The DAR must be detailed enough to enable the approving officials to adequately assess the project.

The DAR for a major facility project must include these elements, in the order listed:

a. Cover page.

b. Signature page.

c. Table of contents.

d. Narrative, which includes a discussion of the following:

   (1) Background and problem definition.

   (2) Alternatives analyzed.

   (3) Sustaining baseline (if applicable).

   (4) Alternatives eliminated.

   (5) Priority.

   (6) Analysis of incremental investment (if applicable).

   (7) Financial summary.

   (8) Recommendation.

e. Exhibits, each on a separate page, which include the following:

   (1) Site map.

   (2) Site, environmental, and intergovernmental summary.

   (3) Investment cost sheet.

   (4) Cash flow analysis.

   (5) Population and mail volume projections.

   (6) Productivity and service impacts.

   (7) Space summary.

(8) Summary of operations.

(9) Project schedule.

2-6.1 Cover Page

The cover page includes the Postal Service logo, the words “DECISION ANALYSIS REPORT,” the name and location (i.e., city and state) of the project, type of project (e.g., Processing and Distribution Center and Bulk Mail Center, Station), name of the sponsoring organization (e.g., Facilities), and the preparation date. If the DAR contains proprietary information, the document must be marked with the words “RESTRICTED INFORMATION” to ensure confidentiality. The standard design format is available from Facilities Planning and Approval, or Capital and Program Evaluation, Finance.

2-6.2 Signature Page

Signing the DAR indicates agreement with the project’s concepts, assumptions, and operational and budgetary impacts. Signatures of acting managers for reviewing and approving officials are not accepted. Acting managers may not sign a DAR except in cases of a manager’s long-term absence or for details where a temporary change in authority has been documented in writing.

The signature page must conform to the following format:

PREPARED BY: <*Signature and date signed*>_____
<*Typed name, title, and organization*> Date

REVIEWED BY: <*Signature and date signed*>_____
<*Typed name, title, and organization*> Date

SPONSORED BY: <*Signature and date signed*>_____
<*Typed name, title, and organization*> Date

APPROVED BY: <*Signature and date signed*>_____
<*Typed name, title, and organization*> Date

For projects approved below the PMG/CEO approval level, the “Approved by” block is signed by the appropriate approving official indicating final approval of the project. For projects requiring approval by the PMG/CEO or Board of Governors, the “Approved by” block represents the highest operational approval (in most cases, the vice president of Area Operations, who does not have final approval authority). If the PMG/CEO has final approval authority, the PMG/CEO indicates approval by signing either a briefing sheet or an additional “Approved by” block on the signature page of the DAR. For projects approved by the Board of Governors, final approval is not indicated by signing the DAR. The minutes of the Board meeting document these approvals.

When a project impacts multiple approval levels or multiple functional areas, additional “Sponsored by” and “Approved by” signature blocks may be required.

2-6.3 Table of Contents

The table of contents lists each main heading and exhibit title and the beginning page number.

2-6.4 Narrative

2-6.4.1 Background and Problem Definition

The background and problem definition section describes the current situation, including major problems with the existing facilities and opportunities for improvement resulting from completion of the proposed project. In this section, cite any actions previously taken to maintain operations and service standards, such as splitting operations and leasing additional space.

The description of the current situation, problems, and requirements typically addresses some of the following issues:

a. Corporate strategies, goals, or objectives (e.g., the Strategic Plan, Voice of the Customer, Voice of the Employee, and Voice of the Business).
b. Safety, environmental, and health issues.
c. Customer service, retail, and delivery needs.
d. Structural or configuration problems.
e. Space deficiencies.
f. Lease preemption or condemnation.
g. Operational costs.
h. Economic factors and business opportunity.
i. Functional or strategy changes.
j. Technological advancements.
k. Revenue generation.
l. Equipment or staffing issues.
m. Volume or population growth.
n. Productivity improvements.
o. Workgroup, organizational, or functional recommendations.
p. Engineering team findings.
q. Outside consultant studies.

2-6.4.2 Alternatives Analyzed

In the alternatives analyzed section, discuss and analyze all viable solutions to the problem that were considered and that meet the requirements of the project. Clearly indicate the recommended alternative. Generally more than one alternative must be considered for major facility projects. If you analyze only one alternative, then identify in the alternatives eliminated section what other alternatives were considered and the reasons that they were rejected.

Identify the alternatives as Alternative A, Alternative B, etc., and present them in order from lowest to highest capital investment requirement. Each alternative that is evaluated must comply with all relevant directives (e.g., employee factors and service and space standards). Alternatives must be consistent with the approved FPC and the alternatives developed at the planning parameters meeting.

For the recommended alternative, discuss the incremental investment required to support the recommendation on an economic basis. If the basis of selection was not economic, explain why the alternative was selected. Any funds previously committed for the project, except design cost (normally up to 30 percent), must be described — including the amount of funds committed, the approval body, and the date.

For each alternative, address the planned disposition of all affected current facilities (i.e., whether they will be vacated or retained, and if retained, what operations they will house). Describe the material handling systems to be installed in each alternative. Discuss cost, business, and service issues related to separating or co-locating retail and delivery operations.

2-6.4.3 Sustaining Baseline

The applicability of a sustaining baseline to a project is determined at the planning parameters meeting. If a sustaining baseline is required, describe the temporary measures a reasonable manager would take to sustain postal operations through the analysis period if the proposed alternative were not approved. For the sustaining baseline, the sponsor must consider labor, space, equipment, and other necessary resources. Normally the implementation of the sustaining baseline requires only minimal expenditure of capital funds (e.g., to renovate leased space). If you include the sustaining baseline in a project, then compare it with each alternative for the computation of the return on investment (ROI) for that alternative.

2-6.4.4 Alternatives Eliminated

Briefly describe the alternatives that you did not economically analyzed and explain why they were not considered viable (e.g., physical constraints or high operating costs). An alternative that is technically feasible may be ruled out by legal, service-related, or political constraints.

2-6.4.5 Priority

Indicate the project priority as determined by the National Major Facility Prioritization or the area 5-year budget plan. If the project is not on the priority list, explain why it is being pursued ahead of other projects.

2-6.4.6 Analysis of Incremental Investment

2-6.4.6.1 Net Present Value Comparison of Alternatives without a Positive ROI

While equipment projects are typically generative in nature, there may be instances where a positive ROI does not result, even when several

alternatives are considered and analyzed. Furthermore, a net present value (NPV) comparison of the alternatives is not possible due to the negative cash flows. You must compare the NPVs of the alternatives and identify the differences to determine the superior alternative. See Handbook F-66, section 5-4.12.11, for samples of non-generative ROI comparisons. In addition, Handbook F-66E, *Investment Policies and Procedures — Postal Support and Information Systems,* contains a sample DAR (Transaction Concentrator Replacement) that uses the ROI comparison process.

2-6.4.6.2 Internal Net Present Value Comparison

This section compares the NPV for each alternative to determine if the additional investment is economically justified. The format must reflect the number of alternatives evaluated in the DAR. If you analyze only the recommended alternative, then eliminate this section.

2-6.4.6.2.1 Analysis Using Net Present Value

A comparison of between several alternatives using a differential between the NPV of the investments is a way to evaluate the viability of an investment when neither alternative has a positive ROI (i.e., internal rate of return). This comparison is commonly called an *internal net present value* (I-NPV) comparison. The ROI measures the existing situation (the baseline) compared to the investment. A comparison of several net present values compares alternatives to one another. A benefit of using the NPV is that it provides the decision-maker with a rate of return (profitability relationship) for the alternatives where the ROI does not cover the cost of borrowing. Exhibit 2-2, provides and example of an NPV comparative analysis for a facility project.

2-6.4.6.2.2 Risk Analysis

Risk analysis as discussed in subchapter 1-7, includes the process concerned with identifying, analyzing, and mitigating investment risk.

2-6.4.6.2.3 Sensitivity Analysis

Performing a sensitivity analysis is a component of quantifying risk. Most of the basic inputs in a financial analysis are estimated or forecasted, resulting in a degree of uncertainty. This uncertainty can be reduced by assessing the sensitivity of the results to changes in key variables. A sensitivity analysis must be included in the DAR backup for major projects. The number of sensitivity analyses should be consistent with the importance of the project being evaluated. The effect of changes in costs, savings, revenues, and volumes on a project that is economically justified may be calculated to establish the sensitivity of the expected returns to varying conditions. Sensitivity analyses are particularly helpful when benefits from a project will not accrue until the later years of an evaluation. Accurately predicting benefits is more difficult in this situation, due to the length of time involved. A sensitivity analysis showing optimistic, most likely and pessimistic forecasts provide a range of probable outcomes that can help establish whether a project is cost effective. (Also see Handbook F-66, subchapter 6-5).

2-6.4.7 Financial Summary

In the financial summary section briefly summarize the total capital and expense investments for the recommended alternative. Report the results from the cash flow analysis, including total operating expense variances from baseline operations, NPV, the discount rate used to compute the NPV, and ROI. If the ROI is negative or cannot be computed because the cash flow contains all negative numbers, insert the word “Negative” or “N/A” in place of a numerical percentage. The ROI is generally not shown for leased facility analyses.

2-6.4.8 Recommendation

The final section of the DAR narrative summarizes the recommended investment. Indicate the total investment requested for approval. Include (and show separately) any of the following that are applicable to the project:

a. Sunk costs (if significant).

b. Material handling costs.

c. Advance site acquisitions.

d. Total lease costs (discounted at the cost of capital and undiscounted).

Describe the terms of any leasing agreements (e.g., the terms for a ground lease for an airport mail facility site). Identify the impact of the proposed project on current facilities, noting whether they will be vacated or retained and what operations will be housed in the retained facilities.

2-6.5 Exhibits

The following exhibits are required to highlight and support the DAR narrative for a major facility project. Include the exhibits in the order shown. For further guidance, see exhibits 2-2 and 2-3.

2-6.5.1 Site Map

Include a site map (drawn to scale with north designated) showing the location of all affected facilities, major thoroughfares, significant landmarks (e.g., cities, rivers, and mountains), nearby facilities with similar functions, and the selected site. Differentiate affected facilities from those not directly affected by the project. Include a state map and identify the enlarged area on the page (see exhibits 2-2 and 2-3).

You may use commercially available software programs to produce high-quality maps. Facilities Planning and Approval, Headquarters, can provide mapping assistance upon request.

2-6.5.2 Site, Environmental, and Intergovernmental Summary

Use the form included in exhibit 2-2 (p.10) to provide the requested information. Provide supplemental information when appropriate.

2-6.5.3 Investment Cost Sheet

The appropriate FSO usually prepares the investment cost sheet, based on the most recent guidelines issued by Facilities. If there are multiple facilities in an alternative, develop cost sheets for each facility and a combined cost sheet for the alternative. For example, a project proposing a new PDC, a new vehicle maintenance facility (VMF), and renovations to the existing MPO would require four cost sheets.

Include the following items in the DAR:

a. The investment cost sheet for the recommended alternative (unsigned).

b. Planned renovation costs for all facilities being retained.

c. A separate investment cost sheet for renovations to the existing facilities.

d. A combined cost sheet for the alternative to the recommendation.

Include the following items in the DAR backup documentation:

a. A signed copy of the cost sheet for each alternative evaluated and for the sustaining baseline (if applicable).

b. Individual cost sheets for each facility.

2-6.5.4 Cash Flow Analysis

A cash flow itemizes investments and quantifiable costs and benefits, generally for a 10-year operating period, in order to determine the ROI and NPV of implementing the project. Include only the cash flow analysis of the recommended alternative in the DAR. You must also include a cash flow for each alternative analyzed in the backup documentation.

2-6.5.5 Population and Mail Volume Projections

For all processing and distribution projects, include an exhibit that shows population projections by three-digit ZIP Code™ areas and projections for First-Class Mail and Standard Mail volume, both originating and destinating (in millions of pieces), processed by the affected facility.

For population and mail volume projections include the following:

a. Current-year figures.

b. First year of operation after facility completion.

c. Last operating year shown in cash flow analysis.

d. Average annual growth rate.

Be sure to note the source of the data.

2-6.5.6 Productivity and Service Impacts

The productivity and service impacts exhibit is required only if the DAR projects savings as a result of productivity improvements due to the new facility or there are service impacts (projected increase or decrease) due the activation of the new facility.

Savings may result from consolidation of operations, reduction in manual operations, improved material handling related to facility layout and the physical design and location of the new facility. While savings from automation cannot be included in the cash flow analysis, you may cite productivity improvements attributed to automation on current deployment schedules, particularly if increased capacity to house needed automation is one of the factors driving the project. Productivity indicators may include measures such as these:

a. Distribution Productivity Index (DPI).

b. First Handling Pieces (FHP).

c. Office Efficiency Indicator (OEI).

d. Street Efficiency Indicator (SEI).

Service improvements and a reduction in the number of customer complaints may result from the addition of Post Office boxes, locating carriers closer to their routes, and enhanced retail services. Service improvement indicators include the following:

a. External First-Class Measurement System (EXFC).

b. Customer Service Index (CSI).

Productivity and service projections must include the following:

a. Current-year figures.

b. First year of operation after facility completion.

c. Difference between current year and projections.

d. Percentage increase.

2-6.5.7 Space Summary

The space summary exhibit depicts existing and projected space (from the requirements document or the actual space to be acquired, if known), in gross square feet, for the recommended alternative. All new and existing space affected by the project must be included so that a valid comparison can be made. The degree to which current space is deficient should be shown as a percentage of required space for each category of space (e.g., office, lobby, and workroom). The required space should correspond to the space requirements included in the backup documentation (e.g., PS Form 919, *Facility Planning Concept,* or PS Form 929, *Major Facility Planning Data).* If additional building or site space (over and above what is required) is being acquired, the space summary should show the actual space being acquired and indicate in a footnote that it exceeds requirements. Provide an explanation as to how the excess building or site space will be used.

2-6.5.8 Summary of Operations

The summary of operations exhibit depicts existing and projected (required) operations and amounts and types of automation/mechanization equipment based on the recommended alternative. Include all new and existing operations and equipment affected by the project so that a valid comparison

can be made. The square footage, control of the facility (leased or owned), and lease amount and terms (if applicable) should be indicated.

2-6.5.9 Project Schedule

The project schedule is a Gantt chart that indicates important milestones in the project development and the anticipated dates for each of these events (see exhibit 2-1 for a list of required milestones).

2-7 Sample DARs

Sample DARs for the following types of projects are included as guidance:

This exhibit…	**shows a sample DAR for a**…
2-2	new construction of a customer service facility project including an NPV analysis.
2-3	new construction of a processing and distribution center.

Exhibit 2-1
Project Schedule Milestones

You must include the following milestone activities in the project schedule for a major facility project:

Pre-deployment Activities

1. **Project Inception —** The date the sponsor initiates deployment planning for equipment projects that previously were the subject of an research and development effort (i.e., when the sponsor decides that a good idea has been conceived, identifies a need for the project, has developed a final scope for the idea, and decides to move forward on that idea). Generally, this is the date a project moves out of the R&D stage, although R&D and prototype evaluation may continue after this date.
2. **Prototype Evaluation —** The period for evaluating the operational prototype of the item or system proposed for deployment.
3. **DAR Preparation —** The period during which the sponsor develops a draft DAR and compiles backup documentation until the DAR is ready to be submitted for review.
4. **DAR Submission and Finalization —** The period during which the draft DAR is circulated for review and the sponsor revises the DAR based on functional comments until the final DAR is submitted to Finance for validation.
5. **Validation Process —** The period that begins when Finance initially reviews the draft DAR and backup package and ends when the vice president and controller of Finance signs the validation memo.
6. **CIC Review —** The date the area Capital Investment Committee meets with the sponsor and votes whether to proceed with the project.
7. **PMG Review —** The date (usually within 1 week of the CIC meeting) when the postmaster general meets with the sponsor and determines whether the project should proceed.
8. **CPC Review —** The date the Capital Projects Committee (CPC) meets to review the project and makes a recommendation to the full Board of Governors.
9. **BOG Approval and Funding —** The date the Board of Governors discusses and considers the project for approval. Contract awards and deployment schedules are usually dependent on this date.
10. **Compliance Reporting —** Compliance reporting begins with the approval of the investment by the Board (or postmaster general or officer as appropriate), and ends 18 months (6 quarters) after the program has been completed.
11. **Contract Award —** The time required by Purchasing or Procurement to advertise and award the contracts necessary to implement the deployment.

Deployment Activities

1. **In-plant Test —** Testing that takes place in the vendor's manufacturing plant that tests the equipment being purchased by the Postal Service. After this test, the equipment is usually moved into a Postal Service facility to prepare for the First Article Test.
2. **First Article Test and Customer Acceptance Test —** The date or time frame during which the first sample of purchased equipment or software is placed and tested for functionality, quality, and compliance with contract specifications. After first article acceptance, the supplier begins deployment as scheduled to other sites.

3. **Fixed Mechanization Award and Installation —** The time allotted for Purchasing to award the contract and Engineering (through Operations) to oversee installation of the equipment on site.
4. **Deployment and Implementation —** The time frame during which the purchased equipment, software, or both is deployed to sites in accordance with the deployment plan. If the schedule for equipment and software deployment are different, then you must include schedules for both. This activity includes both begin and end dates.
5. **First Full Fiscal Year of Operations/Cost Savings —** The time frame in which cost savings for the first full operating fiscal year following full deployment, as reflected in the DAR, are realized.
6. **Submission of Additional Phase DAR —** The date on which the DAR for phased projects is to be submitted to begin a new review and approval process.

Post Deployment Activities

Project Completion Date — The project completion date is when the sponsor *expects* to see no capital or expense investment dollars charged to the project and the project has all the functionality promised in the DAR. This date is used to determine if the project has been completed on time.

This page intentionally left blank

Exhibit 2-2 (p. 1)
Sample Customer Service Facility Construction DAR with NPV Analysis

DECISION ANALYSIS REPORT

Anytown, USA
Main Post Office

FACILITIES PLANNING AND APPROVAL

RESTRICTED INFORMATION

March 25, 2004

Exhibit 2-2 (pg. 2)
Sample Customer Service Facility Construction DAR with NPV Analysis

DECISION ANALYSIS REPORT FOR THE ANYTOWN, USA MAIN POST OFFICE

Signature Page

PREPARED BY:

William J. Aspinwall — Date
Facilities Requirements Specialist
Facilities Planning and Approval
Arlington, Virginia

REVIEWED BY:

Michael A. Mattera — Date
Manager
Facilities Planning and Approval
Arlington, Virginia

SPONSORED BY:

Joe Do — Date
Officer-In-Charge
Anycity, Virginia

John Doe — Date
District Manager
Customer Service and Sales
Any District

APPROVED BY:

Jerry Smith — Date
Manager
Any Metro Operations

Exhibit 2-2 (p. 3)
Sample DAR — Sample Customer Service Facility Construction DAR with NPV Analysis

DECISION ANALYSIS REPORT
ANYTOWN, USA, MAIL POST OFFICE

Table of Contents

Exhibit 2-2 (p. 4)
Sample Customer Service Facility Construction DAR with NPV Analysis

DECISION ANALYSIS REPORT
ANYTOWN, USA, MAIN POST OFFICE

Background and Problem Definition

Anytown County, USA, is located southwest Anytown. Anytown is home to booming government and business districts, high-rise office and residential buildings, and quaint residential neighborhoods. Within the space of a few miles are the business centers of Anytown City along with nationally-recognized monuments and neighborhoods dominated by single-family homes. This urban diversity, with planned development centered around one of the best public transportation systems in the country, make Anytown a very desirable place to both live and work. Land is scarce in Anytown; most new development involves demolition of older single-use properties and replacement with higher density projects. There are currently 11 postal facilities providing retail and delivery services to Anytown County. This project focuses on three of those facilities located in the central part of Anytown County serving ZIP Codes XXX01, XXX03, and XXX09. The facilities are the Anytown Main Post Office (MPO), Anycity Station, and Anyhome Station. The population in these three ZIP Codes was 46,723[1] in 1990. By 2000 the population increased by 17.7 percent to 54,980[1]. The current population is 57,218[1] and a conservative increase to 61,613[1] is projected over the next ten years. The deficiencies addressed by this project are products of growth that has occurred in Anytown over past decades.

The Anytown MPO is a USPS-owned facility located at 3118 Main Street Boulevard. First occupied in 1937, the 22,822-square-foot MPO provides retail and delivery services for ZIP Code XXX01. The historic retail lobby provides adequate space for current and future retail operations but the facility provides for only 51 percent of the required space for delivery operations. Customer parking is severely limited to congested nearby streets. Employee vehicles and postal vehicles are limited to street parking or the USPS-owned site adjacent to the current MPO. This 40,222-square-foot site is located behind the MPO. It was acquired under advance site acquisition procedures in July 1995.

The Any Station is a leased facility located at 235 Main Road. First occupied in 1990, the 7,537-square-foot Any Station provides retail and delivery services to ZIP Code XXX03. The current lease of $180,000 per annum expires August 31, 2010. The lease provides four, 5-year renewal options at $200,000 per annum. This station provides only 26 percent of the required space for retail and 51 percent of the required space for delivery operations. Parking for postal vehicles is provided but customers and employees are limited to street parking.

The leased Anycity Station is located on two floors of a high-rise office building at 1101 Center City Boulevard. First occupied in 1989, the 17,723-square-foot Anycity Station provides retail and delivery services for ZIP Code XXX09. Retail services occupy 4,745 square feet of space on one level and delivery operations occupy 12,306 square feet on another level. A 672-square-foot dock is shared by both operations. The lease also provides space in a parking structure for 100 vehicles. The current lease of $654,090 per annum expires April 30, 2009. The lease provides two, 5-year renewal options at fair market value. Retail operations have sufficient space to continue operations at this location well into the future. The current delivery operational space provides over twice the required space for operations. However, continued occupancy of this space for delivery operations is not recommended due to the high cost of the lease and the need to use Ford Windstars for delivery due to limited height clearances in the leased parking.

Exhibit 2-2 (p. 5)
Sample Customer Service Facility Construction DAR with NPV Analysis

A development firm has responded to a desire by the Postal Service to develop the MPO property to its highest and best use while resolving our operational needs. The design developed by this firm provides full retail for the area now served by the MPO and delivery operations for zones XXX01, XXX03, and XXX09 – a total of 73 routes – within a new development of retail, offices, and housing on the site.

Alternatives Analyzed

Alternative A — (Recommended)

EXECUTE AGREEMENT TO SELL MPO PROPERTY TO DEVELOPER WHO WILL PROVIDE RENOVATED RETAIL AND NEW CARRIER SPACE FOR THREE ZONES WITHIN A LARGER PROJECT. RENOVATE ANYTOWN STATION. VACATE AND TERMINATE ANYCITY STATION LEASE.

Execute an agreement with a development firm to construct an expanded Anytown MPO. The development plan will include the construction of a carrier annex for zones XXX01, XXX03, and XXX09 and the renovation of the existing historic retail lobby at the Anytown MPO.

During the construction phase, temporary facilities will be leased to house delivery and retail operations from the Anytown MPO. Delivery operations from the Anycity Station will also be relocated to temporary delivery space. The current lease for delivery operations at Anycity Station will be terminated to take advantage of a lower lease rate at the temporary space until the MPO construction is complete. Retail operations currently at Anycity Station will remain and are not affected by this project. Upon completion of the new MPO, retail and delivery operations will be relocated from temporary space to the new MPO and the leases will be terminated. Delivery operations for zone XXX03, currently housed at Any Station, will be relocated to the new MPO. The Any Station will be renovated to better serve retail operations in that area.

The development plan is to excavate the entire parking lot site and the entire MPO site up to the area under the historic lobby. Two levels of parking and one level of workroom will be provided to accommodate the three delivery zones. Retail operations will remain in the historic lobby. The area behind the lobby will provide for platform operations and parking for postal trucks. The development plan calls for 40,000 square feet of rentable office space to be constructed above the platform and truck parking. The area above the underground postal facility on the current parking lot site will be first floor retail with ten stories of apartments above the retail.

The developer's project costs, not including land, total $58,100,000. The estimated USPS total capital cost for all phases is $24,176,000. For the MPO portion, not including buildout of temporary space and renovation of Any, USPS costs are $16,500,000 plus contingency. This will be offset by $6,046,750, which represents the sale of the current MPO property to the developer ($5,701,750) and recovery of pre-development costs ($345,000).

Previous estimates for a stand-alone postal facility on the parking lot site were estimated at $25,704,000. USPS costs are reduced in this project due to the sharing of infrastructure costs with the apartments, retail, and office space. It is anticipated that this project will be structured as a sale of the property to a development firm, with the USPS retaining ownership of its operational space as a condominium. This developmental project has been approved by the Anytown County Board.

Exhibit 2-2 (p. 6)
Sample Customer Service Facility Construction DAR with NPV Analysis

Alternatives Eliminated

1. EXECUTE AGREEMENT TO SELL MPO PROPERTY TO DEVELOPER, WHO WILL PROVIDE RENOVATED RETAIL AND NEW CARRIER SPACE FOR ONE ZONE WITHIN A LARGER PROJECT. LEASE CARRIER SPACE FOR TWO ZONES. RENOVATE ANY STATION. VACATE AND TERMINATE ANYCITY STATION CARRIER LEASE.

This alternative, if pursued, would require that the concept to reduce workroom and parking be re-approved through Anytown County. The estimated project cost reduction would be $3.6 million. However, since the time the original concept was approved, Anytown County has made significant changes to the residential housing ratio and requirement for affordable housing. The issue of public parking would also be reopened to public discussion. All of these issues would add project costs to the developer and reduce the $3.6 million in savings. Leasing and buildout of space for two zones of carriers would also be required. Comparing the total costs for this alternative to the recommended alternative generates a positive net present value of $3,265,000, favoring the recommended alternative. Therefore, this alternative was eliminated.

2. CONSTRUCT A NEW ANYTOWN MPO FOR RETAIL AND THREE ZONES. RENOVATE ANY STATION. CONSTRUCT A NEW ANYTOWN MPO FOR RETAIL AND THREE ZONES. RENOVATE ANY STATION. VACATE AND TERMINATE ANYCITY STATION CARRIER LEASE.

This alternative was pursued through partial design and the development of cost estimates. The estimated cost exceeded $25 million and the project was placed on hold. When comparing the total costs for this alternative to the recommended alternative, a positive net present value of $5,889,000 is generated favoring the recommended alternative. Therefore, this alternative was eliminated.

3. CONSTRUCT A NEW CARRIER ANNEX FOR ONE ZONE ON A PURCHASED SITE AND RENOVATE THE HISTORIC MAIN POST OFFICE RETAIL. LEASE AND RENOVATE SPACE FOR TWO ZONES. RETAIN AND RENOVATE ANY STATION. VACATE AND TERMINATE ANYCITY CARRIER LEASE.

This alternative was pursued through development of cost estimates. The estimated investment costs were $15,785,140, which included capital funding of $12,935,000 and lease costs of $2,850,140 for ten years. When comparing the total costs for this alternative to the recommended alternative a positive net present value of $3,606,000 is generated favoring the recommended alternative. Therefore, this alternative was eliminated.

Priority

The project for a new Anytown MPO is one of the highest priority projects for the Any Metro Area, is on the customer service facility priority list, and is budgeted for FY2004.

Exhibit 2-2 (p. 7)
Sample Customer Service Facility Construction DAR with NPV Analysis

Financial Summary

Alternative A

	Amount for Approval	Approval Threshold
Required Capital Investment	$24,176,000	$24,176,000
Lease Funding Required —		
Temporary Carrier Space — 36 months	$858,600	
Temporary Retail Space — 32 months	$406,817	
Total Lease Funding	$1,265,417	
Lease funding discounted at 5.0%		$1,208,124
Total for Approval	$25,441,417	$25,384,124

Cash Flow Data	10-Year Operating Period
Capital Investment	$24,176,000
Operating Variance	$10,554,000
Net Present Value Discounted at 6.5%	–$1,062,000
Return on Investment	5.7%

Recommendation

Authorization is requested to enter into an agreement with a land development firm to develop a 79,802-square-foot site in Anytown. Authorization is also requested for a total investment not to exceed $25,441,417 for site, design, and construction of a new 39,900-square-foot Anytown MPO, lease and buildout of temporary space, and renovations to Any Station. This request includes capital funding of $24,176,000, as well as lease costs of $1,265,417 to temporarily house retail and delivery operations during construction. Included in the requested capital funding is $2,119,000 for the advance site acquisition of a 40,222-square-foot site adjacent to the MPO and $18,200 in sunk costs for previous design efforts. Reflected in the project cash flow, but not in this request for funding, is the $6,046,750 inflow of cash from the transfer of ownership of the 79,802-square-foot site to a development firm and recovery of pre-development costs. This inflow of cash reduces the total capital investment to $18,129,250.

