# Update Notice

## Handbook F-66C, *Field Investment Policies and Procedures* March 2006

Handbook F-66C, *Field Investment Policies and Procedures,* was first published in March 2006. To inform you of changes since that time, we periodically update this online edition of Handbook F-66. We use vertical bars (i.e., revision bars) in the margin to indicate text changed since March 2006.

- Use the table in this update notice to find out about changes published in the *Postal Bulletin.*
- Find the chapter, subchapter, part, or section in the first column and read across the other columns to find specific information about that revision.

This online version of HBK F-66C is updated through April 13, 2006, with the following *Postal Bulletin* articles:

| **This chapter, subchapter, part, or section**… | **titled**… | **was updated to**… | **in *Postal Bulletin* issue number**… | **with an issue/effective date of**… |
|---|---|---|---|---|
| **Chapter 8, DAR Modification Request** | | | | |
| 8-4.1 | Investment-Related Modifications | clarify the sponsor's responsibility for DAR modifications. | 22178 | 4-13-2006 |

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March 2006
Updated With Postal Bulletin Revisions Through April 13, 2006

UNITED STATES POSTAL SERVICE®

# Field Investment Policies and Procedures

Handbook F-66C

March 2006
Transmittal Letter

**A. Revision.** This revised edition of Handbook F-66C, *Field Investment Policies and Procedures,* 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 version.

**B. Explanation.** This handbook is one of six modules being published separately which are used to support the Postal Services' investment process. The series comprises the following six modules:

- 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-66C provides updated guidance concerning investment projects sponsored by the field (plant, district, or area), including documentation, review and approval, and compliance reporting for projects up to $5 million that do not require headquarters approval. Included in this guidance are the policy and procedures for preparing Decision Analysis Report (DAR) Modification Requests and identification of the threshold requirements for preparing DAR Compliance Reports.

**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.*

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# Contents

# Exhibits

# 1 Overview

## 1-1 About This Chapter

This handbook describes the investment process for field-sponsored projects up to $5 million that may be approved by the field (plant or district and area level). Also described is the field-level review and approval procedures for major facility and equipment investments (greater than $5 million) initiated by the field. These projects, which must be approved by Headquarters, must meet the documentation requirements for major investments (see Handbook F-66A, *Investment Policies and Procedures — Major Facilities,* or Handbook F-66B, *Investment Policies and Procedures — Major Equipment,* Handbook F-66D, *Investment Policies and Procedures — Business Initiatives, Alliances, Real Estate Development, and Major Operating Expense Investments,* and Handbook F-66E, *Investment Policies and Procedures — Postal Support and Information Systems,* as applicable).When preparing justification for investments review all appropriate information (e.g., *Administrative Support Manual* (ASM) and *the Interim Internal Purchasing Guidelines)* in addition to Handbook F-66 series to ensure that all statutory regulations and Postal Service investment policies are followed.

## 1-2 Purpose

This handbook is intended to serve as a guide for the following requirements: for initiating field investments:

a. Preparing required documentation for field investments.

b. Reviewing, validating, and approving projects.

c. Tracking the progress of projects to ensure compliance with the approved plan (i.e., Decision Analysis Report).

d. Requesting, reviewing, and approving changes to previously approved projects.

The handbook also serves as a guide for the field-level review and approval process for Headquarters-level projects initiated by the field.

The purpose of these policies and procedures is to ensure that field-sponsored 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 a

situation is specifically covered by these policies and procedures, Postal Service personnel must apply prudent business sense.

# 1-3 Definitions

The following definitions are based on the current Delegations of Approval Authority chart issued by Finance (see also exhibit 1-1):

a. **Field investment —** An investment project up to $5 million initiated at the plant, district, or area level that may be finally approved at the district or area level.

b. **District-level approval —** A field investment that may be approved at the district level by the district manager or customer service and sales (district manager), the manager of a processing and distribution center or bulk mail center (plant manager), or a Postal Career Executive Service (PCES) postmaster.

c. **Area-level approval —** A field investment that may be approved at the area level by the vice president of Area Operations.

d. **Headquarters-level investment —** An investment project greater than $5 million that requires Headquarters or Board of Governors approval.

e. **Approval authority for lease projects —** For any project that involves the lease of a facility or equipment, both the annual lease cost and total lease cost must be considered in determining the level of approval authority. The total lease cost is the lease cost (including all renewal options within the 10-year operating period plus any options thereafter with firm price rates) discounted at the cost of capital, plus the undiscounted cost of renovation.

# 1-4 Project Documentation

The sponsor, or requesting organization, prepares the documentation recommending an investment and providing the reviewing officials and approving authority with adequate information to make a prudent business decision. All investments must be approved using the appropriate documentation for the type and cost of the project (see exhibit 1-1).

## 1-4.1 Funding Document

The funding document (eBuy request) is used to approve most field investments up to $25,000 (see exhibit 1-2). The funding document, including the justification section, must be approved electronically by the proper approval authority. Investments up to $25,000 that are approved using this method are not subject to the additional review and approval procedures described in this handbook.

### 1-4.2 Justification of Expenditure

A justification of expenditure (JOE) is a 1-page document used to request approval for small field projects ($25,000 or more) that do not require a DAR (see exhibit 1-2 for funding limitations). The JOE is intended to provide sufficient information about a proposed project without making small investment decisions unduly burdensome. The JOE may be attached to the eBuy Request. The requirements for a JOE are discussed in more detail in chapter 2.

### 1-4.3 Decision Analysis Report

A DAR is a more formal document than a JOE and is used to request approval for larger projects. The minimum requirements for a DAR, as outlined in chapter 3, apply only to field investments. Projects that require Headquarters approval must follow the documentation requirements for major facility, major equipment, postal support and information systems investments (see Handbook F-66A or Handbook F-66B and Handbook F-66E).

## 1-5 Review and Approval Process

### 1-5.1 Project Review and Approval

All field investments that are documented by a JOE or a DAR (except for JOEs for expense equipment or non-routine service contracts up to $250,000) must be reviewed and approved following the guidelines in chapter 4. Depending on the type and size of project, field investments may be approved by the plant or district manager or may also require the approval of the vice president of Area Operations (see exhibit 1-1). All material handling (fixed mechanization) projects must also be approved by the vice president of Engineering.

| **Projects at this level**… | **must be reviewed by**… |
|---|---|
| District and facility or plant | a funds investment committee (FIC), work group, functional review team, or performance cluster. |
| Area | area Capital Investment Committee (CIC). |

Major facility and major equipment projects sponsored by the field must follow the field-level review and approval procedures before being submitted to Headquarters for review, validation, and final approval.

### 1-5.2 Financial Assessment and Validation

Field projects that must be approved at more than one level (e.g., by the district and the area) require a financial assessment at the level below final approval (see chapter 5). Field projects that require a DAR must also be validated by a financial analyst at the final approval level (see chapter 6).

Major facility and major equipment projects sponsored by the field require a financial assessment at the area level before being approved by the area vice president and forwarded for review, validation, and final approval by Headquarters.

## 1-6 Compliance Procedures

The approving authority is responsible for ensuring compliance with the general investment requirements of the Postal Service as well as the specific requirements relating to a given type of investment. DAR Compliance Reports are required in order to track and report the progress of an approved project and its compliance with the investment, operational, real estate (if applicable), and financial plans set forth in the approved DAR, DAR backup documentation, and any approved DAR Modification Requests. DAR Compliance Report procedures are intended to ensure the following:

a. Sponsors are held accountable for implementing projects in accordance with the approved DAR.

b. Savings materialize as outlined in the DAR.

c. Changes from the approved DAR are adequately justified and approved.

Field-sponsored projects that require Headquarters approval must follow the compliance requirements as specified in chapter 7, Handbook F-66, *General Investment Policies and Procedures,* and any of the other handbooks in the F-66 series (i.e., F-66A, F-66B, F-66D and F-66E) as applicable — depending upon the type of investment.

## 1-7 DAR Modifications

If the scope of a field investment changes significantly after it has been approved, then the sponsor must prepare a DAR Modification Request (or revised JOE) to request a change from the approved plan. An appropriate official [based on the size of the project (see exhibit 1-1)] must review, validate, and approve the request before the sponsor may take action that departs from the approved plan. DAR Modification Requests for field projects are discussed in chapter 8.

DAR Modification Requests for major investments sponsored by the field must meet the requirements for major facility or major equipment projects (see applicable F-66 handbooks). However, these requests must be reviewed and approved by the field before being forwarded to Headquarters for review, validation, and final approval.

Exhibit 1-1
**Approval Authority for Field Investments**

**Expense Items**

| Project Type | Plant or District Manager[1] | Vice President of Area Operations[2] |
|---|---|---|
| Routine Supplies and Services | Within budget | Within budget |
| Expense Equipment and Non-routine Service Contracts | Within budget | Within budget |
| Research and Development | Up to $250,000 | Up to $5 million |
| Noncapital Expenditures | None | None |

**Capital Items**

| Project Type | Plant or District Manager[1] | Vice President of Area Operations[2] |
|---|---|---|
| Capital Equipment | Up to $250,000 | Up to $5 million |
| Material Handling or Fixed Mechanization[3] | None | None |
| New Construction (Leased) | None | Up to $500,000 annual rent or $5 million total lease cost[4] |
| New Construction (Owned) | None | Up to $5 million |
| Repairs and Alterations | Up to $250,000 | Up to $5 million |
| Lease of Existing Facility or Alternate Quarters and Exercising Renewal Options | Up to $250,000 annual rent and $2.5 million total lease cost[4] | Up to $500,000 annual rent/ $5 million total lease cost[4] |
| Other Facility Projects[5] | None | Up to $5 million |

***Notes:***

This table is based on the Delegations of Approval Authority chart issued by Finance.

1 Postal Career Executive Service postmasters have the same approval authority as plant and district managers except that they have no approval authority for research and development efforts and their approval threshold for lease and rental agreements is $50,000 annual rent or $500,000 total lease cost (see subchapter 1-3 for a definition of total lease cost).

2 Projects that exceed the approval authority shown must be approved by Headquarters.

3 Material Handling, Engineering, Headquarters, must authorize and the vice president of Engineering must approve all material handling projects.

4 For the definition of total lease cost, see subchapter 1-3. If the project exceeds either the annual or total cost limit, the project must be approved at the next higher level.

5 Other facility projects include the purchase of existing buildings and building expansions.

Exhibit 1-2
**Approval Documents for Field Investments**

| Project Type | eBuy[1] | Justification of Expenditure (JOE) | Decision Analysis Report (DAR)[2] |
|---|---|---|---|
| Expense Items | | | |
| Routine Supplies and Services | All projects | N/A[3] | N/A |
| Expense Equipment and Non-routine Service Contracts[4] | Up to $25,000 | Greater than $25,000 | N/A |
| Research and Development | Up to $25,000 | From $25,000 to $250,000 | Greater than $250,000 |
| Capital Items | | | |
| Capital Equipment | Up to $25,000 | From $25,000 to $250,000 | Greater than $250,000 |
| Material Handling and Fixed Mechanization | N/A | Up to $250,000 | Greater than $250,000 |
| New Construction (Leased) | N/A | N/A | All projects |
| New Construction (Owned) | N/A | N/A | All projects |
| Repairs and Alterations | Up to $25,000 | From $25,000 to $1 million | Greater than $1 million |
| New Lease for Existing Facility and Alternate Quarters[6] | Up to $25,000 annual rent | From $25,000 to $250,000 annual rent and up to and including $2.5 million total lease cost[5] | Greater than $250,000 annual rent or more than $2.5 million total lease cost[5] |
| Exercise of Renewal Option[7] | All Requirements | N/A | N/A |
| Other Facility Projects[8] | Up to $25,000 | From $25,000 to $250,000 | Greater than $250,000 |

***Notes:***

1 The appropriate funding document must be used for all projects. For projects within the indicated thresholds in this column only, the funding document also serves as the approval document.

2 All investments that require a DAR also have a compliance reporting requirement. Compliance Reports must address performance relative to the project's cost, benefits, schedule, and risk. The local approving official determines the duration of the reporting requirement and specific report format.

3 N/A = not applicable.

4 For nonroutine service contracts, the threshold applies to the life of the contract (total undiscounted cost of the contract).

5 For the definition of total lease cost, see subchapter 1-3. If either the annual or total costs limit is exceeded, the higher-level documentation is required.

6 Compliance reporting for existing facility lease renewal (without a capital investment component) is only required for the quarter immediately following the approval of the investment.

7 If the original lease project was funded with the renewal option, a JOE or DAR is not required.

8 Other facility projects include the purchase of existing buildings and building expansions.

# 2 Justification of Expenditure

## 2-1 About This Chapter

A justification of expenditure provides uniformity in documenting approval for small field investments (see exhibit 2-1 for project thresholds). Unless the approving authority requires a JOE , investments below the lower thresholds may be approved using the eBuy process. Investments above the higher thresholds for a JOE require a formal DAR (see chapter 3).

## 2-2 Purpose

The requiring organization prepares the JOE to provide the approving authority with adequate information to make a prudent business decision. This document may be attached to the eBuy request. All requirements approval officials who must approve the JOE must be included in the eBuy approval routing.

## 2-3 Responsibility

### 2-3.1 Sponsor

The sponsor of the project is the manager of the organization requesting the investment. He or she is responsible for ensuring that a JOE, including backup documentation, is prepared as required. Following final approval, the sponsor is responsible for implementing the project as stated in the approved JOE. If the scope of a project changes significantly after approval, the sponsor is responsible for ensuring that a revised JOE is prepared and submitted for approval.

### 2-3.2 Preparer

For a facility project a facilities requirements specialist usually prepares the JOE. For an equipment project a purchasing specialist usually prepares the JOE.

# 2-4 Minimum Requirementas

A JOE is generally a 1-page document. The required data may be presented using the standard JOE format (see exhibit 2-2). However, it is not necessary to follow this format provided the required information is covered adequately. A checklist is provided for guidance in preparing a JOE (see exhibit 2-3). In addition, two sample JOEs are provided — one for a facility project (see exhibit 2-4) and one for an equipment project (see exhibit 2-5).

## 2-4.1 Project Identification

Identify the location, project number, finance numbers, type of project, anticipated cost, and applicable budget (capital or expense) line.

## 2-4.2 Budget Information

Indicate the estimated cost of the project and the fiscal year in which the funds will be committed. Note if the request differs significantly from the budgeted amount.

## 2-4.3 Problem Definition

Describe the problem or need that the proposed investment addresses.

## 2-4.4 Alternatives Analyzed

Summarize any alternative solutions to the problem that were considered, and explain why they were not recommended.

## 2-4.5 Justification

Describe any benefits that will result, including operating improvements, replacement costs or savings, operational savings, and service impacts.

## 2-4.6 Recommendation

Make a recommendation for the approval of the proposed project.

## 2-4.7 Signatures

The preparer, the sponsor, and the reviewer from Finance must sign the JOE before the approving official(s) signs the JOE. Signing the JOE indicates agreement with the project concept, its assumptions, and the budget and operational impacts.

### 2-4.8 Backup Documentation

The following items must be included in the backup documentation with the JOE:

a. The appropriate funding document (eBuy request) approved by the approving official.

b. A cash flow, if the investment is economically justified — that is, it meets or exceeds the required return on investment (ROI). In other situations, a cash flow is optional unless the approving official requires one.

c. Any applicable documentation that supports the proposed investment (e.g., architectural or engineering report, vendor estimates, appraisals, deferred maintenance, and investment cost sheet). Attach these items to the eBuy request.

## 2-5 Project Approval and Implementation

### 2-5.1 Financial Review

Although a formal financial assessment is not required, a financial analyst from Finance must review the JOE to confirm that the JOE adequately supports the recommendation and that the project has been funded. A project that must be approved at both the plant or district and area levels is reviewed by a financial analyst at both levels.

### 2-5.2 District or Area Review and Approval

JOEs are subject to the review and approval procedures set forth in chapter 4. Depending on the type and size of project (see exhibit 1-1), a JOE must be approved by the plant or district manager and/or the vice president of Area Operations. All projects that require area approval must be reviewed by the area CIC before being forwarded to the vice president of Area Operations. If a project impacts both customer service and processing and distribution functions, both the plan and District managers must approve the JOE. JOEs for expense equipment and non-routine service contracts between $25,000 and $250,000 do not require a formal project review, but must be approved by the appropriate official having budget authority.

The vice president of Engineering must approve all material handling projects.

### 2-5.3 Revised JOE

The sponsor is responsible for implementing the project as stated in the approved JOE. If the scope of the project changes significantly after the JOE has been approved, the sponsor must prepare and submit a JOE Modification Request or a revised JOE. If the change pushes the project over the threshold for a JOE, the sponsor must prepare a DAR, which also must be approved at the proper level before the project can proceed.

## 2-5.4 JOE Compliance

DAR Compliance Reports are generally not required for projects documented with a JOE (see exhibit 1-2).Projects involving the lease of existing space above the threshold of $100,000 annual rent or $1 million total lease cost (see definition in chapter 7), however, may require compliance reports.

Exhibit 2-1
**Projects That Require a JOE**

The table below identifies which projects require a JOE based on type and size of project:

| Type of Project | Size of Project |
|---|---|
| Expense equipment[1]<br>Non-routine service contracts[1] | Greater than $25,000 (no upper limit) |
| Capital equipment[2] | $25,000 to $100,000 |
| Material handling[3] | Up to $100,000 |
| Repairs and alterations | $25,000 to $1 million |
| New leases[4]<br>Alternate quarters | $25,000 to $250,000 annual rent |
| Total lease cost[5] | Up to $2.5 million |
| Other facility projects[6] | $25,000 to $250,000 |

***Notes:***

1 JOEs for expense equipment and non-routine service contracts up to $250,000 do not require a formal project review, but must be approved by the appropriate official. For non-routine service contracts, the threshold applies to the life of the contract (total undiscounted cost of the contract).

2 Capital equipment includes R&D projects.

3 Engineering, Headquarters, must authorize and the vice president of Engineering must approve all material handling (fixed mechanization) projects.

4 For the definition of total lease cost, see subchapter 1-3. If either the annual or total cost limit is exceeded, a DAR is required.

5 A JOE is not required for exercising a renewal option or a new lease for the current facility.

6 Other facility projects include the purchase of existing buildings and building expansions. All new construction projects (whether leased or owned) must be documented with a DAR.

Exhibit 2-2
**Suggested Format for a Justification of Expenditure**

**<Date>**

**Project Location:** _____ **Project No.:** _____

**Funding Finance No.:** _____ **Amount:** _____

**Location Finance No.:** _____ **Budget Line:** _____

**Type of Project**

**Budget Information:** <Indicate whether this is a planned or unplanned project, the estimated cost of the project, the appropriate budget line, and when funds will be committed.>

**Problem Definition:** <Describe the existing situation and why the requested investment is necessary.>

**Alternatives Analyzed:** <Discuss what alternatives were considered before you decided that this project was the appropriate remedy.>

**Justification:** <Explain how this project will help operations, service, safety, employees, customers, etc. If the project will prevent future costs, explain how.>

**Recommendation:** <Describe your recommendation and the funding requirement. Indicate who requested the project and who compiled the documentation (e.g., Facilities Service Office or facility engineer).>

| **Prepared by:** | | **Sponsored by:** | |
|---|---|---|---|
| _____ | _____ | _____ | _____ |
| <Signature / eBuy> | Date | <Signature / eBuy> | Date |
| <Typed Name and Title> | | <Typed Name and Title> | |

| **District Financial Review:** | | **District or Plant Approval:** | |
|---|---|---|---|
| _____ | _____ | _____ | _____ |
| <Electronic approval through eBuy> | Date | <Electronic approval through eBuy> | Date |
| <Typed Name and Title> | | <Typed Name and Title><br>District or Plant Manager | |

***Note:*** For projects requiring area approval, include the following:

| **Area Financial Review:** | | **Area Approval:** | |
|---|---|---|---|
| _____ | _____ | _____ | _____ |
| <Electronic approval through eBuy> | Date | <Electronic approval through eBuy> | Date |
| <Typed Name and Title> | | <Typed Name and Title> | |

**Attachments:**

| | | |
|---|---|---|
| ____ PS Form 919 | ____ PS Form 7437 | |
| ____ Scope of Work | ____ A/E Report | ____ PS Form 4209 |
| ____ Vendor's Estimates | ____ Investment Cost Sheet | ____ Other (specify) |

Exhibit 2-3
**Checklist for a JOE**

1. Provide the requested project identifiers: project location, finance numbers, type of project, project number, dollar amount of project, and applicable budget (capital or expense) line.

