

Department of Defense Revolving Funds

Justification/Overview



Fiscal Year (FY) 2013 President's Budget

February 2012

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Preparation of the Defense Revolving Funds Justification book cost the Department of Defense a total of approximately \$13,600 in FY 2012.

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Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
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Activity Group Function:

The FY 1991 Defense Authorization Act established the Pentagon Reservation Maintenance Revolving Fund (PRMRF) and 10 USC 2674 codified it. The fund is responsible for the maintenance, sustainment, protection, repair and renovation of the Pentagon Reservation. As established, the "Pentagon Reservation" refers to approximately 280 acres located in Arlington, Virginia, on which stand the Pentagon Building, Federal Office Building #2 {(FOB #2) (Also known as the Navy Annex)}, the Pentagon Heating and Sewage Treatment Plants, and all Reservation grounds and parking areas. It also refers to other related facilities to include the land and physical facilities at the Raven Rock Mountain Complex. Customers pay a basic user charge for space and basic building services to finance the PRMRF. Customers who request above standard services pay an additional charge for those services.

Activity Group Composition:

The PRMRF finances the activities of the Washington Headquarters Services (WHS), the Pentagon Force Protection Agency and the Raven Rock Mountain Complex. The PRMRF provides space, building services, deep underground relocation capability, and force protection for Department of Defense (DoD) Components, including Military Departments and other activities located within the Pentagon Reservation.

Real Property Operations (RPO): The RPO is responsible for the safe and efficient operation, maintenance and repair of the Pentagon Reservation. RPO includes cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, and administrative support. Additional services include operating expenses for purchased utilities and classified waste incinerator. These services maintain the facilities at levels adequate to support the assigned mission and to prevent deterioration and damage to Reservation buildings, support systems, and operating equipment.

Pentagon Force Protection Agency (PFPA): The PFPA provides force protection, security, anti-terrorism, law enforcement, and chemical, biological, radiological, and nuclear

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protection for the people, facilities, infrastructure and other resources at the Pentagon Reservation and DoD activities within the National Capital Region (NCR), to include the RRMC. The PFPA is the DoD focal point for coordination with DoD components, executive departments, agencies, state and local authorities on these matters.

Raven Rock Mountain Complex (RRMC): The RRMC provides the DOD Continuity of Operations Plan (COOP) for the Office of the Secretary of Defense, the Joint Staff and Senior DOD Leadership. COOP Support includes cleaning, operation and repair of mechanical and utility systems, roads and grounds maintenance, fire and emergency services, food services, information management support services, and administrative support. These services support the RRMC customer base to provide maintenance and upkeep of facilities within the Complex. Service is provided at a level to adequately support their assigned mission and to prevent deterioration and damage to its facilities, systems, and operating equipment. They also ensure operational readiness and provide a safe and secure environment for execution of DOD mission essential functions.

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The following table summarizes PRMRF obligation authority by activity group:

Budget Sub-activity	FY 2011 (\$ in Millions)		FY 2012 (\$ in Millions)		FY 2013 (\$ in Millions)	
	Operating	Capital	Operating	Capital	Operating	Capital
Real Property Operations	\$301.3	\$32.3	\$368.1	\$13.8	\$283.0	\$0.0
Pentagon Force Protection Agency	\$228.0	\$19.3	\$212.3	\$9.6	\$206.4	\$17.0
Raven Rock Mountain Complex	44.5	\$27.3	\$42.4	\$9.3	\$63.2	\$0.0
Total	\$652.7		\$655.5		\$569.6	

The PRMRF FY 2013 budget estimate includes changes driven by the Department's objective to become more efficient by eliminating and reducing administrative and overhead costs. Efficiencies include freezing manpower at FY 2010 levels for the next three years, and consolidation of OSD and WHS Information Technology (IT) Service organizations and the Pentagon Renovation and Defense Facilities organizations.

Significant Changes in Activity Group for FY 2012:

The overall programmatic decrease of \$85.9 million from FY 2012 to FY 2013 includes the following changes:

RPO: -\$104.6 million Programmatic decrease includes (but is not limited to):

- Decrease of \$38.4 million for the termination of various Pentagon Reservation programs to include Pentagon Swing Space Leases.
- Decrease of \$13.8 million for reductions in capital requirements.
- Decrease of \$26.6 million for the completion of FOB #2 demolition.
- Decrease of \$11.8 million for routine completions of one-time efforts to include:
 - Completion of Wedge 5 Pentagon Information Technology Systems contract.
 - Decrease in staff support providing oversight and management of Pentagon Reservation sustainment, restoration, modernization, construction and alteration projects.

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- Decrease of \$3.8 million for completion of Wedge 5 operations.
- Decrease of \$7.0 million for changes in facility systems master plan and baselining.
- Decrease of \$2.3 million for energy efficiency.

PFPA: -\$0.6 million Programmatic decrease includes (but is not limited to):

- Increase of \$2.6 million for adjusted payroll calculations and additional Integrated Emergency Operations Center (IEOC) monitoring positions.
- Increase of \$5.5 million for Capital improvement projects.
- Decrease of \$6.4 million from recalculation of common space rent.
- Decrease of \$1.7 million from decreased contractor security officers in FOB #2 and reductions to Pentagon Shield modeling and contracts.

RRMC: \$10.9 million Programmatic increase includes (but is not limited to):

- Increase of \$0.8 million to fill the new fuel storage facility.
- Increase of \$17.1 million for Facilities, Restoration and Modernization projects.
- Increase of \$2.5 million for adjusted payroll calculations and the realignment of 6 billets to RRMC.
- Decrease of \$9.5 million in Facility Maintenance for security related projects.

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Operating Budget:

Budget estimates assume annual inflationary increases for supplies, equipment, and service contracts. Commercially-equivalent levels serve as a benchmark for maintenance and repair functions.

The PFPA's budget estimates are developed and programmed to provide a safe and secure environment and to deter acts of terrorism against DoD personnel, assets, and facilities through an effective, proactive, and viable force protection and anti-terrorism program.

Pentagon Reservation tenants relocated due to the completion of the Pentagon Renovations and the demolition of FOB #2. Beginning in FY 2012, the new footprint allocation will determine customer rent.

Capital Budget:

In FY 2012, the PRMRF updated their business practice and stopped applying a capital surcharge to tenants. The PRMRF now uses contract authority to fund capital assets and depreciates the assets as they become operational.

The PFPA budget estimates include funding for Pentagon Sentry equipment and systems as well as HSPD-12 upgrades at the Pentagon.

The RRMC budget estimates include funding for facility maintenance and improvements in the capacity of the HVAC system; upgrading and increasing the reliability of the electrical distribution systems; continuing development of the smoke containment and exhaust system; redundancy developments and mission support at Site C; improvements to the CBRNE Detection Capabilities; and reconfiguration and consolidation of the IEOC.