Exhibit 2-2 (p. 8)
Sample Customer Service Facility Construction DAR with NPV Analysis

Exhibit 1. Location Map

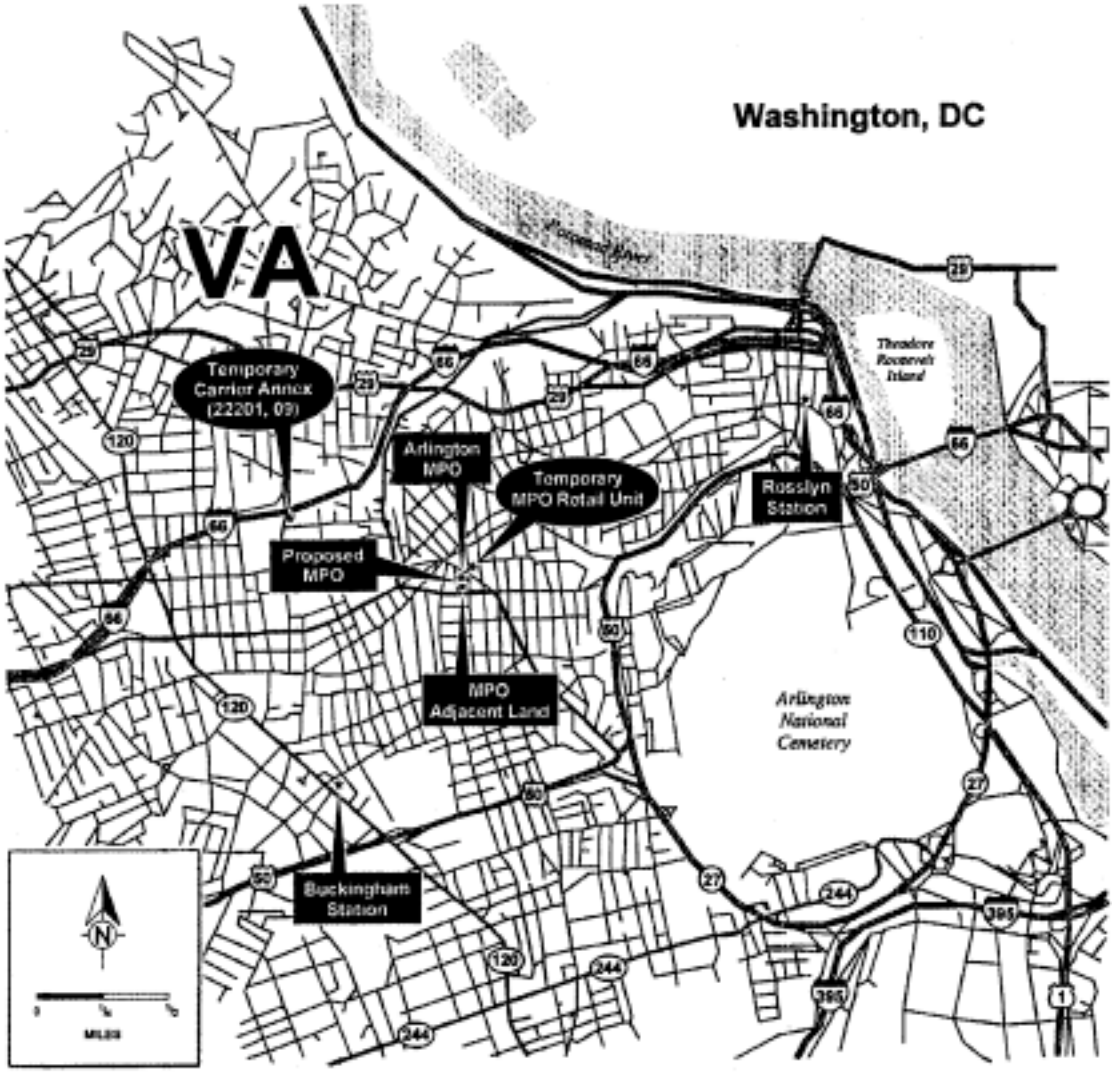
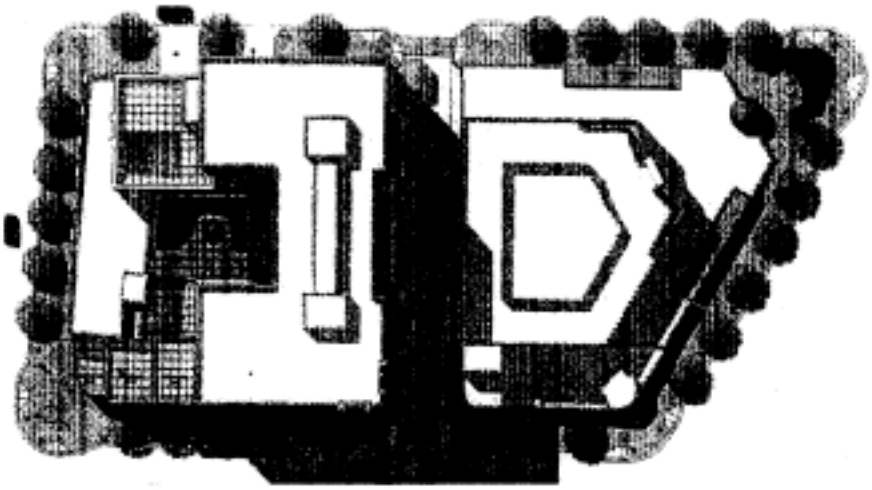
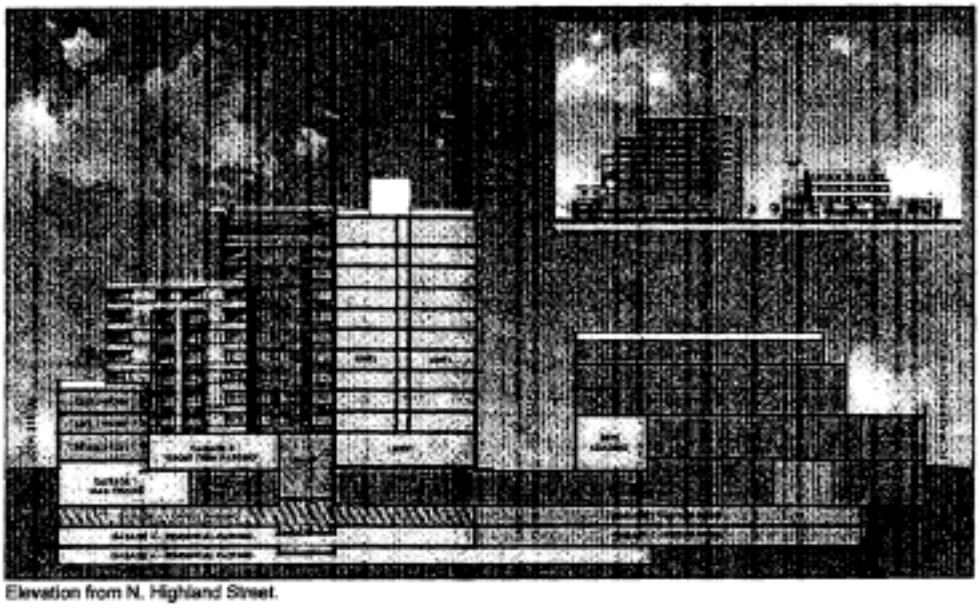


Exhibit 2-2 (p. 9)
Sample Customer Service Facility Construction DAR with NPV Analysis

Exhibit 2. Site Map



Site Plan



Elevation from N. Highland Street.

Exhibit 2-2 (p. 10)
Sample Customer Service Facility Construction DAR with NPV Analysis

Exhibit 3. Site, Environmental, and Intergovernmental Summary

A. Site Information		
Location: 3118 Main Boulevard; Anytown, USA 22201		
Site size: 79,802 square feet		919 site size: 249,840 square feet
Building size: 22,822 square feet	Advertised bldg. size: N/A	919 bldg. size: 38,656 square feet
Within preferred area? Yes	Within expanded pref. area? NA	Date of ad (mo/yr): NA
Number of sites investigated: none	NA	
Number of contending sites: none	NA	
Reasons for elimination: Owned site, Bldg on National Historic Register	Present USPS site will be sold and redeveloped by Developer	
Type of site control:	USPS owned	
Site Cost:	NA	
Approved value:	$8,760,000 for existing building and land	
Method of valuation: Appraisal	By: Cushman & Wakefield	Date: 12/22/03 **See note 1**
Current owners:	USPS	Last purchase price: NA
Part of larger tract?	NA	See note 2
Occupied?	NA	
Relocation required? NA	Est. relocation cost: NA	
All utilities available	Yes	
Zoning: Site Plan Approved for Use	Compatible with USPS use? Yes	Rezoning required? Approved 7/19/03
Is site improved?	Historic Post Office	
Improvements will be:	Reused/Demolished:	Cost:
B. Environmental Assessment		
Checklist (PS 7498-D) completed?	Date: 3/05/04	By: URS Group, Inc
Environmental Due Diligence Phase I ESA completed? Yes Phase II ESA completed? N/A Phase II ESA results:	 Date: 1990 and 1995 Date: Update ESA 4/13/04 Date: Not necessary based on Phase I ESA findings. Clean up required?: No	 By: Anycity FSOs By: URS Group, Inc By: N/A
NEPA Review EA Prepared? Yes Mitigation required? FONSI Issued?	 Date: April 2004 Explain: None expected Date: NLT 6/01/04	 By: URS Group, Inc By: John Doe
REC (PS Form 8194)	Date: NLT 6/01/04	By: Any Analyst
C. Intergovernmental Contact		
See note 3	Date of IGN letter: 10/13/00	Negative comments? None
D. Historic Considerations		
Community and Anytown County Board Members fully aware and have approved new development plan	Date of initial CC letter: NA Date of response: Negative comments? Site Plan conditions impact delivery routes	Date of meeting w/Anytown Board: Date of public meeting: 7/19/03 Date of final CC letter: NA Negative comments?.

Exhibit 2-2 (p. 11)
Sample Customer Service Facility Construction DAR with NPV Analysis

E. Historic Considerations		
See note 4	Adverse Effect? Requires Anytown Co., and State (106) final reviews.	Section 106 Process complete? no Date: initiated Jan 9,2003

F. Significant Comments

1. Appraisal based on vacant land with full air rights. Since USPS will occupy 39,900 square feet, the appraised value is overstated.
2. Property will consolidate delivery operations from three Anytown facilities. Property will be redeveloped in partnership with Private Developer and will become part of a mixed use urban project with full restoration of the historic Anytown MPO. Sale of development rights will significantly reduce USPS cost of building new facility. Two additional adjacent sites controlled by Developer required for completion of this project.
3. Anycity Planning Committee approved original project scope in 2000. They will serve as clearinghouse for EA to be circulated in April 2004.
4. Joint Developer/USPS MOA to be negotiated with Any State SHPO to complete Section 106 process.

Exhibit 2-2 (p. 12)
Sample Customer Service Facility Construction DAR with NPV Analysis

Exhibit 4. Facility Investment Cost Sheet

Date: 3/23/2004

I. PROJECT IDENTIFICATION:
II. TYPE PROJECT: **Developmenal- NCO**
III. LOCATION:

IV. SIZE AND COST DATA:	AREA SQ. FT.	COST sq ft	SUB TOTAL	CONTIN	TOTAL
A. SITE					
1. Land	40	52.6500	$2,106	$0	$2,106
2. Engineering,Real Estate,Legal&other fees					13
3. Site Development					
4. Third Party Relocation					
5. Total Site			$2,106	$0	$2,119
B. BUILDINGS					
1. Design and Engineering				$0	$0
2. Construction MPO			16,500	1,100	17,600
3 Construction Support CM&A/E					1,271
4. Buildout Costs for Temp Retail Space					583
5. Buildout costs for Temp. Car. Anx.					1,125
6 Buildout Costs for Buckingham Retail					1,027
7. Total Buildings (excluding site development)					$21,606
C. TOTAL SITE & BUILDINGS					$23,725
D. MATERIAL HANDLING					
1. Design			$0	$0	
2. Fabrication & Installation			0	0	
3. Construction Supervision					0
4. Total Material Handling			0	0	$0
E. TOTAL FACILITY COSTS					
F. OTHER INVESTMENTS					
1. Telephone System			$50		$50
2. Sunk Costs					19
3. One-Time Capital Equipment Purchases			35	2	37
4. Predevelopment costs associated w/ the Keating proposal.					345
5. Total Other Investments					$451
V. TOTAL INVESTMENTS FOR APPROVAL					$24,176

VI. MILESTONE DATES (MONTH/YEAR):

CIC APPROVAL	BOG APPROVAL	SITE ACQUIRED	AWARD DESIGN	AWARD CONSTRUCTION	PROJECT COMPLETE
Apr-04	Jun-04	Jul-95	Jun-04	Nov-04	Nov-06

VII. ADDITIONAL INFORMATION/SIGNIFICANT COMMENTS:
1 F2 - Previous design costs based on an earlier concept.
2 B-2 - Construction cost is the payment to the developer to turnkey construct our requirements for the MPO.

Exhibit 2-2 (p. 13)
Sample Customer Service Facility Construction DAR with NPV Analysis

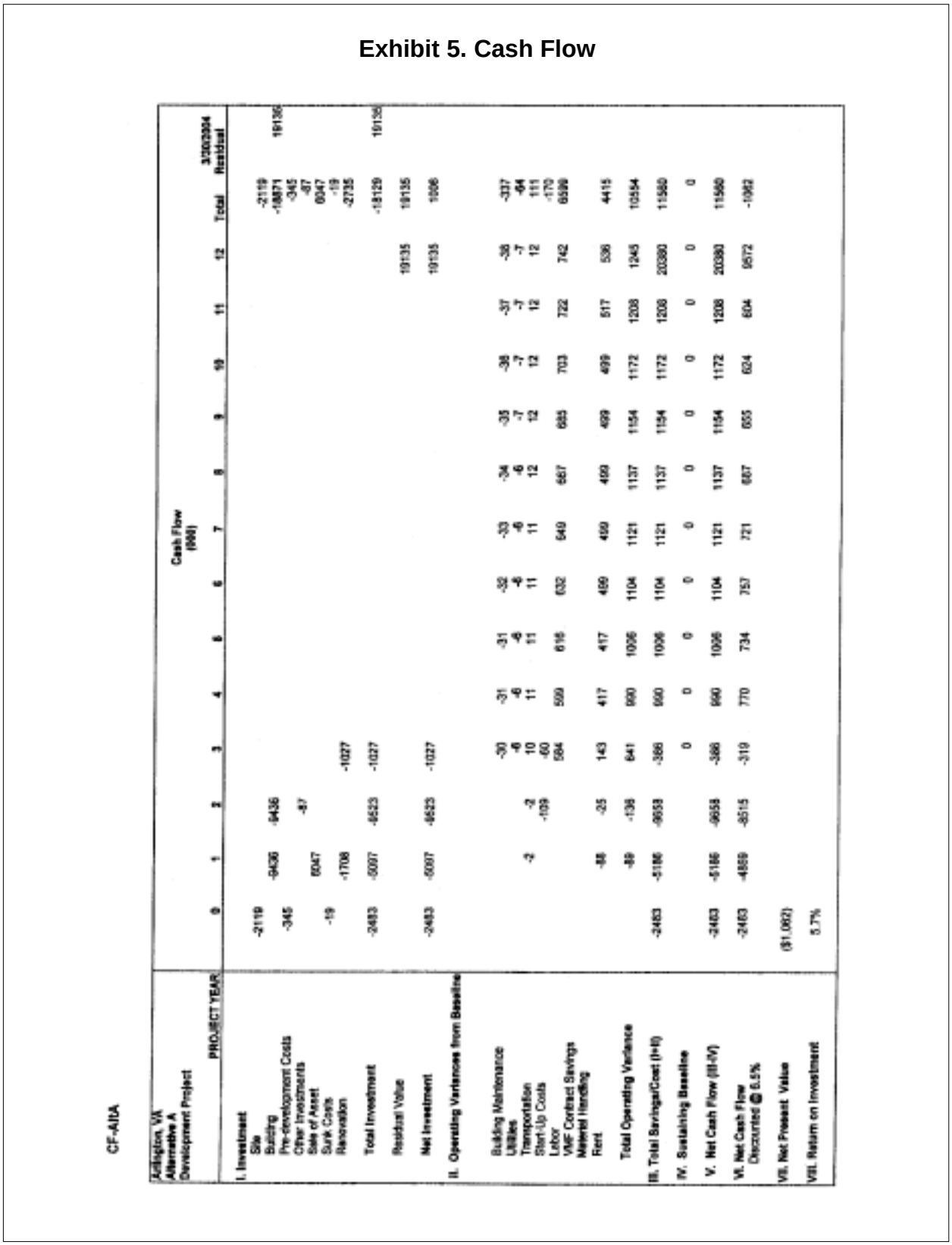


Exhibit 5. Cash Flow

CF-AIDA

Arlington, VA
Alternative A
Development Project

Cash Flow ($000)

PROJECT YEAR	0	1	2	3	4	5	6	7	8	9	10	11	12	Total	3/30/2004 Residual
I. Investment															
Site	-2119													-2119	
Building		-9436	-8436											-18871	19136
Pre-development Costs	-345													-345	
Other Investments			-87											-87	
Sale of Asset		6047												6047	
Sunk Costs	-19													-19	
Renovation		-1708		-1027										-2735	
Total Investment	-2483	-5097	-8523	-1027										-18129	19136
Residual Value													19135	19135	
Net Investment	-2483	-5097	-8523	-1027									19135	1006	
II. Operating Variances from Baseline															
Building Maintenance				-30	-31	-31	-32	-33	-34	-35	-36	-37	-38	-337	
Utilities				-6	-6	-6	-6	-6	-6	-7	-7	-7	-7	-64	
Transportation		-2	-2	10	11	11	11	11	12	12	12	12	12	111	
Start-Up Costs			-109	-60										-170	
Labor				584	599	616	632	649	667	685	703	722	742	6599	
VMF Contract Savings															
Material Handling															
Rent		-88	-25	143	417	417	499	499	499	499	499	517	536	4415	
Total Operating Variance		-89	-136	641	990	1036	1104	1121	1137	1154	1172	1208	1245	10394	
III. Total Savings/Cost (I+II)	-2483	-5186	-8659	-386	990	1036	1104	1121	1137	1154	1172	1208	20380	11580	
IV. Sustaining Baseline				0	0	0	0	0	0	0	0	0	0	0	0
V. Net Cash Flow (III-IV)	-2483	-5186	-8659	-386	990	1036	1104	1121	1137	1154	1172	1208	20380	11580	
VI. Net Cash Flow Discounted @ 6.5%	-2483	-4869	-8515	-319	770	734	757	721	687	655	624	604	9572	-1062	
VII. Net Present Value	($1,062)														
VIII. Return on Investment	5.7%														

Exhibit 2-2 (p. 14)
Sample Customer Service Facility Construction DAR with NPV Analysis

Exhibit 6. Productivity and Service Impacts

Productivity

	FY 04	FY 07	Difference
Office Efficiency Indicator (OEI)	104.82	109.77	+4.95
Street Efficiency Indicator (SEI)	94.26	98.00	+3.74

The completion of this project and the additional space, with improved working conditions, will result in improved operating efficiencies and the elimination of fragmented mail processing operations between multiple facilities. This consolidation of operations will result in a first year reductions of $10,493 in transportation, 14,008 hours in distribution operations, and 3,640 hours in delivery supervision.

The proposed new Anytown MPO will provide an improved work environment for employees.

Service

This project will provide customers with additional parking at the MPO. Any Station will be renovated to enhance USPS image and parking, now used for postal vehicles, will become available for customers.

Exhibit 2-2 (p. 15)
Sample Customer Service Facility Construction DAR with NPV Analysis

Exhibit 7. Space Summary — Alternative A

	Present					Proposed			
Office Area	MPO	Any Station	Anycity	Total Present Space	% of Required Space	New MPO	Any Station	Anycity	Total Proposed Space
Lobby/Office	4,596	1,036	4,745	10,377	64%	6,970	4,540	4,745	16,255
Support	1,205	1,706	156	3,067	49%	4,800	1,410	0	6,210
Workroom[1]	6,508	4,395	12,150	23,053	99%	22,666	630	0	23,296
Platform	2,232	400	672	3,304	90%	2,600	400	672	3,672
Other[2]	8,281	0	0	8,281	NA	2,864	557	0	3,421
Total[3]	22,822	7,537	17,723	48,082	91%	39,900	7,537	5,417	52,854
Parking Structure	0	0	30,000	30,000	34%	84,000	0	4,500	88,500
Total Site	79,802	9,797	17,723	107,322	113%	79,802	9,797	5,417	95,016

[1] Present workroom deficiencies at the MPO and Any Station are 51 percent. The inclusion of approximately 6,250 square feet of workroom in Anycity Station not required for current delivery operations distorts the total deficiency.

[2] Other space identified in the MPO is located in the basement.

[3] Total proposed space for the new MPO reflects actual size provided by developer.

Exhibit 2-2 (p. 16)
Sample Customer Service Facility Construction DAR with NPV Analysis

Exhibit 8. Summary of Operations — Alternative A

Baseline	Equipment	Alternative A	Equipment
MAIN POST OFFICE (MPO) **USPS - Owned — 22,822 sq. ft.** **Retail/PO Box** **Delivery Zone XXX01 — 34 routes**	**None**	MPO **Retain Retail Portion of MPO** **Demolish remainder of building and construct new MPO**	**None**
MPO Adjacent Land **USPS – Owned Site – 40,222 sq. ft.**		MPO Adjacent Land **Site used to construct new MPO**	
		New MPO **USPS – owned** **Retail/PO Box** **Delivery Zones:** **XXX01 — 34 routes** **XXX03 — 21 routes** **XXX09 — 18 routes**	
ANYCITY STATION **Leased — 17,723 sq. ft.** **$654,090/yr through 04/30/09** **Two, 5-year option @ FMV** **Retail/PO Box** **Delivery zone XXX09 — 18 routes**	**None**	ANYCITY STATION **Retain Retail Space** **Leased — 4,745 sq. ft.** **$173,193/yr. through 04/30/09** **Retail/PO Box**	**None**
ANY STATION **Leased – 7,437sq. ft.** **$180,000/yr through 8/31/10** **Four 5-yr. Options @ $200,000/yr** **Retail/PO Box** **Delivery Zone XXX03 - 21 routes**	**None**	ANY STATION **Retain** **Retail/PO Box**	**None**
Temporary Retail (Main Street) **Leased – 4,438 sq. ft.** **$148,673/yr through 05/31/05** **$153,111/yr through 5/31/06** **Two, 4-month options @ $13,129/month** **MPO retail/PO Box**		Temporary Retail (Main Street) **Vacate and terminate lease**	
Temporary Delivery (Main Blvd) **Leased – 15,900 sq. ft.** **$286,200/yr through 08/31/07** **Delivery Zones** **XXX01 – 34 routes** **XXX09 – 18 routes**		Temporary Delivery (Main Blvd) **Vacate and terminate lease**	

Exhibit 2-2 (p. 17)
Sample Customer Service Facility Construction DAR with NPV Analysis

Exhibit 9. Project Schedule

ARLINGTON, VA - MAIL POST OFFICE

ID	Task Name	Plan Start	Plan Finish
0	ARLINGTON, VA - MPO	2/4/2002	5/8/2008
1	Facility Planning & Approval Activities	2/4/2002	6/15/2004
2	Project Inception	2/4/2002	2/8/2002
3	Prepared FPC-919	6/12/2003	9/8/2003
4	DAR Preparation	12/8/2003	3/12/2004
5	DAR Review/Approval - Area Office	3/15/2004	4/1/2004
6	Functional Review & Validation	3/15/2004	4/15/2004
7	Review/Approve DAR-HQ/CIC	4/16/2004	4/22/2004
8	Review FMG	4/23/2004	5/6/2004
9	CPC Review	4/23/2004	5/21/2004
10	BOARD OF GOVERNORS	4/23/2004	6/15/2004
11	Acquisition, Design & Construction Activities	2/4/2002	12/5/2006
12	Acquire Site - Advance Site Acquisition (July 1995)	2/4/2002	2/4/2002
13	Design/Build MPO (Developer)	6/15/2004	11/7/2006
14	Acceptance	11/8/2006	11/14/2006
15	Move In	11/15/2006	11/28/2006
16	Building Fully Operational	11/28/2006	12/5/2006
17	Compliance Reporting and Post-Implementation Review/Close-out	6/15/2004	5/8/2008

Exhibit 2-3 (p. 1)
Sample DAR — New Construction — Processing and Distribution Center

DECISION ANALYSIS REPORT

Anytown, USA
Processing and Distribution Center

FACILITIES

RESTRICTED INFORMATION

October 6, 1997

Exhibit 2-3 (p. 2)
Sample DAR — New Construction — Processing and Distribution Center

DECISION ANALYSIS REPORT
ANYTOWN, USA, PROCESSING AND DISTRIBUTION CENTER

Signature Page

PREPARED BY:	*<Signature>*	
	<Typed Name>	Date
	Postal Operations Analyst	
	Facilities Planning and Approval	
REVIEWED BY:	*<Signature>*	
	<Typed Name>	Date
	Manager	
	Facilities Planning and Approval	
SPONSORED BY:	*<Signature>*	
	<Typed Name>	Date
	Plant Manager	
	Anytown PDC	
	<Signature>	
	<Typed Name>	Date
	Postmaster	
	Anytown, USA	
	<Signature>	
	<Typed Name>	Date
	Senior Plant Manager	
	USA District	
	<Signature>	
	<Typed Name>	Date
	District Manager	
	USA District	
APPROVED BY:	*<Signature>*	
	<Typed Name>	Date
	Vice President, Area Operations	
	USA area	

Exhibit 2-3 (p. 3)
Sample DAR — New Construction — Processing and Distribution Center

DECISION ANALYSIS REPORT
ANYTOWN, USA, PROCESSING AND DISTRIBUTION CENTER

Table of Contents

Exhibit 2-3 (p. 4)
Sample DAR — New Construction — Processing and Distribution Center

DECISION ANALYSIS REPORT
ANYTOWN, USA, PROCESSING AND DISTRIBUTION CENTER

Background and Problem Definition

The Anytown, USA, Main Post Office(MPO) and Processing and Distribution Center (PDC) is a 454,102 square foot Postal Service-owned facility constructed in 1966. The Postal Service occupies 283,694 square feet and uses 19,796 square feet for interior parking. The building site occupies about 20 acres. Approximately 104,000 square feet of this building is leased to a variety of government agencies and 46,833 square feet is common area. This leased space was constructed for administrative use and is not conducive to renovation as a workroom; however, it generates revenue of approximately $1.5 million per year.

When the current facility was activated in 1967, Anytown only processed mail for ZIP Code areas XXX and XXX. In 1972, Anytown was identified as an area distribution center (ADC) for approximately half of USAstate and began processing destinating volumes for five additional three-digit ZIP Code areas (XXX-XXX and XXX). Anytown now processes all originating mail for these offices. This operational change and a steady 2.7 percent growth in mail volume in the total service area over the last 3 years have driven additional equipment requirements for Anytown, exceeding the space capacity of the facility. The Postal Service expects this growth rate to continue through the year 2000. The PDC's ability to serve these originating and destinating mail volume customers is impacted by the lack of operating space.

The Anytown, USA, PDC is severely crowded. Aisles have been reduced around the perimeter and within the workroom. Conveyor belts to the bulk sorter and parts of the tray system have been eliminated in order to free up needed workroom floor space. Space constraints have created traffic jams and inefficiencies as containers are moved between operations. Staging space is virtually nonexistent and empty containers are stored in locations that are not easily accessible because of distance and crowded conditions.

Elevators transport mail between the two mail processing floors. These elevators are often bottlenecks as container volume exceeds the capacity of the elevators. A significant number of workhours are used each day to load, unload, operate, and maintain the elevators. The internal movement of mail has been made more difficult by the removal of the conveyor belts between floors.

Parking for postal employees, other residents of the building, and customers is very limited. The platforms are 47 percent space deficient, creating extremely restricted conditions and potential safety hazards as well as inefficient operations.