2. Provide the required budget information:
   - Estimated cost of the project.
   - Date the funds will be committed or spent.
   - Whether the request differs significantly from the budgeted amount.

3. Describe how the proposed investment addresses the identified need.

4. Summarize alternative solutions that were considered and explain why they were not recommended.

5. Justify the benefits, including the following:
   - Operating improvements.
   - Replacement costs/savings.
   - Operational savings.
   - Service impacts.

6. State the recommendation.

7. Obtain required signatures:
   - Preparer.
   - Obtain electronic approval through eBuy.
   - Project sponsor.
   - Reviewer(s) from Finance.
   - Plant or district manager and/or area vice president.

   (Approving the JOE through eBuy indicates agreement with the project concept, assumptions, and budget and operational impacts.)

8. Complete a cash flow if required:
   - Must be included if the investment is economically driven (i.e., justified on the basis that it meets or exceeds the required ROI).
   - The sponsor or approving official may require completion of a cash flow in other cases.

9. Attach the appropriate funding document signed by the approving official.

10. Attach any other applicable backup documentation, which may include the following:
    - Scope of work.
    - Architectural and engineering report (A/E report).
    - Vendor estimates.
    - Appraisals.
    - Deferred maintenance requirements.
    - Investment cost sheet.

Exhibit 2-4
**Sample JOE — Facility Project (Repair and Alteration)**

**Justification of Expenditure**

**<Today's Date>**

**Project Location:** Anytown, USA **Project No.:** 3Q9999

**Funding Finance No.:** 99-9999 **Amount:** $282,325

**Location Finance No.:** 99-8888 **Budget Line:** 63

**Type of Project:** Replace HVAC System

**Budget Information:** This is a planned repair and alteration project. Both the design and construction awards will be committed in fiscal year 2005. The estimated cost of this project is $282,325.

**Problem Definition:** This Postal Service-owned facility was built and occupied in 1980. The heating, ventilation, and air conditioning (HVAC) equipment is 25 years old and needs to be replaced. Two of the seven condensing units are nonoperational, and one unit must be recharged frequently to keep it running.

**Alternatives Analyzed:** Facilities Service Office contracted with an architectural/ engineering (A/E) firm to evaluate the existing system. The attached A/E report [not shown] indicates that replacement is necessary.

**Justification:** The investment will benefit the employees and customers of this facility. An operational review indicates that the Postal Service plans to remain in this facility for the next 10 years.

**Recommendation:** The project was requested by the manager of Post Office Operations. The documentation was compiled by the facility service office. Finance has reviewed the recommended alternative, including the availability of funds. It is recommended that this project be approved for a cost not to exceed $282,325.

| **Prepared by:** | | **Sponsored by:** | |
|---|---|---|---|
| _____ | _____ | _____ | _____ |
| <Signature / eBuy> | Date | <Signature / eBuy> | Date |
| <Typed Name and Title> | | <Typed Name and Title> | |
| **District Financial Review:** | | **District or Plant Approval:** | |
| _____ | _____ | _____ | _____ |
| <Electronic approval through eBuy> | Date | <Electronic approval through eBuy> | Date |
| <Typed Name and Title> | | <Typed Name and Title><br>District or Plant Manager | |

***Note:*** For projects that require area approval, include the following:

| **Area Financial Review:** | | **Area Approval:** | |
|---|---|---|---|
| _____ | _____ | _____ | _____ |
| <Electronic approval through eBuy> | Date | <Electronic approval through eBuy> | Date |
| <Typed Name and Title> | | <Typed Name and Title> | |

**Attachments:**

| | | |
|---|---|---|
| ____ PS Form 919 | ____ PS Form 7437 | |
| ____ Scope of Work | __X_ A/E Report | __X_ PS Form 4209 |
| ____ Vendor's Estimates | ____ Investment Cost Sheet | ____ Other (specify) |

Exhibit 2-5
**Sample JOE — Equipment Project**

**Justification of Expenditure**

**<Today's Date>**

**Project Location:** Anytown, USA **Project No.:** N/A

**Funding Finance No.:** 99-9999 **Amount:** $33,365

**Location Finance No.:** 99-8888 **Budget Line:** 68

**Type of Project:** Purchase Copy Machine

**Budget Information:** This is a planned capital equipment project. Funds will be committed in fiscal year 2006. The estimated cost of this project is $33,365.

**Problem Definition:** The current copier is 15 years old and is unreliable. Repair parts are no longer available for this model. This equipment is not located on any known excess equipment lists.

**Alternatives Analyzed:** Since repair of the copier is no longer feasible, replacement is the only alternative.

**Justification:** Purchase of a new copier will maintain a status quo operation for the Human Resources branch of the Somewhere, USA, Main Post Office.

**Recommendation:** The project has been requested by the Human Resources manager. The documentation was compiled by the Purchasing Service Center. Finance has reviewed the recommended alternative, including the availability of funds. It is recommended that this project be approved for a cost not to exceed $33,365.

| **Prepared by:** | | **Sponsored by:** | |
|---|---|---|---|
| _____ | _____ | _____ | _____ |
| <Signature / eBuy><br><Typed Name and Title> | Date | <Signature / eBuy><br><Typed Name and Title> | Date |

| **District Financial Review:** | | **District or Plant Approval:** | |
|---|---|---|---|
| _____ | _____ | _____ | _____ |
| <Electronic approval through eBuy><br><Typed Name and Title> | Date | <Electronic approval through eBuy><br><Typed Name and Title><br>District or Plant Manager | Date |

***Note:*** Area approvals are not required for this project.

**Attachments:**

| | | |
|---|---|---|
| ____ PS Form 919 | ____ PS Form 7437 | |
| ____ Scope of Work | ____ A/E Report | ___ PS Form 4209 |
| ____ Vendor's Estimates | ____ Investment Cost Sheet | _x_ Other (specify) (Vendor's bid sheet) |

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# 3 Decision Analysis Report

## 3-1 About This Chapter

A DAR is required for field investments that exceed the thresholds for a JOE (see exhibit 1-2). The minimum requirements in this chapter apply only to DARs for projects that the field approves. Field-sponsored projects greater than $5 million require Headquarters approval and must meet the DAR requirements found in Handbook F-66A, Handbook F-66B, Handbook F-66D, and Handbook F-66E, as applicable. In addition, Finance strongly recommends that DARs for facility projects from $4.5 to $5 million be prepared in the format required for major facility investments and developed using the Decision Analysis Report System (DARS) (see part 3-5.3). Following this format will alleviate delays and the need for additional documentation and approvals in the event of changes or cost overruns that push the project beyond the $5 million threshold

## 3-2 Purpose

A DAR is a document that the requesting organization prepares to recommend an investment. The DAR defines the problem and details the need for the expenditure. The DAR must provide sufficient information and justification for the approving official to make an informed decision. The approved DAR is also used to ensure that investment projects are implemented according to plan.

## 3-3 Responsibility

### 3-3.1 Sponsor

The sponsor is the postmaster or the person in the functional area (e.g., the plant manager, Post Office operations manager, or realty asset manager) who is requesting the project. The sponsor is responsible for ensuring that the DAR, including all backup documentation, is prepared as required. Following final approval, the sponsor is also responsible for implementing the project as stated in the approved DAR.

### 3-3.2 Preparer

The type of project being requested determines who prepares the DAR:

a. For customer service facility projects, the facilities specialist from the facilities service office (FSO) prepares the DAR.

b. For processing and distribution facility (PDF) projects, in-plant support personnel at the area office prepare the DAR, with support from the FSO.

c. For equipment projects, the sponsoring group prepares the DAR. For example, a request for mail processing support equipment may be prepared by in-plant support personnel or an industrial engineer.

### 3-3.3 Reviewer

The preparer's manager (if different from the project sponsor) must review and sign the DAR before forwarding the DAR to the approving official.

### 3-3.4 Approving Officials

Depending on the type and size of project, the plant or district manager and/or the vice president of Area Operations must approve the DAR (see exhibit 1-1). If a project affects both customer service and processing and distribution functions, both the plant and district managers must approve the DAR.

## 3-4 Required Components

Exhibit 3-1 lists the minimum required components for DARs for field projects. For further guidance, refer to the sample DARs at the end of this chapter.

### 3-4.1 Cover Page

The cover page includes the Postal Service logo, the words "DECISION ANALYSIS REPORT," the name and location (city and state) of the project, type of project, and the preparation date. If the DAR contains proprietary information, the document should be marked with the words "RESTRICTED INFORMATION" to ensure confidentiality.

### 3-4.2 Signature Page

Signing the DAR indicates agreement with the project 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 long-term absence or for details where a temporary change in authority has been documented.

The signature page should conform to the following format:

PREPARED BY: <*Signature and date signed*>
<*Typed name, title, and telephone number*> Date

REVIEWED BY: <*Signature and date signed*>
<*Typed name, title, and telephone number*> Date

SPONSORED BY: <*Signature and date signed*>
<*Typed name, title, and telephone number*> Date

APPROVED BY: <*Signature and date signed*>
<*Typed name, title, and telephone number*> Date

The "REVIEWED BY" signature line is required if the preparer's manager is different from the project sponsor. If a project impacts both customer service and processing and distribution or requires multiple approval levels, additional "APPROVED BY" signature blocks may be required.

## 3-4.3 Background and Problem Definition

In the background and problem definition section, define the problem, propose a solution, and provide justification for the project. Cite relevant historical data, including a discussion of existing deficiencies, any interim measures taken, and specific facilities or items affected.

The description of the present situation, problems, or requirements typically addresses some of the following:

a. Safety, environmental, or health issues.
b. Customer service issues.
c. Structural or configuration problems.
d. Space deficiencies.
e. Consolidation or centralization of units.
f. Lease preemption or condemnation.
g. Operational requirements.
h. Economics/business opportunity.
i. Functional or strategy changes.
j. Corporate strategies, goals, or objectives (e.g., *Five-Year Strategic Plan, FY 2004–2008).*
k. Revenue generation.
l. Equipment changes.
m. Volume and population growth.
n. Productivity.
o. Engineering team findings or outside consultant studies (e.g., A/E reports).

For equipment projects, describe the technology implications, or if this is a phased-in program, indicate the current deployment results and any present or future maintenance contract requirements. Keep in mind that the DAR is a decision-making document. Thus the complexity of the project will determine the detail of the DAR.

## 3-4.4 Alternatives Analyzed

Discuss all viable solutions to the problem that were considered, clearly indicating which alternative is being recommended. Describe the benefits that will result, including operating improvements, replacement costs and savings, operational savings, and service impacts.

For facility projects, when adequate space is available for lease to meet the full 10-year operating needs, present the leasing of existing space as a separate alternative. Comparing new construction owned with the leasing of existing space (as opposed to new construction lease) is comparing separate alternatives. Therefore, a lease versus own analysis (see part 3-4.11) is not required.

## 3-4.5 Alternatives Eliminated

Explain why other alternatives were eliminated (e.g., expansion of a facility would not be considered if there is insufficient space at the site to expand).

## 3-4.6 Analysis of Incremental Investment

In the analysis of incremental investment section, compare the incremental capital investment for each alternative to determine if the additional investment is economically justified. The format should reflect the number of alternatives evaluated in the DAR. If you analyzed only the recommended alternative, then eliminate this section.

## 3-4.7 Risk Analysis

In the risk analysis section, address the process to be used to identify, analyze, prioritize and quantify, and control risk.

### 3-4.7.1 Definition

Risk is a measure of the probability and consequence of not achieving a defined project goal. The term risk is used to define the class of factors which have the following characteristics:

a. A measurable probability of occurring.

b. An associated cost or effect on the investment's outcome.

c. Alternatives from which the organization may choose.

### 3-4.7.2 Management

Risk management includes the process associated with identifying, analyzing, prioritizing and controlling and mitigating investment risk. There are four major processes involved in the risk management process:

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

b. **Risk Prioritization/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).

It is important that the risk analysis section in the DAR narrative [and backup] address each of the four processes identified above. Risk identification, analysis, and prioritization / quantification fit easily into existing investment analysis activities. 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 provides for the overall mitigation of investment risks and will influence 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 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.

### 3-4.7.3 Risk Identification Process

The suggested method for identifying and quantifying risk is to use a process that involves the appropriate subject matter experts (SMEs) to identify and quantify the risk elements into the following three categories:

a. Technological.

b. Operational.

c. Integration.

A sample list of categorized risk elements is provided in the risk identification matrix (RIM). It's important to understand that this list is not all-inclusive and that risk elements may appear in more than one risk category (see Handbook F-66, exhibit 5-3).

### 3-4.7.4 Risk Quantification — Element Ranking

There are many ways to quantify risk ranging from models that employ complex Monte Carlo simulations that can be used to project the likelihood of a particular risk component or simulate many interrelated risk components simultaneously.

However, simple processes that rely on the best minds available (i.e., subject matter experts) to project the potential impacts of identified risk elements are among the most often used methodologies when internal risks are being assessed. The process and calculations used to determine the project's risk level (i.e., high, medium, low) must be included in the DAR backup documentation.

### 3-4.7.5 Risk Analysis

Some degree of risk always exists in project management, technical, testing, logistics, production, and engineering areas. Project risks include funding, schedule, contract relationships, and political risks. Technical risks may involve the risk of meeting a performance requirement, but it may also involve risks in the feasibility of a design concept or the risks associated with using state-of-the art equipment or software. Production risk includes concerns over manufacturing, lead times, and material availability. Engineering risks include reliability, maintainability, operability, and trainability concerns. The understanding of these risks evolves over time. The methods for identifying risk are numerous and any source of information that allows recognition of a potential problem can be used for risk identification.

### 3-4.7.6 Using the Risk Analysis Matrix

The use of the risk analysis matrix (RAM) to analyze risk for field investments is optional. However, the identification of risk by technological, operational, and integration categories is not optional. Furthermore, the level of risk associated with each of these categories must be assessed as low, medium, or high.

After the SMEs have categorized the selected risk elements, the rating of each risk element is based upon the potential impact on the success of the program. This process is repeated until all the risk elements selected have been evaluated. The rating of the risk element is an estimate of the likelihood of the risk element actually happening and impact of the risk element being evaluated would have on the project if the risk was to materialize. After the risk elements in each of the three categories are evaluated, composite rating is determined (i.e., low, medium, or high). This activity is repeated until all the elements within the three risk categories (i.e., operational, technical, and integration) are examined (see Handbook F66, exhibit 5-4, for a sample RAM). The RAM is not a required element in the DAR backup documentation and can be used as a guide or template to assist in risk analysis. Moreover, standardized area or local templates may be used as long as they provide the required back-up documentation that rates the level of risk by category as described above.

### 3-4.7.7 Lessons Learned

At the close-out of the program, responses to unexpected situations are documented for use in evaluating and mitigating risks that may be associated with future programs. The conveyance of this information to new program managers and institutionalization of successful risk mitigation solutions is an often undocumented activity and its importance should not be discounted. For field programs (requiring a DAR), this information is communicated via the Final Compliance Report presentation to the district or area CIC (as appropriate). See compliance reporting requirements in chapter 7.

## 3-4.8 Performance Metrics

The sponsor is responsible for establishing metrics (i.e., indicators and methods for data capture and reporting) that can be used to evaluate program performance. A process to identify metrics that can be used to track the performance of the investment must be established for programs that require a Decision Analysis Report (DAR). The cornerstone 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 or other benefits (i.e., customer satisfaction, service) 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.

## 3-4.9 Financial Summary

All DARs must include a financial summary. The appropriate format depends on whether a cash flow is required.

| **This exhibit**… | **shows a financial summary**… |
|---|---|
| 3-2 | with a cash flow. |
| 3-3 | without a cash flow. |

## 3-4.10 Recommendation

Clearly state the action being recommended, the required funding, and the major benefits that will result from implementing the project. For facility projects, include site and building size, projected occupancy, and completion date if applicable. For equipment projects, indicate the anticipated procurement and deployment date(s). Do not include information that has not been discussed elsewhere in the document. For projects that are justified based on economics, identify the methodology, sources, and time frames that will be used to track the operating variances.

## 3-4.11 Investment Cost Sheet

An investment cost sheet is required for all facility projects except repair and alteration projects. It is not required for equipment projects.

Facilities prepares the investment cost sheet in accordance with their most recent policies and procedures. A separate cost sheet is required for each alternative analyzed and must be signed by the appropriate managers. The cost sheet must include the following:

a. Site, building, and other related costs (e.g., telephone, modular furniture, and one-time capital equipment estimates).

b. Projected milestone dates (e.g., area approval received, site acquired, design awarded, construction awarded, and project completed). These dates are for planning and budget purposes.

## 3-4.12 Cash Flow

A cash flow is required for all processing and distribution facility projects as well as for economically justified customer service facility projects (including the consolidation of facilities or operations). In other situations, a cash flow is optional unless it is required by the approving official. A cash flow itemizes investments and costs/savings, generally over a 10-year operating period, in order to determine the return on investment (ROI) and net present value (NPV) of implementing the project. The cash flow should follow the established format (see the cash flows included in the sample DARs at the end of this section).

The cash flow analysis of the recommended alternative is included in the DAR. A cash flow for each alternative analyzed must be included in the backup documentation. Cash flows normally are not developed for alternatives eliminated. For more detailed information about development of the cash flow, see Handbook F-66.

## 3-4.13 Lease Versus Own Analysis

When new construction lease or the purchase of a building is the recommended alternative, a lease versus own analysis must be completed to determine whether leasing or owning the facility is more economical. It is not required when leasing existing space. A lease versus own analysis represents a financing decision of a single alternative. The analysis will determine whether leasing or owning the facility is more economical. Financing decision cash flows are evaluated using the cost of capital. No risk factors are applied. When performing a lease versus own analysis, assume continuation of the lease for the complete analysis period. Discuss the results of the lease versus own analysis in the DAR, and include the analysis in the backup documentation.

| **A lease versus own analysis**… | **when**… |
|---|---|
| is required | a new construction lease or the purchase of a building is the recommended alternative. |
| is not required | leasing existing space. |

For more detailed information, see Handbook F-66.

# 3-5 Backup Documentation

## 3-5.1 Format

Prepare the backup documentation for a field DAR following these guidelines:

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

b. All pages must measure 8-1/2 by 11 inches. To allow for easy duplication, do not bind pages.

c. Include a cover page similar to that used for the DAR (including the same project name and date).

d. Include a table of contents listing the materials included as documentation.

e. Insert a title page as a section divider between each major section.

f. Number all pages, and show the date of revision where applicable.

g. Where appropriate, indicate to which alternative a backup page applies.

h. Highlight pertinent data.

## 3-5.2 Required Components

The backup documentation provides the necessary information used to develop and support the operating concepts presented in the body of the DAR and the cost analysis. Certain types of backup documentation are required for most projects (see exhibit 3-5). Include the following documentation, as appropriate, for other types of projects.

### 3-5.2.1 New Construction (Leased or Owned)

Exhibit 3-5 lists the required backup components for a new construction project.

### 3-5.2.2 Purchase of Existing Building

a. Appraisal, if appropriate, from Facilities.

b. Signed statement of fair market value, from Facilities.

c. Copy of current lease agreement.

d. Facilities Management System for Windows (FMSWIN) reports.

e. Finding of No Significant Impact (FONSI).

f. Deferred maintenance inspection report.

### 3-5.2.3 Repairs and Alterations

a. A/E report reflecting statement or scope of work supporting the investment.

b. If operating variances are quantifiable (e.g., utilities or labor), use appropriate sources of backup information to determine costs.

### 3-5.2.4 Equipment

a. Statement from vendor indicating cost to purchase equipment and cost of maintenance agreement or supplies. If the vendor can Decision Analysis Report supply information on start-up costs (e.g., training and site preparation), include these in the documentation.

b. If operating variances are quantifiable (e.g., utilities, labor, or annual operating costs), use appropriate sources of backup information to determine costs.

### 3-5.3 Using DARS

DARS is a linked set of formatted spreadsheets for facility projects that automatically calculates the cash flow analyses and supporting computations based upon user inputs. The budget crosswalk that is output by DARS (see exhibit 5-2) contains all the budget information that must be included in the DAR or JOE for a facility project.

Although not required for field projects, Finance recommends that sponsors use DARS for all facility projects greather than $4.5 million. DARS may be useful for smaller facility projects as well. Contact Capital and Program Evaluation, Finance, or Facilities Planning and Approval, Headquarters, for guidance in accessing and using DARS.

