



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE

MEMORANDUM FOR ALMAJCOM/CE/FM/LG
USAFA/CE/FM/LG

0 5 NOV 2007

SUBJECT: Operation and Maintenance (O&M) Appropriations Policy for Base Maintenance Contracts (BMC) and Multi-Functional Contracts

The purpose of this policy is to provide guidance to assist in establishing a proper cost accounting structure for BMCs and multi-functional contracts that will accurately track expenditures to the various programs being supported by the contract. This policy applies to AF O&M appropriations used to fund Base Maintenance Contracts (BMCs) and other multi-functional base service contracts. Base Maintenance Contracts are defined as O&M-funded contracts which broadly encompass most or all support activities on an installation including Base Operating Support (BOS); Real Property Services (RPS); Sustainment, Restoration and Modernization (SRM); Environmental Programs and support of C3I and surveillance/space systems and sites. Multi-functional base service contracts are defined as contracts other than BMCs combining more than one functional requirement to be performed by a contractor. This could include grounds maintenance, custodial, and refuse contracts, or any contract for a functional area, shop, flight, or squadron, as well as, other base support functions, such as, mess attendant, supply, and vehicle maintenance. This memorandum serves to provide guidance in accounting for these contracted efforts to include ongoing A-76 cost comparisons.

We are aware of and support current efforts to streamline the accounting of multi-functional contracts for base maintenance and/or installation support activities. This cannot be accomplished at the corporate level without accounting for costs in the proper Program Element (PE). In order to appropriately track costs and meet legislative and regulatory mandates, functional requirement documents and resultant contracts must account for costs within the following program elements:

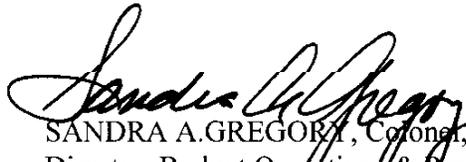
<u>Program Element</u>	<u>Title</u>
***76F	Restoration and Modernization
***78F	Sustainment
***79F	Real Property Services
***53F	Environmental Conservation
***54F	Pollution Prevention
***56F	Environmental Compliance
***96F	Base Operating Support
78003F	Environmental Restoration - UXO
78008F	Environmental Restoration Account

The Air Force provided guidance for the FY04 Program Objective Memorandum (POM) via the FY04 - 09 Annual Planning & Programming Guidance (APPG) informing commands to structure BMC costs in the PEs for the activity being supported. Therefore, if BMCs and other multi-functional service contracts account for base functions in the primary mission program element, the command should transfer resources to distinguish BOS, RPS, SRM, Environmental Programs and primary mission costs for proper visibility and defense of budget estimates.

Use this policy as interim guidance as we continue to progress towards an activity based costing (ABC) solution regarding these multi-functional contracts. The ABC solution will require receiving comment from industry on how prospective contractors could implement ABC principles in base support contracts. SAF/AQC intends to obtain industry comments via the *Federal Register* on this initiative that could impact how these contracts are structured in the future. Until then, we need your support to track costs associated with these contracts by program element. This effort will require the combined efforts of the functional, financial management and contracting communities to ensure that requirement documents are structured to comply with maintaining program element integrity.

Implementation will take effect in FY03 for new contracts, if practicable, and at the latest for new contracts awarded in FY04. This policy has been coordinated with SAF/AQC, SAF/FMBM, SAF/FMBO, SAF/FMBP, AF/ILER, DFAS-ASD/DE, and AFCESA/CEO.

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