Additional space has been leased and postal facilities nearby have been used to alleviate the extreme space deficiencies. All but two carrier routes have been moved out of the facility. The Computerized Forwarding System (CFS) operation was moved out of the main office into a 10,912 foot leased building. The Postal Service has leased a 114,195 square foot PDC annex to provide space for processing all originating and destinating flat mail and serves as the opening unit for bulk business mail (BBM). This split in operations has resulted in a loss of productivity and has negatively impacted External First-Class Measurement scores. Two additional buildings are currently leased to provide approximately 12,000 square feet of storage space for the PDC and the MPO.

Exhibit 2-3 (p. 5)
Sample DAR — New Construction — Processing and Distribution Center

Alternatives Analyzed

Alternative A — RETAIN EXISTING PDC FACILITY AS AN ANNEX, CONSTRUCT NEW ANYTOWN PDC, AND LEASE NEW CARRIER ANNEX

Retain the existing facility as a PDC annex for retail, selected office units, workroom, and support areas. The workroom would be renovated for non-letter/nonpreferential mail distribution operations. Purchase an existing 27.98 acre site and construct a 279,066 square foot PDC at the selected site to house all letter mail distribution, CFS, business mail entry unit (BMEU), warehouse, and other support functions. Establish a separate carrier annex downtown for zones 14 and 19 carriers. The existing leased mail processing annex, CFS, and two warehouse facilities will be vacated. This alternative is not recommended because of anticipated higher operating costs as indicated in the cash flow analysis.

Alternative B — RETAIN EXISTING PDC FACILITY AS MAIN POST OFFICE; CONSTRUCT NEW PDC **(RECOMMENDED)**

Retain the existing facility for retail, selected office units, and carrier operations. Purchase an existing 27.98 acre Postal Service-controlled site and construct a 376,035 square foot Anytown, USA, PDC to house all mail processing operations, CFS, BMEU, and other support functions. Material handling in the new plant will include loose mail and bulk mail systems. The existing facility will be retained for current retail, postmaster, and domiciled district administration. Storage functions will be expanded on the basement level of the existing facility, and zones 14 and 19 carriers will occupy a portion of the existing first-floor workroom. The existing leased mail processing annex, CFS, and two warehouse facilities will be vacated. Approximately 160,000 square feet of excess space at the current PDC will be marketed for potential outlease.

Alternatives Eliminated

Expansion of the existing building was eliminated as being unfeasible due to site limitations and construction disruption associated with expanding a multistory building while maintaining mail processing operations.

Priority

This project is currently ranked number 15 on the Major Mail Processing Priority List and is budgeted in the Five-Year Capital Investment Plan for fiscal years 1998 and 1999.

Net Present Value (NPV) Comparison

The following table is the format for the summary of a net present value analysis. This analysis compares the recommended DAR proposal to the two identified alternatives eliminated above.

Exhibit 2-3 (p. 6)

Sample DAR — New Construction — Processing and Distribution Center

	10-Year Analysis Period ($ in thousands)		
	Alternative Eliminated 1	**Alternative Eliminated 2**	**DAR Proposal**
Investments	$XX,XXX	$XX,XXX	$XX,XXX
Operating Costs or Savings	$XX,XXX	$XX,XXX	$XX,XXX
Net Cash Flow	$XX,XXX	$XX,XXX	$XX,XXX
Net Present Value Discounted at 6.5%	($XX,XXX)	($XX,XXX)	($XX,XXX)
Return on Investment	X.X%	X.X%	X.X%
NPV Comparison (Proposed vs Alternatives Eliminated)	XX.X%	XX.X%*	X.X%

* While the comparison of the DAR Proposal to Alternative Eliminated 2 does not result in a positive NPV, the DAR proposal has a NPV that is $XX better that the alternative eliminated.

Exhibit 2-3 (p. 7)
Sample DAR — New Construction — Processing and Distribution Center

Financial Summary

10-Year Operating Period
($ in thousands)

Required Investment	$40,393
Operating Variance	($5,962)
Net Present Value Discounted at 8.8%	($27,859)
Return on Investment	N/A

This project is required to minimize potential costs and improve service and efficiencies in eastern USA. It will consolidate fragmented operations and eliminate operational inefficiencies due to multifloor operations. Not reflected in the analysis are the delivery and mail processing workhour savings anticipated from additional automation to be installed in the new facility. These savings are reflected in a separate justification for automation and other equipment purchases.

The additional space being vacated at the existing PDC is expected to be prime office space for outlease in the downtown area. Approximately 160,000 square feet of space will be available after activation of the new facility.

Recommendation

Authorization is requested for funding not to exceed $40,393,000 for site acquisition, design, and construction of a 376,035 square foot Anytown, USA, Processing and Distribution Center on a 27.98 acre controlled site (Alternative B). The funding includes $1,650,000 for site acquisition and $38,743,000 for site development, design, construction, material handling systems, and other one-time investments. The material handling costs for a loose mail and bulk mail system are $6,400,000 and will yield a net savings of $2,382,000 over the 10-year period. Leases for the PDC annex, CFS II, and two warehouses will be terminated and these facilities vacated.

Exhibit 2-3 (p. 8)
Sample DAR — New Construction — Processing and Distribution Center

Exhibit 1. Site Map

[On this page of the DAR, insert a map of the site.]

Exhibit 2-3 (p. 9)
Sample DAR — New Construction — Processing and Distribution Center

Exhibit 2. Anytown, USA, Processing and Distribution Center Site, Environmental, and Intergovernmental Summary

A. Site Information		
Location: NE cor. E. 21st St. and S. 91st St.; Anytown, USA		
Site size: 27.98 acres (1,218,808 s.f.)	Advertised site size: 25 to 30 acres	919/929 site size: 25 acres
Building size: N/A	Advertised bldg. size: 376,000 s.f.	919/929 bldg. size: 376,035 s.f.
Within preferred area? Yes	Number of sites investigated: 29	Number of contending sites: 6
Date of ad (mo/yr.): 4-96	Date contending sites sel.: 6-1-96	Date of site review mtg.: 8-1-96
Reasons for elimination: Size, condition, price, zoning, topo, local opposition		
Type of site control: Offer to sell	Cost: $316,000 (two payments)	Control expires 11-30-97
Site cost: $1,650,000 ($1.35/s.f.)	Approved appraised value: $1,675,000 ($1.37/s.f.)	
No. of comparables: 4	Range of comps: Low $1.45/s.f.	High $2.01/s.f.
Appraiser: R. E. Appraiser, MAI	Anytown, USA	As of date: 5-29-96
Review appraiser: R. X. Burden		Date: 8-10-96
Current owners: XYZ Dev. Corp.	Date of last purchase: 6-92	Last purchase price: Unknown
Part of larger site? Yes. Oil County Industrial Park		
Building occupied? N/A	Relocation required? No	
All utilities available (list)? Yes. Gas, electric, water, telephone, and sanitary and storm sewers		
Zoning: Light industrial	Compatible with USPS use? Yes	Rezoning required? No
Buildings on site? No		
B. Environmental Assessment		
Checklist (PS 7498-D) completed?	Date: 6-12-96	By: USPS real estate spec.
Environmental due diligence		
TSQ (PS 7499), (Leases only)		
Phase I ESA completed? Yes	Date:	By:
Phase II ESA completed? Yes	Date: 7-29-96	By: Virosite, Inc.
Phase II ESA results: None	Date: 9-1-96	By: GeoCore, Inc.
	Clean-up required? None required	By USPS? Y/N
NEPA review		
CATEX applies? Yes	If yes, which CATEX?	Appendix A, RE-6
EA prepared? Yes	Date: 7-14-96	By: Virosite, Inc.
Mitigation req'd? Yes	Explain: Setback building, install traffic light	
	Date: 11-26-96	
FONSI issued? Yes	Date: 9-10-96	By: USPS MFO
REC (PS Form 8194)		By: USPS MFO

Exhibit 2-3 (p. 10)
Sample DAR — New Construction — Processing and Distribution Center

C. Intergovernmental Contact	Date of IGN letter: 11-6-96	Negative comments? None
D. Community Contact	Date of initial CC letter: 2-21-96 Date of response: 2-28-96 Negative comments? Yes	Date of meeting w/mayor: 2-21-96 Date of public meeting: N/A Date of final CC letter: 5-23-96 Negative comments? No
E. Historic Considerations	Adverse effect? No	Section 106 process complete? Yes Date: Letter from SHPO 8-18-96

F. Significant Comments:

Some initial community opposition arose due to perceived traffic impact and loss of tax revenue, as well as noise impacts on area. Building setbacks will mitigate noise impacts. Community, both public and official, support site.

Exhibit 2-3 (p. 11)
Sample DAR — New Construction — Processing and Distribution Center

Exhibit 3. Facility Investment Cost Sheet

SUNVIEW, OK, PROCESSING & DISTRIBUTION CENTER
FACILITY INVESTMENT COST SHEET

DATE: October 6, 1997

I. PROJECT IDENTIFICATION: Sunview, OK, Processing and Distribution Center
II. TYPE PROJECT: Design/Build Postal Service-Owned
III. LOCATION: Sunview, OK

IV. SIZE AND COST DATA:	Sq. Ft. (000)	Cost Per Sq. Ft.($)	Contin. ($000)	Total ($000)	
A. Site					
1. Land	1,220	1.35		$1,650	
2. Engr.,R/E, & Legal Fees				100	
3. Site Development	1,220	0.92	112	1,234	
4. Third-Party Relocation					
5. Total Site			$112		$2,984
B. Buildings					
1. Design & Engineering			155	1,701	
2. Construction (P&DC)	376	55.38	1,041	21,865	
3. Renovations/MPO[1]			138	1,521	
4. Paving/Lndscp/Utilities	1,220	2.00	244	2,684	
5. Construction Supervision				2,030	
6. Total Building			$1,578		$29,801
C. Total Site and Buildings			$1,690		$32,785
D. Material Handling					
1. Design			23	258	
2. Fabrication & Installation			273	5,740	
3. Construction Supervision				402	
4. Total Material Handling			297		$6,400
E. Total Site, Building, & Material Handling			$1,987		$39,185
F. Other Investments					
1. Telephone System			19	$399	
2. Modular Furniture			9	184	
3. One-Time Capital Equipment			30	625	
4. Total Other Investments			58		$1,208

V. TOTAL INVESTMENTS FOR APPOVAL $40,393

VI. MILESTONE DATES (MONTH/YEAR):

CIC Approval	BOG Approval	Site Acquired	Award Design	Award Construction	Project Complete
10/97	1/98	1/98	1/98	1/98	8/99

VII. SIGNIFICANT COMMENTS:

1. The retail lobby will be renovated to include a postal store and the workroom floor for carrier operations.

Exhibit 2-3 (p. 12)
Sample DAR — New Construction — Processing and Distribution Center

Exhibit 4. Cash Flow Analysis

CASH FLOW ANALYSIS
(000)

Sunview, OK, P&DC **10/6/97**
Design/Build Postal Owned
Alternative B

	Project Year	0	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL	Residual
I.	**INVESTMENT**															
	Site	-1750	-740	-494											-2984	5213
	Building		-17514	-10604											-28118	28511
	Renovation (MPO Retail & Wkrm)			-1683											-1683	
	Material Handling			-6400											-6400	
	Other Investments			-1208											-1208	
	Total Investment	-1750	-18255	-20388											-40393	
	Residual Value													33724	33724	33724
	Net Investment	-1750	-18255	-20388										33724	-6669	
II.	**OPERATING VARIANCES FROM BASELINE**															
	Building Maintenance				-1174	-1218	-1265	-1313	-1363	-1414	-1468	-1524	-1582	-1642	-13962	
	Utilities				-321	-332	-344	-355	-367	-380	-393	-406	-420	-434	-3753	
	Transportation				421	435	450	465	481	497	514	532	550	568	4913	
	Start-Up Costs			-2789	-1385										-4174	
	Labor				242	251	260	270	281	291	302	314	326	338	2875	
	Material Handling				105	217	225	234	243	252	261	271	282	292	2382	
	Rent				532	547	548	548	579	589	594	596	596	629	5758	
	Total Operating Variance			-2789	-1581	-101	-125	-150	-147	-165	-189	-218	-249	-248	-5962	
III.	**TOTAL SAVINGS/COST**	-1750	-18255	-23177	-1581	-101	-125	-150	-147	-165	-189	-218	-249	33476	-12630	
IV.	**SUSTAINING BASELINE**															
V.	**NET CASH FLOW**	-1750	-18255	-23177	-1581	-101	-125	-150	-147	-165	-189	-218	-249	33476	-12630	
VI.	**NET CASH FLOW DISCOUNTED @ 8.8%**	-1750	-16778	-19580	-1228	-72	-82	-91	-81	-84	-88	-94	-98	12167	-27859	
VII.	**NET PRESENT VALUE**	($27,859)														
VIII.	**RETURN ON INVESTMENT (ROI)**	N/A														

Exhibit 2-3 (p. 13)
Sample DAR — New Construction — Processing and Distribution Center

Exhibit 5. Population and Mail Volume Projections

SUNVIEW, OK, PROCESSING & DISTRIBUTION CENTER
POPULATION AND MAIL VOLUME PROJECTIONS

Population Projections. Current and projected population for ZIP Code areas 740–746 and 749 are as follows:

POPULATION PROJECTIONS

ZIP Code Area	Current (1997)	First Oper. Year (1999)	Projected (2008)	Average Annual Growth Rate
740	484,598	504,107	573,555	1.4%
741	394,166	394,693	400,911	0.2%
743	117,457	120,765	129,758	0.8%
744	205,650	210,059	226,550	0.8%
745	87,805	88,311	92,424	0.5%
746	60,909	61,397	64,170	0.5%
749	103,201	106,256	115,281	0.9%
Total	1,453,786	1,485,588	1,602,649	0.9%

Mail Volume Projections. Current and projected mail volumes for the Sunview, OK, P&DC service area are as follows:

CURRENT AND PROJECTED MAIL VOLUMES
(Millions of Pieces per Year)

	Current (1997)	First Oper. Year (1999)	Projected (2008)	Average Annual Growth Rate
Destinating				
First-Class	471.2	491.3	568.4	1.6%
Standard (A)	352.4	363.9	437.2	2.1%
Subtotal	823.6	855.2	1,005.6	1.8%
Originating				
First-Class	485.8	502.9	568.0	1.4%
Standard (A)	247.5	252.7	297.2	1.8%
Subtotal	733.4	755.6	865.2	1.5%
TOTAL	1,556.9	1,610.8	1,870.8	1.7%

Source: Projections supplied through Finance, Headquarters, by DRI/McGraw Hill.

Exhibit 2-3 (p. 14)
Sample DAR — New Construction — Processing and Distribution Center

Exhibit 6. Productivity and Service Impacts

Productivity

	FY 1997	FY 1999	Difference	Increase
DPI*	600.4	633.3	32.9	5.4%
FHP Productivity**	641.3	675.3	34.0	5.3%

* *Includes mail processing and customer service functions.*

** *Total mail processing function.*

The Distribution Productivity Index (DPI) for the Anytown, USA, ZIP Code areas 740–746 and 749 is expected to increase 5.4 percent from FY 1996 to FY 1999, while productivity for mail processing first handling pieces will increase 5.3 percent during the same period. This project contributes to this increased productivity through improved operating efficiency, resulting in a labor savings of 8 full-time equivalent mail processing positions. The plant manager will establish the management controls necessary to achieve these labor savings and productivity increases.

Service Composite

	3rd Quarter FY 97	FY 99	Difference
EXFC	92%	93%	1%
Overnight (ODIS)	88%	93%	5%
Two-day (ODIS)	77%	92%	15%
Three-day (ODIS)	79%	83%	4%

The consolidation of operations currently split between the PDC and mail processing annex will allow a more efficient operation and improve current service scores, as measured by the External First-Class Measurement System (EXFC) and ODIS (Origin Destination Information System).

Exhibit 2-3 (p. 15)
Sample DAR — New Construction — Processing and Distribution Center

Exhibit 7. Space Summary — Alternative B (Gross Square Feet)

	Existing Space*	% of Required Space	Existing MPO	New PDC	Total Projected Space
Office	38,818	119.3	23,993	8,548	32,541
Lobby	16,379	100	16,379	0	16,379
Employee	11,757	38.7	8,599	21,745	30,344
Support	56,953	65.3	12,665	74,564	87,229
Workroom	168,641	75.4	11,448	212,100	223,548
Platform	23,620	52.7	14,836	30,000	44,836
Other **	96,026	159.0	31,312	29,078	60,390
Total	**412,194**	**83.2%**	**119,232**	**376,035**	**495,267**
Total Site	**872,534**	**59.0%**	**204,000**	**1,273,725**	**1,477,730**

* *The existing space includes the current PDC, PDC annex, and Computerized Forwarding System buildings.*

* * *Other space includes look-out galleries, mechanical areas, and mezzanines.*

Exhibit 2-3 (p. 16)
Sample DAR — New Construction — Processing and Distribution Center

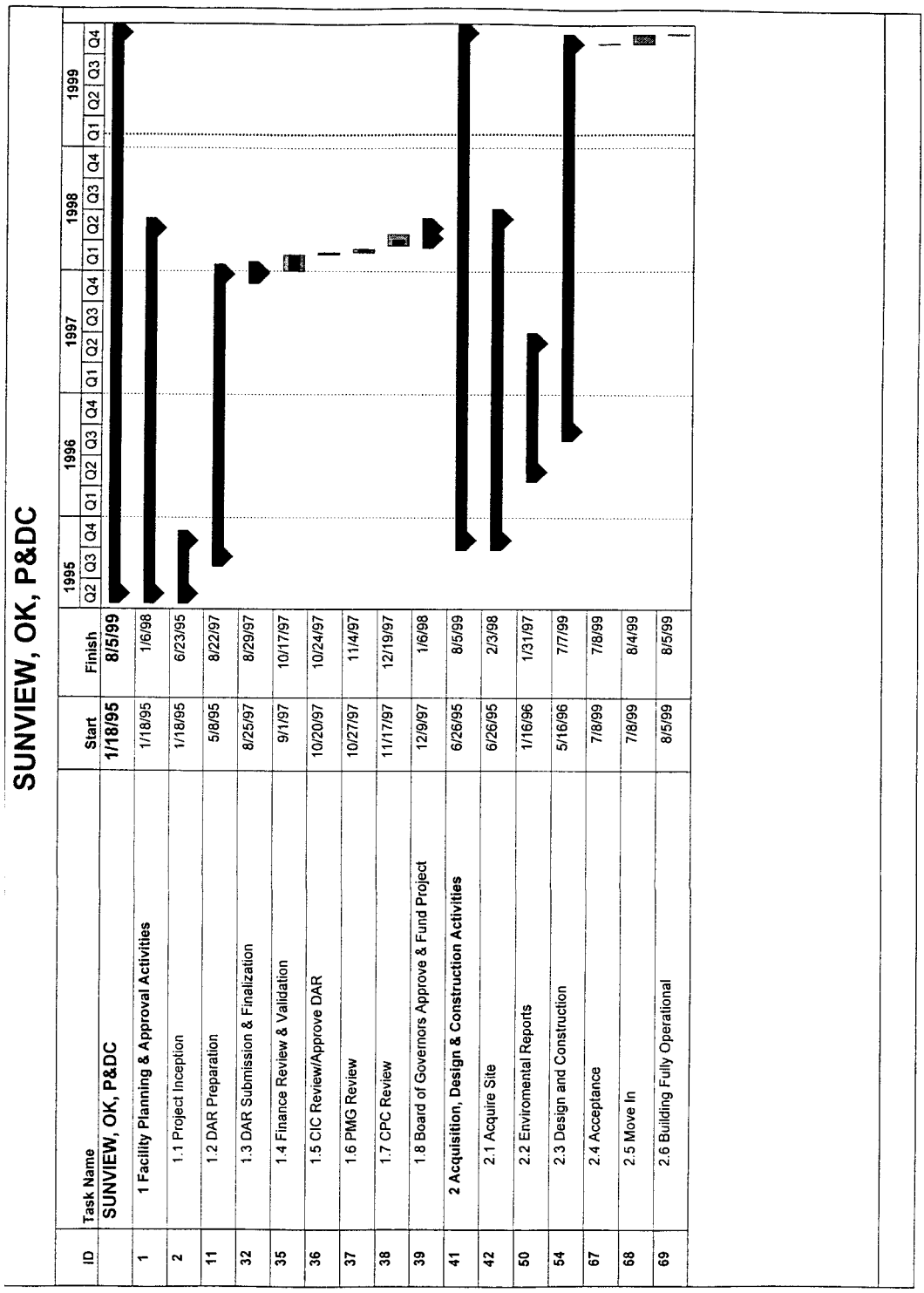
Exhibit 8. Summary of Operations

SUNVIEW, OK, PROCESSING & DISTRIBUTION CENTER
SUMMARY OF OPERATIONS

Baseline	Equipment	Alternative B	Equipment
Existing		**Existing**	
Sunview, OK, MPO/P&DC		**Sunview, OK, MPO**	
USPS-owned	3 MLOCR	USPS-owned	
Retail/PO boxes	4 MPBCS	Retail/PO boxes	
Administration	1 MARK II	Administration	
Plant & postmaster	1 DPRC	Postmaster	
Originating &	4 AFCS	Delivery for	
destinating letter processing	16 DBCS	ZIP 74114 & 19	
for ZIP 740–746 & 749		Storage	
Support			
P&DC Annex		**P&DC Annex**	
Leased 114,195 sq. ft.	3 MPFSM	Vacate	
$430,802per yr (2/2 yr. option)	1 SPBS		
Originating & destinating flat			
distribution 740–746 & 749			
		New Sunview, OK, P&DC	
		USPS-owned	
		Administration Plant	5 MLOCR
		Originating & destinating	4 MPBCS
		letter & flat processing	1 MARK II
		for ZIP 740–746 & 749	2 DPRC
		Support	6 AFCS
		CFS	17 DBCS
			5 MPFSM
			1 SPBS
CFS II		**CFS II**	
Leased 10,912 sq. ft. $57,600		Vacate	
CFS			
Warehouse NE Carrier Annex		**Warehouse NE Carrier Annex**	
Leased 5,802 sq. ft. $13,055		Vacate	
Excess equipment			
Warehouse 3rd St.		**Warehouse 3rd St.**	
Leased 6,144 sq. ft. $21,600		Vacate	
Excess equipment			
Pine Station		**Pine Station**	
USPS-owned		Retain	
Delivery for ZIP 74104 and 14		Delivery for ZIP 74104	
Carrier Annex		**Carrier Annex**	
USPS-owned		Retain	
Delivery for ZIP 74119 and 27		Delivery for ZIP 74127	

Exhibit 2-3 (p. 17)
Sample DAR — New Construction — Processing and Distribution Center

Exhibit 9. Project Schedule



ID	Task Name	Start	Finish
	SUNVIEW, OK, P&DC	**1/18/95**	**8/5/99**
1	**1 Facility Planning & Approval Activities**	1/18/95	1/6/98
2	1.1 Project Inception	1/18/95	6/23/95
11	1.2 DAR Preparation	5/8/95	8/22/97
32	1.3 DAR Submission & Finalization	8/25/97	8/29/97
35	1.4 Finance Review & Validation	9/1/97	10/17/97
36	1.5 CIC Review/Approve DAR	10/20/97	10/24/97
37	1.6 PMG Review	10/27/97	11/4/97
38	1.7 CPC Review	11/17/97	12/19/97
39	1.8 Board of Governors Approve & Fund Project	12/9/97	1/6/98
41	**2 Acquisition, Design & Construction Activities**	6/26/95	8/5/99
42	2.1 Acquire Site	6/26/95	2/3/98
50	2.2 Enviromental Reports	1/16/96	1/31/97
54	2.3 Design and Construction	5/16/96	7/7/99
67	2.4 Acceptance	7/8/99	7/8/99
68	2.5 Move In	7/8/99	8/4/99
69	2.6 Building Fully Operational	8/5/99	8/5/99

12

Exhibit IX

3 DAR Backup Documentation

3-1 About This Chapter

This chapter describes the minimum backup documentation that the sponsor must submit with the DAR for a major facility project.

3-2 Purpose

The backup documentation is attached to the DAR and provides the necessary supporting information, including assumptions, that were used to develop the operating concepts and cost analysis presented in the DAR. The backup must provide supplemental information sufficient to accomplish the following:

a. Support the calculation of the baseline or the present situation.

b. Support each alternative presented in the analysis.

c. Show how the numbers in the DAR were derived.

d. Provide financial information (such as cash flows) for the baseline, sustaining baseline (if included), and alternatives analyzed and the basis for the cost and benefit estimates.

e. Provide a basis for validating the information in the DAR and for comparison to the project audit conducted by the Inspection Service or Inspector General.

The complexity of the project determines the detail of the DAR backup. At a minimum, supporting documentation is required for all cash flow line items.

3-3 Format

The DAR backup documentation for any project that requires Headquarters approval must meet the following guidelines:

a. All materials must be legible (preferably typed or word processed).

b. All pages must measure 8-1/2 by 11 inches. You may print the DAR backup documentation either single-sided or double-sided.

c. To allow for easy duplication, do not bind the pages.

d. Insert a title page as a section divider between each major section (e.g., Section I: Area CIC Minutes and Financial Assessment).

e. Organize the sections by cash flow line item, in the order they appear in the Decision Analysis Report System (DARS).

f. Number pages consecutively throughout the backup material or within alphabetical sections (e.g., A-1, A-2, A-3 or B-1, B-2, B-3).

g. Date all pages. Replacement pages should show the date of revision.

h. Identify the alternative to which each backup page applies.

i. Highlight data actually used in the analysis (e.g., underline the labor distribution code (LDC) rates used).

3-4 Required Components

The requirements for the backup documentation for a major facility project vary according to the project. Exhibit 3-1 provides a list of sources for the backup documentation that must be included for new construction projects. Include additional backup documentation that is applicable to the particular project. For more information, contact Facilities Planning and Approval, Headquarters.

For all major facility projects, include the following DAR backup components in the order listed:

a. Cover page.

b. Table of contents.

c. DARS output (include in appropriate sections).

d. Area CIC minutes and financial assessment.

e. Cash flows.

f. Budget crosswalk.

g. Investment costs (e.g., site, building purchase, construction, and renovations).

h. DARS Input Sheet and Space Table.

i. DAR factors.

j. Operating variances:

   (1) Start-up costs.

   (2) Labor costs.

   (3) Transportation costs.

   (4) Lease information (including lease vs. own analysis).

   (5) Maintenance costs.

   (6) Utility costs.

   (7) Material handling economic justification.

k. Retail information.

l. Population and mail volumes.

m. Productivity and service impact (for PDC facilities) if there are impacts due to the facility project.

n. Site, environmental, intergovernmental summary.

o. Space requirements.

p. Facility planning concept.

q. Functional review memoranda.

r. CPC questions and answers.

3-4.1 Cover Page

Include a cover page similar to that used for the DAR. Identify the material as DAR Backup Documentation, with the same project name and date as the DAR.

3-4.2 Table of Contents

Include the title and the beginning page number of each major section of backup. If alphanumeric designations are used, show the beginning and ending numbers (e.g., A-1–A-5 and B-1–B-13).

3-4.3 DARS Output

DARS is a linked set of formatted spreadsheets that automatically calculate the cash flow analyses and supporting computations based upon a defined set of user inputs, current escalation rates, and residual value formulas. Printouts from all DARS worksheets must be included in the appropriate sections of the backup. A copy of the project DARS computer file must be transmitted or sent to the validation analyst. Refer to the *DARS Users Guide* (available from Facilities, Headquarters; Capital and Program Evaluation, Finance; or the Postal Service Intranet) for additional information.

3-4.4 Area CIC Minutes and Financial Assessment

Include the area CIC minutes to show that the area has approved the project and the financial assessment memorandum provided by area Finance as part of the area-level review and approval process).

3-4.5 Cash Flows

The sponsor must develop a cash flow for each alternative evaluated. Cash flows normally are not developed for alternatives eliminated, but may be needed to perform sensitivity analyses (see HBK F-66, Chapter 5, Economic Analysis).

3-4.6 Budget Crosswalk

The budget crosswalk (see exhibit 3-2) is a budget impact cash flow for the project. A separate worksheet for each finance number affected by the project identifies areas of potential budget impact by fiscal year, line item, and

LDC for the recommended alternative. The worksheet requires data only through the first year following project completion unless costs or savings from the project are expended to be realized incrementally. The highest-level local manager must sign the budget crosswalk.

3-4.7 Investment Costs

Include investment cost sheets, signed by the appropriate manager of Design and Construction, for each alternative evaluated and for the sustaining baseline when applicable. (The cost sheet for the recommended alternative, which is included as an exhibit in the DAR, may be unsigned.) If more than one building is included in the alternative, such as a PDC and VMF, a separate investment cost sheet is required for each building and a combined cost sheet is developed for the alternative.