## 3-6 Sample DARs

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

| **This exhibit**… | **shows a sample DAR for a**… |
|---|---|
| 3-5 | new construction facility project justified on economics. |
| 3-6 | new construction facility project not justified on economics. |
| 3-7 | purchase of existing building. |
| 3-8 | repairs and alterations project. |
| 3-9 | equipment purchase project. |

Exhibit 3-1
**Required Components for a Field DAR**

| New Construction (Leased or Owned) | Other Facility Projects[1] | Repairs and Alterations | Equipment |
|---|---|---|---|
| Cover Page | Cover Page | Cover Page | Cover Page |
| Signature Page | Signature Page | Signature Page | Signature Page |
| Background and Problem Definition | Background and Problem Definition | Background and Problem Definition | Background and Problem Definition |
| Alternatives Analyzed | Alternatives Analyzed | Alternatives Analyzed | Alternatives Analyzed |
| Alternatives Eliminated | Alternatives Eliminated | Alternatives Eliminated | Alternatives Eliminated |
| Analysis of Incremental Investment | Analysis of Incremental Investment | Not required | Analysis of Incremental Investment |
| Risk Analysis | Risk Analysis | Risk Analysis | Risk Analysis |
| Performance Metrics | Performance Metrics | Performance Metrics | Performance Metrics |
| Financial Summary | Financial Summary | Financial Summary | Financial Summary |
| Recommendation | Recommendation | Recommendation | Recommendation |
| Investment Cost Sheet | Investment Cost Sheet | Not required | Not required |
| Cash Flow — Required for all PDF and generative customer service projects | Cash Flow — Required for all PDF and generative customer service projects | Not required | Not required |
| Backup Documentation (Include Lease vs. Own Analysis, as required) | Backup Documentation (Include Lease vs. Own Analysis, as required) | Architectural/Engineering (A/E) Report or Survey | Vendor Estimates |

***Note:***

[1] Other facility projects include leased facilities, purchase of existing buildings, and building expansions.

Exhibit 3-2
**Financial Summary With Cash Flow**

**Alternative A (Recommended)**

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

| | |
|---|---|
| Required Investment | $xxxx |
| Operating Variance | $xxxx |
| Net Present Value Discounted at 8.8% | $xxxx |
| Return on Investment | x.x% |

For projects that do not require a cash flow (non-economically justified customer service projects and equipment purchases), an expanded financial summary is required (see exhibit 3-4). The costs shown should represent the best estimate of costs for the 12-month period just prior to and just after implementation of the recommended alternative. However, if the project cost and first-year costs and benefits are not quantifiable, the anticipated benefits may be described in narrative form.

Exhibit 3-3
**Financial Summary Without Cash Flow**

**Proposed Investments**
**($ in thousands)**

| **Capital** | |
|---|---|
| Customer Service Facility | xxxx |
| MPO Renovations | xxxx |
| One-Time Capital Equipment | xxxx |
| **Total Investment** | **$xxxx** |

**Annual Costs**
**($ in thousands)**

| **Operating Variances** | **Present** | **Proposed** | **Variance** |
|---|---|---|---|
| Rent | xxxx | xxxx | xxxx |
| Utilities | xxxx | xxxx | xxxx |
| Transportation | xxxx | xxxx | xxxx |
| Start-up Costs | xxxx | xxxx | xxxx |
| Training | xxxx | xxxx | xxxx |
| **Total Operating Variance** | **$xxxx** | **$xxxx** | **$xxxx** |

For repair and alteration projects and for equipment purchases having no impact on operating costs, a modified version of either type of financial summary may be used.

Exhibit 3-4
**DAR Backup Documentation Requirements**

**Sources for Backup Documentation Components**

| **For this component**… | **use the following source**… |
|---|---|
| Site Costs | Investment Cost Sheet; signed and dated memo from Facilities. |
| Building Costs | Investment Cost Sheet; memo on estimated cost from Facilities. |
| Renovation Costs | Investment Cost Sheet; estimate from facilities service office. |
| Other (furniture, telephone, and one-time capital) | if the cost for the telephone system is other than $1 per square foot, include Telephones, One-Time a memo from Information Technology supporting the estimate. Provide signed Capital Equipment and dated memos from appropriate sources to support other cost estimates. |
| Sale of Building | estimate of fair market value from Facilities. |
| Residual Value Data | residual Value Tables for Land and Buildings (see Handbook F-66) or memo from Facilities (if other than new construction). |
| Rent | copy of lease agreement; FMSWIN printouts; memo from Facilities on anticipated costs after lease expiration. |
| Labor | workhour rate applied to complement/workhour changes and escalated; Labor Utilization Reports (LURs) prior fiscal year, AP-13, year-to-date for particular labor distribution code (LDC) workhour rate. |
| Transportation | make Model Report — Vehicle Management Accounting System and the signed transportation analysis. |
| Maintenance (custodial and building) | LURs prior fiscal year, AP-13, year-to-date workhour rate for appropriate LDCs. |
| Utilities | utility bills for prior year; PS Form 4841, *Fuel and Utilities Record,* or base cost per square foot for comparable facility. Use the Postal Service Financial Report (PSFR) only if it clearly identifies the specific facility. Local office managers must sign all local office data. |
| Contract (cleaners) | existing costs for service. |
| Start-up Costs | Management Instruction AS-510-90-12, *New Facility Start-up Costs for Decision Analysis Report (DAR) Cash Flow* (or update). |
| Cash Flow | facilities service office or generated by DARS. |
| Retail Policy Statement | refer to most recent Retail policy; documentation must be signed by local and district Retail managers. |
| Facility Planning Concept | the local office and the facilities service office; must be signed and dated. |
| Space Requirements | signed and dated PS Form 919, *Facility Planning Concept,* facility planning data prepared by FSO. |
| Lease Versus Own Analysis | prepared by the facilities service office based on actual lease agreement, draft lease proposal, or signed letter of intent. |
| DARS Output | if DARS is used, include DARS hard copy and copy of file on diskette. |

Interim Internal Purchasing Guidelines

Exhibit 3-5 (p. 1)
**Sample DAR — New Construction Facility — Generative**


DECISION ANALYSIS REPORT

# Woodridge, USA
# Main Post Office

FACILITIES

**RESTRICTED INFORMATION**

August 1, 2004

Woodridge – Page 1

Exhibit 3-5 (p. 2)
**Sample DAR — New Construction Facility — Generative**

## DECISION ANALYSIS REPORT
## WOODRIDGE, USA, MAIN POST OFFICE

**Signature Page**

PREPARED BY: <*Signature*>_____
<*Typed Name and Telelphone Number*> Date
Facilities Requirements Specialist
or Postal Operations Analyst

REVIEWED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Manager
Facilities Service Office

SPONSORED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Postmaster
Woodridge, USA

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

APPROVED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Manager
_____Area

*[This signature page reflects the appropriate preparer, reviewer, sponsor, and approving official for a customer service facility project.]*

Exhibit 3-5 (p. 3)
**Sample DAR — New Construction Facility — Generative**

## DECISION ANALYSIS REPORT
## WOODRIDGE, USA, MAIN POST OFFICE

### Background and Problem Definition

The Woodridge delivery areas (ZIP Codes 99191/92/93), which are located along the I-99 North/South corridor, have experienced unprecedented growth for the past 20 years. During that time, population grew at a 5 percent annual rate, businesses at a 10 percent annual rate, and mail volume at a 9 percent annual rate. This growth, combined with the growth of neighboring ZIP Code areas such as Dumfry (99026), Lorta (99079), and Square (99172), has placed enormous service and operational demands on the Somefield Processing and Distribution Center.

### Woodridge — Main Post Office (MPO)

The Postal Service has occupied this leased facility since January 1970. The lessor no longer wishes to lease the facility to the Postal Service and would like us to vacate the facility when the lease expires in two years. The facility may be vacated earlier without incurring additional costs.

The Woodridge MPO, which houses the retail/post office boxes and delivery operations (25 city routes) for ZIP Code 99191 and all manual mail distribution for the Woodridge delivery area, is overcrowded. The workroom floor is 55 percent space deficient resulting in congested aisles and inefficient operations. The MPO has absorbed over 4,200 new deliveries without an increase in operating space. The workroom floor does not contain sufficient room for postal equipment or the staging of incoming mail, thus requiring the use of aisle space.

The post office box section is inadequate. About 300 additional boxes are needed.

### Woodridge — Park City Branch

The Park City Branch houses carrier operations for ZIP Code areas 99192 (Ridge Lake) and 99193 (Park City). Delivery operations consist of 20 carrier routes and over 12,500 deliveries for approximately 73,000 postal customers. This leased facility is extremely congested. The existing workroom has 4,500 square feet, while approximately 10,000 square feet is required. Workroom space is insufficient to handle current and future operations. The platform and employee parking areas are also in need of additional space to support current operations.

### Employee Facilities

The employee support areas are inadequate to accommodate the current number of employees at both the Woodridge MPO and Park City. The current complement has increased well beyond the original planned concept and make-do arrangements are used to provide needed services.

Exhibit 3-5 (p. 4)
**Sample DAR — New Construction Facility — Generative**

**Retail Operations**

Both the Woodridge MPO and the Park City Branch provide full retail service for the Woodridge area. No additional retail services are planned.

**Alternatives Analyzed**

**Alternative A:** Construct a new Postal Service-owned 30,140 square foot MPO that will perform the automated secondary distribution functions for five associate offices and house the MPO delivery and retail operations. The leased Park City Branch will continue to provide retail and delivery services for ZIP Code area 99193. The current MPO facility and parking leases will be terminated.

**Alternative B (Recommended):** Construct a new Postal Service-owned 45,000 square foot MPO that will perform the automated secondary distribution functions for five associate offices. This facility will also house the carrier operations for the MPO and Park City Branch. The current facility and parking leases for the MPO and Park City Branch will be terminated. Retail operations for the MPO and Park City Branch will be combined in the new office.

**Alternatives Eliminated**

The following alternatives were evaluated and eliminated from final consideration for the reasons stated.

**Consolidate Operations:** There are no suitable stations, branches, or post offices nearby that can accommodate the automated secondary distribution functions and carrier operations for the Woodridge MPO.

**Expansion:** Neither the MPO nor the Park City site can be expanded to accommodate current and future operational requirements.

**Analysis Of Incremental Investment**

**Investment Requirements Of Alternatives**

| Alternative A | Alternative B |
|---|---|
| $3,612,000 | $4,403,000 |

**Incremental Analysis**

| | Incremental Investment | Rate of Return | Net Present Value Discounted at 9.5% |
|---|---|---|---|
| B versus A | $791,000 | 39.2% | $1,704,000 |

It is concluded that Alternative B is more economically beneficial than Alternative A.

Woodridge – Page 4

Exhibit 3-5 (p. 5)
**Sample DAR — New Construction Facility — Generative**

### Risk Analysis

Overall risk associated with this rated as low.

| Risk Category | Risk Level | Description |
|---|---|---|
| Operational | Moderate | The termination of operations at the existing location while activating a turnkey operation at the new facility will require considerable coordination between Customer Services, Processing Operations, and Transportation. |
| Technical | Low | No new technology will be introduced as a result of this project. |
| Integration | Low | No new operations will be integrated into the current operations. |

### Performance Metrics

Performance metrics for this project will be based on benefits, costs, benefits and risks identified in the DAR. The timely activation of the new facility will be the schedule metric. More effect carrier operations based on the increased space provided by the new facility will be measured. The expenditure of funds will be monitored during the project to determine if the progress of the construction and postalization is commensurate with the funds being used.

### Financial Summary

| | 10-Year Operating Period ($ in thousands) |
|---|---|
| Investment | $4,403 |
| Operating Variance | $5,429 |
| Net Present Value Discounted at 9.5% | $562 |
| Return on Investment | 11.4% |

### Recommendation

The Woodridge MPO will provide the space to implement carrier-sequenced distribution for the Woodridge MPO and Park City Branch delivery operations. Space deficiencies at the Woodridge MPO and the Park City Branch will be resolved for the 10-year operating period. In addition, by taking the manual mail distribution operations out of the associate offices, the new MPO will serve to extend occupancies of the Dumfry, Lorta, and Square postal facilities. Thus, the MPO will substantially reduce the need for expansion or alternate quarters projects during the 10-year analysis period.

Woodridge – Page 5

Exhibit 3-5 (p. 6)
**Sample DAR — New Construction Facility — Generative**

## INVESTMENT COST SHEET
## (RECOMMENDED ALTERNATIVE B)

| | |
|---|---|
| **I. Project Identification:** | Woodridge |
| **II. Type Project:** | New Construction — Main Post Office |
| **III. Location:** | Woodridge, USA |
| **IV. Size and Cost Data:** | |

| | Sq. Ft. (in thousands) | Cost ($) per Sq. Ft. | Continued ($ in thousands) | Total ($ in thousands) |
|---|---|---|---|---|
| **A. Site** | | | | |
| 1. Land | 150 | 4.0 | $90 | $690 |
| 2. Engineering, Real Estate, Legal, and Other Fees | | | | 25 |
| 3. Site Development | 150 | 1.20 | 36 | 216 |
| **Total Site Cost** | | | **$126** | **$931** |
| **B. Building** | | | | |
| 4. Design | | | 20 | 217 |
| 5. On-site Paving, Landscaping, and Utilities | 150 | 2.41 | 73 | 434 |
| 6. Building Construction | 45 | 50.00 | 190 | 2,440 |
| 7. Construction Supervision | | | | 300 |
| **Total Building Cost** | | | **$283** | **$3,391** |
| **C. Total Site and Building Costs** | | | | **$4,322** |
| **D. Other Investments** | | | | |
| 8. Telephone System | 53 | 1.0 | 3 | 56 |
| 9. Modular or System Office Furniture | | | | |
| 10. One-time Capital Equipment Purchases | | | | 25 |
| **Total Other Investments** | | | **$3** | **$81** |
| **V. Total Investment For Approval** | | | | **$4,403** |

**VI. Milestone Dates**

| *Area Approval* | *Site Acquired* | *Award Design* | *Award Construction* | *Project Complete* |
|---|---|---|---|---|
| MM/YY | MM/YY | MM/YY | MM/YY | MM/YY |

**VII. Additional Comments:**

| | |
|---|---|
| Signature: | Date: |

Woodridge – Page 6

Exhibit 3-5 (p. 7)
**Sample DAR — New Construction Facility — Generative**

## WOODRIDGE, USA
## NEW CONSTRUCTION

## Cash Flow

| Alternative B | | | | | | | ($ in thousands) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Project Year** | **0** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **Total** | **Residual** |
| **I. Investment** | | | | | | | | | | | | | | | |
| Site | (715) | (216) | | | | | | | | | | | | (931) | 1,652 |
| Building | | (950) | (2,441) | | | | | | | | | | | (3,391) | 3,495 |
| Other | | | (81) | | | | | | | | | | | (81) | |
| **Total Investment** | (715) | (1,166) | (2,522) | | | | | | | | | | | (4,403) | |
| Residual Value | | | | | | | | | | | | | 5,147 | 5,147 | 5,147 |
| **Net Investment** | (715) | (1,166) | (2,522) | | | | | | | | | | 5,147 | 744 | |
| **II. Operating Variances From Baseline** | | | | | | | | | | | | | | | |
| Fuel and Utilities | | | | (48) | (51) | (54) | (57) | (61) | (64) | (68) | (72) | (77) | (81) | (633) | |
| Custodian | | | | (141) | (148) | (155) | (163) | (71) | (180) | (189) | (198) | (208) | (219) | (1,773) | |
| Building Maintenance | | | | (39) | (41) | (43) | (45) | (47) | (50) | (52) | (55) | (58) | (61) | (491) | |
| Contract Cleaner | | | | 40 | 42 | 44 | 46 | 49 | 51 | 54 | 56 | 59 | 62 | 503 | |
| Rent | | | | 480 | 504 | 529 | 556 | 583 | 613 | 643 | 675 | 709 | 745 | 6,037 | |
| Labor | | | | 150 | 158 | 165 | 174 | 182 | 191 | 201 | 211 | 222 | 233 | 1,887 | |
| Start-Up Costs | | | (65) | (36) | | | | | | | | | | (101) | |
| **Total Operating Variance** | | | (65) | 406 | 464 | 486 | 510 | 535 | 561 | 589 | 617 | 647 | 679 | 5,429 | |
| **III. Net Cash Flow** | (715) | (1,166) | (2,587) | 406 | 464 | 486 | 510 | 535 | 561 | 589 | 617 | 647 | 5,826 | 6,173 | |
| **IV. Net Cash Flow Discounted at 9.5%** | (715) | (1,065) | (2,158) | 309 | 322 | 309 | 296 | 283 | 271 | 260 | 249 | 239 | 1,961 | 562 | |
| **V. Net Present Value** | $562 | | | | | | | | | | | | | | |
| **VI. Return On Investment** | 11.4% | | | | | | | | | | | | | | |

Exhibit 3-5 (p. 8)
**Sample DAR — New Construction Facility — Generative**

**Backup Documentation** *[Not Shown]*

a. Investments
   (1) Signed Investment Cost Sheet (Fact Sheet).
   (2) One-Time Capital Equipment List.

b. Operating variances.
   (1) Fuel and Utility Costs — Baseline costs are developed using PS Form 4841, *Fuel and Utilities Record,* or copies of the actual gas and utility bills. Future estimates are based on cost per square foot from the baseline situation to the new facility.
   (2) Rent and Parking Leases — A copy of the actual leases, letter from Facilities indicating future estimates, Facilities Management System (FMS) reports.
   (3) Contract Cleaners — A copy of the actual agreement, or letter from the postmaster or Administrative Services indicating current agreement and future estimates.
   (4) Custodial and Building Maintenance Labor — Baseline information from Salaries and Benefits prior fiscal year last accounting period year to date. Future estimates are based on cost per square foot usage or a signed staffing plan.
   (5) Labor Costs/Savings — Baseline information from Salaries and Benefits from prior fiscal year accounting period 13 year to date. Letter from Operations indicating future requirements.
   (6) Start-Up Costs — Management Instruction AS-510-90-12, *New Facility Start-up Costs for Decision Analysis Report (DAR) Cash Flow.*
   (7) Residual Value Computations for Land and Building.

c. Other.
   (1) Site and environmental correspondence.
   (2) Intergovernmental contact.
   (3) Facility Planning Concept (FPC).
   (4) PS Form 919, *Facility Planning Concept.*

Woodridge – Page 8

Exhibit 3-6 (p. 1)
**Sample DAR — New Construction Facility — Nongenerative**


DECISION ANALYSIS REPORT

# Somewhere, USA
# Main Post Office

FACILITIES

**RESTRICTED INFORMATION**

August 1, 2005

Exhibit 3-6 (p. 2)
**Sample DAR — New Construction Facility — Nongenerative**

## DECISION ANALYSIS REPORT
## SOMEWHERE, USA, MAIN POST OFFICE

**Signature Page**

PREPARED BY: <*Signature*>_____
<*Typed Name and Telelphone Number*> Date
Facilities Requirements Specialist
or Postal Operations Analyst

REVIEWED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Manager
Facilities Service Office

SPONSORED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Postmaster
Somewhere, USA

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

APPROVED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Vice President of Area Operations
_____Area

*[This signature page reflects the appropriate preparer, reviewer, sponsor, and approving official for a customer service facility project.]*

Exhibit 3-6 (p. 3)
**Sample DAR — New Construction Facility — Nongenerative**

## DECISION ANALYSIS REPORT
## SOMEWHERE, USA, MAIN POST OFFICE

### Background and Problem Definition

The Somewhere Main Post Office (MPO) has been leased and occupied by the Postal Service since 1975. The current lease, at $13,000 per year, expires in November 2006 with two 5-year renewal options remaining. The MPO has 2,900 square feet of interior space with a 250 square foot platform. The site is 24,500 square feet.

The MPO is used for retail, administration, mail processing, and two carrier routes serving Somewhere. Because of inadequate space, eight delivery routes serving Somewhere are housed in a detached annex in the vicinity of the MPO.

Because of the lack of workroom space at the MPO, mail and equipment must be staged on the platform or in the limited maneuvering area. The number of docks and dock heights are inadequate due to the size of the existing platform. There is limited aisle space and rolling equipment is not permitted in the aisles.

Congested working conditions have made employee safety a concern. Locker and lavatory facilities are inadequate, as is the amount of parking space for customers and employees.