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<u>Financial Profile:</u>	(Dollars in Millions)		
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Revenue	629.1	554.1	492.6
Expenses	573.8	622.8	552.6
Net Operating Result (NOR)	55.3	-68.7	-60.0
Disbursements	713.8	658.5	627.1
Collections	654.2	554.1	492.6
Net Outlays	59.6	104.4	134.5
Accumulated Operating Result (AOR)	296.6	227.9	167.9

The positive NOR in FY 2011 reflects actual expenditures that were less than expected and the reduction in expense due to a change in inflationary assumptions while revenue remained stable. In FY 2012 the negative NOR reflects removing the FOB #2 demolition and the capital surcharge from the rent bill and using available cash balances to fund. In addition, the PRMRF is providing abatements to the customers from available cash balances for FY 2012 and FY 2013.

<u>Staffing:</u>	Full Time Equivalent (FTE)		
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Real Property Operations	463	524	526
Pentagon Renovation (note)	0	0	
Pentagon Force Protection Agency	1,133	1,123	1,133
Raven Rock Mountain Complex	124	135	135
Total	1,720	1,782	1,794

The PFPA's staffing increases by 10 FTE in FY 2013 to fund critical positions for the CBRNE Response Team and IEOC Monitoring personnel. RPO's staffing includes an increase of 2 FTE for the Facilities Environmental and Safety Program.

note: As the Pentagon Renovation project sunsets, it was determined that a dedicated directorate was no longer needed and the Pentagon Reservation Office no longer exists in the PRMRF. Their functions were absorbed into the Real Property Office.

Summary of Price, Program and Other Changes
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Element of Expense	Cost of Operations FY 2011	Cost of Operations FY 2012	Total Price Growth	Program & Other Changes	Cost of Operations FY 2013
Civilian Personnel Compensation	155.2	159.5	0.6	-0.1	160.0
Civilian Personnel Benefits	46.4	42.9	0.2	2.0	45.1
Benefits to Former Employees	0.1	0.4	0.0	0.0	0.4
Travel	1.0	1.1	0.0	1.1	2.2
Transportation	0.8	0.5	0.0	-0.3	0.2
Depreciation	0.0	0.0	0.0	0.0	0.0
Rent. Communications, Utilities & Misc Charges	83.4	94.5	1.7	-49.4	46.8
Advisory and Assistance Services	65.8	106.3	1.9	-51.0	57.2
Printing	0.1	0.1	0.0	0.0	0.1
Other Services	149.1	174.1	3.1	19.7	196.9
Supplies and Materials	16.8	16.9	0.3	-0.5	16.6
Equipment	55.0	26.5	0.5	0.1	27.1
TOTAL COST OF OPERATIONS (Includes Above Standard Program - does not include Capital)	573.8	622.8	8.3	-78.5	552.6

note: Totals may not add due to rounding

Exhibit Fund -1 Summary of Price, Program and Other Changes

Note: Totals may not add due to rounding.

Changes in the Cost of Operations
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FY 2011 Estimated Actual	573.763
FY 2012 Estimate in President's Budget	622.777
Pricing Adjustments:	<u>7.899</u>
Annualization of Pay Raises	0
Price Growth Pay	0.761
General Purchase Inflation	7.138
Program Changes:	<u>-78.058</u>
Travel/Transportation/Printing	0.825
DESC Fuel Change	0.783
Termination of Pentagon Renovation Swing Space Leases (GSA/Non-GSA)	-37.697
Decrease in Maintenance by Contract/Supplies & Material/Equipment/Contracts as Pentagon Renovation ends	-5.124
A portion of Advisory and Assistance was reclassified to Other Intra-Governmental Purchases to match execution and the remaining reduction relates to the completion of three studies (Facilities System Master Plan, Reservation Roadways and Parking, and Operational Systems Dashboard)	-13.321
RRMC understatement of civilian pay	1.835
Decrease in Utilities and Comm as Pentagon Renovation completes and FOB #2 closes	-5.202
Facilities Maintenance reduction as Pentagon Renovation ends	-6.537
Land and Structure decreases as the Pentagon Renovation ends	-7.189
Decrease in PFPA Rent Bill as Square Footage is realigned to Components	<u>-6.430</u>
FY 2013 Estimate	552.618

Exhibit Fund -2 Changes in the Costs of Operations

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
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	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
New Orders			
a. Orders from DoD Components:			
Department of the Air Force	91.3	88.1	77.8
Department of the Army	102.7	101.1	88.2
United States Marine Corps	48.7	30.6	26.6
Department of the Navy	79.8	60.4	53.7
Subtotal Military Departments	322.5	280.2	246.3
Defense-Wide			
AFIS	0.3	0.3	0.2
DIA	23.0	22.8	20.9
DISA	14.0	11.4	11.8
DLA	0.3	0.3	0.2
DLSA	0.5	0.5	0.4
DTRA	1.0	0.2	0.3
JCS	77.4	69.1	66.1
MDA	24.0	-	-
OMC	1.2	-	-
NGA (NIMA)	0.4	0.4	0.3
NSA	0.3	0.3	0.2
NGB	2.9	2.9	2.4
PFPA	6.8	6.0	0.1
WHS	106.6	112.5	103.4
Subtotal Defense-Wide	258.8	226.7	206.5

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
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	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
b. Orders from Non-DoD Agencies			
DoD Concessions Committee	0.7	0.9	0.9
c. Total Standard Level Rent Orders	582.0	507.8	453.7
d. Other Orders			
Above Standard Level Services:			
Building Services and Space Adjustments	39.3	39.1	31.6
PENREN/C Customer Orders	-	-	-
Renovation Furniture	-	-	-
Force Protection	7.2	5.6	5.6
Raven Rock Mountain Complex	0.7	1.7	1.7
Subtotal Above Standard Services	47.2	46.3	38.9
Total New Orders:	629.1	554.1	492.6
Carry-In Orders:	-	-	-
Total Gross Orders:	629.1	554.1	492.6

Exhibit Fund -11 Source of New Orders and Revenue

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Revenue and Expense
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	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Revenue:			
Standard level	582.0	507.8	453.7
Above standard level	47.1	46.3	38.9
Other sources			
Total Revenue	629.1	554.1	492.6
 <u>Standard Level Operating Expenses:</u>			
Real Property Operations:	<u>262.0</u>	<u>342.9</u>	<u>251.4</u>
Cleaning	22.7	19.6	19.7
Utilities & Fuel	9.6	24.2	24.4
Maintenance	41.5	40.6	31.2
Other Building Services	18.4	37.7	30.3
Administration	50.4	46.4	34.7
Repairs (\$10,000)	4.3	17.1	15.9
Swing Space	39.2	39.1	7.4
Design and Construction	9.1	22.1	10.0
FOB #2 Navy Annex Demolition	-	26.6	-
Information Technology	43.0	49.3	54.0
Defense Post Office (ESD)	6.7	3.4	6.3
EM Library (APSD)	-	3.2	4.1
Acquisition & Procurement Office (AD)	9.3	8.2	7.4
Other Services HRD, FMD, OGC	7.9	5.3	5.9

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.