Include documentation that shows the computation of residual values unless the standard residual value factors are used for new construction. Include supporting documentation for one-time capital investments and telephone systems. Include material handling investment cost sheets in the material handling section of the backup.

Facilities' estimators at the supporting FSO must keep detailed worksheets in support of investments until the Inspection Service or Office of Inspector General completes their audit. If no audit is to be conducted, the estimators keep these supporting documents for 18 months after full activation of the facility.

3-4.8 DARS Input Sheet and Space Table

Include the input sheet and space table, which you may print from DARS.

3-4.9 DAR Factors

The vice president and controller of Finance provides the cost of capital, risk factors, and escalation factors Include a copy of the most recent memorandum in support of the factors used. For the most current memorandum:

a. Go to the Finance Web site at *http://blue.usps.gov/finance.*

b. Under "Financial Reports & Presentations," click on *Decision Analysis Factors/Cost of Borrowing Update/New Facility Start-up Costs Update.*

3-4.10 Operating Variances

Operating variances include any changes from the baseline (i.e., incremental costs and benefits directly related to the project). Describe in detail operating variances by type (e.g., labor, transportation, start-up costs, custodial maintenance, building maintenance, utilities, rent, VMF costs or savings).

The baseline represents the most recent full fiscal year of operating costs. The baseline must include all existing facilities, automation, material handling, and existing services, as well as space or environmental

deficiencies. The baseline costs are compared with costs for each alternative and the sustaining baseline to establish the cost variance from baseline. These costs and savings are escalated, using factors established by the vice president and controller of Finance.

You must support all source numbers with appropriate hard copy documentation. For example:

a. Official Postal Service reports (e.g., National Workhours Reporting System (NWRS) Labor Utilization Report, Vehicle Management Accounting System (VMAS) Make Model Report).

b. Written estimates from internal or external subject matter experts.

c. Utility bills.

d. Excerpts from leases which show the terms and conditions of the lease, including option information.

3-4.11 Start-Up Costs

Start-up costs are nonrecurring expenses necessary to bring a facility project online. Compute start-up costs using the standard factors in Management Instruction (MI) AS-510-90-12, *New Facility Start-Up Costs for Decision Analysis Report (DAR) Cash Flow* (included in DARS). If you believe that these factors are excessive or inadequate for the project, then provide backup documentation signed by the facility manager to support the projected costs. When the alternative proposes retention of the current facility and acquisition of an additional facility, additional one-time expenses are generally anticipated. Specifically identify these expenses and include them in the start-up costs.

3-4.12 Labor Costs

Changes in personnel costs resulting from the planned project must be included in a staffing plan. Use the NWRS Labor Utilization Report year-to-date workhour rate for the local office from the most recent end-of-year data. If this information is not available, use the national workhour rates issued periodically by the vice president and controller of Finance. Contact the manager of Capital and Program Evaluation, Finance, for more information. Local management signatures must be included on the staffing plan.

3-4.13 Transportation Costs

An analysis of transportation variances must be developed and signed by a transportation specialist for each alternative. This analysis compares changes in carrier, highway contract route (HCR), and motor vehicle service (MVS) requirements due to the location of the proposed new facility. Carrier mileage change-related costs or savings, HCR mileage change-related costs or savings, and information from which MVS changes in costs can be derived are input into the transportation file in DARS from the analysis provided by the transportation specialist. DARS draws from the labor table file to compute the hourly costs for driver and loading and unloading workhour changes

associated with the MVS activities. The rates for the appropriate driver and loading and unloading activity LDCs must be entered in the DARS labor table file.

3-4.14 Lease Information

Detailed information from current and proposed leases, including the terms and conditions of the lease and services provided, must be provided for the baseline and for each alternative analyzed. Retain complete copies of all leases onsite at the local office and at the FSO. For proposed new leases, a draft of the proposed lease signed by the lessor or a signed letter of intent to lease the space must be provided.

3-4.15 Lease Versus Own Analysis

A lease versus own analysis is used to determine whether leasing or owning a facility is more economical. This analysis is required for all facility purchase projects and when leasing a whole building is one of the alternatives considered. It is not required when leasing portions of a building unless purchase is a viable option. Assume continuation of the lease for the complete analysis period, and ensure that the leased space is sufficient to meet the 10-year requirement.

3-4.16 Maintenance Costs

If the sponsor establishes or changes the maintenance requirements for a project, then maintenance management at the project location must review the DAR. The local maintenance manager must sign the maintenance review sheet, which covers requirements, staffing, and attendant costs and benefits for custodial, building, and equipment maintenance (see exhibit 3-3).

3-4.17 Utility Costs

The Postal Service determines utility costs for use in DARs based on a national energy report — *instead of obtaining utility bills from facilities that are comparable in size and functionality.* See exhibit 3-5 for an example of a utility costs report. The most current information is posted on the Facilities Web site.

a. Go to *http://hqfso.usps.gov/.*

b. Click on *HQ Planning & Approval.*

c. Click on *URLs for Planning.*

d. Click on *Energy Usage and Costs (2005).*

The direct URL is *http://fmsreports/req/PDFs/UtilityCostsFY05.pdf.* (See also exhibit 3-6.)

3-4.18 Material Handling Economic Justification

An economic justification is required for any material handling equipment being proposed. The sponsor develops the material handling analysis, which includes a separate justification for each system to be installed. Each system analysis contains the mechanization versus manual and mechanization versus baseline computations. An “all systems combined” mechanization versus baseline analysis is the basis for the material handling operating variance line item in the cash flow. The economic justification must include the following:

a. The signature of the manager of Material Handling.

b. A description of the equipment to be procured.

c. The material handling investment cost sheet.

d. The projected material handling cash flow analysis.

Local management signatures must be included on the Material Handling Costs and Savings Management Summary (see exhibit 3-4).

3-4.19 Retail Information

Provide the following documentation to support any decisions that involve retail issues:

a. Retail Analysis Program (RAP) Study, Retail Planning, and Start-Up Questionnaire.

b. Retail Study.

c. Site Mapping Study.

d. Appropriate Inspection Service memoranda regarding security.

e. Retail deviation requests including approvals, if appropriate.

f. Revenue projections to support retail or a BMEU being included in the project, if possible.

3-4.20 Population and Mail Volumes

Provide source materials to support population and mail volume data contained in the DAR.

3-4.21 Productivity and Service Impact

Provide signed source materials to support productivity and service impacts contained in the DAR.

3-4.22 Site, Environmental, and Intergovernmental Summary

Provide signed supporting documentation for the site information, environmental assessment, and intergovernmental contact cited in the DAR exhibit.

3-4.23 Space Requirements

Include a completed space requirements report (PS Form 919 or 929) for the recommended alternative and the net-to-gross calculation for each alternative that was analyzed. This data must tie directly to the space summary exhibit included in the DAR. If additional building or site space (over and above what is required) is being acquired, the space summary should show the actual space and site being acquired. It should include a footnote stating that it exceeds requirements, and explain how the excess space will be used. Form 919 or 929 must include all necessary signatures prior to project validation.

3-4.24 Facility Planning Concept

Include the FPC, with all required signatures, and the minutes of the planning parameters meeting (if a meeting was held).

3-4.25 Risk Analysis Matrix

Include a completed risk analysis matrix. Use the form in Handbook F-66, exhibit 5-4. See Handbook F-66, subchapter 5-5, for additional requirements for risk analysis.

3-4.26 Functional Review Memoranda

Include a copy of the memorandum from Facilities requesting functional reviews, copies of all functional review memoranda, and any related correspondence to document that all concerns raised by the functional areas during the review process have been adequately resolved. Copies of all concurrences, as well as follow-up correspondence are included as backup (see exhibit 3-2 for a sample DAR concurrence sheet). You may obtain DAR concurrence distribution lists from Capital and Program Evaluation, Finance.

3-4.27 CPC Questions and Answers

Include a copy of the CPC questions and answers.

Exhibit 3-1
Source Documents for DAR Backup — New Construction

Backup Requirement	Source Documents
Area Approval	Area CIC minutes and financial assessment.
Cash Flows	DARS output.
Budget Crosswalk	DARS output or Capital Investment Tracking System spreadsheet.
Site Costs	Facility investment cost sheet based on most recent Facilities policy. All cost sheets must be signed and dated by appropriate personnel.
Building Costs (New Construction or Purchase)	Facility investment cost sheet (fact sheet).
Renovations Costs	Facility investment cost sheet (fact sheet).
Other (Furniture, Telephones, One-Time Capital Equipment)	Documentation from Information Systems (Raleigh) for telephone system estimate. Signed and dated memo from appropriate source to support other cost estimates.
Residual Value Data	Residual value tables for land and buildings or a memo from an appraiser.
DARS Input Sheet and Space Table	DARS output.
Cost of Capital; Risk; Escalation Factors	DAR factors provided by the vice president and controller of Finance at the Finance Web Site: *http://blue.usps.gov/finance/.*
Start-Up Costs	Use Management Instruction AS 510-90-12 (or update); provide a detailed listing of any additional expenses signed and dated by the project sponsor.
Labor Costs	Labor Utilization Report (LURS) Prior Fiscal Year and end-of-year workhour rates by labor distribution code and staffing plan signed by local manager.
Transportation Costs	Make Model Report from the Vehicle Management Accounting System (VMAS) for vehicle and vehicle maintenance information; LURS for labor information; and signed, completed transportation analysis.
Lease Costs/Lease Versus Own Analysis	Copy of lease agreement (or excerpts showing terms, conditions, and costs). Any related costs must be supported by memo signed by Facilities personnel.
Maintenance (e.g., custodial and building maintenance)	LURS Prior Fiscal Year and End-of-Year workhour rates by LDC and signed Maintenance Staffing Requirements worksheet.
Utility Costs	National Energy reports found at the Facilities Management System Web site: *http://fmsreports.usps.gov/req/PDFs/UtilityCostsFY05.pdf.*
Material Handling	Signed investment cost sheet, signatures of plant or area managers. Validation letter from Material Handling, Headquarters. Material Handling Costs/Savings Management Summary sign-off form.
Retail Impact	Refer to most recent retail policy on the Facilities Web site; local and district retail managers must sign the documentation.
Population and Mail Volume Projections	Use population data from local sources/Data Resources, Inc.; volume data from MODS or CDB; the documentation provider must sign and date the document.
Productivity and Service Impact	Memo from local or area management. Data from MODS or CDB; must be dated and signed by sponsor (for customer service facilities, include EXFC; use FLASH report to obtain DCEA, DPI, SEI/OEI data).

Backup Requirement	Source Documents
Site, Environmental, and Intergovernmental Data	Contact Facilities Planning and Approval, Headquarters, for guidance.
Appraisal	Memo from Facilities (signed and dated) indicating methodology and results.
Space Data	PS Form 919 or 929 prepared by Facilities; the form must be signed and dated.
Facility Planning Concept (FPC)	FPC prepared by local management and Facilities; appropriate managers must sign and date the FPC.
Risk Analysis Matrix	Shows the elements of risk associated with the project, the evaluation of that risk and the risk analysis matrix.
Spreadsheets	DARS output.

Exhibit 3-2
Sample DAR Concurrence Sheet

Operations
Headquarters Review **DAR:** _____

In accordance with the DAR Capital Investment Process.

No Pending Issues: **OK to Proceed**	Issues as noted below: **OK to Proceed**	Issues as noted below: **DO NOT PROCEED**	
[ ]	**[ ]**	**[ ]**	**Operating plans described in the DAR are consistent with policies and programs.**
[ ]	**[ ]**	**[ ]**	**Operating plans described in DAR will meet present service commitments and targeted service performance scores.**
[ ]	**[ ]**	**[ ]**	**The support plan meets field requirements.**
[ ]	**[ ]**	**[ ]**	**Risks identified in DAR accurately reflect HQ Operations and concerns are rated appropriately.**
[ ]	**[ ]**	**[ ]**	**Program stated outcome supports the *Strategic Transformation Plan.***
[ ]	**[ ]**	**[ ]**	**Other issues to be raised:**

Comments:

Reviewed by Operations: *<Signature>* _____ _____
Typed Name **Date**
Chief Operating Officer and Executive Vice President

Please return the completed review to the sponsoring organization.
Requested response time is 3 weeks unless otherwise noted.

Exhibit 3-3
DARS-Generated Budget Crosswalk

Crosswalk

CROSSWALK ALT-A

Alternative-A

PROJECT NAME:	**FISCAL YEAR:**	**07**	**08**
Meriden, CT MPO	**MOVE-IN AP:**	**01**	
DISTRICT:	**MATERIAL HANDLING AP:**	**07**	**00**
Connecticut	**DATE REVISED:**	**00**	
FINANCE #:	**DATA SOURCE:**	**00**	
084140	**SOURCE DATE:**	**7/7/2005**	

Facility Installation Manager
Printed Name Candace Winzer
Date 07/06
Signature

OPERATING VARIANCES	LDC/NPC LINE	ANNUAL SAVINGS	ANNUAL COSTS	FY 06 BUDGET SAVINGS	FY 06 BUDGET COSTS	FY 07 BUDGET SAVINGS	FY 07 BUDGET COSTS	FY 08 BUDGET SAVINGS	FY 08 BUDGET COSTS	FY 09 BUDGET SAVINGS	FY 09 BUDGET COSTS
WORKHOURS											
TRANS LOADING TIME	10-19	0	0			0	0	0	0	0	
MAIL PROCESSING	10-19	0	0			0	0	0	0		
MATERIAL HANDLING	17	0	0			0	0	0	0	0	0
ADMINISTRATIVE	0-9/50-99	0	0			0	0	0	0		
OTHER/ ENTER LDC	?	0	0			0	0	0	0		
OTHER/ ENTER LDC	?	0	0			0	0	0	0		
SUB TOTAL		0	0		0	0	0	0	0	0	0
DELIVERY SERVICES	20-29	4,228	0			4,228	0	0	0		
MVS (TRANS FILE)	30-34	53	0			53	0	0	0		
MVS (LABOR FILE)	30-34	153	0			153	0	0	0		
CUSTOMER SERVICE	40-49	0	0			0	0	0	0		
MAINTENANCE						0	0	0	0		
OP EQP MATERIAL HANDLING	36	0	0			0	0	0	0	0	0
BLDG OPERATION	37	0	367			0	367	0	0		
CUSTODIAL MAINT.	38	0	916			0	916	0	0		
MAINT. OTHER	35-39	0	0			0	0	0	0		
SUB TOTAL		4,434	1,283	0	0	4,434	1,283	0	0	0	0
START-UP HOURS	TOT YR1		1,676			(recovery)		(recovery)		(recovery)	
(non recurring)	MP YR1		838		796	796	42	42	0	0	
	MAINT YR1		838		796	796	42	42	0	0	
	POAC YR2		52				52	52	0	0	
TOT START-UP WK HOURS			1,728	0	1,593	1,593	136	136	0	0	0
TOT W-H SAV/COSTS		4,434	3,011	0	1,593	6,026	1,418	136	0	0	0
NON PERSONNEL (000)											
SUPPLIES & SVCS											
RENT	41	$105	$0			$105	$0	$0	$0		
FUEL & UTILITIES	42	$0	$12			$0	$12	$0	$0		
TRANSPORTATION	3P	$1	$0			$1	$0	$0	$0		
VMF CONTRACT SAVINGS	3H	$0	$0			$0	$0	$0	$0		
ALL OTHER	?	0	0			$0	$0	$0	$0		
START-UP COSTS						$0	$0	$0	$0		
PRE MOVE			$8		$8	$8	$0	$0			
POST MOVE			$44				$44	$44	$0	$0	
TOTAL NPC		$106	$64	$0	$8	$114	$56	$44	$0	$0	$0

	ANNUAL		FY 06		FY 07		FY 08		FY 09	
REVENUE	INCREASE	DECREASE	INCREASE	DECREASE	INCREASE	DECREASE	INCREASE	DECREASE	INCREASE	DECREASE
					$0	$0	$0	$0	$0	
					$0	$0	$0	$0	$0	
					$0	$0	$0	$0	$0	

Exhibit 3-4
Maintenance Staffing Requirements Worksheet

Maintenance Staffing Requirements

Facility Name:	Existing Facility FY____				DAR Planned Move-In FY____	
Staffing	Complement		Workhours		Complement	Workhours
	Authorized	Actual	Authorized	Actual		
LDC-35 Supervision — Plant & Equip. Maint.						
A. Automation/Mechanization						
B. Material Handling						
C. General						
LDC-36 Postal Operating Equipment						
A. Automation/Mechanization						
B. Material Handling						
C. Other (DAR)						
LDC-37 Building Systems Equipment						
LDC-38 Building Services (Custodial)						
LDC-39 Maint., Planning, Control, and Stores						
Facility Size	Existing: _____ Gross SF				Planned: _____ Gross SF 10-year requirement (Form 929 x factor)	

Prepared by: <*Signature*> _____ Date
<*Typed Name and Title*>
Local Maintenance Staff Person

Approved by: <*Signature*> _____ Date
<*Typed Name and Title*>
Local Maintenance Manager

Exhibit 3-5
Material Handling Costs/Savings Management Summary

PROJECT:______________________________ **FACILITY:**_____________________________________

The material handling costs and savings as computed in the attached analysis and itemized below are reasonable and attainable. The facility budget will be adjusted to reflect these costs and savings when the new facility project is implemented.

Total investment for material handling	$
Base year for volume	XXXX
Move-in year	XXXX
Annual growth rate at which volumes are escalated	%
Annual maintenance parts costs (base year) (-)	$
Maintenance parts escalation factor	%
Maintenance parts costs (move-in year) (-)	
Annual material handling energy costs (base year) (-)	$
Material handling energy costs escalation factor	%
Material handling energy costs (move-in year) (-)	
Annual additional maintenance workhours required	hours
Maintenance workhour rate (base year)	$
Workhour rate escalation factor	%
Annual maintenance cost (move-in year) (-)	$
Annual mail processing workhours saved (LDC 17)	hours
LDC 17 workhour rate (base year)	$
Workhour rate escalation factor	%
Annual savings LDC 17 (move-in year)	$

PREPARED BY: *<Signature>* ______
<Typed Name and Title> Date
Operations Support Specialist

REVIEWED BY: *<Signature>* ______
<Typed Name and Title> Date
Manager, In-Plant Support

APPROVED BY: *<Signature>* ______
<Typed Name and Title> Date
Plant Manager

CONCURRENCE BY: *<Signature>* ______
<Typed Name and Title> Date
Manager, Material Handling

Exhibit 3-6 (p. 1)

Energy Usage and Costs

Energy Usage and Costs

Printed: 10/26/05 12:39

Facility Cost FY 05

CLUSTER	Postal own	# of Facil	0-5K	5-25K	25-100K	100-250K	over 250K	P&D Facil	P&D Sq Ft	% of Total P&D	C S Sq Ft	Total Sq feet	Elect Ytd $	Gas Ytd $	Utility Ytd $	cost Sq ft	Water Ytd $	SES Ytd $
AREA A																		
CARIBBEAN	36	135	78	49	7	1	0	4	104664	7.80	1049357	1339620	4927954	1504	5091813	3.80	161913	0
CENTRAL NEW JERSEY	66	219	140	63	12	2	1	5	717513	33.13	1447923	2165436	4962116	776365	5714715	2.64	203625	63139
LONG ISLAND	76	194	85	97	8	2	2	6	1060493	39.97	1573404	2653244	8378524	975003	9662597	3.64	68755	15000
NEW YORK CITY	45	84	23	34	18	2	7	3	2033532	27.15	5203350	7489182	12189994	1596033	17246617	2.30	770055	0
NORTHERN NEW JERSEY	101	363	202	123	28	4	5	20	2521136	44.05	3153321	5723659	8499165	2363561	11556625	2.02	493672	22197
NY METRO AREA	4	15	1	4	6	2	2	15	2409820	86.22	273288	2853108	4278836	1790284	7582871	2.66	211163	1208063
TRIBORO	62	173	68	90	11	0	3	5	1379142	34.85	2578020	3957163	7291615	1841806	10080129	2.55	527849	74
WESTCHESTER	70	386	286	64	12	1	1	4	705760	28.36	1782398	2488158	4780555	580714	5866512	2.37	125008	0
Totals	462	1,589	863	544	102	14	21	64	10,981,960	38.30	17,061,081	28,669,970	$54,908,759	$9,905,290	$72,842,178	$2.54	$2,562,241	$1,308,474
AREA B																		
ALBANY	162	718	600	100	12	2	2	6	1035536	29.44	2482468	3518004	6031765	1806036	8278147	2.35	224437	0
BOSTON	26	122	60	43	14	1	3	14	1765276	53.69	1485719	3287695	5820108	852426	7533546	2.29	242888	4646
CONNECTICUT	90	342	200	112	25	3	2	11	1578903	39.47	2421176	4000079	7080561	1126854	9034317	2.26	199157	0
MAINE	54	454	396	50	7	1	1	6	484654	24.80	1470282	1955036	2638576	128447	3536013	1.81	106984	971
MIDDLESEX-CENTRAL	97	354	219	98	27	7	2	25	2250409	39.30	2784470	5725751	8051927	1699076	10497282	1.83	275960	7048
NEW HAMPSHIRE	63	545	456	78	7	3	1	10	727906	26.29	1900911	2766607	4531479	724737	6106756	2.21	104336	0
NORTHEAST AREA	0	3	1	1	1	0	0	1	24000	25.60	69732	93732	101787	1517	103404	1.10	99	0
SE NEW ENGLAND	70	271	173	80	13	2	1	9	719617	27.34	1729622	2632366	4667269	1273183	6339220	2.41	162853	697
WESTERN NEW YORK	111	449	330	94	18	3	3	10	1153418	28.00	3073314	4405622	4672375	1313302	6188582	1.40	137368	73
Totals	673	3,258	2,433	656	122	22	15	92	9,740,219	34.27	17,400,994	28,416,202	$43,616,866	$6,525,982	$57,617,275	$2.03	$1,453,865	$13,435
AREA C																		
APPALACHIAN	158	960	831	107	16	5	0	10	836246	22.52	2883913	3722159	3148084	759959	4321332	1.16	337954	1461
CINCINNATI	143	531	386	118	21	0	4	19	1349671	34.12	2562054	3955725	6139865	1295059	6779139	1.71	289301	146
CLEVELAND	153	481	311	145	20	3	2	5	690838	12.69	3670597	4340527	6216426	1447245	7970386	1.84	270410	2
COLUMBUS	101	383	290	76	13	0	2	4	28013	0.96	2882107	2917446	2951418	880536	4156865	1.43	280522	509
EASTERN AREA	10	22	4	6	3	1	5	22	2736019	95.12	100411	2876430	4444113	1582544	6239005	2.17	226746	0
ERIE	96	503	443	49	10	1	0	0	0	0.00	1711155	1726517	1837533	780023	2829147	1.64	114438	0
GREATER S CAROLINA	86	343	214	105	20	3	1	20	799867	23.91	2543286	3345120	4355628	240015	4820857	1.44	216702	154
GREENSBORO	108	487	331	113	19	1	2	15	1287453	32.32	2645192	3962695	4890683	456719	5502611	1.38	308710	42
HARRISBURG	157	691	578	97	9	4	2	6	1124044	30.79	2521706	3650537	4657327	780953	5969490	1.63	225772	64
KENTUCKIANA	165	839	697	117	19	3	1	19	1046811	27.01	2824208	3871457	4430486	740279	5507285	1.42	309059	7862
MID-CAROLINAS	94	458	299	134	18	2	1	20	844005	24.72	2570137	3414494	4447404	276859	5118302	1.50	353000	170
PHILADELPHIA	123	437	293	113	23	4	3	14	1123206	21.32	4145945	5269153	8451928	906702	11182507	2.12	645482	0
PITTSBURGH	86	389	314	65	9	0	1	7	976671	35.32	1398731	2771360	2625030	982634	3847698	1.39	209267	8455
SOUTH JERSEY	106	273	179	78	13	1	1	5	526917	24.56	1614323	2145618	4048941	787945	5061965	2.36	142564	347
Totals	1,588	6,777	5,172	1,327	213	28	25	186	13,232,781	27.57	34,093,742	47,390,436	$61,439,064	$11,881,384	$79,304,875	$1.86	$3,941,956	$19,211

Exhibit 3-6 (p. 2)

Energy Usage and Costs

Energy Usage and Costs

Printed: 10/28/05 12:39

Facility Cost FY 05

CLUSTER	Postal own	# of Facil	0-5K	5-25K	25-100K	100-250K	over 250K	P&D Facil	P&D Sq Ft	% of Total P&D	C S Sq Ft	Total Sq feet	Elect Ytd $	Gas Ytd $	Utility Ytd $	cost Sq ft	Water Ytd $	SES Ytd $
AREA E																		
ALASKA	128	225	178	30	17	0	1	3	29320	2.01	1428989	1458309	1692587	282988	2738277	1.88	98538	0
BIG SKY	76	327	261	55	9	2	0	2	222326	12.64	1530022	1759058	1581976	778393	2518132	1.43	137254	595
CENTRAL PLAINS	194	1085	927	138	15	3	2	14	790277	17.51	3664011	4512429	3672764	1387722	5412005	1.20	295884	268
COLORADO/WYOMING	236	673	462	169	34	3	4	16	1738237	29.03	4241055	5986781	6877931	1623018	9009120	1.50	485894	1088
DAKOTAS	107	794	723	52	17	2	0	0	0	0.00	2405064	2421949	1840430	892064	2803362	1.16	173246	847
HAWKEYE	165	943	801	121	18	1	2	5	581124	14.38	3441157	4041545	4262380	371935	4922671	1.22	183678	0
MID-AMERICA	106	830	668	134	14	3	3	7	1664721	30.66	3585745	5455934	5165486	1137120	6680265	1.22	288247	50
NORTHLAND	150	928	778	109	34	3	4	11	2213590	27.17	5364780	8146384	7223293	1546569	9911821	1.22	326593	89614
PORTLAND	86	442	312	95	30	4	1	14	1382313	32.94	2471723	4196164	3665042	596745	4725251	1.13	432056	354
SALT LAKE CITY	77	217	143	57	14	1	1	8	127690	6.27	1907420	2035110	1923740	415642	2488236	1.22	139735	0
SEATTLE	103	391	236	116	22	9	4	32	1239780	21.50	4527683	5767863	6211320	875460	7764080	1.35	550191	1080
SPOKANE	68	386	301	71	9	3	1	10	779603	32.00	1655763	2436230	2127964	543931	2932402	1.20	199283	97
WESTERN AREA	0	5	0	2	3	0	0	6	114032	37.50	18200	304070	334532	8001	398373	1.30	17112	0
Totals	1,578	7,236	5,788	1,149	236	34	23	126	10,803,013	22.47	36,276,532	48,521,818	$46,800,425	$10,272,588	$62,297,175	$1.28	$3,307,511	$94,071
AREA F																		
ARIZONA	124	303	165	100	34	2	2	9	973419	24.51	2985608	3972191	6993930	178022	7964017	1.90	382110	0
HONOLULU	56	133	92	36	4	0	1	2	39591	3.55	1076675	1116266	4117882	10077	4225897	3.79	92582	5577
LAS VEGAS	83	202	134	52	14	0	2	13	737211	37.52	1227453	1964664	3408293	273101	3907186	1.99	164228	40
LOS ANGELES	56	133	44	62	22	2	3	17	1225628	24.22	3833154	5059748	9036886	236243	9580288	1.89	170666	128547
OAKLAND	98	240	119	93	23	2	3	19	2090531	45.64	2495490	4583974	8959190	703201	9969239	2.17	283036	12837
PACIFIC AREA	4	8	3	4	1	0	0	3	61589	60.79	39455	101317	191204	5833	-443210	-4.37	1133	-841380
SACRAMENTO	108	434	311	102	18	3	2	8	702319	17.94	3209790	3914669	7266247	580693	8704686	2.22	393601	414735
SAN DIEGO	95	259	134	103	18	1	2	8	407785	10.73	2751678	3799675	7087908	329411	8283510	2.18	423497	436493
SAN FRANCISCO	48	245	162	64	12	5	2	10	615498	15.00	3033186	4103534	7139468	555514	8137018	1.98	416093	116
SANTA ANA	81	198	75	84	33	3	3	10	1368862	32.46	2845681	4217043	7004611	577037	8841830	2.10	215760	1028566
VAN NUYS	94	262	136	99	21	5	1	6	1613508	39.87	2433509	4047017	7622213	414200	8515277	2.10	471111	0
Totals	845	2,417	1,375	799	198	23	21	101	9,841,941	25.68	25,631,677	36,889,118	$68,627,510	$3,880,331	$77,285,737	$2.10	$3,034,340	$1,386,592
AREA G																		
ALBUQUERQUE	129	353	267	66	19	1	0	7	345985	18.44	1523348	1876409	2118733	375060	2834143	1.40	107031	0
ARKANSAS	146	657	524	108	23	1	1	3	353648	10.94	2875374	3234095	3323163	307956	3881640	1.20	230211	0
DALLAS	134	408	256	112	33	6	2	8	1002572	20.43	3901468	4907126	8128865	304172	8772441	1.79	339634	83
FORT WORTH	149	496	367	118	17	4	1	6	613582	15.93	3237365	3850967	5768034	444883	6468464	1.68	253591	0
HOUSTON	142	325	156	127	34	5	2	15	1015805	19.70	4015220	5154325	8267974	157391	8894648	1.73	469253	580
LOUISIANA	159	577	424	132	14	5	2	17	670747	14.29	3956104	4695183	6709311	424243	7425085	1.58	282483	17
OKLAHOMA	173	635	479	125	17	1	3	21	818853	17.89	3572241	4576868	3942217	597449	4879544	1.07	219711	21
RIO GRANDE	188	634	429	162	33	5	2	23	1418533	26.20	3989425	5407331	8728859	283309	9478606	1.75	451451	33
SOUTHWEST AREA	3	9	3	3	2	0	1	5	637689	92.67	50425	688114	2041984	1375	2045003	2.97	0	0
Totals	1,225	4,087	2,894	951	192	28	14	105	6,875,494	19.99	27,120,989	34,380,398	$49,024,940	$2,895,640	$54,479,578	$1.58	$2,348,588	$714