The MPO provides 800 rented post office boxes. There are currently 350 applicants waiting for box service. The lack of sufficient boxes has been a source of complaints from residents and businesses. The existing lobby (1,000 square feet) cannot be expanded to provide additional boxes. Given the business and residential growth of the area, additional boxes are required to serve the community. A 6,400 square foot lobby in the proposed facility will accommodate 1,400 post office boxes, and the number of retail windows will be increased from two to five.

Due to the construction of Interstate 7, which runs directly to Big City, Somewhere has experienced both business and residential growth. Numerous industrial, warehouse, and distribution center operations have relocated to Somewhere. Many of the businesses have moved their permit mailings to Somewhere and have expressed a desire for a local bulk mail acceptance area. The Somewhere MPO does not have a suitable acceptance area for the volume of bulk mailings handled. The maneuvering and platform areas cannot accommodate large vehicles and containerized mail. Fiscal year 1992 revenue approached $6.0 million, a 20 percent increase from the prior year, primarily due to the influx of some major mailers.

The population of Somewhere increased from 6,000 to 14,000 during the 1990s; it is currently 16,000 and is expected to increase to over 30,000 by the year 2005. This population increase mirrors the growth in possible deliveries, which now total 6,300 and are anticipated to increase to 14,500 by the year 2005.

Exhibit 3-6 (p. 4)
**Sample DAR — New Construction Facility — Nongenerative**

The majority of delivery operations are housed in a detached annex located 2/10 of a mile from the MPO. This facility contains 1,500 square feet and is leased for $15,000 annually, with the lease expiring in November 2006. Two 1-year renewal options remain for this facility. This annex was occupied as a temporary measure to relieve congestion at the MPO. Delivery operations were relocated to the annex in 1997; however, in 2003, some routes were relocated back to the MPO due to inadequate space at the annex. Ten routes now serve Somewhere, with either route assistance or an additional route being required each year due to growth within the city. Because of the split operation, mail for carrier routes is sorted at the MPO, transported to the annex, and distributed in delivery sequence at the annex. This has resulted in extra labor and transportation costs. The limited size of the platform impedes delivery operations because carrier-sorted mail awaiting transfer to the annex cannot be fully accommodated. The new facility will have an adequately sized carrier loading area. In the future, due to automation, letter-size mail for all carriers will be processed in walk-sequence.

The combined space at the two Somewhere facilities represents only 20 percent of the space needed to provide adequately for employees and customers. Lobby, workroom, and platform areas will provide sufficient space for future operational needs.

**Alternatives Analyzed**

Alternative A (Recommended) — Construct a new Postal Service-owned 26,800 square foot MPO to house all operations for Somewhere. The preferred site is centrally located within the geographic boundaries of Somewhere, with access to Interstate 7 and other principal thoroughfares. Therefore, the postal facility will be well-situated for customers and for delivery operations. Although the site is located near planned residential developments and industrial zoned areas, it will remain accessible to the existing core delivery area in Somewhere.

Upon occupancy of the new building, the two existing leased facilities will be vacated and disposed of in the manner most beneficial to the Postal Service.

**Alternatives Eliminated**

**Expand the existing facilities.** This alternative was eliminated because of the lack of adjacent property at either facility to accommodate the necessary expansion.

**Purchase or lease existing buildings with modifications.** This alternative was not feasible because no buildings meeting the space requirements are available to accommodate operational needs.

**Retain a split operation by maintaining the MPO and acquiring (via lease or new construction) an adequate carrier annex.** A variation of this is to construct or lease two new facilities meeting space requirements: one for retail, processing, and administration and the other for delivery operations. These alternatives were eliminated due to the costs of retaining two facilities and the operational drawbacks of a split operation.

Somewhere – Page 4

Exhibit 3-6 (p. 5)
**Sample DAR — New Construction Facility — Nongenerative**

### Risk Analysis

Overall risk associated with this rated as low.

| Risk Category | Risk Level | Description |
|---|---|---|
| Operational | Low | Minimal disruption of operations will occur due to this project. |
| Technical | Low | No new technology will be introduced as a result of this project. |
| Integration | Low | No new operations will be integrated into the current operations. |

### Performance Metrics

Performance metrics for this project will be based on benefits, costs, and risks identified in the DAR. The timely activation of the new facility will be the schedule metric. The expenditure of funds will be monitored during the project to determine if the progress of the construction and postalization is commensurate with the funds being used.

### Financial Summary

| | 10-Year Operating Period ($ in thousands) |
|---|---|
| Investment | $4,506 |
| Operating Variance | ($760) |
| Net Present Value Discounted at 9.5% | ($2,682 |
| Return on Investment | N/A |

### Recommendation

Funding in the amount of $4,506,000 is requested for site, design, and construction of a new 26,800 square foot MPO for Somewhere. This facility will house all operating functions from the two existing leased buildings, which will be vacated. The new facility will eliminate current space and capacity deficiencies and provide for future growth. To satisfy customer needs, adequate retail and bulk mail acceptance areas will be located in the same building. Customer and employee parking will be provided, and working conditions will improve.

Exhibit 3-6 (p. 6)
**Sample DAR — New Construction Facility — Non Generative**

## SOMEWHERE, USA
## NEW CONSTRUCTION

## Cash Flow
## 7/23/97

| **Alternative A** | | | | | | | | | | | | ($ in thousands) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Project Year** | **0** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **Total** | **Residual** |
| **I. Investment** | | | | | | | | | | | | | | |
| Site | (842) | (373) | | | | | | | | | | | (1,215) | 1,979 |
| Building | | (3,257) | | | | | | | | | | | (3,257) | 3,303 |
| Other | | (34) | | | | | | | | | | | (34) | |
| **Total Investment** | (842) | (3,664) | | | | | | | | | | | (4,506) | |
| Residual Value | | | | | | | | | | | | 5,282 | 5,282 | 5,282 |
| **Net Investment** | (842) | (3,664) | | | | | | | | | | 5,282 | 776 | |
| **II. Operating Variances From Baseline** | | | | | | | | | | | | | | |
| Fuel and Utilities | | | (55) | (58) | (62) | (66) | (69) | (74) | (78) | (83) | (88) | (93) | (725) | |
| Transportation | | | (25) | (26) | (28) | (29) | (30) | (32) | (34) | (35) | (37) | (39) | (314) | |
| Rent | | | 28 | 29 | 31 | 32 | 34 | 36 | 38 | 39 | 41 | 43 | 352 | |
| Start-up Costs | | (33) | (40) | | | | | | | | | | (73) | |
| **Total Operating Variance** | | (33) | (92) | (55) | (58) | (62) | (66) | (70) | (74) | (78) | (83) | (88) | (760) | |
| **III. Net Cash Flow** | (842) | (3,697) | (92) | (55) | (58) | (62) | (66) | (70) | (74) | (78) | (83) | 5,193 | 15 | |
| **IV. Net Cash Flow Discounted at 9.5%** | (842) | (3,376) | (77) | (42) | (41) | (39) | (38) | (37) | (36) | (35) | (34) | 1,914 | (2,682) | |
| **V. Net Present Value** | ($2,682) | | | | | | | | | | | | | |
| **VI. Return on Investment** | N/A | | | | | | | | | | | | | |

Exhibit 3-6 (p. 7)
**Sample DAR — New Construction Facility — Nongenerative**

**Backup Documentation** *[Not Shown]*

a. Facility Planning Concept.
b. PS Form 919, *Facility Planning Concept.*
c. Retail survey.
d. Construction cost estimate.
e. Site and environmental correspondence.
f. Intergovernmental contact.
g. DARS output and file.

Exhibit 3-7 (p. 1)
**Sample DAR — Purchase of Existing Building**


DECISION ANALYSIS REPORT

# Crossroads, USA
# Purchase of Existing Building

FACILITIES

**RESTRICTED INFORMATION**

September 1, 2005

Exhibit 3-7 (p. 2)
**Sample DAR — Purchase of Existing Building**

## DECISION ANALYSIS REPORT
## CROSSROADS, USA, PURCHASE OF EXISTING BUILDING

**Signature Page**

PREPARED BY: <*Signature*>_____
<*Typed Name and Telelphone Number*> Date
Facilities Requirements Specialist
or Postal Operations Analyst

REVIEWED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Manager
Facilities Service Office

SPONSORED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Postmaster
_____USA

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

APPROVED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Vice President of Area Operations
_____Area

*[This signature page reflects the appropriate preparer, sponsor, and approving official for a processing and distribution project.]*

Exhibit 3-7 (p. 3)
**Sample DAR — Purchase of Existing Building**

**Background and Problem Definition**

The Crossroads, USA, Main Post Office (MPO) is an 8,324 square foot building located on a 40,000 square foot site. A favorable purchase option in the amount of $275,000 has been identified. An additional $10,000 will be needed for a boundary survey, title insurance, and other miscellaneous costs. The total investment cost is projected to yield an 8.4 percent return on investment (ROI) with a net present value (NPV) of $9,024 using the current cost of capital rate of 8.0 percent.

The purchase option price is significantly lower than the estimated current market value of $325,000. It is believed that the seller will allow the Postal Service to exercise this option earlier than the option date of January 2004, due to major cash flow problems.

The lesson is currently responsible for the roof and structure of the facility, while the Postal Service assumes all day-to-day maintenance. Upon purchasing the facility, the Postal Service will assume all maintenance responsibilities.

**Alternatives Analyzed**

Since the existing leased facility meets our 10-year operating needs and allows for future expansion, the option to purchase the leased facility was the only alternative examined.

**Potential Opportunities/Constraints**

The Crossroads location, about 15 miles west of Someplace, provides easy access to major highways, making it ideally situated for residential growth. Increasing demand for land in Crossroads over the next 10 years should ensure steadily rising real estate values and opportunities for development. The site size will allow for expansion of the existing building to accommodate this future growth. All environmental concerns were investigated and resolved.

**Risk Analysis**

Overall risk associated with this rated as low.

| Risk Category | Risk Level | Description |
|---|---|---|
| Operational | Low | Minimal disruption of operations will occur due to this project. |
| Technical | Low | No new technology will be introduced as a result of this project. |
| Integration | Low | No new operations will be integrated into the current operations. |

**Performance Metrics**

Performance metrics for this project will be based on benefits, costs, benefits and risks identified in the DAR. The timely activation of the new facility will be the schedule metric. This includes milestone such as, beneficial occupancy and move-in. The expenditure of funds will be monitored during the project to determine if the progress of the construction / postalization is commensurate with the funds being used.

Exhibit 3-7 (p. 4)
**Sample DAR — Purchase of Existing Building**

**Financial Summary**

| | 10-Year Operating Period ($ in thousands) |
|---|---|
| Required Investment | $285,000 |
| Operating Variance | $210,437 |
| Net Present Value Discounted at 8.0% | $9,024 |
| Return on Investment | 8.4% |

**Recommendation**

It is recommended that funding, not to exceed $285,000, be approved for the purchase of the new Crossroads, USA, MPO. This includes $10,000 in support costs in addition to the purchase price of $275,000, which is well below the estimated value of $325,000. The ROI of 8.4 percent exceeds the 8.0 percent threshold for this type of investment.

Crossroads – Page 4

Exhibit 3-7 (p. 5)
**Sample DAR — Purchase of Existing Building**

## DECISION ANALYSIS REPORT
## CROSSROADS, USA, PURCHASE OF EXISTING BUILDING

### Investment Cost Sheet
### (Recommended Alternative)

| | |
|---|---|
| **I. Project Identification:** | Crossroads, USA |
| **II. Type Project:** | Purchase of Existing Building |
| **III. Location:** | Crossroads, USA |

**IV. Size and Cost Data:**

| | Sq. Ft. (in thousands) | Cost ($) per Sq. Ft. | Continued ($ in thousands) | Total ($ in thousands) |
|---|---|---|---|---|
| **A. Site** | | | | |
| 1. Land | 40 | 1.87 | | $75 |
| 2. Engineering, Real Estate, Legal, and Other Fees | | | | 10 |
| 3. Site Development | | | | -- |
| **Total Site Cost** | | | | **$85** |
| **B. Building** | | | | |
| 1. Purchase | | | | 200 |
| 2. On-site Paving, Landscaping, and Utilities | | | | |
| 3. Building Construction | | | | |
| 4. Construction Supervision | | | | |
| **Total Building Cost** | | | | **$200** |
| **C. Total Site and Building Costs** | | | | **$285** |
| **D. Other Investments** | | | | |
| **V. Total Investment For Approval** | | | | **$285** |

**VI. Milestone Dates**

| *Area Approval* | *Site Acquired* | *Award Design* | *Award Construction* | *Project Complete* |
|---|---|---|---|---|
| MM/YY | MM/YY | MM/YY | MM/YY | MM/YY |

**VII. Additional Comments:**

| | |
|---|---|
| Signature: | Date: |

Exhibit 3-7 (p. 6)
**Sample DAR — Purchase of Existing Building**

## CROSSROADS, USA
## PURCHASE OF EXISTING BUILDING

### Cash Flow
### 7/23/97

| Project Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Total | Residual |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I. Investment** | | | | | | | | | | | | | |
| Building Purchase Price | (275,000) | | | | | | | | | | | (275,000) | 329,550 |
| Support Costs | (10,000) | | | | | | | | | | | (10,000) | |
| **Total Investment** | -(85,000) | | | | | | | | | | | (285,000) | |
| Residual Value | | | | | | | | | | | 329,550 | 329,550 | 329,550 |
| **Net Investment** | (285,000) | | | | | | | | | | 329,550 | 44,550 | |
| **II. Operating Variances From Baseline** | | | | | | | | | | | | | |
| Rent | | 23,324 | 23,324 | 24,071 | 24,071 | 24,071 | 24,071 | 24,071 | 24,257 | 24,257 | 24,257 | 239,774 | |
| Structural/Building Maintenance | | (2,332) | (2,449) | (2,571) | (2,700) | (2,835) | (2,977) | (3,126) | (3,282) | (3,446) | (3,618) | (29,337) | |
| **Total Operating Variance** | | 20,992 | 20,875 | 21,500 | 21,371 | 21,236 | 21,094 | 20,945 | 20,975 | 20,811 | 20,639 | 210,437 | |
| **III. Net Cash Flow** | (285,000) | 20,992 | 20,875 | 21,500 | 21,371 | 21,236 | 21,094 | 20,945 | 20,975 | 20,811 | 350,189 | 254,987 | |
| **IV. Net Cash Flow Discounted at 8.0%** | (285,000) | 19,437 | 17,897 | 17,067 | 15,708 | 14,453 | 13,293 | 12,221 | 11,332 | 10,411 | 16,2205 | 9,024 | |
| **V. Net Present Value** | $9,024 | | | | | | | | | | | | |
| **VI. Return on Investment** | 8.4% | | | | | | | | | | | | |

Exhibit 3-7 (p. 7)
**Sample DAR — Purchase of Existing Building**

**Backup Documentation** *[Not Shown]*

a. Appraisal.
b. Statement of fair market value.
c. Copy of the lease agreement.
d. Statement supporting the leasehold interest.
e. Statement supporting the residual value calculation.
f. Statement defining all support costs.
g. Facility profile (from Facilities Management System).
h. Deferred Maintenance Building Inspection Report.

Exhibit 3-8 (p. 1)
**Sample DAR — Repair and Alteration Project**


DECISION ANALYSIS REPORT

# Elseville, USA
# HVAC System Replacement

FACILITIES

**RESTRICTED INFORMATION**

August 1, 2005

Exhibit 3-8 (p. 2)
**Sample DAR — Repair and Alteration Project**

## DECISION ANALYSIS REPORT
## ELSEVILLE, USA, HVAC SYSTEM REPLACEMENT

### Signature Page

PREPARED BY: <*Signature*>_____
<*Typed Name and Telelphone Number*> Date
Facilities Requirements Specialist
or Postal Operations Analyst

REVIEWED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Manager
Facilities Service Office

SPONSORED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Postmaster
Elseville, USA

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

APPROVED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Vice President of Area Operations
_____Area

*[This signature page reflects the appropriate preparer, sponsor, and approving official for a processing and distribution project.]*

Exhibit 3-8 (p. 3)
**Sample DAR — Repair and Alteration Project**

### Background and Problem Definition

The Elseville, USA, Main Post Office (MPO) is a 25-year-old Postal Service-owned facility that was built and occupied in 1979. The original heating, ventilation, and air conditioning (HVAC) equipment has reached the end of its useful life for this type of equipment. The HVAC system consists of 17 condensing units. After being repaired numerous times, five of the condensing units are now completely inoperative. Four other condensing units require frequent recharging to keep them operational. Customers and employees of this facility are negatively impacted by the substandard conditions caused by the only partially functional HVAC system.

The Postal Service has no immediate plans to vacate this facility. An operational review indicated that this facility will meet our requirements for the next 10 years. A comprehensive building inspection indicated that the facility is structurally sound and that no other significant repairs are required now or in the near future.

Two delivery bar code sorters (DBCSs) are scheduled to be deployed to this office next year. The already unreliable HVAC system will be further stressed once this equipment is in operation.

### Alternatives Analyzed

An architectural/engineering (A/E) firm was contracted to evaluate the feasibility of repairing, replacing, or upgrading the current HVAC system. The attached A/E report clearly indicates that replacement of the system is the only viable alternative and is necessary at this time. No other alternatives were examined since it was decided that the Postal Service will remain in this facility.

### Budget Impact

This repair and alteration project (Line 63) is a planned project. The estimated cost is $1,182,325, with design funds of $100,000 to be committed in fiscal year 2004 and construction funds of $1,082,325 to be committed in fiscal year 2005.

### Risk Analysis

Overall risk associated with this rated as low.

| Risk Category | Risk Level | Description |
|---|---|---|
| Operational | Low | Minimal disruption of operations will occur due to this project. |
| Technical | Low | No new technology will be introduced as a result of this project. |
| Integration | Low | No new operations will be integrated into the current operations. |

### Performance Metrics

Performance metrics for this project will be based on benefits, costs, benefits and risks identified in the DAR. The timely activation of the new facility will be the schedule metric. This includes milestone such as, beneficial occupancy and move-in. The expenditure of funds will be monitored during the project to determine if the progress of the construction and postalization is commensurate with the funds being used.

Exhibit 3-8 (p. 4)
**Sample DAR — Repair and Alteration Project**

**Financial Summary**

| | 10-Year Operating Period ($ in thousands) |
|---|---|
| Required Investment | $ 1,182,325 |
| Operating Variance | N/A |
| Net Present Value Discounted at 8.0% | N/A |
| Return on Investment | N/A |

**Recommendation**

Replacement of the HVAC system is required since the existing equipment can no longer be repaired. It is recommended that funding, not to exceed $1,182,325, be approved for the design and construction of a new HVAC system to replace the current HVAC system in the Elseville, USA, MPO.

**Backup Documentation** *[Not Shown]*

a. A/E Report.

b. Building inspection report or summary.

c. Operational review summary.

Exhibit 3-9 (p. 1)
**Sample DAR — Equipment Purchase**


DECISION ANALYSIS REPORT

# Ameritown, USA
# Stackable Warehouse Containers

FACILITIES

**RESTRICTED INFORMATION**

August 1, 2004

Exhibit 3-9 (p. 2)
**Sample DAR — Equipment Purchase**

## DECISION ANALYSIS REPORT
## AMERITOWN, USA, STACKABLE WAREHOUSE CONTAINERS

**Signature Page**

PREPARED BY: <*Signature*>_____
<*Typed Name and Telelphone Number*> Date
Facilities Requirements Specialist
or Postal Operations Analyst

REVIEWED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Manager
Facilities Service Office

SPONSORED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Postmaster
Ameritown, USA

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

APPROVED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Vice President of Area Operations
_____Area

*[This signature page reflects the appropriate preparer, reviewer, sponsor, and approving official for a processing and distribution project.]*

Exhibit 3-9 (p. 3)
**Sample DAR — Equipment Purchase**

**Background and Problem Definition**

At present an inadequate supply of empty equipment (sacks, pouches, letter trays, flat trays, etc.) is kept on hand for use in the plant. Currently this equipment is stored in general purpose mail containers (GPMCs) at the warehouse.

If GPMCs are used to store all the empty equipment that is needed, 5,594 square feet of additional off-site commercial warehouse space will have to be leased at an annual cost of $11,188 to provide the needed storage. In addition, $34,147 in labor handling and transportation costs will be needed each year to transport these containers between the commercial warehouse and the plant.

The existing warehouse is designed with 22- to 26-foot height clearance, which would permit high cube or multi-level storage. The purchase of 340 stackable warehouse containers and 120 stacking base frames (which allow the containers to be stacked) would provide the needed storage in the existing space. This would eliminate the need to lease any off-site commercial warehouse space. The larger storage capacity of stackable containers would also reduce the number of trips between the warehouse and the plant.

