

APPENDIX F-62

SAFETY LEVEL COSTS

1. PURPOSE

To provide DSC management with information required to compute future System Backorder Rates for VSL items. Data received at the end of the quarter just completed will be used for computing the cost curve for the quarter following the current quarter. An individual report will be provided for each VSL category related to the items managed by the DSC.

2. ORIGIN

This listing is an output of the quarterly computation process depicted in DLAM 4140.2, Volume II, Part 1, Chapter 56, and Part 2. Product Control Number SR(Q)62 has been assigned by the Comptroller (DLA-CM).

3. FREQUENCY

Quarterly, after VSL computations.

4. FORMAT

- a. Heading Line (Standard Identification).
- b. Data Organization.

(1) Backorder rates and associated Safety Level costs (using Acquisition Unit Cost).

(2) Page break is on System Constant.

(3) Required Totals are:

- (a) Total Number of VSL Items.
- (b) Total Number of Items with Zero VSL Quantities.
- (c) Total Selected/Adjusted Annual Demand Frequency.
- (d) Total Selected/Adjusted Annual Demand Value.
- (e) Sum of Acquisition Unit Cost x MADLT - System Constant.

c. Captions of Data Elements:

(1) GOAL B/O - The desired backorder rate, as determined by DSC management. An informational entry.

(2) PRIME FORMULA I:

(a) B/O - The backorder rate used in the computation of the VSL quantity.

(b) \$ VALUE - The dollar value (using Acquisition Unit Cost) of Safety Level stock required to achieve the associated backorder rate.

(3) FORMULA 2 THROUGH FORMULA 6 - Five ranging backorder rates with associated Safety Level stock costs.

5. DISTRIBUTION AND RETENTION

One copy to DSO.

6. PROCEDURES FOR REVIEW AND PROCESSING

By analyzing the data and plotting a Cost Decision Curve (chapter 56, paragraph 256107 and appendix E-368 P), management can determine the Stock Fund requirement for Safety Level stock to support various backorder rates. Conversely, management may determine the backorder rate which may be anticipated for a given dollar value of Safety Level stock investment. Either way, the decision will then be made as to the proper backorder rate (Prime Formula I) to be used in Table 007 for the quarter following the current quarter.

SAFETY LEVEL COSTS (CONT'D)

REPORT F-062	VARIABLE SAFETY LEVEL COSTS ( )*						PAGE NR 00001					
ORC	GOAL B/O	PRIME FORMULA 1 B/O	FORMULA 2 B/O	FORMULA 3 B/O	FORMULA 4 B/O	FORMULA 5 B/O	FORMULA 6 B/O					
		\$ VALUE	\$ VALUE	\$ VALUE	\$ VALUE	\$ VALUE	\$ VALUE					
073000	094000	076518311	025000	198453182	100000	068141558	160000	051765348	040000	142638201	060000	104325988
<p>TOTAL NUMBER OF VSL ITEMS 206,384</p> <p>TOTAL NUMBER OF ITEMS WITH ZERO VSL QUANTITIES 16,240</p> <p>TOTAL SELECTED/ADJUSTED ANNUAL DEMAND FREQUENCY 15,234,106</p> <p>TOTAL SELECTED/ADJUSTED ANNUAL DEMAND VALUE \$ 356,028,312</p> <p>SUM OF ACQUISITION COST x MADLT = SYSTEM CONSTANT \$1429,263,148</p>												

\* For DSCs other than DPSC-T, the word **OTHER** will appear in parenthesis to denote Variable Safety Level Category R. For DPSC-T, three F-062 Reports will be output. One report will have the work **POI** in parenthesis to denote Variable Safety Level Category B. A second report will have the word **GFM** in parenthesis to denote VSL Category G. The third report will be the same as the other DSCs.