Exhibit 3-6 (p. 3)

Energy Usage and Costs

Energy Usage and Costs

Printed: 10/28/05 12:39

Facility Cost FY 05

CLUSTER	Postal own	# of Facil	0-5K	5-25K	25-100K	100-250K	over 250K	P&D Facil	P&D Sq Ft	% of Total P&D	C S Sq Ft	Total Sq feet	Elect Ytd $	Gas Ytd $	Utility Ytd $	cost Sq ft	Water Ytd $	SES Ytd $
AREA H																		
ALABAMA	139	655	479	157	13	2	2	10	1118017	28.64	3067203	4186620	4954204	507807	5771378	1.38	300030	0
ATLANTA	112	355	191	130	28	1	4	10	1558394	29.31	3508724	5309720	7183847	1088544	8725009	1.64	438514	0
CENTRAL FLORIDA	94	221	78	115	26	1	3	13	1294882	34.47	2461347	3756339	5808399	10075	6049142	1.61	211928	532
MISSISSIPPI	106	469	347	108	13	0	1	4	350511	14.48	2061395	2421108	2944008	283205	3364935	1.39	153353	0
NORTH FLORIDA	103	313	184	98	22	6	2	18	1096000	26.61	2913125	4006125	6461855	51891	6738224	1.68	216240	250
SOUTH FLORIDA	58	150	42	85	15	5	2	11	887108	25.52	2587288	3475598	6706336	2183	7225403	2.08	511172	0
SOUTH GEORGIA	113	471	348	103	18	2	0	8	105934	3.65	2727087	2854121	3530985	166641	3887399	1.36	151511	44
SOUTHEAST AREA	2	9	2	1	4	1	0	4	143638	37.80	236332	379970	432431	10663	444448	1.17	12746	-13195
SUNCOAST	94	259	116	115	22	2	3	21	1354276	34.08	2419917	3976161	7367918	4967	7824226	1.97	445409	0
TENNESSEE	189	685	477	173	25	7	2	20	1706424	28.73	4186278	5938549	7899919	710938	9027750	1.52	351349	240
Totals	1,008	3,587	2,282	1,085	188	27	19	119	9,585,294	28.40	28,166,696	38,307,307	$53,289,701	$2,826,945	$59,038,910	$1.63	$2,790,251	($12,129)
AREA J																		
CENTRAL ILLINOIS	148	650	511	104	28	3	4	11	1894054	37.13	3202981	5101107	5212464	1854247	8517819	1.67	281723	0
CHICAGO	53	109	41	46	13	4	5	14	2740431	54.60	2041170	5018775	7572030	1828810	9933427	1.98	421027	0
DETROIT	58	178	101	55	17	3	2	16	1954509	52.41	1805451	3729307	5036425	1302558	7468395	2.00	370551	159
GATEWAY	159	819	652	141	19	4	2	13	1866726	34.91	3223484	5347125	5680737	893744	7655257	1.43	261463	20
GREAT LAKES AREA	0	6	2	2	2	0	0	4	53671	22.20	62507	241753	79881	73329	159032	0.66	5953	59
GREATER INDIANA	170	709	541	140	21	5	2	15	1194813	24.96	3585454	4785967	4783109	1509879	6676430	1.40	334048	433
GREATER MICHIGAN	103	571	465	82	18	4	2	21	1261680	36.59	2121880	3447965	4843419	773812	5801735	1.62	164591	469
LAKELAND	114	723	558	130	30	5	2	24	1612706	32.99	3209821	4869134	5066378	1722139	7074536	1.45	234359	57
NORTHERN ILLINOIS	110	244	129	80	29	1	2	3	1560070	40.17	2323550	3883620	5077228	1161542	6534556	1.68	279920	253
ROYAL OAK	53	174	98	57	18	2	0	6	393234	19.65	1604011	2000867	3391322	147353	3705149	1.85	164424	0
Totals	968	4,183	3,094	837	195	31	21	127	14,531,894	37.80	22,980,389	38,445,620	$46,552,794	$11,322,112	$63,326,337	$1.65	$2,516,060	$1,449
AREA K																		
BALTIMORE	102	350	252	78	17	2	3	12	1557745	39.92	2328582	3902008	6091025	175297	6533944	1.67	185628	0
CAPITAL DIST	82	248	146	77	18	4	2	7	943367	25.22	2797330	3740697	7591581	1252880	9269706	2.48	408490	0
CAPITAL METRO AREA	0	3	0	1	2	0	0	3	83000	57.88	60445	143445	158955	30626	191975	1.34	2391	0
NORTHERN VIRGINIA	40	130	88	36	6	1	2	6	669239	28.50	1136239	2348495	2757959	589315	3529713	1.50	138571	0
RICHMOND	132	548	428	97	20	2	1	22	1101334	30.54	2303986	3606087	4275111	533951	5216894	1.45	233844	145
Totals	356	1,279	912	288	63	9	8	50	4,364,685	31.69	8,626,602	13,740,742	$30,874,640	$2,582,080	$34,744,023	$1.60	$984,724	$145

Exhibit 3-6 (p. 4)

Energy Usage and Costs

Energy Usage and Costs

Printed: 10/26/05 12:39

Facility Cost FY 05

CLUSTER AREA U HEADQUARTERS		Postal own	# of Facil	0-5K	5-25K	25-100K	100-250K	over 250K	P&D Facil	P&D Sq Ft	% of Total P&D	C S Sq Ft	Total Sq feet	Elect Yld $	Gas Yld $	Utility Yld $	cost Sq ft	Water Yld $	SES Yld $
Totals		40	197	54	82	37	10	13	0	0	0.00	98,469	14,339,919	$8,973,595	$1,994,036	$11,218,954	$0.78	$469,254	$4,779
		Postal own	# of Facil	0-5K	5-25K	25-100K	100-250K	over 250K	P&D Facil	P&D Sq Ft	% of Total P&D	C S Sq Ft	Total Sq feet	Elect Yld $	Gas Yld $	Utility Yld $	cost Sq ft	Water Yld $	SES Yld $
Grand Totals		0.741	24,687	7,718	1,544	226	100	950	90,047,281		27.48%	215,459,251	327,713,328	$454,306,289	$85,636,189	$562,155,142	$1.72	$23,391,708	$2,915,701
		34,580																	

Data Sources: FMSWAN data end of year FY2005, Fuel Cost from Account payables, EDW.

Exhibit 3-6 (p. 5)

Energy Usage and Costs

Prepared by:

David R. Murphy
Southwest Area
General Engineer
214-819-8631

This page intentionally left blank

4 Review and Approval Process

4-1 About This

This chapter describes the Headquarters review and approval process for DARs for major facility projects. DAR Modification Requests for major facility projects are also subject to this review and approval process.

A project may be stopped or sent back to the sponsor for further work at any point in the review and approval process.

4-2 Purpose

The purpose of the review and approval process is to ensure the following:

a. The project is consistent with the strategies of the *Strategic Transformation Plan* and the *Five-Year Strategic Plan.*

b. The project is budgeted and prioritized in the *Five-Year Capital Investment Plan.*

c. The project is economically justified (if applicable) and properly analyzed (that is, all viable alternatives are considered, the impact of the investment is properly evaluated, and the backup documentation adequately supports the investment).

d. If the project is not economically justified, then it must be justified based on customer service, employee, or safety reasons.

4-3 Review Steps

Facilities Planning and Approval, coordinates the Headquarters review of major facility projects. Exhibit 4-1 shows the steps in the approval process at the Headquarters level.

For field-sponsored projects, the area CIC reviews and the area vice president approves the DAR before it is sent to Headquarters for review, validation, and final approval (see Handbook F-66C, chapter 4).

4-3.1 Functional Review

Facilities Planning and Approval sends copies of the DAR for major facility projects to Operations Support, Retail, Engineering, General Counsel, Inspection Service, Office of Inspector General, and other applicable functional organizations (e.g., Marketing, if the project impacts a BMEU operation) for their review and comment. A copy of the DAR is also sent to Material Handling, Engineering, for approval of the material handling design and justification and to Finance to begin the validation process (see chapter 5).

The various functional organizations review the DAR and note any concerns about the project. Sometimes a review meeting may be necessary to resolve complex issues. The sponsor must adequately resolve all issues that the functional organizations raise before the project is validated and sent forward for approval.

4-3.2 Concurrence of Headquarters Vice Presidents

The results of the staff reviews are forwarded to the applicable vice presidents to ensure the following:

a. Confirmation of the need, priority, and assumptions of the project.

b. Concurrence with the achievability of the operating cost and savings.

c. Agreement with the affect on other functions.

d. Consistency with overall operational strategies.

The DAR backup documentation must include the signed concurrence of each applicable vice president.

The preparer revises the DAR and backup documentation as necessary to reflect the recommended changes. When major changes are required, the preparer must obtain a new signature page and forward the revised DAR to Finance for final validation (see chapter 5).

4-3.3 Validation Completed

Once Finance completes the validation, the DAR, validation memo, and executive summary are submitted to the appropriate vice president for final approval (see HBK F-66 for approval authority thresholds) or to the Headquarters CIC (see chapter 5 for validation requirements).

4-3.4 Vice President Review and Approval

Major facility projects requiring Headquarters approval below the postmaster general/chief executive officer (PMG/CEO) level are reviewed and approved by the appropriate vice president as follows:

Projects initiated by the…	**for…**	**are reviewed and approved by the…**
Field	processing and distribution, retail, and delivery facilities	chief operating officer and executive vice president.
Field	bulk mail centers	vice president of Networks Operations Management
Headquarters	bulk mail centers	sponsoring organization's senior or executive vice president (or the deputy postmaster general).The vice president of Network Operations Management also may approve these projects.

4-3.5 CIC Review

Major facility projects that require PMG/CEO approval or above are submitted to the Headquarters CIC. One week before its meeting, the CIC members receive for review the DAR, validation memo, executive summary, and an opinion letter from the Inspection Service or Office of Inspector General (if one was issued). The sponsor makes a presentation to the CIC, and the CIC votes on whether to proceed with the project.

The chief financial officer and senior vice president prepares a memo outlining any issues raised at the CIC meeting and forwards the DAR and supporting materials to the PMG/CEO.

4-3.6 Postmaster General Review and Approval

The PMG/CEO receives the DAR, validation memo, executive summary, and CIC issues sheet, and meets with the sponsor to discuss the project and determine whether the project should proceed. If a project is within the delegated approval level for the PMG/CEO's final approval, the PMG/CEO signs an executive briefing sheet prepared by Facilities Planning and Approval, or the signature page of the DAR. The PMG/CEO does not sign projects to be approved by the Board of Governors; instead, these projects are forwarded to the Capital Projects Committee (CPC), which is a subcommittee of the Board of Governors.

4-3.7 Capital Projects Committee Review

Three weeks before they meet, the CPC members receive for review the DAR, the validation memo and executive summary, a CPC briefing sheet, a questions and answers sheet, and an issues sheet outlining issues raised

during any previous CPC review. After reviewing the project with the sponsor, the CPC either presents its findings and recommended action to the full Board of Governors or sends the project back for further work.

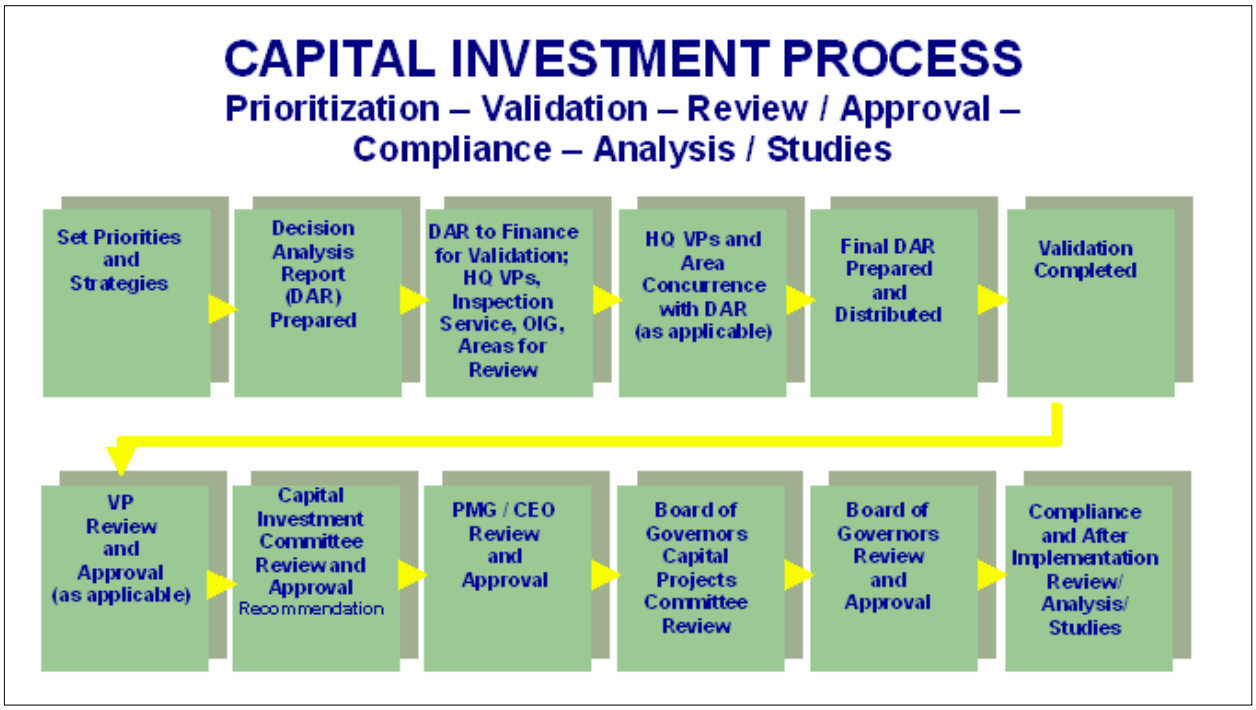
4-3.8 Board of Governors

Four weeks before their meeting, the members of the Board of Governors receive for review the DAR, validation memo, an issues sheet, and a briefing sheet prepared by the sponsor. The CPC chair reports the findings and recommendation of the CPC, and the Board of Governors considers the project for approval. Minutes of Board of Governors meetings are used to document project approval.

4-4 Document Retention

Upon final approval, Finance keeps the original DAR (or DAR Modification Request), including the backup documentation Facilities provides a copy of the approved DAR to the project sponsor and keeps a copy for reference.

Exhibit 4-1
Headquarters Review and Approval Process



This page intentionally left blank

5 Validation

5-1 About This Chapter

The vice president and controller of Finance must validate DARs and DAR Modification Requests for all major facility projects before final approval. This chapter describes the validation process.

5-2 Purpose

A *validation* is an independent verification of the accuracy and integrity of the statements, assumptions, and data presented in support of the project. The validation of a DAR provides the following assurances to the approving officials:

a. The DAR and backup documentation is in full compliance with current investment policies and procedures, and supports the overall decision-making process for corporate investments.

b. The magnitude and accuracy of the values in the DAR and the project is a sound business decision.

c. The information (e.g., timing, investments, assumptions, and analysis) presented in the DAR and its supporting documentation is reasonable, accurate, logical, valid, and auditable.

d. All viable, reasonable solutions and alternatives to the problem were given adequate consideration.

5-3 Responsibility

The vice president and controller of Finance completes the validation of the DAR for a major facility project. In cases where Finance is the sponsoring organization, the validation function must remain distinct and separate from DAR preparation.

Exhibit 5-1 provides a checklist of questions, concerns, and reminders to help the analyst complete a sound, logical analysis of DARs for major facility projects. Not all questions and concerns apply to all project proposals; conversely, it may be appropriate to consider questions and concerns not found on the checklist.

During the validation, the analyst must ensure that any discrepancies or questions arising from the functional review are resolved.

Capital and Program Evaluation, Finance, performs the following validation-related activities:

a. Issues formal comments on the facility planning concept.

b. Participates in planning parameters meetings.

c. Provides technical guidance for the economic analysis of project alternatives.

d. Participates in the Headquarters facility review process and issues comments on preliminary and final DARs.

e. Reviews Compliance Reports and validates DAR Modification Requests.

5-4 Time Frame

The vice president and controller of Finance must complete the validation of the DAR for a major facility project before the sponsor submits the DAR to senior management or the Headquarters CIC, as applicable.

5-5 Validation Documentation

The vice president and controller of Finance prepares a validation memorandum and executive summary in the appropriate format. If the validation does not fully confirm the economic analysis, the vice president and controller notes specific exceptions. The exhibits in chapter 5 contain examples of validation memoranda and executive summaries and are included to provide guidance:

This exhibit…	**shows a validation memo and executive summary for**…
5-2	a leased facility.
5-3	facility purchase.
5-4	new construction owned facility.
5-5	request for additional funding.

Exhibit 5-1 (p. 1)
Validation Checklist for Major Facility Projects

Policy Review

Conduct a policy review to verify that:

- ❑ The DAR complies with current policy and procedures and Board of Governors' issues and concerns.
- ❑ The Site, Environmental, and Intergovernmental Summary has been submitted and adequate signed supporting documentation is included in the backup.
- ❑ The sustaining baseline, if applicable, is reasonable and consistent with space criteria (i.e., no greater than 80 percent of the smallest alternative in size).
- ❑ The project is part of the *Five-Year Capital Investment Plan* and is properly prioritized and funded within the approved budget year.

DAR Document Review

Conduct a document review to verify that:

- ❑ The DAR portrays the official alternatives as defined at the planning parameters meeting and in the Facility Planning Concept (FPC). Alternatives must be operationally practical and different from each other (i.e., operating versus financial alternatives). Make sure that all alternatives are addressed in the DAR either as alternatives evaluated or alternatives eliminated and that proper justification is provided for alternatives eliminated.
- ❑ The DAR adequately portrays the deficiencies of the current facility.

  Ensure that the proposed facility size is consistent with the volume projections and equipment deployment schedules.
- ❑ The Summary of Operations exhibit identifies which zones and ZIP Codes will be processed at delivery distribution centers and the type of equipment (and number of units) to be installed.
- ❑ The numerical information justifies service and productivity improvements.
- ❑ The milestone dates and cost estimates in the investment cost sheet and the project schedule are accuratey.
- ❑ The space summary table is calculated correctly and is consistent with the DAR figures and backup documentation.
- ❑ The recommended alternative is based on the highest NPV. Does the recommended alternative meet the official ROI rate? If the recommended alternative is not selected on the basis of economic factors, the documentation must realistically support the noneconomic justification.
- ❑ The DAR narrative is understandable and adequately explains the need for a new facility.
- ❑ The request for a major capital investment is clear and persuasive.
- ❑ The signature page contains the official signatures of the appropriate officials (i.e., no short-term "acting" officials and no signing "for" signatures). The dates of the signatures should not be earlier than the date indicated on the cover page of the DAR. Also ensure that the DAR has been officially approved by all units, and that all required approvals are included in the backup documentation.
- ❑ Includes all information from any previous DAR or DAR Modification (i.e., amount approved, for what, date, and approval body).

Exhibit 5-1 (p. 2)
Validation Checklist for Major Facility Projects

Format Review

Conduct a format review to verify that:

- ❑ The proposal includes five copies of the DAR, the DARS computer disk and hard copy, and two copies of the backup documentation.
- ❑ The DAR complies with the approved format.
- ❑ All the required sections are included in the DAR.
- ❑ Acronyms are spelled out the first time they are used, with the acronym shown in parentheses.
- ❑ There are no grammatical and spelling errors.
- ❑ All pages of the DAR and backup are numbered.

Validation Issues

Review the following validation issues to verify that:

- ❑ The estimating methods and reasonableness of the underlying assumptions used in the DAR.
  a. Is the economic analysis mathematically correct and developed according to prescribed policies and procedures?
  b. Are estimating methods and underlying assumptions acceptable and valid?
- ❑ Economic items identified in the DAR cash flow are reasonably supported in the backup. Information must withstand the scrutiny of auditors from the Inspection Service, Office of Inspector General, and other government oversight agencies.
- ❑ All significant impacted items are identified and included in the cash flow.
- ❑ Any unusual items (savings, costs, etc.) that have not been identified in previous DARs and are included in this DAR make sense. Determine why they are included in this project.
- ❑ Up-to-date values were used for the cost of capital, discount rate, residual value, escalation rate, and other economic factors included in the DAR and supporting documentation.
- ❑ The DAR economics are correct (check by re-running DARS). If any formulas have changed, be sure they are supported with proper backup. Check all additions to the cash flow in DARS.
- ❑ Estimated investments, costs, and savings are realistically time-phased in the cash flow analysis. The spread of investment costs normally does not extend into the first operating year. This can be controlled in DARS by varying the number of months of design and construction. Ensure that 10 full operating years are included in the analysis.
- ❑ The budget crosswalk (Capital Investment Tracking System spreadsheet) is complete and signed.
- ❑ The purchase price and residual value are recorded properly (only if land banking or advance site acquisition is involved).
- ❑ Disruption and costs of temporarily relocating operations to a leased facility are included in the DAR cash flow (only if a facility expansion is provided.
- ❑ The sustaining baseline, when applicable, accounts for all deployed and planned automation equipment.

Exhibit 5-1 (p. 3)
Validation Checklist for Major Facility Projects

- ❑ The labor rates, custodial maintenance, and building maintenance costs were taken from the Labor Utilization Report? If not, are official computations used and documented? If a factor approach is used, the only approved factors are those used in DARS. When available, use the prior year AP 13 year-to-date rates to eliminate the impacts of seasonality and leave usage on the workhour rates.
- ❑ The backup documentation includes utility bills, signed data from the CDB, or a signed PS Form 4841, *Fuel and Utilities Record,* for utility computations.
- ❑ An alternative that includes a new (additional rather than replacement) facility added labor in LDCs 10 and 17 and includes at least one LDC 35, Plant and Equipment Maintenance Supervisor. If not, an explanatory memo is included.
- ❑ An alternative that includes a new (additional rather than replacement) facility added one-time costs for capital included in the investment cost sheet and one-time expense items shown in the start-up costs.
- ❑ Local management signed the material handling savings and costs sheet.
- ❑ The material handling variance for the cash flow is the variance from the baseline, not the variance from the manual operation (unless the baseline is the manual operation).
- ❑ Each revision to the DAR is consistent with the previous version (i.e., did the preparer change something you were not expecting to see changed?).
- ❑ The financial assessment memorandum and area CIC minutes are included in the backup documentation.
- ❑ All of the Headquarters comment letters are included in the backup documentation. Were all the issues raised in these memos resolved?

Lease Issues

Review the following lease issues to verify that:

- ❑ If the project calls for the sale or outlease of a facility or site, the income shown is reasonable. Outlease income may not be included in the cash flow unless leases have been secured or are about to be secured.
- ❑ Ground lease information has been properly recorded in the DAR. Ground leases are usually found in airport mail center projects.
- ❑ The requested project funding includes the NPV discounted at the cost of capital for the total lease term plus all defined value options. The DAR narrative also includes the total undiscounted dollar value.
- ❑ Leasing a newly constructed facility versus Postal Service-owned construction of the same facility are not two separate alternatives.
- ❑ A lease analysis is based on a proposal contained in a draft lease document or letter of intent signed by the lessor.
- ❑ For a Postal Service-owned construction facility on leased land, the residual value is based on the following formula:

  $C \times .83 \times (N-10)/40 \times 1.05^{10}$

  where:

  C = Total construction cost and

  N = Number of years (not to exceed 40) of control of the land (ground lease + options).

Exhibit 5-1 (p. 4)
Validation Checklist for Major Facility Projects

Validation Documentation

Follow these tips when preparing the validation documentation:

- ❑ Make the first round of comments on a draft document as all-inclusive as possible.
- ❑ Prepare draft validation letters and briefing sheets well in advance of the due date. New information can be quickly inserted into the body of the letter.
- ❑ Prepare the validation memo, executive summary, DAR Financial Impact Statement (DARFIT), Capital Projects Committee (CPC) briefing sheet, and union notification. In the validation memo, advise senior management of significant issues and recommended actions.
- ❑ Use standard language. Avoid creating new paragraphs unless the manager requests that special issues be included in the body of the memo.
- ❑ Write objectively. Avoid addressing issues not previously identified.
- ❑ Always state the discount rate that was used to compute the NPV.
- ❑ Include the following information in the validation letter:

  a. Investment amount.
  b. Square footage of the facility in the recommended alternative.
  c. Total undiscounted value of leases (including all options that have a specified dollar value).
  d. Discounted value of the total lease plus all options that have a specified dollar value, and the rate at which the lease is discounted (use the cost of capital).
  e. Information on the alternatives that were evaluated and the incremental rate of return results.
  f. Statement as to whether or not the recommended alternative is the economic winner.
  g. Statement of the total 10-year operating variance in undiscounted dollars.
  h. Discussion of the operating variance line items that are most responsible for the NPV and ROI results (sustaining baseline, material handling savings, etc.). If the residual value drives the project, mention this fact.
  i. The ROI and NPV of the total alternative cash flow and the rate at which the NPV is discounted.
     (1) Use a minus (-) sign for a negative NPV.
     (2) Check for the last three zeros (000) in the NPV amount (remember the cash flow is rounded to thousands).
  j. The final approval level of the project (e.g., Deputy PMG/COO, PMG/CEO, or Board of Governors).

Exhibit 5-2 (p. 1)
Sample Validation Memo and Executive Summary — Leased Facility

Vice President, Controller

UNITED STATES
POSTAL SERVICE

<Today's Date>

<Name of Area Vice President>

SUBJECT: Postaltown, IN, Temporary Mail Processing Annex Decision Analysis Report (DAR)

The March 20, 1998, Postaltown, IN, Temporary Mail Processing Annex DAR has been reviewed and validated.

The Postaltown, IN, Processing and Distribution Center (PDC) is significantly space deficient. During the past several years, a number of small facilities have been leased to house various mail processing functions. However, docks are still inadequate for current dispatch demands, and mail processing operations are inefficient due to lack of space.

A new 692,500 square foot PDC is included in the Five-Year Capital Investment Plan and is scheduled to be presented for approval in the year 2000. Additional temporary space is needed to continue operations until the new PDC facility is completed. The proposed annex will also provide sufficient workroom space to house two flat sorting machines that are scheduled for delivery in fiscal year 1998.

This project requests $312,000 in capital and $8,019,000 in undiscounted lease costs for a total of $8,331,000 to lease and renovate a 129,960 square foot temporary mail processing annex. The base term of the lease is for 5 years at $752,468 annually, and there is one 5-year option at $851,238 annually, for a total of 10 years. The lessor is funding $2.5 million in additional improvements which are amortized in these lease costs. This facility will house the mail processing operations for Standard Mail (A) and Priority Mail and additional mechanized equipment. Five currently leased facilities will be vacated and operating inefficiencies due to space constraints will be eliminated.