Revenue and Expense
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	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Pentagon Force Protection Agency:	220.8	206.7	200.8
Compensation & Benefit	128.9	129.1	132.2
Program Integration	33.5	23.9	21.3
CBRN	15.1	16.9	19.4
Anti-Terrorism/Force Protection	0.3	0.2	0.2
Security Services	9.5	9.5	7.5
Pentagon Police / Raven Rock	16.5	15.6	4.3
Force Protection Technology	16.9	11.5	16.0
Raven Rock Mountain Complex:	43.8	40.7	61.5
Compensation & Benefit	14.8	12.6	15.2
Information Management & Telecommunications (IM&T)	10.1	11.4	11.6
Administration	4.3	5.4	6.0
Other Services	6.4	6.3	5.3
Site R Improvements	8.3	5.0	23.5
Subtotal Standard Level	526.6	590.3	513.7

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.

Revenue and Expense
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	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Above Standard Reimbursable Expenses:			
Real Property Operations:	<u>39.3</u>	<u>25.2</u>	<u>31.6</u>
Utilities and Fuel	26.0	17.3	23.5
Maintenance	-	-	-
Salary and Benefits	13.3	7.9	8.1
Space adjustments, renovation furniture & other	-	-	-
Pentagon Force Protection Agency	<u>7.2</u>	<u>5.6</u>	<u>5.6</u>
Raven Rock Mountain Complex	<u>0.7</u>	<u>1.7</u>	<u>1.7</u>
Subtotal Above Standard Level	<u>47.2</u>	<u>32.5</u>	<u>38.9</u>
Total Operating Expenses	<u>573.8</u>	<u>622.8</u>	<u>552.6</u>
Net Operating Result	<u>55.3</u>	<u>-68.7</u>	<u>-60.0</u>
Accumulated Operating Result	<u>296.6</u>	<u>227.9</u>	<u>167.9</u>

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.

PRMRF Cost of Services
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PROGRAM	FY 2011		FY 2012		FY 2013	
	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.
Cleaning	4,806,336	\$ 4.73	4,376,343	\$ 4.48	4,398,843	\$ 4.49
Utilities & Fuel	4,806,336	\$ 1.99	4,376,343	\$ 5.54	4,398,843	\$ 5.55
Maintenance	4,806,336	\$ 8.63	4,376,343	\$ 9.28	4,398,843	\$ 7.10
Other Building Services	4,806,336	\$ 3.83	4,376,343	\$ 8.61	4,398,843	\$ 6.90
Repairs (over \$10,000)	4,806,336	\$ 0.89	4,376,343	\$ 3.91	4,398,843	\$ 3.62
Administrative	5,154,446	\$ 9.78	4,456,667	\$ 10.42	4,456,667	\$ 7.79
Administrative Cost as Percent of Total Program Cost		19%		14%		14%
Total RPO Std Operating Expense	261.995		342.866		251.375	

Cost per square foot is displayed in whole dollars.

Workload Avg. Square footage is based on occupiable space. It does not include outside parking.

Square footage adjustments from FY 2012 to FY 2013 reflects the results of the Pentagon Basement Buildout.

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	<u>Obs.</u>	<u>Orders</u>	<u>Revenue</u>	<u>Cost</u>	Disbursements by Fiscal Year						
					<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>17</u>
<u>Pentagon Force Protection Agency:</u>											
FY 2011	247.3	256.3	256.3	247.3	240.6	74.8	14.1	1.7	0.0	0.0	0.0
FY 2012	221.9	191.1	191.1	221.9	0.0	151.1	57.5	11.7	1.6	0.0	0.0
FY 2013	223.4	183.7	183.7	223.4	0.0	0.0	152.1	57.9	11.8	1.6	0.0
<u>Real Property Operations:</u>											
FY 2011	333.6	320.6	320.6	333.6	415.9	219.5	52.7	21.6	17.3	7.9	0.0
FY 2012	381.9	324.5	324.5	381.9	0.0	155.9	174.7	35.3	0.2	6.9	9.1
FY 2013	283.0	252.9	252.9	283.0	0.0	0.0	115.5	129.4	26.1	0.2	5.1
<u>Raven Rock Mountain Complex:</u>											
FY 2011	71.7	52.2	52.2	71.7	57.3	21.7	3.3	0.9	0.0	0.0	0.0
FY 2012	51.7	38.5	38.5	51.7	0.0	35.5	13.7	1.9	0.6	0.0	0.0
FY 2013	63.2	56.0	56.0	63.2	0.0	0.0	43.4	16.7	2.3	0.8	0.0
<u>Total PRMRF:</u>											
FY 2011	652.7	629.1	629.1	652.7	713.8	316.0	70.2	24.2	17.3	7.9	0.0
FY 2012	655.5	554.1	554.1	655.5	0.0	342.5	245.9	48.8	2.4	6.9	9.1
FY 2013	569.6	492.6	492.6	569.6	0.0	0.0	311.0	204.1	40.2	2.5	5.1
<u>Cash:</u>											
	<u>BOY</u>	<u>Collections</u>	<u>Disb.</u>	<u>EOY</u>							
FY 2011	510.0	654.2	713.8	450.4							
FY 2012	450.4	554.1	658.5	346.0							
FY 2013	346.0	492.6	627.1	211.5							

Exhibit Fund -PR2 PRMRF Summary Statement

Note: Totals may not add due to rounding.

Capital Investment Summary
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Line #	Item Description	FY 2011		FY 2012		FY 2013	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Software Development > \$250K	0	0.0	0	0.0	0	0.0
2	ADPE & Telecommunication > \$250K	1	2.0	0	0.0	0	0.0
3	Non-ADPE & Telecommunication Equipment > \$250k	1	66.4	1	32.7	1	17.0
4	Minor Construction > \$100K and equal to or less than \$250K	0	0.0	0	0.0	0	0.0
5	Major Construction	1	10.5	0	0.0	0	0.0
	TOTAL		78.9		32.7		17.0

Exhibit Fund -9a Capital Investment Summary

Activity Group Capital Purchase Justification
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PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				Fiscal Year (FY) 2013 Budget Submission					
B. Pentagon Force Protection Agency		C. Equipment/Other				D. Line Item #3			
		FY 2011		FY 2012			FY 2013		
		Unit	Total	Unit	Total	Total	Unit	Total	
Element of Cost (\$000)	Qty	Cost	Cost	Qty	Cost	Cost	Qty	Cost	Cost
Equipment - except ADPE & Telecom	1	19,303	19,303	1	9,596	9,596	1	16,963	16,963

FY 2011: \$19.3 million invested for PFPA initiatives to include:

- CCTV - Carryover from FY 2010 (\$1.4 million)
- Chemical, biological, radiological detection system (Pentagon Shield) enhancements (\$10.8 million)
- Life Safety System Equipment (\$2.1 million)
- Advanced Emergency Response Integration Environment (AERIE) Operations Center system (\$5.0 million)

FY 2012: \$9.6 million will be invested in PFPA initiatives for Sentry.

