

Helping Defense Communities Save Money

New authority allows military installations to enter into inter-governmental support agreements with state and local governments to mutually share services.

BY GLENN SEITCHEK, P.E., AND STEVE BONNER

The *National Defense Authorization Act for Fiscal Year 2013* (2013 NDAA) has provided military installations with new authority to enter into agreements with state and local governments to mutually share services. In an era of shrinking defense budgets, the U.S. Air Force and U.S. Army are aggressively implementing this new law to achieve installation-level operating efficiencies. State and local governments face similar budget pressures.

Partnering with other organizations that perform similar activities can leverage each organization's strengths and resources to create mutual value in excess of what can be accomplished independently.

NEW LEGAL AUTHORITY

Section 331 of 2013 NDAA provides authority for military installations to enter into inter-governmental support agreements with state and local governments to mutually share services. The Air Force and the Army are developing policies to implement this new authority while encouraging installation leaders to explore areas of common interest with communities. While early results have produced promising new initiatives to help reduce costs, the discussions also are shaping a shared vision for the installation as part of the community.

The new law, codified as *10 USC § 2336*, is intended to promote collaboration between the Department of Defense (DOD) and local governments by creating economies of scale and leveraging each party's strengths. This legal authority only can be used when a prospective provider of a service is already performing that function. The services are authorized to enter into inter-governmental agreements, sourced on a sole source basis, for a term not to exceed five years, and utilizing the existing



A program that began in the 1990s between the Army's Defense Language Institute and Presidio of Monterey (above) and the City of Monterey, Calif., to share services and facilities is considered the "gold standard" for inter-governmental partnering. PHOTO BY STEVEN SHEPARD, PRESIDIO OF MONTEREY PUBLIC AFFAIRS.

wage scales of the provider, rather than *Davis-Bacon Act* rates. Payment for services performed by DOD can be "credited to the appropriation or account charged with providing installation support" and do not accrue to the U.S. Treasury. The law is clear in allowing inter-governmental support agreements to bypass standard acquisition contracting methods of competitive bidding. Some limitations exist. Existing or proposed mutual aid agreements for police and fire protection cannot be circumvented, and installations cannot avoid the requirements of *OMB Circular A-76* governing the competition of commercial activities.

The military has leveraged partnerships for years. The structure of partnerships ranges from government-owned/government-operated facilities (such as Brooks City-Base, Texas) to government-owned/contractor-operated entities (like

Sandia National Laboratory), or privatized activities like housing. Partnering agreements can be documented informally through a Memorandum of Agreement or formally through a contract or lease with legal language. Some agreements can be executed by the installation commander while others require higher approval.

THE MONTEREY MODEL

The "gold standard" for this type of agreement between governmental agencies to share services and facilities is a program that began in the 1990s between the City of Monterey, Calif., the Presidio of Monterey and the Defense Language Institute (Army). What started as an elevator maintenance agreement provided by the city grew to include the city providing services ranging from firefighting to internet to child care. This pilot is known today as the "Monterey



Mayor Jack Fry of Midwest City, Okla., and Col. Steven Bleymaier, USAF, Commander, 72nd Air Base Wing, sign a Memorandum of Understanding in March 2013 dealing with juvenile intervention for minor crimes and a Memorandum of Agreement for jail services. The agreements were reached as part of the Air Force's "P4" Community Partnership Initiative. U.S. AIR FORCE PHOTO BY KELLY WHITE

Model" for partnerships and has evolved to include more cost-benefit advantages.

The City of Monterey now performs most of the base operating support services for the Presidio of Monterey (Army), as well as for the Naval Post Graduate School (U.S. Navy). These services include fire and emergency response, recreation facilities and building maintenance. To comply with California law, Monterey established a Joint Powers Agency that further enhanced the inter-governmental partnership by enabling the city to perform services for the City of Seaside. A recent internal audit estimated that DOD was saving more than \$4 million per year—22 percent less than traditional base operating support contracting. Monterey also now has an intimate familiarity with DOD facilities and, should these bases ever close, reuse would be substantially easier and more cost effective.