The documentation, analysis, and results have been validated. The investment for current approval is $8,331,000 and includes $312,000 in capital and $8,019,000 in lease costs for a 5-year lease and one 5-year option for the proposed 129,960 square foot Postaltown, IN, temporary mail processing annex. The net present value cost (NPV), when discounted at 7.8 percent, is -$8,370,000. There is no return on investment. When the 10-year lease is discounted at 6.3 percent, the NPV cost is -$6,128,000. When the undiscounted capital is added to the discounted lease cost, the total for determining approval authority is $6,440,000. Total operating costs over the 10-year analysis period are $12,427,000 due to increases in rent, transportation, utilities, and building maintenance.

This project must be submitted to the chief operating officer and executive vice president for final approval.

<*Signature*>
Vice President, Controller

cc: Manager, Facilities Planning and Approval

475 L'Enfant Plaza SW
Washington DC 20260-0010
202-268-5272
Fax: 202-268-4791

Exhibit 5-2 (p. 2)
Sample Validation Memo and Executive Summary — Leased Facility

EXECUTIVE SUMMARY

Subject

Postaltown, IN, Temporary Mail Processing Annex Decision Analysis Report (DAR)

Background

The Postaltown, IN, Processing and Distribution Center (PDC) is seriously space deficient. Over the past several years, a number of small facilities have been leased to house mail processing functions. However, docks are still inadequate for current dispatch demands, and mail processing operations are inefficient due to lack of space. A new 692,500 square foot PDC is included in the Five-Year Capital Investment Plan for the year 2000. Current operations require leasing temporary space to continue operations until the new PDC facility is completed. The additional workroom space will also be used to house two flat sorting machines that are scheduled for delivery in fiscal year 1998.

This project requests $312,000 in capital and $8,019,000 in undiscounted lease costs for a total of $8,331,000, to lease and renovate a 129,960 square foot temporary mail processing annex. The base term of the lease is for 5 years at $752,468 annually, and there is one 5-year option at $851,238 annually, for a total of ten years. The lessor is funding $2.5 million in improvements which are amortized in these lease costs. The facility will be used to house the mail processing operations for Standard Mail and Priority Mail and additional mechanized equipment. Five leased facilities will be vacated.

Project Objectives

This project will:

1. Improve and maintain processing operations and service standards in the Postaltown, IN, service area.
2. Alleviate congested working conditions and provide ample workroom space.
3. Allow for delivery of scheduled equipment deployments.

Financial Summary

	Amount for Approval (Undiscounted) ($ in thousands)	Approval Threshold ($ in thousands)
One-Time Capital Investment	$312	$312
5-Year Lease and 5-Year Option	8,019	
Lease Discounted at 6.3%		6,128
Total for Approval	**$8,331**	**$6,440**
Total Operating Variance (10 Years)	($12,427)	
Net Present Value (10-Year Cash Flow) Discounted at 7.8%	($8,370)	
Return on Investment	N/A	

Exhibit 5-2 (p. 3)
Sample Validation Memo and Executive Summary — Leased Facility

The net present value (NPV), when discounted at 7.8 percent, is -$8,370,000. There is no return on investment. When the 10-year lease is discounted at 6.3 percent, the NPV cost is -$6,128,000. When the undiscounted capital is added to the discounted lease cost, the total for determining approval authority is $6,440,000. Total operating costs over the 10-year analysis period are -$12,427,000 due to increases in rent, utilities, transportation, and building maintenance.

Requested Action

Approve $8,331,000 for the 129,960 square foot facility which will serve as the Postaltown, IN, temporary mail processing annex. Funding consists of $312,000 in capital and $8,019,000 (undiscounted) for a 5-year lease and one 5-year option.

Exhibit 5-3 (p. 1)

Sample Validation Memo and Executive Summary — Facility Purchase

Vice President, Controller

UNITED STATES POSTAL SERVICE

<Today's Date>

<Name of Area Vice President>

SUBJECT: Russellville, NH, Processing and Distribution Facility (PDF), Decision Analysis Report (DAR)

The February 2, 1998, DAR for the proposed purchase of the Russellville, NH, PDF has been reviewed and validated.

The DAR requests $9,575,000 to purchase a 176,000 square foot PDF in Russellville, NH, which is currently being leased. The facility will continue to house processing and distribution operations in 105,040 square feet. An additional 54,960 square feet of the building is currently leased to a commercial business. The Postal Service will receive income from this tenant.

A lease versus own analysis, using estimated market value lease costs of $7.30 per square foot for the first 5-year term and $8.00 per square foot for the second 5-year term, indicates purchase is more economical than continuing to lease. Since this appears to be a one-time opportunity to purchase a facility, which will accommodate operational needs for the long term, the DAR recommends that the purchase option be exercised.

The documentation, analysis, and results have been validated. Using the estimated market values of $7.30 and $8.00 per square foot for the rent savings, the 10-year operating variances total $8,826,000 when compared to the baseline. These savings include 4 years of outlease income for the tenant-occupied portion of the facility. The net present value (NPV), when discounted at 7.3 percent, is $860,000 and the return on investment (ROI) is 8.7 percent. If the impact of tax savings is included in the analysis, the NPV increases to $1,382,000 and the ROI increases to 9.5 percent. Justification for the project is based on economics.

The DAR must be submitted to the postmaster general/chief executive officer for final approval.

<Signature>
Vice President, Controller

cc: Manager, Facilities Planning and Approval

475 L'Enfant Plaza SW
Washington DC 20260-0010
202-268-5272
Fax: 202-268-4791

Exhibit 5-3 (p. 2)
Sample Validation Memo and Executive Summary — Facility Purchase

EXECUTIVE SUMMARY

Subject

Russellville, NH, Processing and Distribution Facility (PDF), Decision Analysis Report (DAR)

Background

The Postal Service leases 105,040 square feet of a 176,000 square foot facility situated on a site of 33.07 acres in Russellville, NH, for the PDF. The current lease contains a purchase option, but the lessor has indicated that the next lease, when negotiated, will not contain a purchase option. Thus, this appears to be the last opportunity to purchase this facility.

Solution

The DAR requests $9,575,000 to purchase the 176,000 square foot PDF. The facility will continue to house processing and distribution operations in 105,040 square feet. An additional 54,960 square feet is currently leased to a commercial business. The Postal Service will receive income from this tenant. Since this appears to be a one time opportunity to purchase a facility, which will accommodate operational needs for the long term, the DAR recommends the purchase option be exercised.

Project Objectives

This project:

1. Will meet long-term operational needs.
2. Is economically justified.

Financial Summary

	10-Year Operating Period ($ in thousands)
Required Investment	$9,575
Operating Variances	$8,826
Net Present Value Discounted at 7.3%	$860
Return on Investment	8.7%

Requested Action

It is requested that funding, not to exceed $9,575,000, be approved to purchase the 176,000 square foot Russellville, NH, PDF. The net present value, when discounted at 7.3 percent, is $860,000, and the return on investment is 8.7 percent.

Exhibit 5-4 (p. 1)
Sample Validation Memo and Executive Summary — New Construction Owned Facility

Vice President, Controller

UNITED STATES POSTAL SERVICE

<Today's Date>

<Name of Area Vice President>

SUBJECT: Sumertown, ID, Processing and Distribution Center (PDC), Decision Analysis Report (DAR)

The September 4, 1997, DAR for the proposed Sumertown, ID, PDC has been reviewed and validated.

The DAR requests $33,314,000 to construct a 261,793 square foot PDC in Sumertown, ID. The new facility will house all processing and distribution operations, administration, support, satellite business mail entry unit and the Computer Forwarding System. Included in the funding is $3,368,000 to renovate the current main post office. It will house customer services administration, retail operations, delivery, and Address Information Systems.

Two alternatives were considered for this project. Alternative A proposed construction of a 194,630 square foot annex to house a portion of the operations. Estimated operating costs for Alternative A were significantly higher than for Alternative B. The incremental analysis of Alternative B versus Alternative A indicates that the additional $8.6 million investment will produce a 16.4 percent return on investment (ROI) and a positive net present value (NPV) of $4.5 million. Thus, Alternative B is more economically favorable and is recommended for approval.

This project will eliminate space deficiencies in the current location, provide an opportunity to improve service standards, and eliminate numerous leased facilities.

The documentation, analysis, and results have been validated. The 10-year operating variances for the recommended Alternative B total -$11,146,000 when compared to the baseline. These costs reflect increased building maintenance and utilities for the new Postal Service-owned facility. About $400,000 in annual savings will be generated when functions currently housed in numerous leased facilities are moved into the new plant. The NPV cost, when discounted at 8.8 percent, is -$25,307,000 and there is no ROI. Justification for the project is based on space deficiency in the current location.

The DAR must be submitted to the Board of Governors for final approval.

<Signature>
Vice President, Controller

cc: Manager, Facilities Planning and Approval

475 L'Enfant Plaza SW
Washington DC 20260-0010
202-268-5272
Fax: 202-268-4791

Exhibit 5-4 (p. 2)
Sample Validation Memo and Executive Summary — New Construction Owned Facility

EXECUTIVE SUMMARY

Subject

Sumertown, ID, Processing and Distribution Center (PDC), Decision Analysis Report (DAR)

Background

The existing 69,948 square foot Sumertown PDC was constructed in 1965. Steady mail growth of 2 percent annually has exceeded the plant's capacity for efficiently processing mail. Existing operations have been consolidated into spaces considerably smaller than prescribed by current standards. Many functions have been moved into leased space in an attempt to accommodate the growing mail volume. Over time, these operations also have become space deficient.

Solution

The DAR requests $33,314,000 to construct a 261,793 square foot PDC in Sumertown, ID. The new facility will house all processing and distribution operations, administration, support, satellite business mail entry unit, and the Computer Forwarding System operations. Included in the funding is $3,368,000 to renovate the current main Post Office (MPO). It will house customer services administration, retail operations, delivery, and Address Information Systems.

Project Objectives

This project will:

1. Eliminate space deficiencies in the current location.
2. Eliminate numerous leased facilities.

Financial Summary

	10-Year Operating Period ($ in thousands)
Required Investment	$33,314
Operating Variances	($11,146)
Net Present Value Discounted at 8.8%	($25,307)
Return on Investment	N/A

Requested Action

It is requested that funding, not to exceed $33,314,000 be approved, to construct a 261,793 square foot Sumertown, ID, PDC and renovate the MPO. The net present value cost, when discounted at 8.8 percent, is -$25,307,000. There is no return on investment.

Exhibit 5-5 (p. 1)

Sample Validation Memo and Executive Summary — Request for Additional Funding

Vice President, Controller

UNITED STATES POSTAL SERVICE

<Today's Date>

<Name of Area Vice President>

SUBJECT: Golden City, MO, Processing and Distribution Center (PDC), Decision Analysis Report (DAR) Modification Request for Additional Funding.

The November 18, 1997, DAR Modification Request for additional funding for the Golden City, MO, PDC has been reviewed and validated.

On November 5, 1996, the Board of Governors approved $84,069,000 for the purchase, renovation, and postalization of an existing 925,806 square foot facility to serve as the new Golden City, MO, PDC. The property has been purchased and excess structures have been demolished. Initial proposals for both construction and material handling exceeded original estimates. In addition, a new roof is needed for the facility. The total increased investment required for this project is somewhat offset by the fact that demolition costs were $850,000 less than originally planned. The total additional funding needed is $15,421,000. The table below shows the investment line-item changes for this project:

10-Year Operating Period
($ in thousands)

	Approved DAR (11/96)	Modification Request (11/97)	Difference
Investments			
Site (Including Demolition)	$22,572	$21,722	($850)
Design and Construction	36,928	44,523	7,595
Material Handling	21,687	30,363	8,676
Other	2,882	2,882	0
Total Investment	**$84,069**	**$99,490**	**$15,421**

The documentation, analysis, and results have been validated. The investment for current approval has increased from $84,069,000 to $99,490,000. The net present value cost when discounted at 8.8 percent has changed from -$154,000 to -$14,393,000, and the return on investment has decreased from 8.8 percent to 5.6 percent. The operating expenses have increased from -$24,459,000 to -$26,627,000 due to a reduction in the savings available from material handling.

The DAR Modification Request must be submitted to the Board of Governors for final approval.

<Signature>
Vice President, Controller

cc: Manager, Facilities Planning and Approval

475 L'Enfant Plaza SW
Washington DC 20260-0010
202-268-5272
Fax: 202-268-4791

Exhibit 5-5 (p. 2)
Sample Validation Memo and Executive Summary — Request for Additional Funding

EXECUTIVE SUMMARY

Subject

Golden City, MO, Processing and Distribution Center (PDC) DAR Modification Request for Additional Funding

Background

On November 5, 1996, the Board of Governors approved $84,069,000 for the purchase, renovation, and postalization of an existing 925,806 square foot facility to serve as the new Golden City, MO, PDC.

The property has been purchased and unneeded structures have been demolished. Initial proposals for both construction and material handling exceeded expectations. In addition, it has been determined that a new roof is needed for the facility. The increased investment required for this project is offset by the fact that demolition costs were $850,000 less than anticipated. The total additional funding needed is $15,421,000.

Project Objectives

This project will:

1. Eliminate space deficiencies.
2. Allow for more efficient operations.

Financial Summary

10-Year Operating Period
($ in thousands)

	Approved DAR (11/96)	Modification Request (11/97)	Difference
Investments			
Site (Including Demolition)	$22,572	$21,722	($850)
Design and Construction	36,928	44,523	7,595
Material Handling	21,687	30,363	8,676
Other	2,882	2,882	0
Total Investment	**$84,069**	**$99,490**	**$15,421**
Operating Variance	($24,459)	($26,627)	($2,168)
Net Present Value Discounted at 8.8%	($154)	($14,393)	($14,239)
Return on Investment	8.8%	5.6%	(3.2%)

The investment for current approval has increased from $84,069,000 to $99,490,000. The net present value cost when discounted at 8.8 percent has decreased from ($154,000) to ($14,393,000), and the ROI has decreased from 8.8 percent to 5.6 percent. The operating variance expenses have increased from ($24,459,000) to ($26,627,000) due to a reduction in the savings available from material handling.

Exhibit 5-5 (p. 3)
Sample Validation Memo and Executive Summary — Request for Additional Funding

Requested Action

Approve $15,421,000 in additional funding, of which $6,745,000 is for increased design and construction costs and $8,676,000 is for increased material handling costs. The new total for approval is $99,490,000.

6 DAR Compliance Reports

6-1 About This Chapter

Sponsors must prepare and submit DAR Compliance Reports for review for major facility projects every quarter from the date of final approval until 18 months after in the project's completion. This chapter describes the purpose compliance reports and defines the responsibilities for local facility managers and sponsors.

6-2 Purpose

The sponsor uses DAR Compliance Reports to track the progress of a project and its compliance with the approved plan (that is, the DAR and any approved DAR Modification Requests). More specifically, the report serves the following purposes:

a. Indicates the status of each operational, real estate, and financial goal of the project, documenting any changes from the approved DAR.

b. Enables the sponsor to measure the progress and actual budget impact of investments and operating variances.

c. Provides information that allows the sponsor to identify the need for a DAR Modification Request.

d. Shows the actual versus planned results, which may prove useful in planning future projects.

6-3 Responsibility

The local facility manager (plant manager or installation head) ensures that sponsors prepare and submit DAR Compliance Reports as required. The manager designates key resources and specifies who is responsible for activating the facility and preparing the reports. Both the local facility manager and key resources are responsible for becoming thoroughly familiar with the economic and operational plans presented in the approved DAR, DAR backup documentation, and any DAR Modification Requests. See Handbook F-66, chapter 7, for detailed compliance reporting requirements and additional exhibits.

6-4 Retention

The sponsor keeps a copy of all completed compliance reports in the file with the copy of the approved DAR, for future reference and distribution upon request.

Exhibit 6-1 (p. 1)

DAR Compliance Report for Major Facility Projects (Blank Form and Instructions)

DAR COMPLIANCE REPORT -- FACILITY PROJECT

Fiscal Year: ____ AP 03 AP 06 AP 09 AP 13 (Circle One)

Facility Name: Funding Finance # Facility Finance # FMS Project # Project Auth #

Facility Identification:

Date of Original DAR Approval:

Date of Latest Modification Approval: Scheduled Move-In Date:

I. DAR Summary

A. Real Estate & Operational Plans

	Status (C/P/R/M)	Comments -- Real Estate & Operational Plans

B. Operational Performance Assumptions

	Current Facility	Planned Facility	Actual Results	Comments -- Operational Performance Assumptions
ODIS				
FHP				
DPI				
CSI				
EXFC				
EX3C				
Operating Budget				

C. Are any modifications *pending approval* concerning real estate plans, operational plans, or operational performance assumptions? ☐
If answer is yes, indicate the status of each modification in additional comments section.

D. Are any modifications *anticipated* concerning real estate plans, operational plans, or operational performance assumptions? ☐
If answer is yes, explain the change and indicate when the modification is scheduled to be forwarded for approval in additional comments section.

Status Codes: C -- Completed P -- In Progress R -- Revision M -- Modification

Page 1 of 3

Exhibit 6-1 (p. 2)

DAR Compliance Report for Major Facility Projects (Blank Form and Instructions)

INSTRUCTIONS FOR DAR COMPLIANCE REPORT — FACILITY PROJECT

This report will be used to track and report the progress of an approved project and its compliance with the operational, real estate, and financial plans set forth in the approved DAR, DAR backup, and any approved DAR Modifications. A DAR Compliance Report must be prepared and submitted for review to Operating Process Development, Headquarters, within 30 days following the close of accounting periods 3, 6, 9, and 13. The report must be updated for every approved DAR Modification so that the project information is current and budget impacts can be adjusted accordingly. Pending modifications should be handled as described below.

PROJECT IDENTIFICATION

- **Fiscal Year/AP.** Indicate the current fiscal year and circle the applicable accounting period (AP).
- **Approval Dates.** Indicate the final approval date of the original DAR and the most recent DAR Modification, if any. This is the date the DAR (or DAR Modification) was approved by the highest level of approval authority. For example, for a project requiring Board approval, use the date the Board of Governors approved the project.
- **Facility Name & Identification.** Use the same facility name as in the approved DAR (or DAR Modification). Also indicate the type of facility and provide the requested finance numbers.
- **Scheduled Move-In Date.** Indicate the currently scheduled move-in date. If this is not the date stated in the approved DAR, note the original date in the Additional Comments section.

I. DAR SUMMARY

Section A. Real Estate & Operational Plans. List all real estate and operational plans from the approved DAR. This section is completed initially upon DAR approval and should be amended to reflect any subsequently approved DAR Modifications.

Status. Indicate the status, or progress, of each of the real estate and operational plans listed using the following codes:

C Planned item has been **completed.** Indicate implementation date in the Comments section.

P Planned item is in **progress.** Indicate the current status in the Comments section.

R Planned item has a minor **revision** not requiring approval. A minor revision is an insignificant change that has no impact on the project investments. Provide an explanation in the Comments section.

M Planned item has a major change requiring **a modification** to the approved DAR that must be approved by the appropriate authority. Explain the proposed or forthcoming DAR Modification Request in the Comments section.

Section B. Operational Performance Assumptions. In many DARs, the driving factor used to justify project approval is anticipated improvement in operational performance assumptions. If this is the case, the relevant postal measurements should be tracked. Explain differences between planned and actual results, if any, in the Comments section.

Sections C and D. Answer the questions and use the Additional Comments section to explain any pending or anticipated modifications.

(continued on next page)

Exhibit 6-1 (p. 3)

DAR Compliance Report for Major Facility Projects (Blank Form and Instructions)

DAR COMPLIANCE REPORT -- FACILITY PROJECT

II. Budget Impacts

A. Investments	Approved $000	Committed $000	Revised Estimate $000	Comments -- Investments
Site				
Design				
Construction				
Purchase Existing Building				
Building Renovations				
Material Handling				
Telephone System				
Modular Furniture				
One-Time Capital				
Other				
Other				
Total				

B. Operating Variances	First Year Costs(-)/Savings Approved $000	Estimated $000	Comments -- Operating Variances
Rent			
Transportation			
Bldg Maintenance			
Custodial			
Labor			
Utilities			
Start-Up Pre-Move			
Post-Move			
Material Handling			
Other			
Other			

C. Are any modifications *pending approval* that will affect investments or operating variances? ☐
If answer is yes, indicate the status of each modification in additional comments section.

D. Are any modifications *anticipated* that will affect investments or operational variances? ☐
If answer is yes, explain the change and indicate when the modification is scheduled to be forwarded for approval in additional comments section.

Page 2 of 3

Exhibit 6-1 (p. 4)

DAR Compliance Report for Major Facility Projects (Blank Form and Instructions)

INSTRUCTIONS FOR DAR COMPLIANCE REPORT — FACILITY PROJECT *(continued)*

II. BUDGET IMPACTS

Section A. Investments. Complete the approved dollars section using the latest authorized amounts (from the approved DAR or most recent DAR Modification). Update the committed capital dollars each time the Compliance Report is prepared. Also show the estimated total cost of each line item. Use the Comments section to explain any revised estimates.

Section B. Operating Variances. The approved operating variances are taken from the first operating year of the cash flow analysis in the DAR or most recent DAR Modification. The flow of the operating variances is directly impacted by the move-in and start-up dates of the facility. Use the Comments section to explain any differences between what was approved and what is currently estimated.

Sections C and D. Answer the questions and use the Additional Comments section to explain any pending or anticipated modifications affecting the investments or operating variances.

III. ADDITIONAL COMMENTS SECTION

Use this space, if needed, for additional information the sponsor feels the approving official should be aware of. At a minimum, provide a chronological listing of all DAR Modification Requests, including a brie description of each request and its disposition (or current status).

SIGNATURES

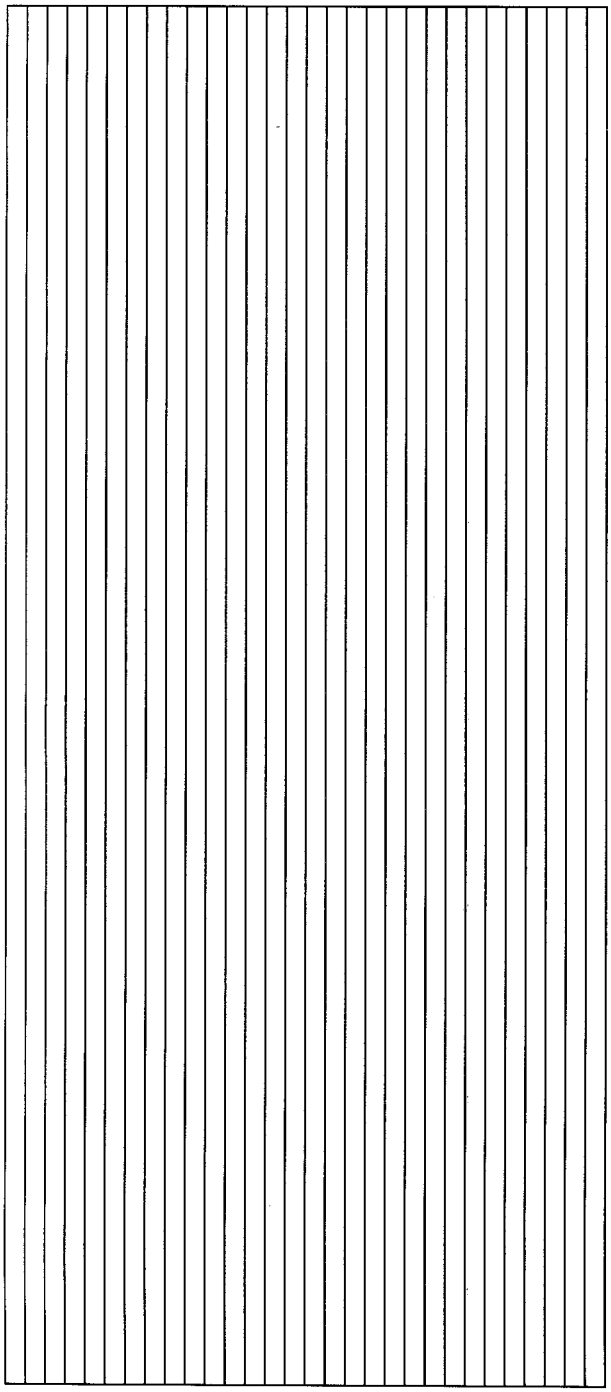
The preparer of the report, the project sponsor (usually the plant manager or installation head) and the area Finance manager must sign the DAR Compliance Report. The typed name and title of each signer should also be included.

Exhibit 6-1 (p. 5)

DAR Compliance Report for Major Facility Projects (Blank Form and Instructions)

DAR COMPLIANCE REPORT -- FACILITY PROJECT

III. Additional Comments
(Report DAR Modification Request information here.)



Preparer Signature | Date

Preparer (Typed Name) / Telephone Number

Preparer Title

Sponsor Signature | Date

Sponsor (Typed Name) / Telephone Number

Sponsor Title

Area Finance Manager Signature | Date

Finance Manager (Typed Name) / Telephone Number

Page 3 of 3

Exhibit 6-2 (p. 1)
Sample DAR Compliance Report

DAR COMPLIANCE REPORT -- FACILITY PROJECT

Fiscal Year: 1994 [AP 03] AP 06 AP 09 AP 13 (Circle one)

Facility Name: Anytown, USA

Facility Identification: General Mail Facility

	Funding Finance #	Facility Finance #	FMS Project #	Project Auth #
	10-9999	01-8888	3QA001	1-6P-111111-C-123

Date of Original DAR Approval: Jun-07-93
Date of Latest Modification Approval: Mar-03-94
Scheduled Move-In Date: Sep-15-95

I. DAR Summary

A. Real Estate & Operational Plans

	Status (C/P/R/M)	Comments -- Real Estate & Operational Plans
o Mail from three post offices will be AMP'ed to new plant (Joeville, Georgetown, and Hope Center).	P	No change in approved plan foreseen.
o Carrier operation moved from GMF to Station A.	P	No change in approved plan foreseen.
o Retail operation from old GMF will be moved into downtown storefront (leased space).	C	Retail operation moved 3 months ahead of schedule.
o Administrative offices will move into new plant.	P	No change in approved plan foreseen.
o Old plant to be sold.	M	A DAR Modification may be forthcoming concerning the disposition of old plant. Asset Management has expressed an interest in developing this real estate.
o Existing VMF would be shut down immediately upon approval of DAR.	M	A DAR Modification was approved on Mar-03-94 allowing the VMF to remain open until move-in of the new plant. The new plant will not have a VMF.

B. Operational Performance Assumptions

	Current Facility	Planned Facility	Actual Results
ODIS	79%	91%	
FHP	2.8M	3.0M	
DPI	511.7	515.5	
CSI	88%	93%	
EXFC	76%	90%	
EX3C	63%	82%	
Operating Budget	48M	46M	

Comments -- Operational Performance Assumptions

At this time, no changes from the approved DAR are anticipated.

C. Are any modifications *pending approval* concerning real estate plans, operational plans, or operational performance assumptions? [No]
If answer is yes, indicate the status of each modification in additional comments section.

D. Are any modifications *anticipated* concerning real estate plans, operational plans, or operational performance assumptions? [Yes]
If answer is yes, explain the change and indicate when the modification is scheduled to be forwarded for approval under additional comments section.

Status Codes: C -- Completed P -- In Progress R -- Revision M -- Modification

DAR COMPLIANCE REPORT -- FACILITY PROJECT

II. Budget Impacts

A. Investments	Approved $000	Committed $000	Revised Estimate $000
Site	3,050	112	2,400
Design	2,311	100	2,311
Construction	28,484	0	28,484
Purchase Existing Building			
Building Renovation			
Material Handling			
Telephone System			
Modular Furniture	1,155	0	1,155
One-Time Capital	2,000	0	2,000
Other			
Other			
Total	37,000	212	36,350

Comments -- Investments

Favorable market -- Offer accepted and anticipate closing in August.

B. Operating Variances

	First Year Costs(-)/Savings Approved $000	Estimated $000
Rent	124	112
Transportation	-1,397	-1,397
Bldg Maintenance	-1,500	-1,500
Custodial	-500	-500
Labor	53	53
Utilities	-525	-525
Start-Up Pre-Move	-3,485	-3,485
Post-Move	-1,750	-1,750
Material Handling		
Other		
Other		

Comments -- Operating Variances

Variance on rent is changed to include a new lease for additional parking.

C. Are any modifications *pending approval* that will affect investments or operating variances? No
If answer is yes, indicate the status of each modification in additional comments section.

D. Are any modifications *anticipated* that will affect investments or operational variances? Yes
If answer is yes, explain the change and indicate when the modification is scheduled to be forwarded for approval in additional comments section.