FY 2013: \$17.0 million will be invested in PFPA initiatives for Sentry.

Exhibit Fund -9b Capital Investment Justification

Note: Totals may not add due to rounding.

Activity Group Capital Purchase Justification
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PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				Fiscal Year (FY) 2013 Budget Estimate					
B. Real Property Operations			C. Equipment/Other			D. Line Item #3			
			FY 2011		FY 2012		FY 2013		
			Unit	Total	Unit	Total	Unit	Total	
Element of Cost (\$000)	Qty	Cost	Cost	Qty	Cost	Cost	Qty	Cost	Cost
Repair/Replacement	1	19,838	19,838	1	13,827	13,827	0	0	0

FY 2011: \$19.8 million invested in Operations initiatives to include:

- Roof Replacement (\$6.3 million)
- Retube/Replace Chillers (\$0.0 million)
- Façade Repairs (\$2.3 million)
- ARC Flash Program (\$0.3 million)
- ECMS Upgrade to renovated areas to include W1 lighting controls (\$0.6 million)
- Elevator Bank Floor Tile Installation (\$0.3 million)
- Restroom Automatic Flush Valve & Faucet Replacement (\$0.3 million)
- REA M/C CHW Distri (PAC) (\$0.1 million)
- Lighting Protection (\$0.2 million)
- Clinic fire Pump Power (\$0.6 million)
- MC Power Supply HAVAC Controls (\$0.3 million)
- Repair Center Courtyard Stairs (\$0.0 million)
- STM Master Plan/South STM Tunnel Study (\$0.2 million)
- Construct CCY Patio (\$0.0 million)
- Mall Terrace Destructive Testing/Study (\$0.4 million)
- Chilled Water Line Project (\$7.2 million)
- Sidewalk Repairs (\$0.7 million)

FY 2012: \$13.8 million will be invested in Operations initiatives to include:

- Complete Renovation of the Pentagon Basement (\$13.8 million)

Exhibit Fund -9b Capital Investment Justification

Note: Totals may not add due to rounding.

Activity Group Capital Purchase Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012
(\$ in Thousands)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				Fiscal Year (FY) 2013 Budget Estimate					
B. Real Property Operations		C. Construction				D. Line Item #5			
		FY 2011		FY 2012			FY 2013		
		Unit	Total	Unit	Total	Total	Unit	Total	
Element of Cost (\$000)	Qty	Cost	Cost	Qty	Cost	Cost	Qty	Cost	Cost
Construction	1	10,510	10,510	0	0	0	0	0	0

FY 2011: \$10.510 million invested in Operations initiatives to include:

- Design and Construction activities (\$10.510 million)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				Fiscal Year (FY) 2013 Budget Estimate					
B. Real Property Operations		C. ADPE & Telecommunications				D. Line Item #2			
		FY 2011		FY 2012			FY 2013		
		Unit	Total	Unit	Total	Total	Unit	Total	
Element of Cost (\$000)	Qty	Cost	Cost	Qty	Cost	Cost	Qty	Cost	Cost
ADPE and Telecommunication	1	2,000	2,000	0	0	0	0	0	0

FY 2011: \$2.0 million invested in Operations initiatives to include:

- Information management and telecommunications planning, engineering management, acquisition and implementation activities (\$2.0 million)

Exhibit Fund -9b Capital Investment Justification

Activity Group Capital Purchase Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012
(\$ in Thousands)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2013 Budget Estimates						
B. Raven Rock Mountain Complex		C. Equipment/Other				D. Line Item #3				
		FY 2011		FY 2012			FY 2013			
Element of Cost (\$000)		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Equipment, Other		1	27,277	27,277	1	9,268	9,268	0	0	0

FY 2011: \$27.3 million invested for RRMC Capital Improvement initiatives to include:

- The continuation of development of smoke containment system (\$13.1 million)
- Consolidation of Emergency Operations Center (\$5.5 million)
- Electrical Power Distribution Center (FY10 Carryforward) (\$6.0 million)
- Chilled Water Line (\$2.7 million)

FY 2012: \$9.3 million will be invested in RRMC capital improvement initiatives to include:

- The continuation of development of smoke containment system (\$4.4 million)
- Improve CBRNE Detection Capability (\$4.9 million)

FY 2013: N/A

Exhibit Fund -9b Capital Investment Justification

Activity Group Capital Budget Execution
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012
(\$ in Thousands)

Projects in the FY 2012 President's Budget

	Approved	FY 2011					FY 2012	
		PB-12 Approved	Reprog	Approved Proj Cost	Current	Asset	Approved	Current
RPO	Equipment ADPE & TELECOM	2,000	0	2,000	2,000	0	0	0
2011	Equipment Other							
RPO	Roof Repairs	5,448	1,200	6,648	6,255	393		
RPO	Retube/Replace Chillers	1,200	(907)	293	0	293		
RPO	Door to Auto Door Replace	400	0	400	0	400		
RPO	Façade Repairs	1,600	654	2,254	2,253	1		
RPO	ARC Flash Program	100	300	400	296	104		
RPO	ECMS Upgrade to Renovated Areas to include W1 Lighting Controls	3,300	(2,703)	597	597	0		
RPO	ECMS Upgrade Change Order Contingency	0	100	100	41	59		

Exhibit Fund -9c Capital Budget Execution

Note: Totals may not add due to rounding.

**Activity Group Capital Budget Execution
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012
(\$ in Thousands)**

Projects in the FY 2012 President's Budget

	Approved	FY 2011					FY 2012	
		PB-12 Approved	Reprog	Approved Proj Cost	Current	Asset	Approved	Current
RPO	Fan Powered Induction Unit Fan Motor Replacement	400	(400)	0	0	0		
RPO	Restroom Auto Flush Valve & Faucet Replace	500	(120)	380	309	71		
RPO	Floor Repair & Replace	300	(300)	0	0	0		
RPO	Ceiling Tile Replace	600	(600)	0	0	0		
RPO	Elevator Bank Floor Tile Installation	400	(100)	300	329	-29		
RPO	REA M/C CHW Distri (PAC)	0	110	110	94	16		
RPO	Lighting Protection	0	350	350	165	185		
RPO	Clinic Fire Pump Power	0	900	900	647	253		
RPO	MC Power Supply to HAVAC Controls	0	730	730	299	431		
RPO	STM Master Plan/South STM Tunnel Study	0	650	650	240	410		
RPO	Construct CCY Patio	0	34	34	0	34		
RPO	Mall Terrace Destructive Testing/Study	0	450	450	379	71		
RPO	Pentagon Basement Buildout	0	0	0	0	0	13,827	13,827
RPO	Chilled Water Line Proj	0	7,200	7,200	7,194	6		
RPO	Sidewalk Repairs	0	456	456	740	-284		

Exhibit Fund -9c Capital Budget Execution

Note: Totals may not add due to rounding.