LEVERAGING EXISTING ASSETS

In 2007, the Army approved a first-of-its-kind partnership for the City of Sierra Vista, Ariz., to provide library services for Fort Huachuca soldiers. The Army avoided the cost of replacing and operating an old facility. While Fort Huachuca does fund the city to purchase unique Army materials, the Army estimates the partnership's total savings exceed \$2 million.

The Air National Guard (ANG) is an ideal model for community partnering as its operations are smaller and often involve using a civil airfield where they depend on commercially available services to support

operations. A recent study at Klamath Falls, Oregon, identified a requirement for the ANG unit to maintain a source of aircraft mechanics. The community started a training program that benefits the unit while providing job opportunities.

AIR FORCE PURSUES PARTNERING

In September 2012, the Air Force established an office under the Deputy Assistant Secretary of the Air Force for Installations (SAF/IEI) to study and prototype a partnering program with local communities. Recognizing that initiatives are likely to occur in all areas of the Air Force, a cross-functional team of subject matter experts was assembled to serve as a task force for removing bureaucratic obstacles and help the bases achieve their goals.

Building on studies completed for ANG at Klamath Falls and Ellington Field, Texas, SAF/IEI offered and paid for a six-step engagement process for installations that volunteered to participate. The bases were responsible for securing community support for exploring partnering—though there have been a couple instances of communities reaching out to the Air Force to initiate a partnership. A total of 15 installations are in the initial program. The first installations to complete this process identified more than 200 potential partnering opportunities. While some ideas, like utilizing the jail of Midwest City, Okla. to house Tinker AFB inmates, have resulted in minor savings so far, a Memorandum of Agreement was easily approvable by the local commander. Other initiatives with larger monetary savings will take longer to develop, but the seeds have been planted

In addition to achieving operational efficiencies and saving money, the Air Force wants to establish a culture where partnering outside the fence line is the norm. Additional benefits are possible as cities recognize they can partner with one other and the base to achieve greater economies of scale in services and material purchases.

ARMY EXPLORES SHARED SERVICES

The Army, led by the Army Privatization Office of the Assistant Chief of Staff, Installation Management (DAIM-ISP), is using lessons learned from housing, utilities and lodging privatization efforts,

as well as its success with the Fort Huachuca library partnership, to advise its approach. The Assistant Secretary of the Army for Installations, Energy and Environment, recently released a memo informing all Army Commands and direct reporting units about the new partnering authority saying, "I would like to see every installation evaluate opportunities and dialogue with their State and local governments to identify opportunities for shared services."

DAIM-ISP is to issue interim guidance and initiate a series of pilot projects by the end of FY2013. The Army also is maintaining close ties with the Air Force partnership program, capturing best practices and lessons learned. DAIM-ISP is working with SAF/IEI to initiate at least one cross-service regional partnership in an area with a concentration of bases, such as the Front Range Region of Colorado.

FOCUSING ON THE FUTURE

As the Air Force's initiative moves to full program status, and the Army puts a focused and streamlined process in place, the impetus to partner driven by budgetary concerns and strong support from Congress is clearly gaining momentum. Early partnership results are promising, and new deals that will validate the long-term value of the concept are being negotiated.

Perhaps just as important, the Air Force program also is engendering a spirit of innovation at participating bases. Efforts to streamline aircraft parts acquisitions, improve the profitability of Morale, Welfare and Recreation services, and even create water quality credit trading are all initiatives born during brainstorming.

This entrepreneurial spirit is essential not just in addressing short term budget crises, but for creating the base of the future as military technologies and missions, demographics of personnel, and approaches to managing infrastructure evolve.

TIME

Glenn Seitchek, P.E., is Lead Associate, Booz Allen Hamilton Inc.; 703-412-7415, or seitchek_glenn@bah.com.

Steve Bonner is President & CEO, SONRI Inc., and Adjunct Faculty, Center for Leadership in Global Sustainability, Virginia Tech; 210-387-8628, or steve.bonner@sonricorp.com.