Exhibit 6-2 (p. 3)
Sample DAR Compliance Report

DAR COMPLIANCE REPORT -- FACILITY PROJECT

III. Additional Comments
(Report DAR Modification Request information here.)

This project has had one modification approved, which allowed the VMF at the old plant to remain open until the new plant is completed.

A forthcoming DAR Modification (anticipated in October of this year) will request the following:

In our plans to relocate the carriers from the old GMF to Station A, we omitted the fact that we would require additional parking at Station A. Real Estate informs us that 42,000 sq. ft. of vacant land adjacent to Station A is available for lease. The rent would be $12,000/year. We can get a 10-year lease with three 5-year options. Rent is fixed for the base term and increases to $15,000, $17,500, and $20,000 upon each renewal. Property is currently being used as a parking lot; therefore, no additional funds are needed for improvements.

Asset Management (Headquarters Real Estate) has expressed an interest in developing the old GMF. If their study shows this will be in the best interest of the Postal Service, an additional DAR Modification may be requested.

Preparer Signature	Date	Sponsor Signature	Date	Area, Finance Manager Signature
Joe Marriott	May-01-94	George Hilton	May-01-94	James Freeman
Preparer Name	**Telephone**	**Sponsor Name**	**Telephone**	**Area, Finance Mgr. (typed name)**
202-268-0001		202-268-0000		
Preparer Title		**Sponsor Title**	**Date**	
Activation Coordinator		Plant Manager		

Page 3 of 3

7 DAR Modification Request

7-1 About This Chapter

The vice president and controller of Finance must review, validate, and approve a DAR Modification Request before the sponsor may take action that departs from the approved DAR for a major facility project. This chapter

a. Describes the purpose of a modification request.

b. Describes responsibilities.

c. Identifies situations in which a modification request is necessary

d. Lists the required components for a DAR Modification Request.

e. Outlines the review, validation and approval process.

f. Identifies the document retention period.

g. Provides examples of DAR Modification Requests.

7-2 Purpose

A DAR Modification Request is a request to depart from the approved plan (i.e., the DAR and any previously approved DAR Modification Requests). The modification request serves the following purposes:

a. Controls the flow of funds for the project as set forth in the approved DAR.

b. Strengthens the sponsor's accountability in complying with the approved facility and operational plans.

c. Allows managers to adjust for opportunities or problems that arise during the project's life cycle.

d. Ensures that significant changes to investments and operating variances are properly documented and approved.

A DAR Modification Request may not be used to update the operating variances in the approved DAR to correspond to actual results (such as a change in utility rates, wage rates, or staffing plan). It *must* be based on an investment change or a significant operating change.

In rare cases, the proposed changes to an approved DAR may be so great that a completely new DAR and backup documentation are required.

7-3 Definitions

Sponsors must use a DAR Modification Request to obtain approval for an investment-related or operational change from the approved DAR.

7-3.1 Investment-Related Modification

An *investment-related modification* is a proposed change to the approved investment funding in the DAR. The request may be for additional funds or a line-item transfer of approved funds between major investment categories (e.g., site, building, renovation, and material handling) or between line items categorized as “other” on the investment cost sheet (e.g., telephone, system furniture, and one-time capital). If an investment-related change is operationally driven, it is categorized as an operational modification.

7-3.2 Operational Modification

An *operational modification* is a significant change that affects the scope of the project, cash flow operating variances, investments, or assumptions upon which a facility project was justified. The proposed operational change may or may not require additional funds or a line-item transfer of approved capital funds.

7-4 Responsibility

Often the need for a DAR Modification Request is identified when a DAR Compliance Report is prepared. The responsibility for determining whether a DAR Modification Request is necessary depends on the type of modification. If there is any question whether a DAR Modification Request is required, contact the area or district Finance manager. To resolve outstanding issues regarding DAR Modification Requests, contact Capital and Program Evaluation, Finance. The vice president and controller of Finance is the final authority in determining whether a DAR Modification Request is required.

7-4.1 Investment-Related Modifications

Facilities Planning and Approval or the FSO is responsible for identifying the need and preparing a DAR Modification Request for an investment-related change. This involves informing the sponsor of the change, preparing the request, revising the economic analysis and cash flow, and coordinating the necessary approvals.

The sponsor, preparer, reviewer, and approving officials must sign the request, indicating their agreement with the revised project concepts, assumptions, and operational and budgetary impacts.

Facilities Planning and Approval may authorize line-item transfers *within* a major investment category (e.g., transfers of building funds between design, construction, and construction supervision) without requiring a DAR Modification Request. Facilities Planning and Approval, must notify the plant

manager in writing when such a change is authorized. Facility DAR line-item transfers *between* major investment categories require further approval. DARs with an approved investment less than $7.5 million require the approval of the original DAR approval authority; DARs with an approved investment greater than $7.5 million require approval of the Headquarters Capital Investment Committee and the postmaster general and chief executive officer.

7-4.2 Operational Modifications

The sponsor (plant manager or installation head) is responsible for identifying the need for a DAR Modification Request for operational modifications. The sponsor submits a written request to the area vice president (or the district manager for plant or district-initiated projects) outlining the scope of the modification. Upon concurrence by the area vice president (or district manager), Facilities Planning and Approval, or the FSO prepares the request in the prescribed format, revises the economic analysis and cash flow, and coordinates the necessary approvals.

7-5 Situations That Require a DAR Modification

This subchapter provides examples of situations tht require a DAR modification. The possible need for a DAR modification, however, is not limited to these examples.

7-5.1 Investment-Related Modifications

7-5.1.1 Request for Additional Funding

In the following situations a sponsor would complete a DAR Modification Request to obtain additional funding:

a. Actual construction bids exceeded estimates.

b. Unanticipated site conditions have resulted in higher construction costs.

c. Underground storage tanks discovered after the project was approved must be removed.

7-5.1.2 Line-Item Transfer

In the following situations a sponsor might complete a DAR Modification Request to reallocate approved capital funds unrelated to operational changes:

a. Funds approved for renovation are needed to cover costs of new building construction.

b. Excess funds approved for the telephone system are available to cover high costs of modular furniture.

c. Lower than expected site acquisition costs have made funds available that can be used to cover construction cost overruns.

d. Increased material handling expenses can be covered by excess construction funds.

7-5.2 Operational Modifications

7-5.2.1 Change to Real Estate Plan

In the following situations a sponsor would complete a DAR Modification Request to change an approved real estate plan:

a. A mail processing facility that was intended to be vacated is needed.

b. The approved plan failed to provide sufficient space for employee and customer parking.

c. A facility that the Postal Service expected to lease is unexpectedly available for purchase.

d. An additional storage facility not included in the approved DAR is needed.

7-5.2.2 Significant Operational Change

The following are examples of significant operational changes that would require a modification request:

a. The sponsor wants to relocate carrier operations not in accordance with the DAR plan.

b. It will be advantageous to decentralize mail processing operations that were intended to be centralized at a new facility.

c. The sponsor wants to add retail operations to a facility that was originally planned to exclude it.

7-5.2.3 Line-Item Transfer

In the following situations a sponsor would complete a DAR Modification Request for a line-item transfer of approved capital funds (with no additional capital funding required):

a. Revised operational plan requires a larger loose mail handling system.

b. An additional floor of administrative office space is needed.

c. Material handling changes are required to take advantage of technological advancements.

7-6 Time Frame

The sponsor must submit the DAR Modification Request in a timely manner (i.e., when the operational or investment-related change becomes known) and must wait for approval before initiating a major operational or funding change from the approved plan.

All DAR Modification Requests must be submitted and approved no later than 18 months after the move into the new facility. Delay of a known operational

or investment-related change until after the Inspection Service or Office of Inspector General audit is a violation of this policy.

7-7 Required Components

The following items must be included in a DAR Modification Request for a major facility project. Although the scope and complexity of the modification will determine the amount of detail required, the narrative section generally will not exceed two or three pages. Three sample DAR Modification Requests are included at the end of this section for guidance.

7-7.1 Cover Page

Include a cover page that follows the same format as the original DAR (including the corporate logo, project name and location, type of project, and date). Identify the document as a DAR Modification Request.

7-7.2 Signature Sheet

Include the same signature lines — preparer, sponsor, reviewer (if applicable), and approving officials — as the signature page of the original DAR. Additional signatures may be required if the request is for additional capital funding that requires the project to be approved at a higher level.

7-7.3 Background

Include the following background information:

a. Amount(s) previously approved.

b. Approval dates (for the DAR and any previously approved DAR Modifications).

c. Approval authority for the DAR and any previous DAR Modifications (e.g., vice president, postmaster general, or Board of Governors).

d. Project justification (summary of main points from approved DAR).

e. Update on progress toward completing facility project.

7-7.4 Problem Definition and Justification

Describe the proposed change and explain why it should be approved.

7-7.5 Financial Summary

Include a table in the following format:

10-Year Operating Period ($000)
($ in thousands)

	Original DAR or DAR Modification (Final Approval Date)	DAR Modification (Date of Request)	Difference
Investment	$	$	$
Operating Variance	$	$	$
Net Present Value Discounted at ___%	$	$	$
Return on Investment	%	%	%

7-7.6 Recommendation

Summarize the proposed change and make a formal request to modify the original plan, increase the authorized funding, or both.

7-7.7 Exhibits

If the proposed change affects the investment cost sheet, cash flow, or space summary, include both the originally approved exhibit and the update. Also include a revised project schedule (Gantt chart). For other exhibits (e.g., map, population, and mail volume), include only the revised exhibit.

7-7.8 Backup Documentation

Include any materials that will support the proposed change to the approved project. Rerun any backup material created using DARS, if affected.

7-8 Review, Validation, and Approval

The sponsor must receive approval of a DAR modification in writing before before the requested action is taken or additional funds are committed.

The appropriate Headquarters review and approval process is determined by Capital and Program Evaluation. Facilities Planning and Approval coordinates the review and forwards the completed DAR Modification Request to Capital and Program Evaluation, Finance, for validation (see chapter 5).

Following validation, a DAR Modification Request follows the same review and approval procedures as the original DAR (see chapter 4). Generally, it must be approved by the same approving officials as the original DAR. However, a request for additional capital funding may require higher-level approval.

Example: A project originally approved by the postmaster general requires additional funding of $3 million. The Board of Governors must approve the DAR Modification Request because the total project amount now exceeds the postmaster general's approval threshold.

Requests to modify field-sponsored projects must be reviewed and approved at the area level before being forwarded to Headquarters for review, validation, and final approval (see Handbook F-66C). If a modification request for such a project is denied at any level, a copy of the request and the decision must be sent to Capital and Program Evaluation, Finance.

7-9 Document Retention

Upon final approval, Finance keeps the DAR Modification Request with the original DAR. Facilities keeps a copy of the approved DAR Modification Request and sends a copy to the sponsor.

7-10 Sample DAR Modifications

Sample DAR Modification Requests for the following types of projects are included as guidance:

This exhibit…	**shows a sample DAR Modification Request for a**…
7-1	proposed operational change.
7-2	request for additional funding.
7-3	line-item transfer.

Exhibit 7-1 (p. 1)
Sample DAR Modification Request — Proposed Operational Change

UNITED STATES POSTAL SERVICE®

DECISION ANALYSIS REPORT
MODIFICATION REQUEST

Homeville, USA
Processing and Distribution Center

FACILITIES

RESTRICTED INFORMATION

October 15, 1993

Exhibit 7-1 (p. 2)
Sample DAR Modification Request — Proposed Operational Change

DAR MODIFICATION REQUEST
HOMEVILLE, USA, PROCESSING AND DISTRIBUTION CENTER

Signature Page

PREPARED BY: *<Signature>* _____
<Typed Name> Date
Postal Operations Analyst
Facilities Planning and Approval

REVIEWED BY: *<Signature>* _____
<Typed Name> Date
Manager
Facilities Planning and Approval

SPONSORED BY: *<Signature>* _____
<Typed Name> Date
Plant Manager
Homeville, USA

APPROVED BY: *<Signature>* _____
<Typed Name> Date
Area Vice President
_____Area

Exhibit 7-1 (p. 3)
Sample DAR Modification Request — Proposed Operational Change

DAR MODIFICATION REQUEST
HOMEVILLE, USA, PROCESSING AND DISTRIBUTION CENTER

Table of Contents

Exhibit 7-1 (p. 4)
Sample DAR Modification Request — Proposed Operational Change

DAR MODIFICATION REQUEST
HOMEVILLE, USA, PROCESSING AND DISTRIBUTION CENTER

Background

On April 3, 1991, the Board of Governors approved funding of $30,420,000 for site acquisition, design, and construction of a new 290,000 square foot Homeville Processing and Distribution Center (PDC). The project was approved to supplement the existing Homeville Main Post Office (MPO), a 98,000 square foot leased facility that is 40 percent deficient in workroom space. Because of workroom overcrowding, carrier zone 99901 was relocated to the Anytown Branch, a Postal Service-owned delivery unit, in 1989. In addition, the Computerized Forwarding System (CFS) was relocated to a leased annex in 1990. The Homeville PDC is now 90 percent complete, and move-in is scheduled for January 1994.

Problem Definition and Justification

The approved Decision Analysis Report (DAR) stated that zone 99901 would remain at the Anytown Branch, CFS would be relocated to the MPO, and any available space in the MPO (approximately 30,000 square feet) would be outleased, if possible. Subsequent to DAR approval, the Anytown area experienced high population and mail volume growth, resulting in overcrowding of the Anytown Branch. Rather than expand the Anytown Branch or lease additional space to accommodate operations, it would be more cost advantageous to relocate the 99901 carriers back into the MPO upon completion of the new PDC. Although transportation costs will be slightly higher, this change will allow the Postal Service to avoid substantial additional costs required to provide operational space at the Anytown Branch. CFS operations will still be returned to the MPO. The space available for outlease at the MPO will decrease from 30,000 square feet to approximately 21,000 square feet.

Financial Summary

10-Year Operating Period
($ in thousands)

	Original (4/91)	Modification (9/93)	Difference
Investment	$30,420	$30,420	$0
Operating Variance	($8,759)	($8,904)	($145)
Net Present Value Discounted at 9.5%	($551)	($624)	($73)
Return on Investment	9.2%	9.2%	0

Recommendation

It is recommended that approval be given to modify the approved DAR for the Homeville PDC to allow Zone 99901 carriers to be relocated to the Homeville MPO when the Homeville PDC is completed, instead of remaining at the Anytown Branch. This will allow the Anytown Branch to sustain operations without requiring additional workroom space. No additional capital funding is required to accomplish this modification.

Exhibit 7-1 (p. 5)

Sample DAR Modification Request — Proposed Operational Change

Exhibit 1. Original Cash Flow

REEDVILLE, USA PROCESSING AND DISTRIBUTION CENTER
ORIGINAL CASH FLOW, 4/91
(000)

PROJECT YEAR	0	1	2	3	4	5	6	7	8	9	10	11	12	Total	Residual
I. INVESTMENT															
Site	-10250													-10250	18407
Construction		-12173	-7997											-20170	20452
Total Investment	-10250	-12173	-7997											-30420	
Residual Value													38859	38859	38859
NET INVESTMENT	-10250	-12173	-7997										38859	38859	8439
II. OPERATING VARIANCES															
Rent				65	65	65	65	71	71	71	71	71	71	71	686
Utilities				-241	-255	-271	-287	-304	-323	-342	-362	-384	-407	-407	-3177
Transportation				-27	-29	-30	-32	-34	-36	-38	-41	-43	-46	-46	-356
Labor				-274	-290	-308	-326	-346	-367	-389	-412	-437	-463	-463	-3612
Start-up			-1658	-643											-2301
TOTAL OPERATING VARIANCE			-1658	-1120	-510	-544	-581	-613	-654	-698	-744	-793	-845	-8759	
III. TOTAL SAVINGS/ COSTS	-10250	-12173	-9655	-1120	-510	-544	-581	-613	-654	-698	-744	-793	38014	-320	
IV. SUSTAINING BASELINE			-5697	-2454	-2573	-2601	-2789	-2811	-2944	-3054	-3126	-3206	-3331	-34586	
V. NET CASH FLOW	-10250	-12173	-3958	1334	2063	2057	2208	2198	2290	2356	2382	2413	41345	34266	
VI. NET CASH FLOW DISCOUNTED @ 9.5%	-10250	-11117	-3301	1016	1435	1307	1281	1164	1108	1041	961	889	13914	-551	
VII. NET PRESENT VALUE	($551)														
VIII. RETURN ON INVESTMENT	9.2%														

2

Exhibit I

Exhibit 7-1 (p. 6)
Sample DAR Modification Request — Proposed Operational Change

Exhibit 2. Modified Cash Flow

REEDVILLE, USA PROCESSING AND DISTRIBUTION CENTER
MODIFICATION CASH FLOW, 10/93
(000)

PROJECT YEAR	0	1	2	3	4	5	6	7	8	9	10	11	12	Total	Residual
I. INVESTMENT															
Site	-10250													-10250	18407
Construction		-12173	-7997											-20170	20452
Total Investment	-10250	-12173	-7997											-30420	
Residual Value													38859	38859	38859
NET INVESTMENT	-10250	-12173	-7997										38859	8439	
II. OPERATING VARIANCES															
Rent				65	65	65	65	71	71	71	71	71	71	686	
Utilities				-241	-255	-271	-287	-304	-323	-342	-362	-384	-407	-3177	
Transportation				-38	-40	-43	-45	-48	-51	-54	-57	-61	-64	-501	
Labor				-274	-290	-308	-326	-346	-367	-389	-412	-437	-463	-3612	
Start-up			-1658	-643										-2301	
TOTAL OPERATING VARIANCE			-1658	-1131	-521	-556	-594	-627	-669	-713	-761	-810	-863	-8904	
III. TOTAL SAVINGS/ COSTS	-10250	-12173	-9655	-1131	-521	-556	-594	-627	-669	-713	-761	-810	37996	-465	
IV. SUSTAINING BASELINE			-5697	-2454	-2573	-2601	-2789	-2811	-2944	-3054	-3126	-3206	-3331	-34586	
V. NET CASH FLOW	-10250	-12173	-3958	1323	2052	2045	2195	2184	2275	2341	2365	2396	41327	34121	
VI. NET CASH FLOW DISCOUNTED @ 9.5%	-10250	-11117	-3301	1008	1427	1299	1274	1157	1101	1034	955	883	13908	-624	
VII. NET PRESENT VALUE	($624)														
VIII. RETURN ON INVESTMENT	9.2%														

3

Exhibit II

Exhibit 7-1 (p. 7)
Sample DAR Modification Request — Proposed Operational Change

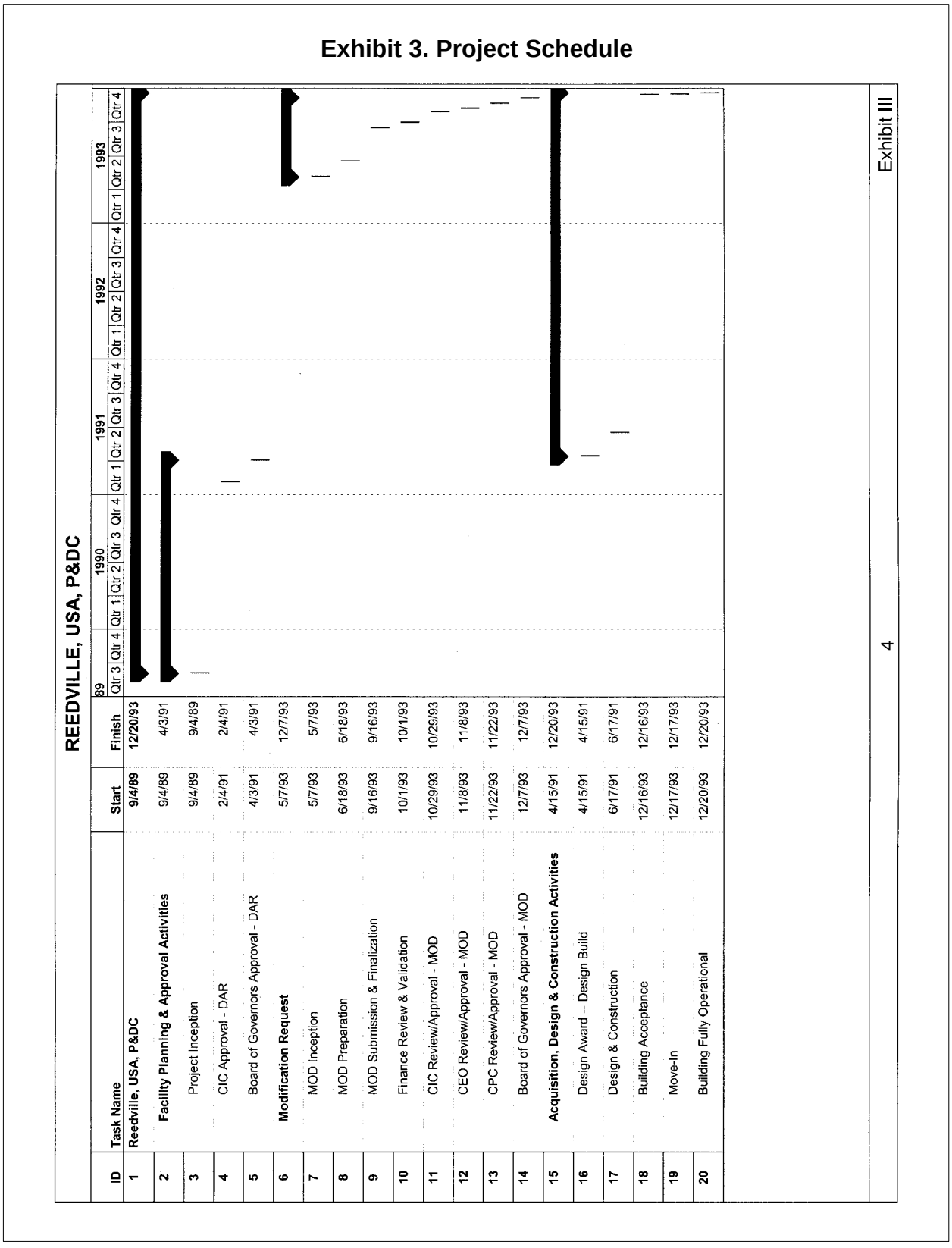


Exhibit 7-1 (p. 8)
Sample DAR Modification Request — Proposed Operational Change

Backup Documentation *[Not shown]*

Revised Transportation Plan.

Revised DARS output and files.

Exhibit 7-2 (p. 1)
Sample DAR Modification Request — Additional Funding

DECISION ANALYSIS REPORT
MODIFICATION REQUEST

Goodtown, USA
Anycity Branch

FACILITIES

RESTRICTED INFORMATION

November 21, 1993

Exhibit 7-2 (p. 2)
Sample DAR Modification Request — Additional Funding

DAR Modification Request
Goodtown, USA, Anycity Branch

Signature Page

PREPARED BY: <*Signature*>_____
<*Typed Name*> Date
Postal Operations Analyst
Facilities Service Office

REVIEWED BY: <*Signature*>_____
<*Typed Name*> Date
Manager
Facilities Planning and Approval

SPONSORED BY: <*Signature*>_____
<*Typed Name*> Date
Postmasterr
Goodtown, USA

APPROVED BY: <*Signature*>_____
<*Typed Name*> Date
Manager
_____District

APPROVED BY: <*Signature*>_____
<*Typed Name*> Date
Area Vice President
_____Area

Exhibit 7-2 (p. 3)
Sample DAR Modification Request — Additional Funding

DAR Modification Request
Goodtown, USA, Anycity Branch

Table of Contents

Exhibit 7-2 (p. 4)
Sample DAR Modification Request — Additional Funding

DAR Modification Request
Goodtown, USA, Anycity Branch

Background

On June 16, 1993, funding of $8,565,000 was approved for site acquisition, design, and construction of a new 41,000 square foot Anycity Branch in Goodtown, USA. The project was approved to replace the existing Anycity Branch, a 16,450 square foot leased facility that provides only 35 percent of the required move-in space. Due to workroom floor overcrowding, storage space in the facility has been converted to additional workroom area. Platform space is also deficient, and customer and employee parking is limited. In addition, the current lease expires in December 1994, and offers no renewal options.

Problem Definition and Justification

Acquisition of the site for the new Anycity Branch occurred in July 1993, and site work began in August. During site work, underground storage tanks were discovered. Work was halted on the project so that soil contamination studies could be performed. After the studies were completed, a revised scope of work was prepared, and a detailed cost estimate was developed. At the same time, the Postal Service's legal department began investigating the possibility of recapturing the cost of site clean-up from the previous owners. The legal department feels that some of the cost can be recouped, and they are proceeding with that effort. However, since legal proceedings may take considerable time to complete, it would be advantageous for the Postal Service to proceed with the site work at its own expense to avoid further delays to the project.

Financial Summary

10-Year Operating Period
($ in thousands)

	Original (6/93)	Modification (11/93)	Difference
Investment	$565	$9,190	$625
Operating Variance	($1,956)	($1,956)	0
Net Present Value Discounted at 9.5%	($4,424)	($4,995)	($571)
Return on Investment	1.2%	0.5%	(0.7%)

Recommendation

It is recommended that approval be given for increased capital funding of $625,000 (for revised total funding of $9,190,000) so that site work may be completed and the construction contract may be awarded for the Anycity Branch in Goodtown, USA.

Exhibit 7-2 (p. 5)
Sample DAR Modification Request — Additional Funding

Exhibit 1. Facility Investment Cost Sheet

FACILITY INVESTMENT COST SHEET
(ORIGINAL)

I. PROJECT IDENTIFICATION: Pineland Branch, Goodtown, USA **DATE:** March 5, 1993
II. TYPE PROJECT: New Construction Owned
III. LOCATION: Wood & Oak Streets
IV. SIZE AND COST DATA:

	Sq. Ft. (000)	Cost Per Sq. Ft. ($)	Contin. ($000)	Total ($000)	
A. Site					
1. Land	350.0	2.95		1,032	
2. Engineering, Real Estate, Legal, and Other Fees				206	
3. Site Development	350.0	1.50	53	578	
4. Third-Party Relocation			4	44	
5. Total Site			57		1,860
B. Buildings					
1. Design & Engineering			19	399	
2. Construction	47.0	75.00	176	3,701	
3. Paving/Landscaping/Utilities	350.0	5.34	187	2,056	
4. Construction Supervision			24	495	
5. Total w/o Site Development			406		6,652
C. Total Site & Buildings			463		8,512
D. Other Investments					
1. Telephone System			3	53	
					53
V. TOTAL INVESTMENTS FOR APPROVAL					8,565

VI. MILESTONE DATES (MONTH/YEAR)

CIC Approval	PMG Approval	Site Acquired	Award Design	Award Construction	Project Complete
4/93	6/93	7/93	7/93	1/94	12/94

Exhibit 7-2 (p. 6)
Sample DAR Modification Request — Additional Funding

Exhibit 2. Facility Investment Cost Sheet (Modification)

FACILITY INVESTMENT COST SHEET
(MODIFICATION)

I. PROJECT IDENTIFICATION: Pineland Branch, Goodtown, USA **DATE:** October 6, 1993
II. TYPE PROJECT: New Construction Owned
III. LOCATION: Wood & Oak Streets

IV. SIZE AND COST DATA:

	Sq. Ft. (000)	Cost Per Sq. Ft. ($)	Contin. ($000)	Total ($000)	
A. Site					
1. Land	350.0	2.95		1,032	
2. Engineering, Real Estate, Legal, and Other Fees				206	
3. Site Development	350.0	1.50	53	578	
Underground Storage Tank			30	625	
4. Third-Party Relocation			4	44	
5. Total Site			87		2,485
B. Buildings					
1. Design & Engineering			19	399	
2. Construction	47.0	75.00	176	3,701	
3. Paving/Landscaping/Util	350.0	5.34	187	2,056	
4. Construction Supervision			24	495	
5. Total w/o Site Development			406		6,652
C. Total Site & Buildings			493		9,137
D. Other Investments					
1. Telephone System			3	53	53
V. TOTAL INVESTMENTS FOR APPROVAL					9,190

VI. MILESTONE DATES (MONTH/YEAR)

CIC Approval	PMG Approval	Site Acquired	Award Design	Award Construction	Project Complete
10/93	11/93	7/93	7/93	1/94	12/94

VII. ADDITIONAL INFORMATION/SIGNIFICANT COMMENTS:
Additional funding of $625,000 is required for removal of an underground storage tank.