**Activity Group Capital Budget Execution
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012
(\$ in Thousands)**

Projects in the FY 2012 President's Budget

	Approved	FY 2011					FY 2012	
		PB-12 Approved	Reprog	Approved Proj Cost	Current	Asset	Approved	Current
PFPA	Chemical, biological, radiological detection system (Petagon Shield) enhancements	10,934	0	10,934	10,823	111		
PFPA	Life Safety Sys Equip	2,100	0	2,100	2,100	0		
PFPA	Advanced Emergency Response Integration Environment (AERIE) Operations Center Sys	5,000	0	5,000	5,000	0		
PFPA	Close Circuit TV Security Sys	0	0	0	1,380	-1,380		
PFPA	Sentry initiatives	0	0	0	0	0	9,596	9,596
RRMC	Electrical Power Distribution	0	5,970	5,970	5,970	0		
RRMC	Chilled Water Line Replacement	810	1,890	2,700	2,700	0		
RRMC	Smoke Containment System	4,533	8,564	13,097	13,097	0	4,365	4,365
RRMC	Improve CBRNE Detection Capability	0	0	0	0	0	4,903	4,903
RRMC	Emergency Operations Center	5,467	43	5,510	5,510	0		
2011	Major Construction							
RPO	Construction activities for Pentagon Operations	14,262	0	14,262	10,510	3,752	0	0
	Total	59,354	24,471	83,825	78,928	4,897	32,691	32,691

Exhibit Fund -9c Capital Budget Execution

Note: Totals may not add due to rounding.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012

Activity Group Function:

Title 10 United States Code Section 2208 authorized the Secretary of Defense to establish Working Capital Funds to support the Department's mission. In FY 1995 the Secretary established the Building Maintenance Fund (BMF). The BMF is responsible for providing space, building services and force protection for three federally owned and 27 leased facilities within the National Capital Region (NCR). These facilities are operated by the Washington Headquarters Services under General Services Administration DoD Interagency Agreements. Customers pay a basic user charge for space and basic building services to finance the BMF. Customers who request above standard services pay an additional charge for those services.

Activity Group Composition:

The BMF finances the activities of the Washington Headquarters Services and the Pentagon Force Protection Agency. The BMF provides space, building services and force protection for Department of Defense (DoD) Components, including Military Departments and other activities located within the NCR.

Real Property Operations (RPO): The Defense Facilities Directorate is responsible for the safe and efficient operation and management of all DoD delegated buildings within the NCR. RPO include cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, and administrative support. Additional services include operating expenses for purchased utilities. The scheduled maintenance and day-to-day customer support via these services provides for operational continuity of the customer's mission.

Pentagon Force Protection Agency (PFPA): The Deputy Secretary of Defense established the PFPA as a Defense Agency under the authority provided in Title 10 USC 191. The mission of the PFPA is to provide force protection, security, anti-terrorism, law enforcement, and chemical, biological, radiological, and nuclear protection as required for the people, facilities, infrastructure and other DoD resources within the NCR.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012

The following table summarizes BMF obligation authority by activity group:

	(Dollars in Millions)		
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Real Property Operations	19.5	71.0	71.2
Pentagon Force Protection Agency	43.2	58.6	61.1
Total	62.7	129.6	132.3

Budget Highlight:

Budget estimates derived for FY 2011 through FY 2013 assume annual inflationary increases for real property operations and force protection requirements. In addition, significant changes for FY 2013 are outlined in the paragraphs below.

Significant Changes in Activity:

FY 2013 Budget Estimate:

Provides programmatic increase of \$0.8 million for the operation of the "BRAC 133" Facility (Mark Center). The BRAC 133 project reflects the 2005 Base Realignment and Closure Commission's Recommendation #133 and is part of the U.S. Army's Fort Belvoir, Virginia, BRAC initiative. The BRAC 133 project will entail the relocation of 6,409 Defense Department-level agencies' personnel, from leased space in Northern Virginia to a new office complex being developed at the Mark Center in Alexandria, VA.

The \$0.8 million change provides:

PFPA +1.7 million Programmatic change includes (but is not limited to):

- Increase of \$0.8 million to upgrades/replace security equipment in leased facilities.
- Decrease of \$0.2 million in supplies and materials for lab support in leased facilities.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012

- Increase of \$1.3 million for contractor security guards in new facilities.
- Decrease of \$0.2 million due to the discontinuance of the WMATA fiber optic fee.

RPO -0.9 million Programmatic change includes (but is not limited to):

- Decrease of \$0.9 million due to the repricing of payroll.
- Decrease of \$0.7 million due to reduced contractor support.
- Decrease of \$0.5 million due to reductions in transportation requirements.
- Increase of \$0.5 million for additional information technology support for the Mark Center.
- Decrease of \$1.9 million due to reductions in facility maintenance as a result of the move into Mark Center.
- Increase of \$0.1 million for additional Mark Center supplies and materials.
- Increase of \$2.5 million for increased utilities costs at the Mark Center.

Financial Profile:

	(Dollars in Millions)		
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Revenue	65.7	119.2	132.3
Expenses	62.7	129.6	132.3
Net Operating Results (NOR)	3.0	-10.4	0.0
Disbursements	59.8	107.4	127.7
Collections	55.0	119.2	132.3
Net Outlays	4.8	-11.8	-4.6
Accumulated Operating Results (AOR)	28.8	18.4	18.4

The negative NOR in FY 2012 reflects the BMF providing an abatement to its customers from available cash balances for FY 2012.

Summary of Operations
 WASHINGTON HEADQUARTERS SERVICES
 Building Maintenance Fund
 Fiscal Year (FY) 2013 Budget Estimate
 February 2012

Staffing:

	Full Time Equivalents		
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Real Property Operations	33	48	48
Pentagon Force Protection Agency	<u>85</u>	<u>155</u>	<u>155</u>
Total	118	203	203

Summary of Price, Program and Other Changes
Building Maintenance Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012
(\$ in Millions)

Element of Expense	Cost of Operations FY 2011	Cost of Operations FY 2012	Price Growth/Amount	Program & Other Changes	Cost of Operations FY 2013	
Civilian Personnel Comp	13.6	19.5	0.5%	0.1	-0.6	19.0
Civilian Personnel Benefits	1.4	4.9	0.5%	0.0	-0.1	4.8
Benefits to Former Employees	0.0	0.2	0.5%	0.0	-0.1	0.1
Travel	0.6	4.1	1.7%	0.1	-0.5	3.7
Transportation	0.0	0.0	1.7%	0.0	0.0	0
Rent, Communications and Utilities	3.3	8.3	1.7%	0.1	2.5	10.9
Advisory and Assistance Services	30.2	36.3	1.7%	0.6	0.6	37.6
Printing	0.0	0.0	1.7%	0.0	0.0	0
Other Services	10.9	52.7	1.7%	0.9	-1.7	51.9
Supplies and Materials	0.6	0.7	1.7%	0.0	-0.1	0.6
Equipment	2.2	2.9	1.7%	0.0	0.8	3.7
TOTAL COST OF OPERATIONS (Includes Above Standard Program)	62.7	129.6		1.9	0.8	132.3

Exhibit Fund -1 Summary of Price, Program and Other Changes

Note: Totals may not add due to rounding.

