DoD NAF Treasury Oversight Committee Meeting

Crystal Square 4, Suite 302, Arlington, VA
Thursday, April 23, 2009
8:30 am – 1:30 pm

Attendees

	Office	Name	Phone	E-Mail
1.	OASA/M&RA	Clifford Darwin		
2.	Army FMWRC	Jeff Gibert		
3.	Army FMWRC	Clint Lilley		
4.	AAFES	Jim Jordan		
5.	AAFES	Brooke Pester		
6.	OASN/M&RA	Ed Pratt		
7.	Navy CNIC	Daryl Davis		
8.	Navy CNIC	Matt Keathley		
9.	MCCS	David Swanson		
10.	MCCS	Linda Heikel		
11.	NEXCOM	Thomas McDonald		
12.	NEXCOM	Richard Owens		
13.	OASAF/M&RA	LtCol Tammi Moes		
14.	AF Services	Niels Jensen		
15.	AF Services	Cameron Zablocky		
16.	OUSD(C)	Robert McNamara		
17.	OUSD(C)	Claire Nelson		
18.	OUSD(PR)	Janis White		
19.	OUSD(PR)	Priscilla Pazzano		
20.				
21.				

Executive Summary

DoD-wide NAF cash and investments increased from \$3.006 billion at the end of CY 2007 to \$3.271 billion at the end of CY 2008. AAFES (\$242 million increase to \$276.5 million) and CNIC (\$251 million increase to \$639 million) accounted for a \$493 million increase. Air Force (\$72 million increase to \$704 million), NEXCOM (\$45 million increase to \$164 million) and Marine Corps Community Services (\$43 million increase to \$265 million) showed increases while Army (\$389 decrease to \$1,221 million) and Military Sealift Command (\$45 thousand decrease to \$925 thousand) reported decreases in cash balances. The overall increase was \$265 million.

Military MWR funds accounted for \$1.7 billion or 51 percent of the total DoD cash and investment balances with about half of that at the Service headquarters level and the other half almost evenly divided between major commands/regions and installations. Exchanges accounted for \$622 million or 19 percent. AAFES and NEXCOM account for \$500 million; Marine Corps installation exchanges owned \$122 million. Civilian welfare NAFIs accounted for \$30 million or one percent, supplemental mission NAFIs accounted for \$116 million or four percent, special purpose NAFIs accounted for \$255 million or eight percent, and lodging NAFIs accounted for the remaining \$566 million or 17 percent. The Services centralize excess installation cash in different ways; the Army and the Navy employ internal borrowing and centralize a portion of the exchange dividends to leverage cash for Service-wide requirements. The Marine Corps computes excess installation cash semi-annually and reports to the Board of Directors for necessary action. The Air Force centralizes a portion of the exchange dividend for major construction and loans for capital leases.

Outstanding loans increased from \$1.652 billion at the end of CY 2007 to \$2.239 billion at the end of CY 2008, with AAFES accounting for \$2.072 billion. The Army has outstanding loans of \$124.8 million used to finance the construction of the Edelweiss Lodge Armed Forces Recreation Center in Garmisch, Germany, and expansion of the Shades of Green Armed Forces Recreation Center in Orlando, Florida. The Marine Corps has loans of \$ 42.5 million, including \$37.8 million used for construction and \$4.7 million remaining on the loan to purchase the inventory and assets for the Marine Corps Air Station Miramar (formally Naval Air Station) exchange from the Navy.

Calendar year 2008 annual yields ranged from 2.38% to 4.51% on a realized return basis (interest income and realized gains/losses) and 2.38% to 6.93% on a total return basis (realized return lus unrealized gains/losses) for DoD NAFIs. As of December 31, the average yield DoD-wide was 1.24 percent with an average maturity of funds invested of 661days. Seventy-eight percent of total DoD investments were invested in either obligations of Government Sponsored Enterprises (GSEs), who primary business is mortgage lending (Fannie Mae, Freddic Mac, etc.), or in direct mortgage-backed securities issued by GSEs. The primary determinant for annual yield was average maturity and the mix of callable versus non-callable securities, with longer maturities and callable securities earning higher yields.