Initial estimates indicate that the cost for 340 containers and 120 stacking base frames will be $114,200. This estimate includes two prototype containers and bases.

**Alternatives Analyzed**

**Alternative A:** Lease 5,594 square feet of commercial warehouse space at a first-year lease cost of $11,188 ($2.00/SF), escalated by 3 percent each year thereafter, to house necessary empty equipment.

**Alternative B (Recommended):** Install stackable containers in existing warehouse space for storage of empty equipment with a capital investment cost of $114,200.

**Alternatives Eliminated**

**Build a new warehouse:** This alternative was eliminated because the site is not large enough to hold a new warehouse. In addition, building a warehouse off-site would result in both capital expenditures and transportation expenses.

**Use existing space in the plant:** This alternative was eliminated because having empty equipment on hand is an operational requirement and there is no available storage space within the plant.

Ameritown – Page 3

Exhibit 3-9 (p. 4)
**Sample DAR — Equipment Purchase**

**Budget Impact**

The purchase of stackable warehouse containers is a budgeted project for fiscal year 1997 in the amount of $114,200 in capital funds. The project will obviate the need to spend funds on a lease and eliminate additional equipment transportation costs.

**Operational Impact**

By using the existing warehouse, which is located closer to the plant, equipment transportation will be more efficient and better supervised.

**Risk Analysis**

Overall risk associated with this rated as low.

| Risk Category | Risk Level | Description |
|---|---|---|
| Operational | Low | Minimal disruption of operations will occur due to this project. |
| Technical | Low | No new technology will be introduced as a result of this project. |
| Integration | Low | No new operations will be integrated into the current operations. |

**Performance Metrics**

Performance metrics for this project will be based on benefits, costs, benefits and risks identified in the DAR. The timely activation of the new facility will be the schedule metric. This includes milestone such as, beneficial occupancy and move-in. The expenditure of funds will be monitored during the project to determine if the progress of the construction and postalization is commensurate with the funds being used.

**Financial Summary**

| | 10-Year Operating Period ($ in thousands) |
|---|---|
| Investment | $114,200 |
| Operating Variance | N/A |
| Net Present Value | N/A |
| Return on Investment | N/A |

**Recommendation**

In order to achieve improved storage efficiency and use, it is recommended that funding not to exceed $114,200 be authorized for the warehouse stackable containers.

**Backup Documentation** *[Not Shown]*

a. Estimated cost per square foot for commercial warehouse space (from facilities service office).
b. Financial report for workhour rate.
c. Vendor estimate.
d. Empty equipment quantity requirements.

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# 4 Project Review and Approval

## 4-1 About This Chapter

The review and approval procedures described in this section apply to all field-sponsored projects that require a JOE or DAR (see exhibit 1-2). The only exception is contracts for expense equipment and non-routine service contracts up to $250,000, which require a JOE to be approved by the appropriate approving official only. Requests to modify an approved DAR (see chapter 8) must also be reviewed and approved following these procedures.

Headquarters-level investment projects that are sponsored by the field must be reviewed and approved by the field following the procedures in this section before being forwarded to Headquarters for review, validation, and final approval.

## 4-2 Purpose

The purpose of the review and approval process is to ensure that proposed investment projects are adequately examined before being approved. Both the approving officials and the review committees at each approval level are responsible for answering the following questions:

a. Is the proposed project economically justifiable?

b. Have all alternative plans been properly analyzed and eliminated?

c. Have the various impacts of the investment been thoughtfully considered?

d. Is the project consistent with the Five-Year Capital Investment Plan?

e. Is the project consistent with objectives of the Strategic Plan, Voice of the Customer, Voice of the Employee, and Voice of the Business?

f. Does the backup documentation adequately support the investment?

# 4-3 Responsibility

The following review committees and officials are chiefly responsible for reviewing and approving investment projects initiated by the field.

## 4-3.1 Review Committees

The approving official may select one or more of the following types of review committees to review a JOE or DAR: work group, functional review team, funds investment committee (FIC), or performance cluster. In addition, all projects requiring approval by the area vice president must be reviewed by the area Capital Investment Committee (CIC). The review committee recommends to the approving official whether the proposed project should be approved. Exhibit 4-1 shows the composition, review methods, and required output of these committees.

### 4-3.1.1 FIC and CIC Chairpersons

The persons selected to chair the FIC and area CIC must be knowledgeable regarding investment policies and procedures and able to lead the committee effectively. The chairperson is responsible for conducting committee meetings and ensuring that a quorum is present to vote on project recommendations and the Five-Year Capital Investment Plan.

### 4-3.1.2 FIC and CIC Secretaries

The FIC and CIC secretaries are nonvoting members of their respective committees. They should be knowledgeable concerning investment policies and procedures since they will often be the focal point for project coordination. The FIC or CIC secretary may also be a member of the work group or review committee. The secretary has the following responsibilities:

a. Prepare meeting agendas.

b. Make sure the required project documentation is received, reviewed by the appropriate organizations, and validated prior to review by the FIC or CIC.

c. Review, publish, and distribute committee decisions, recommendations, and requests (including minutes of meetings).

## 4-3.2 Approving Officials

Approving officials at the field level include the plant or district manager (or both) and the vice president of Area Operations. If a project will have an impact on both customer service and processing and distribution functions, it must be approved by both managers. Field-level officials sign the JOE or DAR to indicate agreement with the project concepts, assumptions, and operational and budgetary impacts.

Approving officials have the following responsibilities:

a. At the plant or district level, inform Capital and Program Evaluation, Finance, Headquarters, of the selected review method (and any subsequent changes).

b. At the area level, ensure that an area CIC review is performed.

c. Determine whether a project falls within the delegated authority of the reviewers or requires final approval at a higher level.

d. Select the project review committee.

e. Sign the JOE or DAR to denote approval, or deny the project.

f. Forward the approved JOE or DAR to the next approval level, if applicable, or upon final approval provide a copy of the approved document to the project sponsor for implementation and funding approval.

## 4-4 Review Procedures

The review and approval process at the plant or district and area levels is shown in exhibits 4-2 and 4-3. A project may be disapproved or returned to the sponsoring organization for refinement at any point in the review process.

At the plant or district level, the approving official may elect to have a project reviewed by a work group, functional review team, FIC or performance cluster, or a combination of these methods. Although not required, one or more reviews at the level where a project is initiated, is strongly recommended to ensure that the requested project reflects sound business judgment.

The vice president of Area Operations, may require that a specific review method (or methods) be used or may leave the choice of review method to the discretion of the plant or district manager. In any case, the review method selected should be based upon prudent business sense.

At the area level, the project may be reviewed by a work group or functional review team. But in all cases the DAR must be reviewed by the area CIC before it is submitted to the area vice president for approval.

A joint review involving representatives from processing and distribution operations and customer service is recommended when a project impacts both areas.

### 4-4.1 Work Group

A work group is a standing committee composed of a core group of staff representatives from the sponsoring organization's Finance, Operations, Retail Marketing, and facilities service office (district) or in-plant support (area) functions. Additional members may be included as necessary to ensure an adequate review of the project.

Members of the work group familiarize themselves with the project by reviewing the JOE or DAR and conducting site visits as necessary. The work group then meets to discuss the project and decides whether to recommend it.

The work group's conclusions are documented in the form of minutes or a recommendation to the approving official. The conclusions are forwarded to the FIC or CIC, if applicable. They are also included as part of the DAR backup documentation.

## 4-4.2 Functional Review

A functional review is performed by an ad hoc group selected by the approving official from the sponsoring organization's Finance, Operations, Retail, and Facilities Service Office or In-Plant Support functions. Representatives from processing and distribution and customer services should be selected when the project impacts both sides.

The selected individuals independently assess the impact of the investment project on the function they represent. The review team may meet informally to discuss the project. Each functional representative must sign off on the project before the DAR or JOE is forwarded to the approving official.

A signature page attached to the JOE or DAR indicates the concurrence of each member of the functional review team. If a member of the team has reservations regarding the project, these should be stated and included with the JOE or DAR.

## 4-4.3 FIC or Performance Cluster Review

An FIC consists of managerial staff designated by the approving official at the plant or district level. A performance cluster is a group of managers representing both processing and distribution and customer service functions.

The FIC or performance cluster meets to review, discuss, and vote on whether or not to recommend approval of the proposed project. Minutes of the meeting are included with the JOE or DAR when it is forwarded to the plant or district manager (and the vice president of Area Operations, if applicable) for review and approval.

## 4-4.4 CIC Review

All area-level investment projects (see exhibit 1-1) must be reviewed and recommended by the area CIC before the project is forwarded to the vice president of Area Operations, for final approval. The CIC review, which may be in addition to a work group or functional review, generally takes place after the DAR has been validated (see chapter 6).

The CIC is composed of managerial staff designated by the approving official to include direct reports such as Finance, Operations, and Retail Marketing.

In addition to reviewing JOEs, DARs, and DAR Modification Requests, the area CIC reviews the final DAR Compliance Report for each project and suggests follow-up actions (see chapter 7). The area CIC also approves the Five-Year Capital Investment Plan.

The minutes of area CIC meetings are forwarded to the approving official and to the manager, Capital and Program Evaluation, Finance, Headquarters. A copy of the DAR (not including backup) must be forwarded along with the CIC minutes for any facility project from $4.5 to $5 million.

## 4-5 Approval Procedures

The approving official signs the JOE or DAR for projects within that official's delegated authority and for projects requiring approval at a higher level (see exhibit 1-1). The final approval authority must provide a copy of the approved JOE or DAR to the project sponsor who implements the project as funding is made available.

For major investments sponsored by the field, the DAR is forwarded to Headquarters for review, validation, and final approval after the project has been approved by the vice president of Area Operations. Note that all material handling projects must be forwarded to Headquarters to be approved by the vice president of Engineering.

## 4-6 Document Retention

The Finance manager at the final approval level provides a copy of the approved DAR to the sponsor and retains the original file documentation (that is, the approved JOE or DAR including all backup materials, CIC minutes, and validation memo) for 2 years following submission of the final DAR Compliance Report.

Exhibit 4-1 (p. 1)
**Field Review Methods**

**Work Group (Area, District, or PDC Level)**

| Type of Committee | Responsibilities | Recommended Use | Required Output |
|---|---|---|---|
| Standing committee (from functional areas of Finance, Operations, Retail, and in-plant or facility service center).<br>Additional members as necessary for adequate review. | Review project documentation.<br>Conduct site visits as necessary.<br>Reach consensus on projects.<br>Review Five-Year Capital Investment Plan and make recommendations. | To develop, prioritize, and monitor budget plan and commitments.<br>To screen projects for management review.<br>To provide comments to sponsor and managers. | Send minutes or a written recommendation to approving official. Report to the FIC or CIC. |

**Functional Review (Area, District, or PDC Level)**

| Type of Committee | Responsibilities | Recommended Use | Required Output |
|---|---|---|---|
| Ad hoc group from the functional field group selected by the membership from the functional areas of Finance, Operations, Retail, and in-plant or facilities center. | Independently assess the functional impact of the investment.<br>May meet informally meet to discuss the project of the Five-Year Capital Investment Plan. | To screen projects for management review.<br>To ensure that all projects reflect the best use of funds. | Sign a functional review signature page to indicate concurrence.<br>Individually note reservations about the project.<br>Send documentation to FIC or CIC if applicable. |

**Field Investment Committee or Performance Cluster (District or PDC Level)**

| Type of Committee | Responsibilities | Recommended Use | Required Output |
|---|---|---|---|
| Managerial staff designated by the approving official to include at least Finance, Operations, Retail, and In-Plant or Facilities Service Center.<br>Support. Performance cluster review is recommended for strategic or complex issues. | Review, discuss, and vote project recommendation.<br>Review, discuss, and vote on initial or revised Five-Year Capital Investment Plan.<br>Discuss DAR Compliance Report results and follow-up actions. | To perform the management review prior to approval of the District, or Processing and Distribution Center manager.<br>To ensure that all projects reflect the best use of funds.<br>To provide comments to the sponsor and managers as necessary. | Send minutes and project documentation to approving official and to the vice president of Area Operations. |

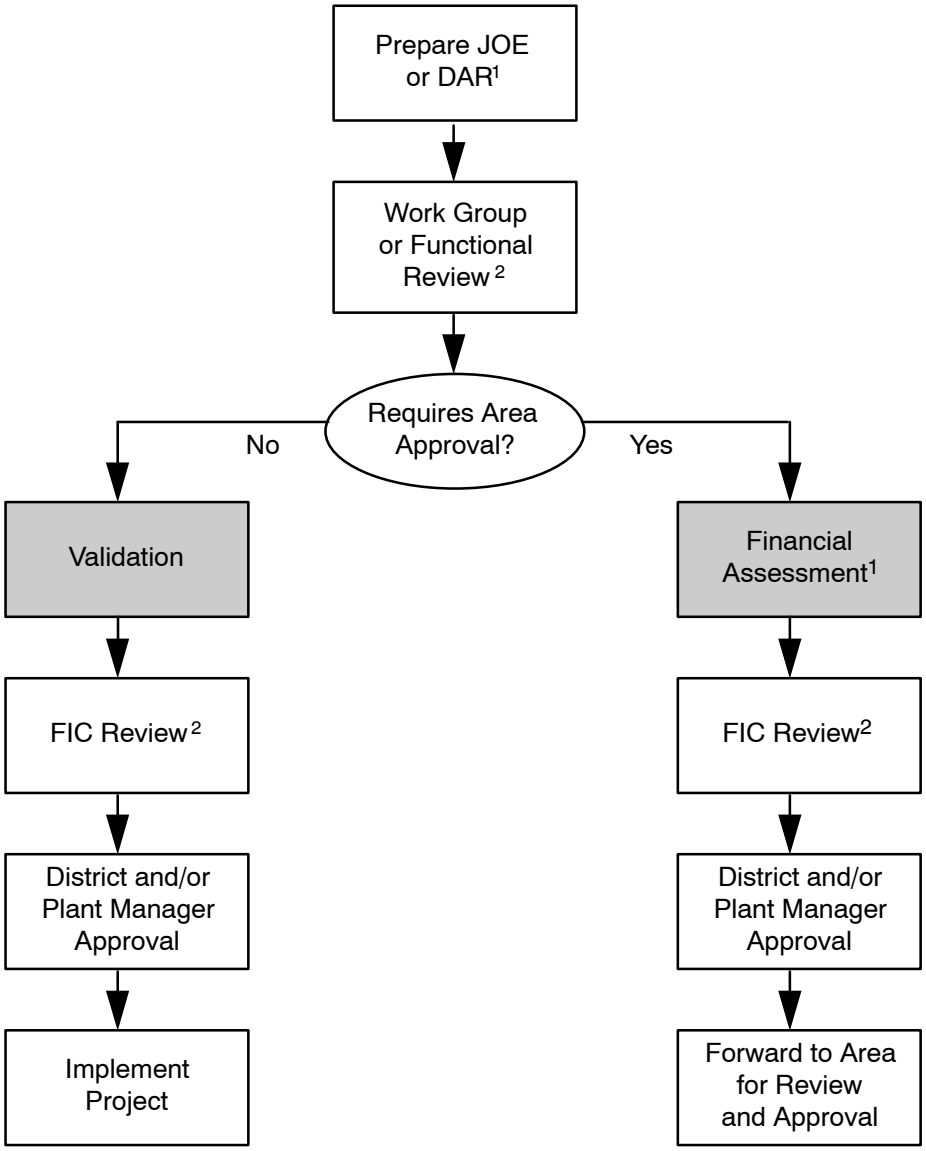
Exhibit 4-1 (p. 2)
**Field Review Methods**

**Capital Investment Committee (Area Level)**

| Type of Committee | Responsibilities | Recommended Use | Required Output |
|---|---|---|---|
| Managerial staff designated by the approving official to include direct reports such as Finance, Operations, and Retail Marketing. | Review, discuss, and vote on project recommendation.<br>Review, discuss, and vote on initial or revised Five-Year Capital Investment Plan.<br>Discuss DAR Compliance Report results and follow-up. | To review projects before approval by the vice president of Area Operations.<br>To ensure that all projects reflect the best use of funds.<br>To provide relevant comments to sponsor and managers. | Send minutes and project documentation to approving official and to the vice president of Area Operations.<br>Send minutes (and a copy of the DAR for projects from $4.5 to $5 million) to the manager, Capital and Program Evaluation, Finance, Headquarters. |

Exhibit 4-2
**District Review and Approval Process**

In the flow chart below, shaded boxes indicate steps that apply to DARs, but not to JOEs.



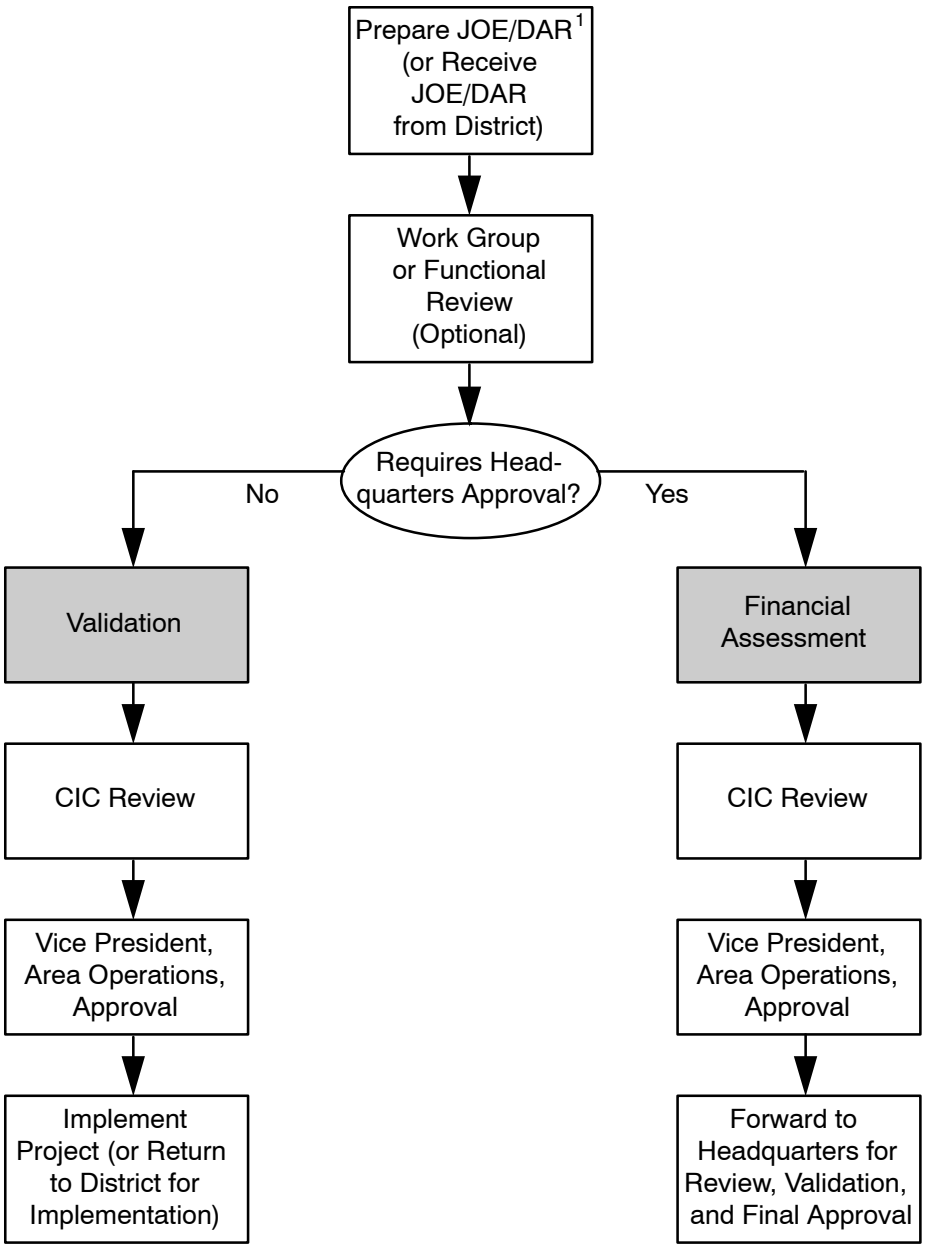

***Notes:***

1 The DAR for Headquarters-level projects (above $5 million) must meet the documentation requirements for major facility or major equipment projects, etc. A financial assessment at the district level is not required for these projects.