Changes in the Costs of Operations
Building Maintenance Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012
(\$ in Millions)

FY 2011 Estimate	62.7
FY 2012 Estimate	129.6
Pricing Adjustments:	1.9
Annualization of Pay Raise	0.0
General Purchase Inflation	1.8
Price Growth Payroll	0.1
Program Changes:	0.8
Increase in contractor support for new facilities being added in FY 2013.	0.6
Equipment and IT increase is to support upgrades in security equipment to support leased facilities	1.2
Repricing of payroll to support leased facilities	-0.8
Decrease in estimated travel requirements	-0.5
Decrease in supplies and materials due to reduction in CBRNE Lab support	-0.2
Increase in utilities for Mark Center	2.5
Decrease to facility maintenance due to move into Mark Center	-2.1
FY 2013 Estimate	132.3

Exhibit Fund -2 Changes in the Costs of Operations

Note: Totals may not add due to rounding.

**Source of New Orders and Revenue
Building Maintenance Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012
(\$ in Millions)**

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
1. New Orders			
a.Orders from DoD Components:			
Department of the Air Force	0.9	1.2	1.4
Department of the Army	17.2	17.1	21.2
Department of the Navy	3.8	4.4	5.3
Subtotal Military Departments	21.9	22.7	27.9
Defense-Wide			
DLSA	0.1	0.1	0.1
PFPA	0.6	0.2	0.3
DARPA	0.3	0.3	0.3
CAAF	0.7	0.7	0.9
DCMA	1.6	-	-
DFAS	0.2	1.3	1.4
DIA	1.0	1.0	1.2
MDA	1.3	0.3	0.5
DISA	2.1	-	-
DLA	2.1	2.8	4.6
DSS	0.0	0.0	0.0
WHS/OSD	4.4	37.7	41.7
BTA	1.3	-	0.0
DHRA	0.6	10.0	11.2
DODEA	-	4.8	5.3
DODIG	2.3	12.6	14.2
DTSA	-	2.6	2.9
AT&L-TRMC	-	1.0	1.1
OMC	0.2	0.5	0.6
DMA	0.2	0.2	0.2
DOHA	0.5	0.5	0.5
DSCA	0.4	0.4	0.4
JIAMDO	0.2	0.2	0.2
OEA	0.1	0.1	0.1
TMA	0.2	0.2	0.2
Subtotal Defense-Wide	20.5	77.5	88.1

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
Building Maintenance Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012
(\$ in Millions)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
b Orders from Non-DoD	-		
c Total Standard Level Rent	42.5	100.1	116.0
d Other			
Above Standard Level			
Building Services and Space	8.6	11.0	11.1
Force	4.8	2.6	5.2
Mark Center	9.8	5.5	0.0
Lease Pilot	0.0	0.0	0.0
Subtotal Above Standard	23.2	19.1	16.3
Total New	65.7	119.2	132.3

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

Revenue and Expenses
Building Maintenance Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012
(\$ in Millions)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Revenue:			
Standard level	42.5	100.1	116.0
Above standard level	23.2	19.1	16.3
Total Revenue	65.7	119.2	132.3
 <u>Standard Level Operating Expenses:</u>			
 Real Property Operations:			
Cleaning	2.3	5.6	6.0
Utilities & Fuel	1.0	7.8	7.7
Maintenance	1.0	11.6	11.5
Other Building Services	0.0	4.8	4.7
Administration	6.0	7.3	7.2
Repairs (over \$10,000)	0.1	0.8	0.8
Transportation	0.6	4.1	3.7
Information Technology	0.0	17.9	18.3
Defense Post Office	0.0	0.1	0.1
 Pentagon Force Protection Agency:	 28.6	 50.5	 55.9
Compensation & Benefits	3.8	14.4	16.4
Program Integration	0.9	2.1	1.8

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.

Revenue and Expenses
Building Maintenance Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012
(\$ in Millions)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Chemical, Biological, Radiological, Nuclear, and Explosive Program	4.1	4.3	4.3
Anti-Terrorism/Force Protection	0.2	0.3	0.3
Security Services	3.0	7.8	7.8
Pentagon Police	16.0	19.7	23.4
Force Protection Technology	0.6	1.9	2.0
Subtotal Standard Level	39.5	110.5	116.0
 <u>Above Standard Reimbursable Expenses:</u>			
Real Property Operations	8.6	11.0	11.1
Pentagon Force Protection Agency	14.6	8.1	5.2
Subtotal Above Standard Level	23.2	19.1	16.3
 <u>Total Operating Expenses</u>	 62.7	 129.6	 132.3
Net Operating Result	2.9	-10.4	0.0
Accumulated Operating Result	28.8	18.4	18.4

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.

Cost of Services
Building Maintenance Fund
Fiscal Year (FY) 2013 Budget Estimate
February 2012

PROGRAM	FY 2011		FY 2012		FY 2013	
	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.
Cleaning	895,356	\$2.55	2,219,246	\$2.53	2,219,246	\$2.73
Utilities & Fuel	895,356	\$1.11	2,219,246	\$3.50	2,219,246	\$3.46
Maintenance	895,356	\$1.08	2,219,246	\$5.23	2,219,246	\$5.16
Administrative	4,659,225	\$1.28	5,983,115	\$1.22	5,983,115	\$1.21
Administrative Cost as Percent of Total Program Cost		30.6%		10.3%		10.1%

The workload square footage for real property operations is based upon the execution of government owned facilities; it does not include reimbursable above standard services.

The square footage increase beginning in FY 2012 is due to the 2005 Base Realignment and Closure Commission's Recommendation #133 and is part of the U.S. Army's Fort Belvoir, Virginia, BRAC initiative. The BRAC 133 project entails the relocation of 6,409 Defense Department-level agencies' personnel, from leased space in Northern Virginia to the new office complex at the Mark Center.