Exhibit 7-2 (p. 7)
Sample DAR Modification Request — Additional Funding

Exhibit 3. Original Cash Flow

PINELAND BRANCH — GOODTOWN, USA
ORIGINAL CASH FLOW, 6/93
(000)

PROJECT YEAR	0	1	2	3	4	5	6	7	8	9	10	11	12	Total	Residual
I. INVESTMENT															
Site	-1860													-1860	3340
Construction		-4126	-2579											-6705	6799
Total Investment	-1860	-4126	-2579											-8565	
Residual Value													10139	10139	10139
NET INVESTMENT	-1860	-4126	-2579										10139	1574	
II. OPERATING VARIANCES															
Rent				30	32	32	32	32	32	32	32	32	32	318	
Utilities				-27	-29	-30	-32	-34	-36	-38	-41	-43	-46	-356	
Custodial				-65	-69	-73	-77	-82	-87	-92	-98	-104	-110	-857	
Transportation				-7	-7	-8	-8	-9	-9	-10	-11	-11	-12	-92	
Labor				-70	-74	-79	-83	-88	-94	-99	-105	-112	-118	-923	
Start-up			-30	-16										-46	
TOTAL OPERATING VARIANCE			-30	-155	-147	-158	-169	-181	-194	-208	-222	-237	-254	-1956	
III. TOTAL SAVINGS/ COSTS	-1860	-4126	-2609	-155	-147	-158	-169	-181	-194	-208	-222	-237	9885	-382	
IV. SUSTAINING BASELINE			-400	-114	-114	-114	-114	-114	-114	-114	-114	-114	-114	-1540	
V. NET CASH FLOW	-1860	-4126	-2209	-41	-33	-44	-55	-67	-80	-94	-108	-123	9999	1158	
VI. NET CASH FLOW DISCOUNTED @ 9.5%	-1860	-3768	-1842	-31	-23	-28	-32	-36	-39	-41	-44	-45	3365	-4424	
VII. NET PRESENT VALUE	($4,424)														
VIII. RETURN ON INVESTMENT	1.2%														

4

Exhibit III

Exhibit 7-2 (p. 8)
Sample DAR Modification Request — Additional Funding

Exhibit 4. Modification Cash Flow

PINELAND BRANCH — GOODTOWN, USA
MODIFICATION CASH FLOW, 11/93
(000)

PROJECT YEAR	0	1	2	3	4	5	6	7	8	9	10	11	12	Total	Residual
I. INVESTMENT															
Site	-1860													-1860	3340
UST Removal		-625												-625	
Construction		-4126	-2579											-6705	6799
Total Investment	-1860	-4751	-2579											-9190	
Residual Value													10139	10139	10139
NET INVESTMENT	-1860	-4751	-2579										10139	949	
II. OPERATING VARIANCES															
Rent				30	32	32	32	32	32	32	32	32	32	318	
Utilities				-27	-29	-30	-32	-34	-36	-38	-41	-43	-46	-356	
Custodial				-65	-69	-73	-77	-82	-87	-92	-98	-104	-110	-857	
Transportation				-7	-7	-8	-8	-9	-9	-10	-11	-11	-12	-92	
Labor				-70	-74	-79	-83	-88	-94	-99	-105	-112	-118	-923	
Start-up			-30	-16										-46	
TOTAL OPERATING VARIANCE			-30	-155	-147	-158	-169	-181	-194	-208	-222	-237	-254	-1956	
III. TOTAL SAVINGS/ COSTS	-1860	-4751	-2609	-155	-147	-158	-169	-181	-194	-208	-222	-237	9885	-1007	
IV. SUSTAINING BASELINE			-400	-114	-114	-114	-114	-114	-114	-114	-114	-114	-114	-1540	
V. NET CASH FLOW	-1860	-4751	-2209	-41	-33	-44	-55	-67	-80	-94	-108	-123	9999	533	
VI. NET CASH FLOW DISCOUNTED @ 9.5%	-1860	-4339	-1842	-31	-23	-28	-32	-36	-39	-41	-44	-45	3365	-4995	
VII. NET PRESENT VALUE	($4,995)														
VIII. RETURN ON INVESTMENT	0.5%														

No residual value is associated with the cost of underground storage tank (UST) removal. Because the site was originally purchased at market value without knowledge of the USTs, their removal will not increase the site value.

5

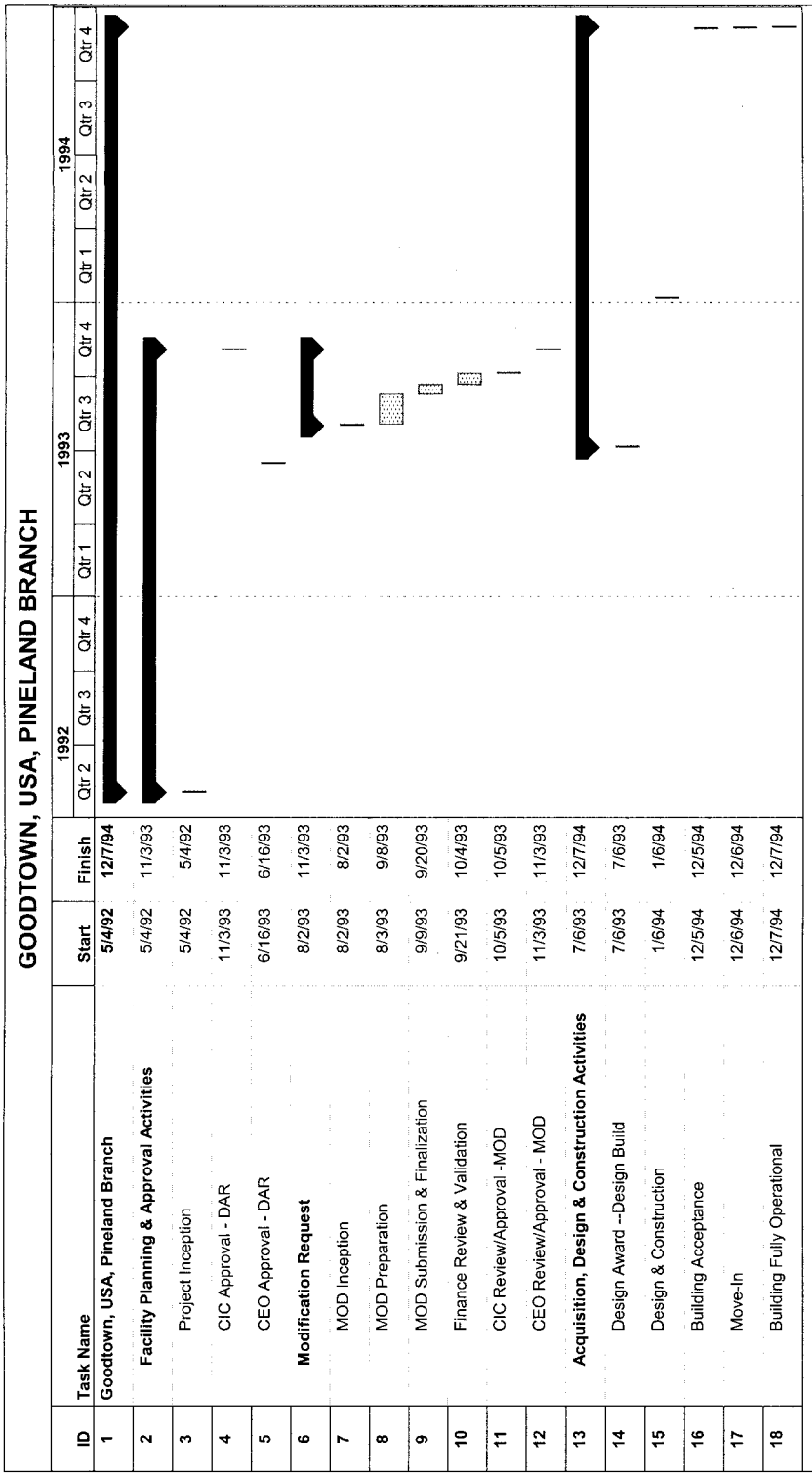
Exhibit IV

Exhibit 7-2 (p. 9)
Sample DAR Modification Request — Additional Funding

Exhibit 5. Project Schedule

GOODTOWN, USA, PINELAND BRANCH

ID	Task Name	Start	Finish
1	**Goodtown, USA, Pineland Branch**	**5/4/92**	**12/7/94**
2	**Facility Planning & Approval Activities**	5/4/92	11/3/93
3	Project Inception	5/4/92	5/4/92
4	CIC Approval - DAR	11/3/93	11/3/93
5	CEO Approval - DAR	6/16/93	6/16/93
6	**Modification Request**	8/2/93	11/3/93
7	MOD Inception	8/2/93	8/2/93
8	MOD Preparation	8/3/93	9/8/93
9	MOD Submission & Finalization	9/9/93	9/20/93
10	Finance Review & Validation	9/21/93	10/4/93
11	CIC Review/Approval -MOD	10/5/93	10/5/93
12	CEO Review/Approval - MOD	11/3/93	11/3/93
13	**Acquisition, Design & Construction Activities**	7/6/93	12/7/94
14	Design Award --Design Build	7/6/93	7/6/93
15	Design & Construction	1/6/94	1/6/94
16	Building Acceptance	12/5/94	12/5/94
17	Move-In	12/6/94	12/6/94
18	Building Fully Operational	12/7/94	12/7/94



6

Exhibit V

Exhibit 7-2 (p. 10)
Sample DAR Modification Request — Additional Funding

Backup Documentation *[Not shown]*

Revised Scope of Work including new estimate.

Memo from Legal Department discussing potential for cost recapturability.

Revised DARS output and files.

Exhibit 7-3 (p. 1)
Sample DAR Modification Request — Line-Item Transfer

DECISION ANALYSIS REPORT
MODIFICATION REQUEST

Anytown, USA
Processing and Distributing Center and Vehicle Maintenance Facility

FACILITIES

RESTRICTED INFORMATION

September 1, 1994

Exhibit 7-3 (p. 2)
Sample DAR Modification Request — Line-Item Transfer

DAR Modification Request
Anytown, USA, Processing and Distribution Center and Vehicle Maintenance Facility

Signature Page

PREPARED BY: <*Signature*>_____
<*Typed Name*> Date
Postal Operations Analyst
Facilities Planning and Approval

REVIEWED BY: <*Signature*>_____
<*Typed Name*> Date
Manager
Facilities Planning and Approval

SPONSORED BY: <*Signature*>_____
<*Typed Name*> Date
Plant Managerostmasterr
Anytown, USA

APPROVED BY: <*Signature*>_____
<*Typed Name*> Date
Area Vice President
_____Area

Exhibit 7-3 (p. 3)
Sample DAR Modification Request — Line-Item Transfer

DAR Modification Request
Anytown, USA, Processing and Distribution Center and Vehicle Maintenance Facility

Table of Contents

Exhibit 7-3 (p. 4)
Sample DAR Modification Request — Line-Item Transfer

DAR Modification Request
Anytown, USA, Processing and Distribution Center and Vehicle Maintenance Facility

Background

The Decision Analysis Report (DAR) for the Anytown, USA, Processing and Distribution Center (PDC) and Vehicle Maintenance Facility (VMF) was approved by the Board of Governors in December 1993 for an amount not to exceed $101,994,000 for the construction of a new 489,000 square foot PDC and a 21,000 square foot VMF on the USPS-owned site.

Construction of the new Anytown, USA, facility began in December 1993 and is expected to be completed in December 1995.

The original plan for the bulk mail conveyor system was to relocate the linear sorter from the Anytown, USA, Main Post Office to the Anytown PDC. This system was to be retrofitted into the new facility's bulk mail transport system. The system consists of the following major components:

- Traversing extendible conveyors.
- Pallet/container dumper.
- Transport and surge conveyors.
- Three keying position sorting machines.
- 15 sortation runouts.
- One sawtooth runout.

Problem Definition and Justification

The original estimate allocated $148,000 and a 3-month period to relocate the linear sorter. A recent engineering study showed that the sorter would not be available for 9 months and the relocation and disruption cost would far exceed the original estimate. An additional 241 workhours per day would be needed, or $1,144,775 in additional labor costs. During the sorter relocation, additional workroom floor space would be required to sort the mail manually. Lease costs for this additional space are estimated to be approximately $191,000 (including rent, utilities, maintenance, and postalization). Transportation costs related to mail movement to this leased facility would be approximately $71,000. Total relocation and disruption costs are now estimated to be approximately $1,407,000.

It is recommended that a new linear sorter be purchased and installed in lieu of relocating the old sorter to the new facility. The cost of the new sorter is approximately $525,000. This includes design, fabrication, and installation. This will require a line-item transfer in funding of this amount from building construction to material handling systems.

Exhibit 7-3 (p. 5)
Sample DAR Modification Request — Line-Item Transfer

Financial Summary

10-Year Operating Period ($ in thousands)

	Original (8/93)	Modification (12/93)	Difference
Investment			
Site	$25,901	$25,901	0
Building	$58,721	$58,196	($525)
Material Handling	$3,306	$3,831	$525
Other	$13,373	$13,373	0
Total Investment	$101,301	$101,301	0
Operating Variance	($13,300)	($12,673)	$627
Net Present Value Discounted at 9.5%	($20,123)	($19,974)	$149
Return on Investment	6.1%	6.1%	0

A 6-month lag for the first-year savings in material handling has been included to reflect a shakedown period.

Recommendation

It is recommended that approval be granted to modify the DAR for the Anytown, USA, PDC/VMF to include the purchase and installation of a new linear sorter.

To implement this modification, a transfer of $525,000 is needed from building construction to material handling systems.

Exhibit 7-3 (p. 6)
Sample DAR Modification Request — Line-Item Transfer

Exhibit 1. Facility Investment Cost Sheet (Original)

FACILITY INVESTMENT COST SHEET
(ORIGINAL)

I. PROJECT IDENTIFICATION: Anytown, USA, P&DC and VMF **DATE:** November 2, 1993
II. TYPE PROJECT: New Construction Owned
III. LOCATION: 123 Main Street, Anytown, USA

IV. SIZE AND COST DATA:

	Sq. Ft. (000)	Cost Per Sq. Ft. ($)	Contin. ($000)	Total ($000)	
A. Site					
1. Land	1,796	11.84		21,263	
2. Engineering, Real Estate, Legal, and Other Fees				1,035	
3. Site Development (1)	1,686	1.82	308	3,383	
4. VMF Site Development	110	1.82	20	220	
5. Total Site			328		25,901
B. Buildings					
1. Design & Engineering P&DC			242	2,665	
2. Design & Engineering VMF			24	259	
3. P&DC Construction	489	92.11	2,253	47,312	
4. VMF Construction	21	93.33	97	2,046	
5. VMF Equipment			19	409	
6. Paving/Landscaping/Utilities	1,796	0.95	171	1,882	
7. Construction Supervision			0	4,148	
8. Total w/o Site Development			2,806		58,721
C. Total Site & Buildings			3,134		84,622
D. Material Handling Systems					
1. Design			17	183	
2. Fabrication & Installation			138	2,907	
3. Construction Supervision			0	216	
4. Total Material Handling			155		3,306
E. Total Site, Buildings, and Material Handling			3,289		87,928
F. Other Investments					
1. Sunk Costs				10,400	
2. One-Time Capital Equipment				799	
3. Modular Furniture			27	567	
4. Telephone Systems			76	1,607	
5. Total Other Investments			103		13,373
V. TOTAL INVESTMENTS FOR APPROVAL					101,301

VI. MILESTONE DATES

CIC Approved	BOG Approved	Site Acquired	Award Design	Award Construction	Project Complete
11/93	12/93	12/91	12/93	12/93	12/95

(1) Site development cost includes asbestos abatement, removal of four underground storage tanks, and demolition of two buildings on site.

Exhibit 7-3 (p. 7)
Sample DAR Modification Request — Line-Item Transfer

Exhibit 2. Facility Investment Cost Sheet (Modification)

FACILITY INVESTMENT COST SHEET
(MODIFICATION)

I. PROJECT IDENTIFICATION: Anytown, USA P&DC and VMF **DATE** July 29, 1994
II. TYPE PROJECT: New Construction Owned
III. LOCATION: 123 Main Street, Anytown, USA

IV. SIZE AND COST DATA:

	Sq. Ft. (000)	Cost Per Sq. Ft. ($)	Contin. ($000)	Total ($000)	
A. Site					
1. Land	1,796	11.84		21,263	
2. Engineering, Real Estate, Legal, and Other Fees				1,035	
3. Site Development (1)	1,686	1.82	308	3,383	
4. VMF Site Dev	110	1.82	20	220	
5. Total Site			328		25,901
B. Buildings					
1. Design & Engineering P&DC			242	2,665	
2. Design & Engineering VMF			24	259	
3. P&DC Construction	489	91.12	2,227	46,787	
4. VMF Construction	21	93.33	97	2,046	
5. VMF Equipment			19	409	
6. Paving/Landscaping/Utilities	1,796	0.95	171	1,882	
7. Construction Supervision			0	4,148	
8. Total w/o Site Development			2,780		58,196
C. Total Site & Buildings			3,108		84,097
D. Material Handling Systems					
1. Design			19	212	
2. Fabrication & Installation			160	3,368	
3. Construction Supervision			0	251	
4. Total Material Handling			179		3,831
E. Total Site, Buildings, and Material Handling			3,287		87,928
F. Other Investments					
1. Sunk Costs				10,400	
2. One-Time Capital Equipment				799	
3. Modular Furniture			27	567	
4. Telephone Systems			76	1,607	
5. Total Other Investments			103		13,373
V. TOTAL INVESTMENTS FOR APPROVAL					101,301

VI. MILESTONE DATES (MONTH/YEAR)

CIC Approval	BOG Approval	Site Acquired	Award Design	Award Construction	Project Complete
8/94	10/94	12/91	12/93	12/93	12/95

Exhibit 7-3 (p. 8)
Sample DAR Modification Request — Line-Item Transfer

Exhibit 3. Original Cash Flow

ANYTOWN, USA
ORIGINAL CASH FLOW, 6/93
(000)

New GMF & Build New VMF
Alternative A & VMF

PROJECT YEAR	0	1	2	3	4	5	6	7	8	9	10	11	12	13	Total	Residual
I. INVESTMENT																
Site - GMF	-22298	-846	-1692	-846											-25681	47836
Building - GMF		-16042	-26753	-14918											-57712	57944
Material Handling				-3306											-3306	
Site - VMF		-55	-110	-55											-220	376
Building - VMF		-462	-406	-2315											-3183	3228
Sunk Costs	-10400														-10400	
One-Time Capital Equipment				-799											-799	
Total Investment	-32698	-17404	-28961	-22238											-101301	109384
Residual Value														109384	109384	
NET INVESTMENT	-32698	-17404	-28961	-22238										109384	8083	
II. OPERATING VARIANCES																
Building Maintenance					-2000	-2100	-2205	-2315	-2431	-2552	-2680	-2814	-2955	-3103	-25155	
Utilities					-525	-556	-590	-625	-663	-702	-744	-789	-836	-887	-6917	
Transportation					-1397	-1480	-1569	-1663	-1763	-1869	-1981	-2100	-2226	-2360	-18409	
Start-Up Costs				-3485	-1750										-5235	
Labor					53	55	58	61	64	67	71	74	78	82	663	
VMF Contract Savings					375	394	413	434	456	479	503	528	554	582	4717	
Material Handling					235	408	427	449	471	495	519	545	573	601	4721	
Rent					2558	2719	2850	2986	3131	3280	3441	3605	3780	3965	32315	
TOTAL OPERATING VARIANCE				-3485	-2452	-561	-615	-674	-735	-803	-872	-951	-1032	-1119	-13300	
III. TOTAL SAVINGS/ COSTS	-32698	-17404	-28961	-25723	-2452	-561	-615	-674	-735	-803	-872	-951	-1032	108264	-5217	
IV. SUSTAINING BASELINE	-11093	-1593	-2652	-2565	-4843	-4799	-5041	-5297	-5566	-5849	-6146	-6460	-6790	-7136	-75831	
V. NET CASH FLOW	-21605	-15812	-26309	-23158	2392	4238	4426	4623	4832	5046	5274	5508	5757	115401	70614	
VI. NET CASH FLOW DISCOUNTED @ 9.5%	-21605	-14440	-21942	-17638	1664	2692	2568	2449	2338	2230	2128	2030	1937	35467	-20123	
VII. NET PRESENT VALUE	($20,123)															
VII. RETURN ON INVESTMENT	6.1%															

5

Exhibit III

Exhibit 7-3 (p. 9)
Sample DAR Modification Request — Line-Item Transfer

Exhibit 4. Modification Cash Flow

ANYTOWN, USA
MODIFICATION CASH FLOW, 8/94
(000)

New GMF & Build New VMF
Alternative A & VMF

	PROJECT YEAR	0	1	2	3	4	5	6	7	8	9	10	11	12	13	Total	Residual
I.	**INVESTMENT**																
	Site – GMF	-22298	-846	-1692	-846											-25681	47836
	Building – GMF		-15910	-26491	-14786											-57187	57412
	Material Handling				-3831											-3831	
	Site – VMF		-55	-110	-55											-220	376
	Building – VMF		-462	-406	-2315											-3183	3228
	Sunk Costs	-10400														-10400	
	One-Time Capital Equipment				-799											-799	
	Total Investment	-32698	-17273	-28698	-22632											-101301	108852
	Residual Value														108852	108852	
	NET INVESTMENT	-32698	-17273	-28698	-22632										108852	7551	
II.	**OPERATING VARIANCES**																
	Building Maintenance					-2000	-2100	-2205	-2315	-2431	-2552	-2680	-2814	-2955	-3103	-25155	
	Utilities					-525	-556	-590	-625	-663	-702	-744	-789	-836	-887	-6917	
	Transportation					-1397	-1480	-1569	-1663	-1763	-1869	-1981	-2100	-2226	-2360	-18409	
	Start-Up Costs				-3485	-1750										-5235	
	Labor					53	55	58	61	64	67	71	74	78	82	663	
	VMF Contract Savings					375	394	413	434	456	479	503	528	554	582	4717	
	Material Handling					222	465	489	513	538	565	593	623	654	686	5348	
	Rent					2558	2719	2850	2986	3131	3280	3441	3605	3780	3965	32315	
	TOTAL OPERATING VARIANCE				-3485	-2464	-504	-553	-609	-668	-733	-798	-873	-951	-1034	-12673	
III.	**TOTAL SAVINGS/ COSTS**	-32698	-17273	-28698	-26117	-2464	-504	-553	-609	-668	-733	-798	-873	-951	107818	-5121	
IV.	**SUSTAINING BASELINE**	-11093	-1593	-2652	-2565	-4843	-4799	-5041	-5297	-5566	-5849	-6146	-6460	-6790	-7136	-75831	
V.	**NET CASH FLOW**	-21605	-15680	-26046	-23552	2379	4295	4488	4688	4899	5116	5348	5586	5838	114954	70709	
VI.	**NET CASH FLOW DISCOUNTED @ 9.5%**	-21605	-14320	-21722	-17938	1655	2729	2604	2484	2370	2260	2158	2059	1965	35330	-19974	
VII.	**NET PRESENT VALUE**	($19,974)															
VII.	**RETURN ON INVESTMENT**	6.1%															

6

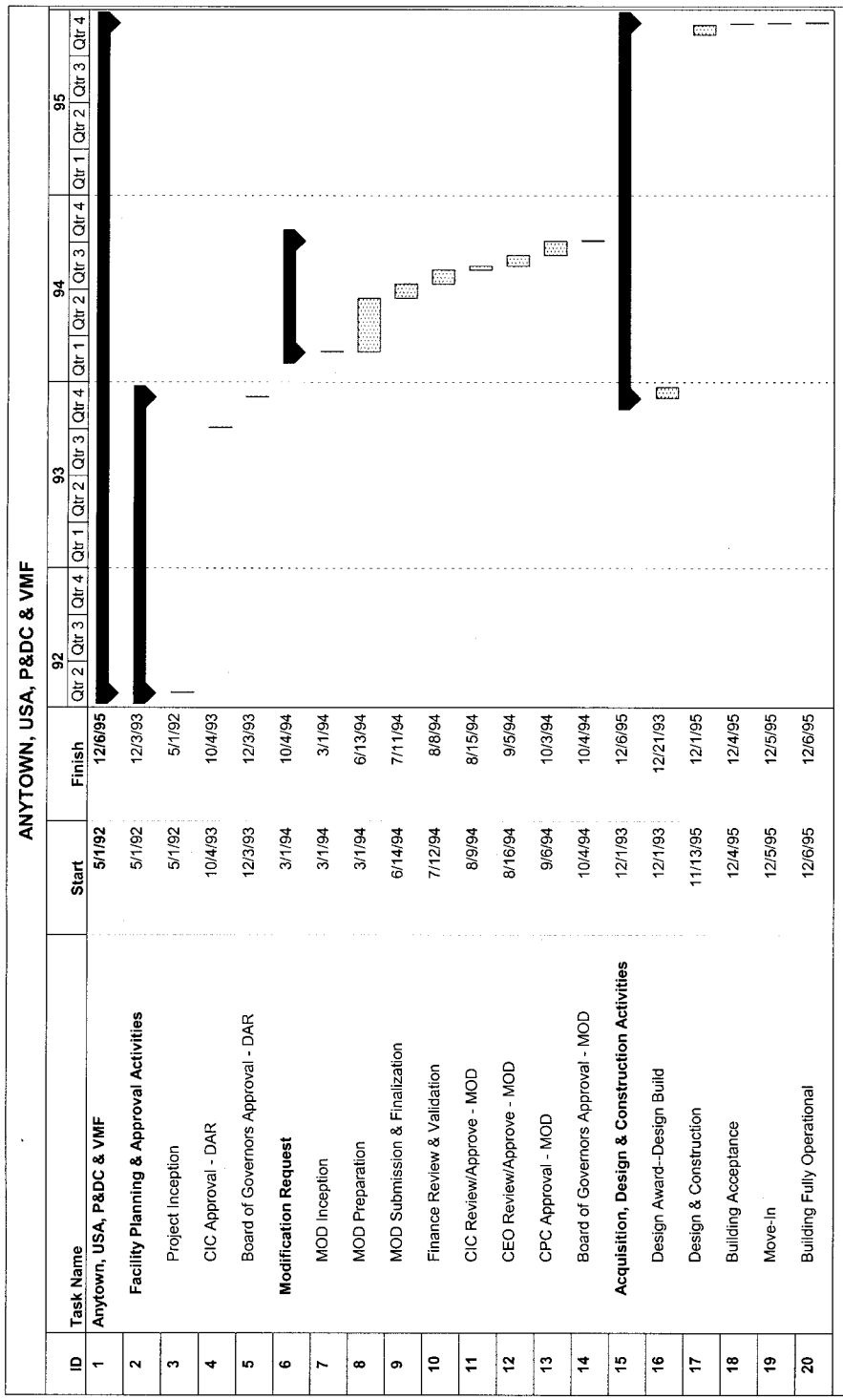
Exhibit IV

Exhibit 7-3 (p. 10)
Sample DAR Modification Request — Line-Item Transfer

Exhibit 5. Project Schedule

ANYTOWN, USA, P&DC & VMF

ID	Task Name	Start	Finish
1	**Anytown, USA, P&DC & VMF**	**5/1/92**	**12/6/95**
2	**Facility Planning & Approval Activities**	5/1/92	12/3/93
3	Project Inception	5/1/92	5/1/92
4	CIC Approval - DAR	10/4/93	10/4/93
5	Board of Governors Approval - DAR	12/3/93	12/3/93
6	**Modification Request**	3/1/94	10/4/94
7	MOD Inception	3/1/94	3/1/94
8	MOD Preparation	3/1/94	6/13/94
9	MOD Submission & Finalization	6/14/94	7/11/94
10	Finance Review & Validation	7/12/94	8/8/94
11	CIC Review/Approve - MOD	8/9/94	8/15/94
12	CEO Review/Approve - MOD	8/16/94	9/5/94
13	CPC Approval - MOD	9/6/94	10/3/94
14	Board of Governors Approval - MOD	10/4/94	10/4/94
15	**Acquisition, Design & Construction Activities**	12/1/93	12/6/95
16	Design Award--Design Build	12/1/93	12/21/93
17	Design & Construction	11/13/95	12/1/95
18	Building Acceptance	12/4/95	12/4/95
19	Move-In	12/5/95	12/5/95
20	Building Fully Operational	12/6/95	12/6/95



7

Exhibit V

Exhibit 7-3 (p. 11)
Sample DAR Modification Request — Line-Item Transfer

Backup Documentation *[Not shown]*

Material Handling Economics Summary and Model.

Revised DARS output and files.