2 Indicates a choice of review methods (see subchapter 4-4).

Exhibit 4-3
**Area Review and Approval Process**

In the flow chart below, shaded boxes indicate steps that apply to DARs, but not to JOEs.




***Note:***

[1] The DAR for Headquarters-level projects (above $5 million) must meet the documentation requirements for major facility or major equipment projects.

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# 5 Financial Assessment

## 5-1 About This Chapter

A financial assessment of the DAR (and any DAR Modification Requests) is required at the organizational level below final approval when the investment cost of a project exceeds the approval authority of the originating organization.

| **For projects approved at the**… | **the financial assessment is performed by the**… |
|---|---|
| area level | plant or district. |
| Headquarters level | area. |

A financial assessment is not required for a JOE.

## 5-2 Purpose

A financial assessment entails a review of the key components of a DAR with the following objectives:

a. Determine whether the investment is justified.

b. Ensure that the proposed investment is budgeted by the requesting organization.

c. Assess the budget impact of the proposed investment.

d. Evaluate the significant financial or operating assumptions.

## 5-3 Procedures

A financial assessment, if required, is performed by a Finance manager or designee at the district or area level (see exhibits 4-2 and 4-3). The analyst reviews the project documentation and prepares a memorandum that either concurs with the DAR recommendation or identifies exceptions or unresolved problems. The financial assessment memorandum (see exhibit 5-1) is sent with the DAR to the approving official at the current level before being forwarded to the final approval level.

For major facility or major equipment investments, the financial assessment by the area Finance office must be included in the backup documentation when the DAR is forwarded to Headquarters for review, validation, and final approval.

# 5-4 Responsibility

## 5-4.1 Plant or District Manager

The plant or district manager is responsible for ensuring that a financial assessment of area-level projects is performed before signing the DAR and forwarding it to the area for review, validation, and final approval.

Projects that are within the approval authority of the plant or district manager do not require a financial assessment but must be validated (see chapter 6).

## 5-4.2 Vice President of Area Operations

The vice president of Area Operations, is responsible for ensuring that a financial assessment is performed at the area level for all field-sponsored projects that require Headquarters approval.

Projects that are within the approval authority of the vice president of Area Operations do not require a financial assessment at the area level but must be validated by Finance (see chapter 6).

# 5-5 Minimum Requirements

Upon completion of the financial assessment, the analyst prepares a financial assessment memorandum in the approved format (see exhibit 5-1). A financial assessment memorandum must include the following:

a. Summary of the DAR (i.e., the problem, the recommended solution, and the cost of the project).

b. Budget impacts of the proposed project during a 3-year period.

c. Assumptions used to develop the budget impact figures.

d. Signed and dated statement certifying that the budget impacts are reasonable, accurate, and fairly reflect the recommendation of the DAR.

# 5-6 Financial Assessment for Projects Using DARS

If DARS is used to develop backup documentation data for a DAR (see part 3-5.3), the financial assessment may be attached to the budget crosswalk spreadsheet that is output by DARS (see exhibit 5-2). In this situation, the financial assessment memorandum may be modified to include only the capital dollar impact figures. The sponsor must sign the budget crosswalk, which reflects the operating variance.

Exhibit 5-1
**Sample Financial Assessment Memorandum**

AREA FINANCE

UNITED STATES POSTAL SERVICE

<Today's Date>

<Name of Approving Official>

SUBJECT: Financial Assessment Memorandum for <Project Name>

I have reviewed the attached DAR and the supporting backup documentation. The requested expenditure is <or is not> budgeted for this fiscal year. The funding of $ <fill in amount> is requested to <briefly summarize the what, where, when, and why of the investment>.The investment is <or is not>economically justified and has the following budget impact in current dollars:

| | Current FY | Second FY | Third FY |
|---|---|---|---|
| Capital Dollar Impact | | | |
| FRS Line # _____ | | | |
| FRS Line # _____ | | | |
| FRS Line # _____ | | | |
| Non-Personnel Dollar Impact | | | |
| FRS Line # _____ | | | |
| FRS Line # _____ | | | |
| FRS Line # _____ | | | |
| Workhour Impact | | | |
| Hours | | | |
| Dollars | | | |

Assumptions: <Briefly describe the assumptions used to develop the above impacts.>

I certify that the foregoing information is reasonable, accurate, and fairly reflects the recommendation of the Decision Analysis Report.

<Signature>

<Typed Name>
Manager
Budget and Financial Analysis

Exhibit 5-2
**DARS-Generated Budget Crosswalk**

# CAPITAL INVESTMENT TRACKING SYSTEM

| | | | |
|---|---|---|---|
| PROJECT NAME: | FISCAL YEAR: | 1998 | 1999 |
| Anytown, USA | MOVE-IN A/P: | 6 | |
| DISTRICT: | FIXED-MECH: | 12 | 0 |
| Any District, USA | DATE REVISED: | 12/01/98 | |
| FINANCE #: | DATA SOURCE: | DAR | |
| xx-xxxx | SOURCE DATE: | 12/01/98 | |

**Facility Installation Manager**
**Printed Name**
**Date**
**Signature**

| OPERATING VARIANCES | LDC | ANNUAL | | FY 1997 BUDGET | | FY 1998 BUDGET | | FY 1999 BUDGET | | FY 2000 BUDGET | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| WORKHOURS | | SAVINGS | COSTS | SAVINGS | COSTS | SAVINGS | COSTS | SAVINGS | COSTS | SAVINGS | COSTS |
| TRANS-LOADING TIME | 10-19 | | | | | 0 | 0 | 0 | 0 | | |
| MAIL PROCESSING | 10-19 | | | | | 0 | 0 | 0 | 0 | | |
| MATERIAL HANDLING | 17 | | | | | 0 | 0 | 0 | 0 | 0 | 0 |
| ADMINISTRATIVE | 09/50-99 | | | | | 0 | 0 | 0 | 0 | | |
| OTHER/ENTER LDC | ? | | | | | 0 | 0 | 0 | 0 | | |
| OTHER/ENTER LDC | ? | | | | | 0 | 0 | 0 | 0 | | |
| | | | | | | 0 | 0 | 0 | 0 | | |
| SUB-TOTAL | | 0 | 0 | | | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | 0 | 0 | 0 | 0 | | |
| DELIVERY SERVICES | 20-29 | | | | | 0 | 0 | 0 | 0 | | |
| MVS (TRANS FILE) | 30-34 | | | | | 0 | 0 | 0 | 0 | | |
| MVS (LABOR FILE) | 30-34 | | | | | 0 | 0 | 0 | 0 | | |
| CUSTOMER SERVICE | 40-49 | | | | | 0 | 0 | 0 | 0 | | |
| MAINTENANCE | | | | | | 0 | 0 | 0 | 0 | | |
| OP EQUIP MATERIAL HAND. | 36 | | | | | 0 | 0 | 0 | 0 | | |
| BLDG OPERATION | 37 | | | | | 0 | 0 | 0 | 0 | | |
| CUSTODIAL MAINT. | 38 | | | | | 0 | 0 | 0 | 0 | | |
| MAINT. OTHER | 35-39 | | | | | 0 | 0 | 0 | 0 | | |
| | | | | | | 0 | 0 | 0 | 0 | | |
| SUB-TOTAL | | 0 | 0 | | | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | (recovery) | | (recovery) | | (recovery) | |
| START-UP HOURS | TOT YR1 | | | | | | | | | | |
| (non recurring) | MP YR1 | | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| | MAINT YR1 | | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| | POAC YR2 | | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| TOT START-UP WK HOURS | | | 0 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| TOT W-H SAV/COSTS | | 0 | 0 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| NON PERSONNEL $(000) | LINE # | SAVINGS | COSTS | SAVINGS | COSTS | SAVINGS | COSTS | SAVINGS | COSTS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| SUPPLIES & SVCS | | | | | | $0 | $0 | $0 | $0 | | |
| RENT | 41 | | | | | $0 | $0 | $0 | $0 | | |
| FUEL & UTILITIES | 42 | | | | | $0 | $0 | $0 | $0 | | |
| TRANSPORTATION | 3P | | | | | $0 | $0 | $0 | $0 | | |
| OTHER | ? | | | | | $0 | $0 | $0 | $0 | | |
| OTHER | ? | | | | | $0 | $0 | $0 | $0 | | |
| START-UP COSTS | | | | | | | | | | | |
| PRE MOVE | | | | | $0 | $0 | $0 | $0 | | | |
| POST MOVE | | | | | | | $0 | $0 | $0 | $0 | |
| TOTAL NPC | | $0 | $0 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| | | ANNUAL | | FY 1997 | | FY 1998 | | FY 1999 | | FY 2000 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| REVENUE | | INCREASE | DECREASE | INCREASE | DECREASE | INCREASE | DECREASE | INCREASE | DECREASE | INCREASE | DECREASE |
| | | | | | | $0 | $0 | $0 | $0 | | |
| | | | | | | $0 | $0 | $0 | $0 | | |
| | | | | | | $0 | $0 | $0 | $0 | | |





Exhibit 5-2

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# 6 Field Validation

## 6-1 About This Chapter

A financial analyst at the final approval level must validate the DAR, and any DAR Modification Requests, before the approving official signs the DAR. The validation procedures in this section apply only to field projects documented by a DAR (not a JOE). Major facility and major equipment projects must be validated by Headquarters.

## 6-2 Purpose

A field validation is a comprehensive review of a DAR conducted by a financial analyst at the plant, district, or area level. The validation provides the following assurances to the approving official:

a. The project is consistent with the Five-Year Capital Investment Plan.

b. The project is consistent with the objectives of the *Strategic Transformation Plan 2006–2010; Five-Year Strategic Plan, FY 2004–2008;* and the Five-Year Capital Investment Plan.

c. The DAR is in full compliance with current capital investment policies and procedures.

d. The information presented in the DAR is reasonable, accurate, and logical.

e. All viable, reasonable solutions and alternatives to the problem are addressed in the DAR.

f. The recommended alternative either reduces or eliminates the operational deficiency and is superior to all other viable solutions.

g. The timing and funding for the project are addressed in the DAR or backup documentation.

h. Approval of the project is a sound business decision.

# 6-3 Procedures

A financial analyst performs the validation before the DAR is submitted to the final approving official. The analyst must use the field validation guidelines (see exhibit 6-1) to ensure a thorough analysis of a DAR. When all discrepancies and questions arising from the operational review have been resolved, the analyst prepares and signs a validation memorandum (see exhibit 6-2). The person who prepared the DAR may not validate it.

# 6-4 Responsibility

## 6-4.1 Plant or District Manager

The plant or district manager is responsible for ensuring that a DAR is properly validated before granting final approval to an investment project. The approving official has the authority to define additional requirements of a validation.

Projects that require higher-level approval are validated at the final approval level (area level or Headquarters).

## 6-4.2 Vice President of Area Operations

The vice president of Area Operations, is responsible for ensuring that a DAR is properly validated at the area level before granting final approval to an investment project. The vice president of Area Operations may define additional validation requirements.

Major facility and major equipment projects are validated at Headquarters, but require a financial assessment at the area level (see chapter 5).

# 6-5 Minimum Requirements

A sample field validation memorandum is included as exhibit 6-2. The specific format shown does not need to be followed provided all the requirements are met.

At a minimum the validation memorandum must briefly summarize the DAR recommendation (e.g., what, where, why, the cost, and whether the project is budgeted). The signed and dated memorandum must conclude with a statement that the DAR is accurate and reasonable and reflects sound business practice.

Exhibit 6-1 (p. 1)
**Field Validation Guidelines**

**General:**

_____ Is a completed signature page included? Are all required signatures included in the backup documentation?

_____ Are the name and telephone number of the preparer included?

_____ Has the sponsor signed the DAR?

_____ Are the pages numbered?

_____ Are all assumptions and conditions explained, either in the DAR, an appendix, or the backup documentation?

_____ Is the backup data mathematically correct, and is the appropriate methodology used?

_____ If appropriate, has a lease versus own analysis been included?

_____ Have both repair and replacement options been considered?

_____ Does the DAR comply with current policy and procedures, and is it in the approved format?

_____ Does the project provide an automation implementation plan when necessary?

_____ Is the project included in the Five-Year Capital Investment Plan, and is it properly prioritized and funded within the approved budget year?

_____ If required for new construction projects, was an environmental assessment and Finding of No Significant Impact (FONSI) statement issued? Does the DAR include the date the FONSI was (or will be) issued?

_____ Does the DAR backup state that community or intergovernmental contact was made?

**Alternatives:**

_____ Are all presented alternatives reasonable?

_____ Is each alternative analyzed given thoughtful consideration?

_____ Have any alternatives been overlooked?

_____ Is the recommended alternative the most economically favorable? If not, is the exception properly justified and reasonable?

_____ Does the funding requested include all lease payments over the lease term and renewal options?

_____ Have all significant impacted items been identified and included in the analysis?

**Justification Based on Operational Savings:**

_____ Is the economic analysis mathematically correct and developed according to prescribed policies and procedures? Are estimating methods and underlying assumptions reasonable and valid?

_____ Is the timing of the investments and savings realistic?

_____ Does the economic analysis support the DAR recommendation?

_____ Are the rates, categories used for investment type, cost of capital, and return on investment correct?

_____ Are the cash flows, if required, accurate and complete?

_____ Does each cash flow use correct escalation rates?

Exhibit 6-1 (p. 2)

**Field Validation Guidelines**

_____ Are labor rates supported by National Workhour Report System (NWRS) and Labor Utilization Report System (LURS) printouts?

_____ Are workhour or dollar savings estimates included in the backup data properly supported?

_____ Are all significant cost variances (such as changes in maintenance, utilities, supplies, labor, and transportation) included in the cash flow?

_____ Have nonquantifiable or uncapturable savings been eliminated from the cash flow? Are institutional costs and depreciation excluded from the cash flow? Has post office box revenue or other revenue been excluded from the analysis?

_____ Do the requesting and approving officials understand the budgetary impact of this DAR?

_____ If the anticipated savings will be accomplished by a functional area other than the one that prepared the DAR, has the beneficiary agreed in writing to the estimate of savings and the budget impact?

**Justification Based on Replacement**

_____ For replacement of existing equipment, has the requester justified the continuing need for the asset or can the affected operation be closed or modified in some way?

_____ Does the requested equipment provide additional features at a significant cost increase that prevent it from being strictly a one-for-one replacement?

_____ Is the DAR for an upgrade or replacement of equipment that is standardized by an area or Headquarters program?

Exhibit 6-2
**Sample Field Validation Memorandum**

Area Finance

UNITED STATES POSTAL SERVICE

<Today's Date>

<Name of Approving Official>

SUBJECT: Decision Analysis Report Validation
Maintown, USA, Main Post Office

This Decision Analysis Report (DAR) requests $4,403,000 to construct a 45,000 square foot main post office (MPO) for Maintown, USA. Included in the funding is $931,000 for site, $3,391,000 for construction, and $81,000 for capital equipment and telephone requirements. The new facility is budgeted for FY 2006.

The new MPO will alleviate overcrowded conditions, provide space to implement carrier-sequenced distribution, and improve productivity and service standards. The current leased MPO will be vacated, resulting in annual rent savings of about $500,000.

The analysis, documentation, and results have been validated. The net present value, when discounted at 9.5 percent, is $562,000 and the return on investment is 11.4 percent.

I have examined the attached documents and certify that they are reasonable and fairly represent the conclusions stated in the DAR.

<Signature>

<Typed Name >
Manager
Budget & Financial Analysis

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# 7 DAR Compliance Reports

## 7-1 About This Chapter

DAR Compliance Reports are required to track and for monitoring the status of certain field projects (see exhibit 1-2, paying particular attention to the notes).

The compliance procedures in this section apply only to field projects. For projects requiring Headquarters approval, the compliance requirements for major facility or major equipment projects must be followed (see Handbook F-66, Handbook F-66A, Handbook F-66B, as applicable). Sample compliance and program status report forms that are required for headquarters sponsored programs can be found in Handbook F-66 and Handbook F-66A. These forms may be modified locally to track field approved investments.

## 7-2 Purpose

DAR Compliance Reports are used to track and evaluate the progress of an approved project and its compliance with the investment, operational, real estate, and financial plans set forth in the approved DAR, DAR backup documentation, and any approved DAR Modification Requests. DAR compliance procedures are intended to serve the following purposes:

a. Indicate the status of each investment, operational, real estate, and financial goal of the project, documenting any changes from the approved DAR. Make sure to address the status of costs, benefits, schedules, and risks.

b. Provide management with a method to track the progress and actual budget impact of investments and operating variances.

c. Address performance relative to the project's cost, benefits, schedule, and risk.

d. Help identify the need for DAR Modification Requests (see chapter 8).

e. Furnish feedback on actual versus planned results that should prove useful in planning future projects.

f. Ensure that investments support the strategic objectives of the Postal Service.

g. Determine whether the project made the best use of available resources.

h. Encourage management accountability for investment decisions.

# 7-3 Responsibility

## 7-3.1 Vice President of Area Operations

The vice president of Area Operations, is responsible for ensuring that DAR Compliance Reports are completed as required and that recommended follow-up actions are taken. Vice presidents of Area Operations may delegate the responsibility for fulfilling compliance requirements within their area.

## 7-3.2 Area Finance Manager

The area Finance manager (or designee) reviews and signs each DAR Compliance Report and coordinates the presentation of the final Compliance Report for each project to the area CIC. The area Finance manager (or the area CIC) may determine whether or not the area CIC must review Compliance Reports other than the final one.

## 7-3.3 Area CIC

The area CIC reviews the results of the final Compliance Report for a project (and any other Compliance Reports submitted to it) and recommends follow-up actions as necessary.

# 7-4 Time Frame

The local approving official determines the duration of the reporting requirement and specific report format. As required by the local approving official, DAR Compliance Reports must be prepared on a quarterly basis from the time a project is approved. The reported information must be current as of the close of the month and must be submitted within 14 business days of the end of the month. The final Compliance Report for a project must be completed within 14 business days of the end of the compliance period.

# 7-5 Data Collection Procedures

During the compliance period, the data collection effort must be comprehensive enough that a valid comparison can be made by line item between the investments and operating variances in the approved DAR and the actual results. The report must also be updated for every approved DAR Modification Request so that the project information is updated and current, impacts can be assessed, and the appropriate budget adjustments can be

made. For a list of reference sources that may be useful in preparing DAR Compliance Reports, see exhibit 7–1.

# 7-6 Required Components

## 7-6.1 DAR Compliance Report

DAR Compliance Reports for facility field projects must be prepared in the prescribed format found in Handbook F-66A. exhibit 6-1. The form provided will cover many field projects; however, other investment categories and operating variances should be added as appropriate using locally modified forms that address the differences between facility, fixed mechanization and information technology projects, for example. Handbook F-66 contains a sample Investment Highlights Quarterly Compliance Report Input Form (see exhibit 7-1) that can be used as a template. Compliance Reports must be updated for any approved DAR modification so that the project information is current and the budget impacts can be adjusted accordingly.

## 7-6.2 Backup Documentation

Include any required backup materials, such as FMSWIN reports, contract information, etc. (see exhibit 7-1).

## 7-6.3 Cover Letter

Attach a cover letter signed by the person who prepared the DAR Compliance Report or their manager when it is sent forward for review.

# 7-7 Review Process

The preparer and sponsor both must sign the DAR Compliance Report before forwarding the report to the area manager of Finance or a designee for review. The area CIC must review the final Compliance Report for all projects.

# 7-8 Document Retention

The area Finance manager keeps DAR Compliance Reports with the project file containing the approved DAR and any DAR Modification Requests for 2 years following submission of the final report unless otherwise notified of an impending post implementation review, after cost study or audit.