Exhibit Fund -PR1 Cost of Services

Summary Statement
 Building Maintenance Fund
 Fiscal Year (FY) 2013 Budget Estimate
 February 2012

	<u>Obs.</u>	<u>Orders</u>	<u>Revenue</u>	<u>Cost</u>	<u>Disbursements by Fiscal Year</u>						
					<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>17</u>
<u>Pentagon Force Protection Agency:</u>											
FY 2011	43.2	46.1	46.1	43.2	43.5	22.7	4.1	0.6	0.0	0.0	0.0
FY 2012	58.6	53.8	53.8	58.6	0.0	28.7	24.8	4.2	0.7	0.0	0.0
FY 2013	61.1	61.1	61.1	61.1	0.0	0.0	30.1	25.9	4.4	0.7	0.0
<u>Real Property Operations:</u>											
FY 2011	19.5	19.5	19.5	19.5	16.3	11.0	1.8	0.2	0.0	0.0	0.0
FY 2012	71.0	65.4	65.4	71.0	0.0	45.0	21.67	3.6	0.5	0.0	0.0
FY 2013	71.2	71.2	71.2	71.2	0.0	0.0	45.23	21.8	3.6	0.6	0.0
<u>Total BMF:</u>											
FY 2011	62.7	65.7	65.7	62.7	59.8	33.7	5.9	0.8	0.0	0.0	0.0
FY 2012	129.6	119.2	119.2	129.6	0.0	73.7	46.5	7.8	1.2	0.0	0.0
FY 2013	132.3	132.3	132.3	132.3	0.0	0.0	75.3	47.7	8.0	1.3	0.0
<u>Cash:</u>											
	<u>BOY</u>	<u>Collections</u>	<u>Disb.</u>	<u>EOY</u>							
FY 2011	37.3	55.0	59.8	32.5							
FY 2012	32.5	119.2	107.4	44.3							
FY 2013	44.3	132.3	127.7	48.9							

Exhibit Fund -PR2 BMF Summary Statement

Summary of Operations
DEFENSE LOGISTICS AGENCY
Strategic Materials
Fiscal Year (FY) 2013 Budget Estimate
February 2012

The Defense Logistics Agency (DLA) Strategic Materials (formerly known as the National Defense Stockpile) operates under the authority of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. §98, et seq.). The Stock Piling Act provides that strategic and critical materials are stockpiled in the interest of national defense to preclude a dangerous and costly dependence upon foreign sources of supply in times of national emergency. The DLA Strategic Materials administers the acquisition, storage, management, and disposal of the stockpile.

Pilot Programs and Initiatives

The DLA Strategic Materials has expanded its outreach to the Military Services, and begun participation in two pilot programs to prepare and plan for changing mission requirements. The first pilot is the Strategic Metals Buffer Pilot, in which the DLA Strategic Materials has partnered with the DLA Warstopper Program to establish and maintain a Strategic Metals Buffer inventory of select grades of steel. The buffer program provides DoD a guaranteed accessible monthly inventory of two grades of steel at the semi-finished product stage resulting in a significant reduction in production lead time, making the material ready for infusion directly into the production of critical repair parts. The second pilot entails DLA Strategic Materials acting as the buying agent for the aggregated procurement of Titanium billets for Departments of Army and Navy. The Titanium pilot calls for the vendor to manufacture the material and ship it directly to the customer.

As DoD demands solidify, and the success of the program is demonstrated, the DLA Strategic Materials' role as a buying agent is expected to extend into other high priority commodities. The DLA Strategic Materials has also taken steps to broaden its footprint within DoD by preparing and issuing "alerts" on potential material and market disruptions, and participating in working groups to revise and vet various supply and demand-side assumptions related to potential material shortages. Additional initiatives include realigning the requirements determination process with the Quadrennial Defense Review, identifying and analyzing technologically advanced materials needed by the Military Services and defense production, and expanding/strengthening relationships with other federal agencies, industry, and academia.

**Summary of Operations
DEFENSE LOGISTICS AGENCY
Strategic Materials
Fiscal Year (FY) 2013 Budget Estimate
February 2012**

Sales

The DLA Strategic Material's Principal Sales program consists of commodity disposals considered excess to the needs of the DoD that were authorized for sale prior to FY 1996. Subsequent authorization acts have granted sales authority for other excess commodities, whose proceeds were earmarked for the programs below:

Collections from Sales	FY 2011 (Actual)	FY 2012 (Estimate)	FY 2013 (Estimate)
	(\$ in millions)		
Principal Sales Program	\$15.8	\$54.9	\$63.1
Cobalt Post-FMS Program	\$0.0	\$0.0	\$0.0
HHS & TGF Program	\$57.6	\$63.0	\$72.5
Spectrum/Military Benefits Program	\$21.4	\$16.4	\$17.5
Total Sales	\$94.7	\$134.3	\$153.0

note: Totals may not add due to rounding.

Cobalt Post-FMS Program

The National Defense Authorization Act (NDAA) for FY 1998, P.L.105-85, authorized additional sales of cobalt. The receipts from these sales are to be paid from the Transaction Fund (T-fund) and deposited into the Treasury General Fund. The NDAA for FY 2000, P.L. 106-65, increased payment authorization from \$152 million (previously authorized in P.L. 105-85) to \$235 million. The NDAA for FY 2002, P.L. 107-107, accelerated sales to begin in FY 2002 instead of FY 2003 to avoid potential market disruption. Subsequent authorization acts extended the program through FY 2011 (NDAA FY 2010). The sale of material in this program generated proceeds of \$202 million through

Summary of Operations
DEFENSE LOGISTICS AGENCY
Strategic Materials
Fiscal Year (FY) 2013 Budget Estimate
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FY 2010. Given the level of remaining inventory, the DLA Strategic Materials does not expect to generate any additional revenue from Sales.

HHS and Treasury General Fund Sales Program

The NDAA for FY 1999, P.L. 105-261, authorized additional disposal of commodities. The receipts from these sales are to be paid from the T-Fund and deposited into the U.S. Treasury. A portion of the receipts was paid to the Secretary of Health and Human Services (HHS) to be credited in the manner determined by the Secretary to the Federal Hospital Insurance Fund and the Federal Supplementary Medical Insurance Trust Fund. Subsequent authorization acts gradually raised the limit to \$1.386 billion by the end of FY 2016 (NDAA FY 2009). The sale of materials in this program generated proceeds of \$1.127 billion through FY 2010 and is anticipated to meet its program goals in FY 2016.

SPECTRUM/Military Benefits Sales Program

The NDAA for FY 2000, P.L. 106-65 authorized additional sales of commodities through the end of FY 2009. Subsequent authorization acts gradually raised the limit to \$730 million by the end of FY 2013 (NDAA FY 2011). A Congressional proposal to increase the payment authorization by \$100 million and extend the program to FY 2016 is pending approval.

Transaction Fund

Program financing and payments to legislated programs are summarized in the chart on the following page.

Summary of Operations
DEFENSE LOGISTICS AGENCY
Strategic Materials
Fiscal Year (FY) 2013 Budget Estimate
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Transaction Fund	FY 2011 (Actual)	FY 2012 (Estimate)	FY 2013 (Estimate)
	(\$ in millions)		
BOP Balance	417.3	356.9	362.3
Revenue (Collections from Sales)	94.7	134.3	153.0
Recovery of Prior-Year Unpaid Obs	-5.7	0.0	0.0
Payments to Legislated Programs	116.8	78.8	88.9
Operating Obligations	44.0	50.1	44.9
EOP Balance	356.9	362.3	381.5

Payments

The DLA Strategic Materials anticipates meeting its foreseeable projected legislative program goals.