Exhibit 7-1
**Reference Sources for DAR Compliance Reports**

| **Use the following system, form, or report**… | **to obtain the following information**… |
|---|---|
| Accounting Data Mart (ADM) | capital equipment commitments, by item. |
| Delivery Operations Information System (DOIS) | productivity, volumes, and hours by sub-location. |
| Facilities Management System for Windows | facilities expenditures (capital and expense) by FMSWIN facility. |
| PS Form 919, *Facility Planning Concept* | space requirements for new facilities. |
| Labor Utilization Report (LUR) | workhour rate and paid-hour rate by labor distribution code (LDC), workhour, and utilization type. |
| Management Operating Data System (MODS) | workhours by LDC, volume and hours by operation number. |
| National Maintenance Activity Reporting and Scheduling System | maintenance costs for equipment and buildings (VMARS). |
| National Workhour Reporting System (NWRS) | workhours by function and LDC. |
| On Rolls and Paid Employees Statistics Report | on rolls and paid employees by craft, LDC, and (ORPES)/(NORPES) employee type. |
| Origin Destination Information System (ODIS) | data on mail volume, service analysis, and other mail characteristics. |
| Financial Performance Report (FPR) | benefits by function, capital and non-personnel expenses by line number. |
| Standard Field Accounting System (SFAS) | daily financial reporting, banking, trust and suspense, and accounts payable information. |
| Vehicle Management Accounting System (VMAS) | vehicle cost and mileage. |

# 8 DAR Modification Request

## 8-1 About This Chapter

A DAR or JOE Modification Request must be prepared, reviewed, and approved following the guidelines in this chapter before the sponsor may take any action that departs significantly from an approved DAR or JOE for a field project. Both capital and lease and rental agreement projects are subject to these requirements. These policies apply to JOE Modification Requests (or revised JOEs), as well as to DAR Modification Requests. For Headquarters-level projects, the DAR modification requirements for major facility or major equipment projects must be followed (see Handbook F-66A or F-66B, as applicable). Note that if a DAR 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, Headquarters.

## 8-2 Purpose

A DAR Modification Request is a request to depart from the approved plan — that is, the DAR and any previously approved DAR modifications. The DAR 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 changes to investments and significant changes to operating plans are properly documented and approved.

A DAR Modification Request must be approved before the action requested is taken or additional funds are committed. In rare cases, the proposed changes to an approved DAR may be so great that a completely new DAR and backup documentation may be required.

A DAR Modification Request may not be used simply to update operating variances in the approved DAR to correspond to actual results. A DAR Modification Request is used to seek an investment-related or operational change from the approved DAR.

# 8-3 Definitions

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

**Operational modification —** A significant change that affects the scope of the project, the cash flow operating variances, investments, or assumptions upon which a project was justified, even if the proposed change does not require additional funds.

# 8-4 Responsibility

Often the need for a DAR Modification Request is identified when a DAR Compliance Report is being prepared. Depending on the type of modification, the contracting officer or sponsor is responsible for identifying the need for a modification to the DAR. If there is any question whether a DAR Modification Request is required, contact the Finance manager (area or district, as applicable). To resolve outstanding issues regarding DAR Modification Requests, contact Capital and Program Evaluation, Finance, Headquarters.

## 8-4.1 Investment-Related Modifications

For modifications that request investment-related changes, the contracting officer or the contracting officer’s representative advises the sponsor or the sponsor’s representative (usually the manager of the facilities service office) of an investment change and the reasons for the change. The preparer of the DAR then prepares the DAR Modification Request following the prescribed format, revises the economic analysis and cash flow, and coordinates the necessary review and approvals. The preparer must also make sure that the sponsor has been advised of the need for a modification request.

## 8-4.2 Operational Modifications

The sponsor (plant manager or installation head) is responsible for identifying the need for a DAR Modification Request for operational modifications. Generally, the sponsor submits a written request to the district manager (for district-level projects) or to the vice president of Area Operations DAR Modification Request (for area-level projects), outlining the scope of the modification request for conceptual review and concurrence. Upon concurrence, the request is returned to the sponsor, who ensures that the modification request is prepared in the prescribed format, revises the economic analysis and cash flow, and coordinates the necessary approvals.

# 8-5 Time Frame

A DAR Modification Request must be submitted through the appropriate review and approval process on a timely basis (i.e., as soon as the operational or investment-related change becomes known) and must be approved before a major operational or funding change from the approved plan is initiated.

All DAR Modification Requests must be submitted for approval no later than 18 months after move-in to a new facility or equipment deployment.

# 8-6 Situations That Require a DAR Modification

The following examples are provided to help identify situations where a DAR Modification Request may be required for a field project. However, this list is not intended to be comprehensive. Contact the Finance manager (area or district as applicable) for guidance in determining whether a DAR Modification Request is needed in a given situation.

## 8-6.1 Investment-Related Modifications

Investment-related modifications involve proposed changes to the approved funding contained in the DAR. This may be a request for additional funding or a line-item transfer of approved funds.

### 8-6.1.1 Request for Additional Funding

Examples of unforeseen expenses that may result in the need for additional capital investment include the following:

a. Underestimated costs.

b. Higher construction costs resulting from unanticipated site conditions.

c. Removal of underground storage tanks discovered after project approval.

d. Need for additional storage facility.

e. Need for additional server.

### 8-6.1.2 Line-Item transfer

Line-item transfers of approved capital funds include transfers between major investment categories on the investment cost sheet (e.g., site, building, renovation, and material handling) and transfers between line items categorized as “other” (e.g., telephones, systems furniture, and one-time capital). Situations that require the reallocation of funds may include the following:

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

b. Funds allocated for telephones are needed to cover modular furniture.

c. Funds allocated for site acquisition are needed to cover construction cost overruns.

d. Funds allocated for construction are needed to cover increased material handling expenses.

***Note:*** Note that line item transfers within a major investment category (e.g., the transfer of building funds from design to construction) may be authorized by the appropriate contracting authority without requiring a DAR Modification Request.

### 8-6.2 Operational Modifications

Examples of operational modifications include the following:

a. Change from approved real estate plan.
   (1) Request to retain a leased or Postal Service-owned facility that was intended to be vacated.
   (2) Request to lease additional facilities not included in the DAR.
   (3) Request to purchase a facility that was intended to be leased.
   (4) Request to add an unplanned storage facility.

b. Significant operational change.
   (1) Request to relocate carrier operations not in accordance with the approved DAR.
   (2) Request to add retail to a facility that was originally planned to exclude it.

c. Investment line-item transfer.
   (1) Request to revise the operational plan to meet the need for a larger material handling system; funds are available in construction.
   (2) Request to transfer funds from site development to construction in order to expand the business mail entry unit to accommodate an unexpected increase in volume reflecting additional permit mailers; funds are available because site development costs were lower than anticipated.

## 8-7 Required Components

Generally, the narrative portion of a DAR Modification Request is 2–3 pages. Three sample DAR Modification Requests are provided for guidance at the end of this chapter. For JOE Modification Requests, follow the format for the original JOE.

A DAR Modification Request for a field project must include the following components.

## 8-7.1 Cover Page

Use the same format as for the original DAR, substituting the words "DECISION ANALYSIS REPORT MODIFICATION REQUEST" for "DECISION ANALYSIS REPORT." Include the Postal Service logo, name and location of the project, type of project, and date.

## 8-7.2 Signature Page

Include signature lines for the preparer, reviewer (if the sponsor is not the preparer's manager), sponsor, and approving official. Additional signatures and approvals may be required if the request is for additional capital funding that requires the project to be approved at a higher level than the original DAR.

## 8-7.3 Background

Include at least the following background information:

a. Amount previously approved.
b. Final approval date (DAR or latest approved modification).
c. Final approval authority (e.g., vice president of Area Operations).
d. Project justification (summary of main points from the approved DAR).
e. Progress report on completion of facility project or equipment deployment.

## 8-7.4 Problem Definition and Justification

Describe the proposed changes from the approved DAR and explain why the request should be approved.

## 8-7.5 Financial Summary

Provide the requested financial information in the format shown to highlight the differences between the investment amount and expected results under the originally approved DAR (or the most recently approved DAR Modification) and the modification currently being requested. Use the discount rate in effect at the time of original DAR approval.

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

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

### 8-7.6 Recommendation

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

### 8-7.7 Exhibits

If the proposed change affects the investment cost sheet or the cash flow, include a copy of the original exhibit along with the update.

### 8-7.8 Backup Documentation

Include any materials that will support the proposed change to the approved project. Update the backup material and re-run in DARS, if appropriate (see section 3-5.3).

## 8-8 Review and Approval

A DAR Modification Request is subject to the same review and approval, financial assessment, and validation procedures as the original DAR (see chapters 4 through 6). A DAR Modification Request generally requires the same approvals as the original DAR. A request for additional capital funding, however, may require higher-level approval.

**Example**

A $4.4 million delivery and retail facility project originally approved by the vice president of Area Operations, requires additional funding of $800,000. Because the revised project amount exceeds the $5 million threshold for field projects, the modification request must be prepared following the requirements for major facility projects and must be approved by Headquarters.

The field Finance manager at the final approval level retains the approved DAR Modification Request in the project file along with the approved DAR.

## 8-9 Sample DAR Modification Requests

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

| **This exhibit**… | **hows a sample DAR modification request for**… |
|---|---|
| 8-1 | an operational change. |
| 8-2 | a request for additional funding. |
| 8-3 | a line-item transfer. |

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


DECISION ANALYSIS REPORT

# Pottsville, USA
# Delivery and Distribution Center

FACILITIES

**RESTRICTED INFORMATION**

October 15, 2005

Exhibit 8-1 (p. 2)
**Sample DAR Modification Request — Operational Change**

## DAR MODIFICATION REQUEST
## POTTSVILLE, USA, DELIVERY AND DISTRIBUTION CENTER

**Signature Page**

PREPARED BY: <*Signature*>_____
<*Typed Name and Telelphone Number*> Date
Facilities Requirements Specialist
or Postal Operations Analyst

REVIEWED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Manager
Facilities Service Office

SPONSORED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Postmaster
Pottsville, USA

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

APPROVED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Vice President, Area Operations
_____Area

*[This signature page reflects the appropriate preparer, reviewer, sponsor, and approving official for a customer service facility project.]*

Exhibit 8-1 (p. 3)
**Sample DAR Modification Request — Operational Change**

# DAR MODIFICATION REQUEST
# POTTSVILLE, USA, DELIVERY AND DISTRIBUTION CENTER

### Background

On April 3, 2001, the vice president of Area Operations approved funding of $4,042,000 for site acquisition, design, and construction of a new 39,000 square foot Pottsville Delivery and Distribution Center (DDC). The project was approved to supplement the existing Pottsville 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 Bridgeton Branch, a Postal Service-owned delivery unit, in 1999. In addition, the Computer Forwarding System (CFS) operation was relocated to a leased annex in 2000. The Pottsville DDC is now 90 percent complete, and move-in is scheduled for January 2005.

### Problem Definition and Justification

The approved Decision Analysis Report (DAR) stated that zone 99901 would remain at the Bridgeton Branch, the CFS would be relocated to the MPO, and any available space in the MPO (approximately 12,000 square feet) would be outleased if possible. Subsequent to DAR approval, the Bridgeton area experienced high population and mail volume growth, resulting in overcrowding of the Bridgeton Branch. Rather than expand the Bridgeton Branch or lease additional space to accommodate operations, it would be more cost advantageous for the Postal Service to relocate the 99901 carriers back into the MPO upon completion of the new DDC. 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 Bridgeton Branch. CFS operations will still be returned to the MPO. The space available for outlease at the MPO will decrease from 12,000 square feet to approximately 3,000 square feet.

### Risk Analysis

Overall risk associated with this rated as low.

| Risk Category | Risk Level | Description |
|---|---|---|
| Operational | Low | Minimal disruption of operations will occur due to this project. |
| Technical | Low | No new technology will be introduced as a result of this project. |
| Integration | Low | No new operations will be integrated into the current operations. |

### Performance Metrics

Performance metrics for this project will be based on benefits, costs, and risks identified in the DAR. The timely activation of the facility will be the schedule metric. This includes milestones such as, beneficial occupancy and move-in. The expenditure of funds will be monitored during the project to determine if the progress of the construction and postalization is commiserate with the funds being used.

Exhibit 8-1 (p. 4)
**Sample DAR Modification Request — Operational Change**

**Financial Summary**

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

| | Original (4/03) | Modification (10/05) | Difference |
|---|---|---|---|
| Investment | $4,042 | $4,042 | $0 |
| Operating Variance | ($650) | ($700) | ($50) |
| Net Present Value Discounted at 9.5% | ($2,357) | ($2,382) | ($25) |
| Return on Investment | 0.9% | 0.8% | (0.1%) |

**Recommendation**

It is recommended that approval be given to modify the approved DAR for the Pottsville DDC to allow zone 99901 carriers to be relocated to the Pottsville MPO rather than remaining at the Bridgeton Branch. This will allow the Bridgeton Branch to sustain operations without requiring additional workroom space. No additional capital funding is required for this operational change.

Pottsville – Page 4

Exhibit 8-1 (p. 5)
**Sample DAR Modification Request – Operational Change**

## DAR MODIFICATION REQUEST
## POTTSVILLE, USA, DELIVERY AND DISTRIBUTION CENTER

### Cash Flow (Original)

($ in thousands)

| Project Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | Total | Residual |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I. Investment** | | | | | | | | | | | | | | | |
| Site | (1,325) | | | | | | | | | | | | | (1,325) | 2,379 |
| Building | | (1,637) | (1,080) | | | | | | | | | | | (2,717) | 2,755 |
| Other | | | | | | | | | | | | | | | |
| **Total Investment** | (1,325) | (1,637) | (1,080) | | | | | | | | | | | (4,042) | |
| Residual Value | | | | | | | | | | | | | 5,134 | 5,134 | 5,134 |
| **Net Investment** | (1,325) | (1,637) | (1,080) | | | | | | | | | | 5,134 | 1,092 | |
| **II. Operating Variances From Baseline** | | | | | | | | | | | | | | | |
| Fuel and Utilities | | | | (24) | (25) | (27) | (29) | (30) | (32) | (34) | (36) | (38) | (41) | (316) | |
| Transportation | | | | (9) | (9) | (10) | (10) | (11) | (11) | (12) | (13) | (13) | (14) | (113) | |
| Rent | | | | 66 | 69 | 73 | 76 | 80 | 84 | 88 | 93 | 98 | 102 | 830 | |
| Labor | | | | (74) | (78) | (82) | (86) | (90) | (94) | (99) | (104) | (109) | (115) | (931) | |
| Start-Up Costs | | | (78) | (42) | | | | | | | | | | (120) | |
| **Total Operating Variance** | | | (78) | (83) | (43) | (46) | (48) | (51) | (54) | (57) | (60) | (63) | (67) | (650) | |
| **III. Net Cash Flow** | (1,325) | (1,637) | (1,158) | (83) | (43) | (46) | (48) | (51) | (54) | (57) | (60) | (63) | 5,067 | 442 | |
| **IV. Net Cash Flow Discounted at 9.5%** | (1,325) | (1,495) | (966) | (63) | (30) | (29) | (28) | (27) | (26) | (25) | (24) | (23) | 1,705 | (2,357) | |
| **V. Net Present Value** | ($2,357) | | | | | | | | | | | | | | |
| **VI. Return on Investment** | 0.9% | | | | | | | | | | | | | | |

Exhibit 8-1 (p. 6)
**Sample DAR Modification Request — Operational Change**

## DAR MODIFICATION REQUEST
## POTTSVILLE, USA, DELIVERY AND DISTRIBUTION CENTER

### Cash Flow (Modification)

($ in thousands)

| Project Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | Total | Residual |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I. Investment** | | | | | | | | | | | | | | | |
| Site | (1,325) | | | | | | | | | | | | | (1,325) | 2,379 |
| Building | | (1,637) | (1,080) | | | | | | | | | | | (2,717) | 2,755 |
| Other | | | | | | | | | | | | | | | |
| **Total Investment** | (1,325) | (1,637) | (1,080) | | | | | | | | | | | (4,042) | |
| Residual Value | | | | | | | | | | | | | 5,134 | 5,134 | 5,134 |
| **Net Investment** | (1,325) | (1,637) | (1,080) | | | | | | | | | | 5,134 | 1,092 | |
| **II. Operating Variances From Baseline** | | | | | | | | | | | | | | | |
| Fuel and Utilities | | | | (24) | (25) | (27) | (29) | (30) | (32) | (34) | (36) | (38) | (41) | (316) | |
| Transportation | | | | (13) | (14) | (14) | (15) | (16) | (17) | (17) | (18) | (19) | (20) | (164) | |
| Rent | | | | 66 | 69 | 73 | 76 | 80 | 84 | 88 | 93 | 98 | 102 | 830 | |
| Labor | | | | (74) | (78) | (82) | (86) | (90) | (94) | (99) | (104) | (109) | (115) | (931) | |
| Start-Up Costs | | | (78) | (42) | | | | | | | | | | (120) | |
| **Total Operating Variance** | | | (78) | (87) | (47) | (50) | (53) | (56) | (59) | (62) | (66) | (69) | (73) | (700) | |
| **III. Net Cash Flow** | (1,325) | (1,637) | (1,158) | (87) | (47) | (50) | (53) | (56) | (59) | (62) | (66) | (69) | 5,061 | 392 | |
| **IV. Net Cash Flow Discounted at 9.5%** | (1,325) | (1,495) | (966) | (66) | (33) | (32) | (31) | (30) | (29) | (27) | (26) | (26) | 1,703 | (2,382) | |
| **V. Net Present Value** | ($2,382) | | | | | | | | | | | | | | |
| **VI. Return on Investment** | 0.8% | | | | | | | | | | | | | | |

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

**Backup Documentation** *[Not Shown]*

a. Revised Transportation Plan.

b. Memo from General Counsel discussing potential for cost recapturability.

Exhibit 8-2 (p. 1)
**Sample DAR Modification Request — Additional Funding**


DECISION ANALYSIS REPORT

# Badlands, USA
# Spruceland Branch

FACILITIES

**RESTRICTED INFORMATION**

November 21, 2004

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

## DAR MODIFICATION REQUEST
## BADLANDS, USA, SPRUCELAND BRANCH

### Signature Page

PREPARED BY: <*Signature*>_____
<*Typed Name and Telelphone Number*> Date
Facilities Requirements Specialist
or Postal Operations Analyst

REVIEWED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Manager
Facilities Service Office

SPONSORED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Postmaster
Badlands, USA

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

APPROVED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Vice President, Area Operations
_____Area

*[This signature page reflects the appropriate preparer, reviewer, sponsor, and approving official for a customer service facility project.]*

Exhibit 8-2 (p. 3)
**Sample DAR Modification Request — Additional Funding**

## DAR MODIFICATION REQUEST
## BADLANDS, USA, SPRUCELAND BRANCH

### Background

On June 16, 2003, funding of $4,413,000 was approved for site acquisition, design, and construction of a new 31,000 square foot Spruceland Branch in Badlands, USA. The project was approved to replace the existing Spruceland Branch, a 16,450 square foot leased facility that provides only 53 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

The site for the new Spruceland Branch was acquired in July 2004, 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.

### Risk Analysis

Overall risk associated with this rated as low.

| Risk Category | Risk Level | Description |
|---|---|---|
| Operational | Moderate | The termination of operations at the existing location while activating a turnkey operation at the new facility will require considerable coordination between Customer Services, Processing Operations, and Transportation. |
| Technical | Low | No new technology will be introduced as a result of this project. |
| Integration | Low | No new operations will be integrated into the current operations. |

### Performance Metrics

Performance metrics for this project will be based on benefits, costs, and risks identified in the DAR. The timely activation of the new facility will be the schedule metric. More effect carrier operations based on the increased space provided by the new facility will be measured. The expenditure of funds will be monitored during the project to determine if the progress of the construction and postalization is commensurate with the funds being used.

Exhibit 8-2 (p. 4)
**Sample DAR Modification Request — Additional Funding**

**Financial Summary**

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

| | Original (6/04) | Modification (11/04) | Difference |
|---|---|---|---|
| Investment | $4,413 | $4,838 | $425 |
| Operating Variance | $217 | $217 | $0 |
| Net Present Value Discounted at 9.5% | ($2,174) | ($2,562) | ($25) |
| Return on Investment | 1.8% | 1.0% | (0.8%) |

**Recommendation**

It is recommended that approval be given for increased capital funding of $425,000 for the removal of underground storage tanks, resulting in revised total funding of $4,838,000. This will enable site work to be completed and the construction contract to be awarded for the Spruceland Branch in Badlands, USA.

Exhibit 8-2 (p. 5)
**Sample DAR Modification Request — Additional Funding**

## FACILITY INVESTMENT COST SHEET (ORIGINAL)

| | |
|---|---|
| **I. Project Identification:** | Spruceland Branch, Badlands, USA |
| **II. Type Project:** | New Construction Owned |
| **III. Location:** | Wood and Oak Streets |

**IV. Size And Cost Data:**

| | Sq. Ft. (in thousands) | Cost ($) per Sq. Ft. | Continued ($ in thousands) | Total ($ in thousands) |
|---|---|---|---|---|
| **A. Site** | | | | |
| 1. Land | 186 | $2.35 | | $437 |
| 2. Engineering, Real Estate, Legal, and Other Fees | | | | 81 |
| 3. Site Development | 186 | 1.50 | 28 | 307 |
| 4. Third-Party Relocation | | | **4** | **44** |
| **Total Site Cost** | | | **$32** | **$869** |
| **B. Buildings** | | | | |
| 1. Design and Engineering | | | 13 | 263 |
| 2. Construction | 31 | 75.00 | 116 | 2,441 |
| 3. Paving, Landscape, and Utilities | 186 | 2.34 | 44 | 479 |
| 4. Construction Supervision | | | **16** | **326** |
| **Total Building Cost** | | | **$189** | **$3,509** |
| **C. Total Site And Building Costs** | | | **$221** | **$4,378** |
| **D. Other Investments** | | | | |
| 1. Telephone System | | | 2 | 35 |
| **Total Other Investments** | | | **$2** | **$35** |
| **V. Total Investment For Approval** | | | | **$4,838** |

**VI. Milestone Dates**

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

**VII. Significant Comments:**

| | |
|---|---|
| Signature: | Date: |

Exhibit 8-2 (p. 6)
**Sample DAR Modification Request — Additional Funding**

## FACILITY INVESTMENT COST SHEET (MODIFICATION)

| | |
|---|---|
| **I. Project Identification:** | Spruceland Branch, Badlands, USA |
| **II. Type Project:** | New Construction Owned |
| **III. Location:** | Wood and Oak Streets |

**IV. Size And Cost Data:**

| | Sq. Ft. (in thousands) | Cost ($) per Sq. Ft. | Continued ($ in thousands) | Total ($ in thousands) |
|---|---|---|---|---|
| **A. Site** | | | | |
| 1. Land | 186 | $2.35 | | $437 |
| 2. Engineering, Real Estate, Legal, and Other Fees | | | | 81 |
| 3. Site Development | 186 | 1.50 | 28 | 307 |
| (Underground Storage Tank) | | | 20 | 425 |
| 4. Third-Party Relocation | | | **4** | **44** |
| **Total Site Cost** | | | **$52** | **$1,294** |
| **B. Buildings** | | | | |
| 1. Design and Engineering | | | 13 | 263 |
| 2. Construction | 31 | 75.00 | 116 | 2,441 |
| 3. Paving, Landscape, and Utilities | 186 | 2.34 | 44 | 479 |
| 4. Construction Supervision | | | **16** | **326** |
| **Total Building Cost** | | | **$189** | **$3,509** |
| **C. Total Site And Building Costs** | | | **$241** | **$4,803** |
| **D. Other Investments** | | | | |
| 1. Telephone System | | | 2 | 35 |
| **Total Other Investments** | | | **$2** | **$35** |
| **V. Total Investment For Approval** | | | | **$4,838** |

**VI. Milestone Dates**

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

**VII. Significant Comments:**
Additional funding of $425,000 is required for the removal of an underground storage tank.

| | |
|---|---|
| Signature: | Date: |

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

## SPRUCELAND BRANCH
## BADLANDS, USA, NEW CONSTRUCTION

### Cash Flow (Original)

($ in thousands)

| Project Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | Total | Residual |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I. Investment** | | | | | | | | | | | | | | | |
| Site | (869) | | | | | | | | | | | | | (869) | 1,561 |
| Building | | (2,180) | (1,329) | | | | | | | | | | | (3,509) | 3,594 |
| Other | | | (35) | | | | | | | | | | | (35) | |
| **Total Investment** | (869) | (2,180) | (1,364) | | | | | | | | | | | (4,413) | |
| Residual Value | | | | | | | | | | | | | 5,155 | 5,155 | 5,155 |
| **Net Investment** | (869) | (2,180) | (1,364) | | | | | | | | | | 5,155 | 742 | |
| **II. Operating Variances From Baseline** | | | | | | | | | | | | | | | |
| Fuel and Utilities | | | | (20) | (21) | (22) | (24) | (25) | (27) | (28) | (30) | (32) | (34) | (264) | |
| Custodian | | | | (49) | (51) | (54) | (57) | (60) | (63) | (66) | (69) | (72) | (76) | (616) | |
| Transportation | | | | (7) | (7) | (8) | (8) | (9) | (9) | (9) | (10) | (10) | (11) | (88) | |
| Rent | | | | 30 | 32 | 33 | 35 | 36 | 38 | 40 | 42 | 44 | 47 | 377 | |
| Labor | | | | 70 | 74 | 77 | 81 | 85 | 89 | 94 | 98 | 103 | 109 | 880 | |
| Start-Up Costs | | | (47) | (26) | | | | | | | | | | (73) | |
| **Total Operating Variance** | | | (47) | (2) | 25 | 26 | 27 | 28 | 29 | 31 | 32 | 33 | 34 | 217 | |
| **III. Net Cash Flow** | (869) | (2,180) | (1,411) | (2) | 25 | 26 | 27 | 28 | 29 | 31 | 32 | 33 | 5,189 | 959 | |
| **IV. Net Cash Flow** | | | | | | | | | | | | | | | |
| **Discounted at 9.5%** | (869) | (1,991) | (1,177) | (2) | 17 | 17 | 16 | 15 | 14 | 14 | 13 | 12 | 1,746 | (2,174) | |
| **V. Net Present Value** | ($2,174) | | | | | | | | | | | | | | |
| **VI. Return on Investment** | 1.8% | | | | | | | | | | | | | | |

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

## SPRUCELAND BRANCH
## BADLANDS, USA, NEW CONSTRUCTION

### Cash Flow (Modification)

($ in thousands)

| Project Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | Total | Residual |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I. Investment** | | | | | | | | | | | | | | | |
| Site | (869) | | | | | | | | | | | | | (869) | 1,561 |
| UST Removal | | (425) | | | | | | | | | | | | (425) | |
| Building | | (2,180) | (1,329) | | | | | | | | | | | (3,509) | 3,594 |
| Other | | | (35) | | | | | | | | | | | (35) | |
| **Total Investment** | (869) | (2,605) | (1,364) | | | | | | | | | | | (4,838) | |
| Residual Value | | | | | | | | | | | | | 5,155 | 5,155 | 5,155 |
| **Net Investment** | (869) | (2,605) | (1,364) | | | | | | | | | | 5,155 | 317 | |
| **II. Operating Variances From Baseline** | | | | | | | | | | | | | | | |
| Fuel and Utilities | | | | (20) | (21) | (22) | (24) | (25) | (27) | (28) | (30) | (32) | (34) | (264) | |
| Custodian | | | | (49) | (51) | (54) | (57) | (60) | (63) | (66) | (69) | (72) | (76) | (616) | |
| Transportation | | | | (7) | (7) | (8) | (8) | (9) | (9) | (9) | (10) | (10) | (11) | (88) | |
| Rent | | | | 30 | 32 | 33 | 35 | 36 | 38 | 40 | 42 | 44 | 47 | 377 | |
| Labor | | | | 70 | 74 | 77 | 81 | 85 | 89 | 94 | 98 | 103 | 109 | 880 | |
| Start-Up Costs | | | (47) | (26) | | | | | | | | | | (73) | |
| **Total Operating Variance** | | | (47) | (2) | 25 | 26 | 27 | 28 | 29 | 31 | 32 | 33 | 34 | 217 | |
| **III. Net Cash Flow** | (869) | (2,605) | (1,411) | (2) | 25 | 26 | 27 | 28 | 29 | 31 | 32 | 33 | 5,189 | 534 | |
| **IV. Net Cash Flow Discounted at 9.5%** | (869) | (2,379) | (1,177) | (2) | 17 | 17 | 16 | 15 | 14 | 14 | 13 | 12 | 1,746 | (2,562) | |
| **V. Net Present Value** | ($2,562) | | | | | | | | | | | | | | |
| **VI. Return on Investment** | 1.0% | | | | | | | | | | | | | | |

Exhibit 8-2 (p. 9)
**Sample DAR Modification Request — Additional Funding**

## Backup Documentation *[Not Shown]*

a. Revised Scope of Work including new estimate.

b. Memo from General Counsel discussing potential for cost recapturability.

Exhibit 8-3 (p. 1)
**Sample DAR Modification Request — Line-Item Transfer**


DECISION ANALYSIS REPORT

# Alltown, USA
# Main Post Office

FACILITIES

**RESTRICTED INFORMATION**

September 1, 2005

Exhibit 8-3 (p. 2)
**Sample DAR Modification Request — Line-Item Transfer**

## DAR MODIFICATION REQUEST
## ALLTOWN, USA, MAIN POST OFFICE

### Signature Page

PREPARED BY: <*Signature*>_____
<*Typed Name and Telelphone Number*> Date
Facilities Requirements Specialist
or Postal Operations Analyst

REVIEWED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Manager
Facilities Service Office

SPONSORED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Postmaster
Alltown, USA

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

APPROVED BY: <*Signature*>_____
<*Typed Name and Telephone Number*> Date
Vice President, Area Operations
_____Area

*[This signature page reflects the appropriate preparer, reviewer, sponsor, and approving official for a customer service facility project.]*

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

## DAR MODIFICATION REQUEST
## ALLTOWN, USA MAIN POST OFFICE

### Background

The Decision Analysis Report (DAR) for the Alltown, USA, main post office (MPO) was approved by the vice president of Area Operations in December 2004, for an amount not to exceed $4,695,000 for the construction of a new 26,160 square foot MPO and a 22,610 square foot enclosed parking structure on a Postal Service-owned site. The project was approved to replace the severely crowded leased Alltown MPO and to alleviate space constraints at two overcrowded stations by relocating carrier operations to the new MPO.

Construction of the new Alltown, USA, facility began in January 2004, and is now expected to be completed in December 2005.

### Problem Definition and Justification

The approved DAR specified that $577,000 of the total project cost would be allocated to site costs, including the site purchase, professional fees (engineering/legal/real estate), and site development costs. The remainder of the funds, $4,118,000, was allotted for building costs.

In order to comply with State Department of Transportation (DOT) requirements, an additional $161,000 is required to modify the entrance to the facility. Funds will be reallocated from the MPO construction line to the site development line to accomplish this modification. Funds are available in the construction line due to a favorable bidding climate for the Postal Service at the time the construction contract was awarded.

### Risk Analysis

Overall risk associated with this rated as low.

| Risk Category | Risk Level | Description |
|---|---|---|
| Operational | Moderate | The termination of operations at the existing location while activating a turnkey operation at the new facility will require considerable coordination between Customer Services, Processing Operations, and Transportation. |
| Technical | Low | No new technology will be introduced as a result of this project. |
| Integration | Low | No new operations will be integrated into the current operations. |

### Performance Metrics

Performance metrics for this project will be based on benefits, costs, benefits and risks identified in the DAR. The timely activation of the new facility will be the schedule metric. More effect carrier operations based on the increased space provided by the new facility will be measured. The expenditure of funds will be monitored during the project to determine if the progress of the construction and postalization is commensurate with the funds being used.

Exhibit 8-3 (p. 4)
**Sample DAR Modification Request — Line-Item Transfer**

**Financial Summary**

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

| | Original (12/04) | Modification (9/05) | Difference |
|---|---|---|---|
| Investment | | | |
| Site | $577 | $738 | $161 |
| Construction | $4,118 | $3,957 | $161 |
| Total Investment | $4,695 | $4,695 | $0 |
| Operating Variance | $1,349 | $1,349 | $0 |
| Net Present Value Discounted at 9.5% | ($1,755) | ($1,735) | $20 |
| Return on Investment | 3.6% | 3.8% | 0.2% |

**Recommendation**

It is recommended that approval be granted to modify the DAR for the Alltown, USA, MPO to reallocate $161,000 from the construction line to the site improvement line in order to conform to state DOT requirements. The total new site cost is $738,000 and the construction cost is $3,957,000. Total project investment costs remain $4,695,000.

Exhibit 8-3 (p. 5)
**Sample DAR Modification Request — Line-Item Transfer**

## FACILITY INVESTMENT COST SHEET (ORIGINAL)

| | |
|---|---|
| **I. Project Identification:** | Alltown, USA |
| **II. Type Project:** | New Construction Owned |
| **III. Location:** | Howard Road, Alltown, USA |

**IV. Size And Cost Data:**

| | Sq. Ft. (in thousands) | Cost ($) per Sq. Ft. | Continued ($ in thousands) | Total ($ in thousands) |
|---|---|---|---|---|
| **A. Site** | | | | |
| 1. Land | 194.97 | $1.87 | | $365 |
| 2. Engineering, Real Estate, Legal, and Other Fees | | | | 17 |
| 3. Site Development | 194.97 | 1.00 | | **195** |
| **Total Site Cost** | | | | **$577** |
| **B. Buildings** | | | | |
| 1. Design and Engineering | | | 5 | 155 |
| 2. MPO Construction | 26.16 | 92.70 | 122 | 2,547 |
| 3. Enclosed Parking | 22.61 | 40.00 | 50 | 954 |
| 4. Paving, Landscape, and Utilities | 105.00 | 2.40 | 23 | 275 |
| 5. Construction Supervision | | | **9** | **187** |
| **Total Building Cost** | | | **$209** | **$4,118** |
| **C. Total Site And Building Costs** | | | **$209** | **$4,695** |
| **D. Other Investments** | | | | |
| **Total Other Investments** | | | | |
| **V. Total Investment For Approval** | | | | **$4,695** |

**VI. Milestone Dates**

| *CIC Approval* | *Site Acquired* | *Award Design* | *Award Construction* | *Project Complete* |
|---|---|---|---|---|
| 12/93 | 12/93 | 1/94 | 1/94 | 12/95 |

**VII. Significant Comments:**
The telephone system is to be transferred from the Everytown facility.

| Signature: | Date: |
|---|---|

Exhibit 8-3 (p. 6)
**Sample DAR Modification Request — Line-Item Transfer**

## FACILITY INVESTMENT COST SHEET (MODIFICATION)

| | |
|---|---|
| **I. Project Identification:** | Alltown, USA |
| **II. Type Project:** | New Construction Owned |
| **III. Location:** | Howard Road, Alltown, USA |
| **IV. Size And Cost Data:** | |

| | Sq. Ft. (in thousands) | Cost ($) per Sq. Ft. | Continued ($ in thousands) | Total ($ in thousands) |
|---|---|---|---|---|
| **A. Site** | | | | |
| 1. Land | 194.97 | $1.87 | | $365 |
| 2. Engineering, Real Estate, Legal, and Other Fees | | | | 17 |
| 3. Site Development | 194.97 | 1.00 | | **356** |
| **Total Site Cost** | | | **$161** | **$738** |
| **B. Buildings** | | | | |
| 1. Design and Engineering | | | 5 | 155 |
| 2. MPO Construction | 26.16 | 86.85 | 114 | 2,386 |
| 3. Enclosed Parking | 22.61 | 40.00 | 50 | 954 |
| 4. Paving, Landscape, and Utilities | 105.00 | 2.40 | 23 | 275 |
| 5. Construction Supervision | | | **9** | **187** |
| **Total Building Cost** | | | **$209** | **$3,957** |
| **C. Total Site And Building Costs** | | | **$370** | **$4,695** |
| **D. Other Investments** | | | | |
| **Total Other Investments** | | | | |
| **V. Total Investment For Approval** | | | | **$4,695** |

**VI. Milestone Dates**

| *CIC Approval* | *Site Acquired* | *Award Design* | *Award Construction* | *Project Complete* |
|---|---|---|---|---|
| 12/93 | 12/93 | 1/94 | 1/94 | 12/95 |

**VII. Significant Comments:**

1. The telephone system will be transferred from the Everytown facility.
2. An additional $161,000 is required to modify the entrance to the facility in accordance with state requirements.

| | |
|---|---|
| Signature: | Date: |

Alltown – Page 5

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

## ALLTOWN, USA
## NEW CONSTRUCTION

## Cash Flow (Original)

(in thousands)

| Project Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | Total | Residual |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I. Investment** | | | | | | | | | | | | | | | |
| Site | (382) | (195) | | | | | | | | | | | | (577) | 1,020 |
| Building | | (155) | (3,963) | | | | | | | | | | | (4,118) | 4,176 |
| Other | | | | | | | | | | | | | | | |
| **Total Investment** | (382) | (350) | (3,963) | | | | | | | | | | | (4,695) | |
| Residual Value | | | | | | | | | | | | | 5,196 | 5,196 | 5,196 |
| **Net Investment** | (382) | (350) | (3,963) | | | | | | | | | | 5,196 | 501 | |
| **II. Operating Variances From Baseline** | | | | | | | | | | | | | | | |
| Fuel and Utilities | | | | (23) | (24) | (26) | (27) | (29) | (31) | (33) | (35) | (37) | (39) | (303) | |
| Building Maintenance | | | | (15) | (16) | (17) | (17) | (18) | (19) | (20) | (21) | (22) | (23) | (189) | |
| Transportation | | | | (18) | (19) | (20) | (21) | (22) | (23) | (24) | (25) | (27) | (28) | (226) | |
| Rent | | | | 75 | 79 | 83 | 87 | 91 | 96 | 101 | 106 | 111 | 116 | 943 | |
| Labor | | | | 94 | 99 | 104 | 109 | 114 | 120 | 126 | 132 | 139 | 146 | 1,182 | |
| Start-Up Costs | | | (38) | (20) | | | | | | | | | | (58) | |
| **Total Operating Variance** | | | (38) | 93 | 118 | 124 | 130 | 136 | 143 | 150 | 157 | 164 | 172 | 1,349 | |
| **III. Net Cash Flow** | (382) | (350) | (4,001) | 93 | 118 | 124 | 130 | 136 | 143 | 150 | 157 | 164 | 5,368 | 1,850 | |
| **IV. Net Cash Flow Discounted at 10.5%** | (382) | (317) | (3,277) | 69 | 79 | 75 | 71 | 68 | 64 | 61 | 58 | 55 | 1,620 | (1,755) | |
| **V. Net Present Value** | ($1,755) | | | | | | | | | | | | | | |
| **VI. Return on Investment** | 3.6% | | | | | | | | | | | | | | |

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

## ALLTOWN, USA
## NEW CONSTRUCTION

## Cash Flow (Modification)

($ in thousands)

| Project Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | Total | Residual |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I. Investment** | | | | | | | | | | | | | | | |
| Site | (382) | (356) | | | | | | | | | | | | (738) | 1,295 |
| Building | | (155) | (3,802) | | | | | | | | | | | (3,957) | 4,012 |
| Other | | | | | | | | | | | | | | | |
| **Total Investment** | (382) | (511) | (3,802) | | | | | | | | | | | (4,695) | |
| Residual Value | | | | | | | | | | | | | 5,307 | 5,307 | 5,307 |
| **Net Investment** | (382) | (511) | (3,802) | | | | | | | | | | 5,307 | 612 | |
| **II. Operating Variances From Baseline** | | | | | | | | | | | | | | | |
| Fuel and Utilities | | | | (23) | (24) | (26) | (27) | (29) | (31) | (33) | (35) | (37) | (39) | (303) | |
| Building Maintenance | | | | (15) | (16) | (17) | (17) | (18) | (19) | (20) | (21) | (22) | (23) | (189) | |
| Transportation | | | | (18) | (19) | (20) | (21) | (22) | (23) | (24) | (25) | (27) | (28) | (226) | |
| Rent | | | | 75 | 79 | 83 | 87 | 91 | 96 | 101 | 106 | 111 | 116 | 943 | |
| Labor | | | | 94 | 99 | 104 | 109 | 114 | 120 | 126 | 132 | 139 | 146 | 1,182 | |
| Start-Up Costs | | | (38) | (20) | | | | | | | | | | (58) | |
| **Total Operating Variance** | | | (38) | 93 | 118 | 124 | 130 | 136 | 143 | 150 | 157 | 164 | 172 | 1,349 | |
| **III. Net Cash Flow** | (382) | (511) | (3,840) | 93 | 118 | 124 | 130 | 136 | 143 | 150 | 157 | 164 | 5,479 | 1,961 | |
| **IV. Net Cash Flow Discounted at 10.5%** | (382) | (462) | (3,145) | 69 | 79 | 75 | 71 | 68 | 64 | 61 | 58 | 55 | 1,653 | (1,735) | |
| **V. Net Present Value** | ($1,735) | | | | | | | | | | | | | | |
| **VI. Return on Investment** | 3.8% | | | | | | | | | | | | | | |

Exhibit 8-3 (p. 9)
**Sample DAR Modification Request — Line-Item Transfer**

**Backup Documentation** *[Not Shown]*

a. Revised Scope of Work including new estimates.

b. Revised DARS output and file.

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