Payments	FY 2011 (Actual)	FY 2012 (Estimate)	FY 2013 (Estimate)
	(\$ in millions)		
Cobalt Post Foreign Military Sales	\$0.0	\$0.0	\$0.0
HHS & Treasury GF	\$89.5	\$62.1	\$71.4
Spectrum / Military Benefits	\$27.3	\$16.7	\$17.4
Total Payments	\$116.8	\$78.8	\$88.9

Summary of Operations
DEFENSE LOGISTICS AGENCY
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Budget Highlights

	FY 2011	FY 2012	FY 2013
Operations Obligations	(Actual)	(Estimate)	(Estimate)
	(\$ in millions)		
Labor	\$9.7	\$10.7	\$10.2
Non-Labor	\$34.3	\$39.4	\$34.7
Total	\$44.0	\$50.1	\$44.9

Labor

Staffing levels will remain in line with workload, and adjustments will continue to be made to level end-strength as mission requirements change.

Non-Labor

Mobilization Studies and Material Handling: Three requirements have been added to support submission of the Requirements Report that will address reconstitution of stockpiling capabilities - (1) developing data and analyses collection and evaluation sources from Industry, Academia; (2) risk mitigation solutions modeling; and (3) for Material Handling, increased market analysis of strategic and critical materials.

According to 50 U.S.C. 98 et seq Section 8, DLA Strategic Materials is statutorily authorized and required to provide scientific, technological, and economic research into mineral substances. For instance, the 2011 Requirements Report studied 70 materials - 28 of which were in projected shortfall under approved NDS Base Case Scenarios.

To fulfill these statutory obligations, DLA Strategic Materials is currently engaged in contractual relationships with the United States Geological Survey (USGS), the Institute

Summary of Operations
DEFENSE LOGISTICS AGENCY
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for Defense Analyses (IDA) and Oakridge National Laboratories (ORNL). In addition, groundwork is being laid for acquisition of a series of studies and research in the areas of rare earth supply chain analyses, rare earth security risks, risk mitigation strategies, and risk assessment models for 28 materials with projected shortfalls. Additionally, in support of the findings in the 2011 Requirements Report, DLA Strategic Materials would likely expand the amount and complexity of research over the next four fiscal years to include in-depth market economic research and business case analyses. The DLA Strategic Materials will undertake fundamental materials research, with support from the Institute for Defense Analysis that will shift emphasis to increasing the number of materials evaluated in the Biennial Requirements Report to Congress, including additional rare earths. A support agreement with the Department of Energy's Oak Ridge National Laboratories has also been expanded to develop more efficient and flexible mitigation solutions, such as substitution, recycling and vendor managed inventory.

Future/FY 2012 research and study efforts are planned in the areas of more precisely determining defense demands and applications for specific strategic materials, and to start data collection and analysis for the 2013 Requirements Report. Some shifting of requirements will be offset through reduced near-term environmental obligations and operational reprogramming actions for environmental liabilities in the out-years.

Depot Operations: Depot Operations are costs associated with operating and maintaining the day-to-day depot mission, which includes security, operations, maintenance, janitorial services, fuel, and Non-ADP equipment. As depot consolidation points are implemented, facility maintenance and security requirements are expected to gradually decline in FY 2012 and FY 2013.

Real property rental and leasing required to support stockpiling operations include warehouses, administrative buildings, service buildings and open land for outdoor storage. Property is obtained through occupancy agreements with the General Services Administration (GSA), other Federal Agencies or commercial leases administered by DLA Strategic Materials.

**Summary of Operations
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Increases are anticipated in rates for GSA Service Level User Charges in FY 2011, and future years; also GSA is in the process of selling the sites with excess stockpile inventories to coincide with the end of those operations. Depressed materials markets will delay efforts to vacate these properties, requiring NDS to lease these sites for extended periods and increasing costs in the short term.

Operational costs are incurred for sites where material has been sold but not yet removed, and sites where environmental remediation is still ongoing. As a result, NDS reports on sites in three stages. The table below provides the projected number of sites (staffed and unstaffed) at fiscal year-end that will be occupied for one of three reasons: commodities currently available for sale, commodities under contract but not yet removed, or commodities awaiting environmental action (i.e., remedial investigation or clean-up). NDS's storage site reduction schedule has been impacted primarily due to buyers not being able to take material from remote western sites and remaining environmental activity.

Sites	FY 2011	FY 2012	FY 2013
Staffed/Unstaffed	9	9	7

Relocation projects involving the repositioning of commodities to the consolidation points continued through FY 2011, and are expected to be completed in FY 2014.

Environmental: As part of NDS's focus on site stewardship, environmental assessments are conducted to determine environmental effects that may have occurred as a result of materiel storage and whether a site requires remediation. If a site requires restoration, further studies are performed to determine the extent and nature of contamination and the best approach for remediation. Clean-up costs are estimated using the Remedial Action Cost Engineering and Requirements (RACER) process; a computer-based costing model. Based on input from DLA Strategic Materials, RACER estimates for clean-up of known sites are \$43.8 million. Contaminated sites must be restored prior to closure; therefore, as sites are cleared of material and the requirements are more accurately identified environmental liability could increase. Restoration actions are coordinated with the sites closure plan to minimize disruption.

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Two significant environmental issues noted in previous budget submissions are the mercury inventory disposition and Thorium nitrate (radiological) remediation. The DLA Strategic Materials has a sizeable inventory of mercury. In order to determine the best approach, DLA Strategic Materials completed an Environmental Impact Statement in March 2004. The conclusion was to continue to store the mercury at one consolidated location. The DLA Strategic Materials selected the Hawthorne Weapons and Ammunition Depot (HWAD) in Hawthorne, NV as the consolidated mercury storage site. Transportation was planned to begin in FY 2007, however, resolution of concerns raised by the Nevada Department of Environmental Protection (NDEP) delayed the transfer until impacts of long-term storage could be more thoroughly considered. All issues were resolved and the transfer began in September 2010 and completed in early March 2011. Repackaging the entire mercury inventory on site at HWAD over a 15 to 20 year period was required to meet NDEP safety concerns pursuant to approving the transfer. The estimated cost to transfer the entire inventory into new containers has been estimated at an additional \$30 million. Since DLA Strategic Materials still occupies storage sites, not all environmental requirements have been identified or characterized since the studies have not been completed. Therefore, we expect the current ongoing RACER CTC estimate to be significantly greater than the last year.

Environmental Concerns: Revised projected sales revenues, inventory values, cash collections, outlays, and remaining cash balances will further reduce transaction fund balances. Outlays for stockpile operations in the Center's projections include some outlays related to compliance with environmental laws and clean-up of contamination resulting from past operations. These outlays have been a relatively small part of the stockpile's annual operating budget; however costs for all related mercury management requirements including transfer, long-term consolidated storage at HWAD, and restoration of the current storage locations are estimated to be \$52.9 million expensed over the next 40 years.

Statement of Financial Condition
Transaction Fund
DEFENSE LOGISTICS AGENCY, Strategic Materials
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(\$ in Millions)

	FY 2011	FY 2012	FY 2013
ASSETS:			
Selected Assets:			
Cash (EOY)	382.0	381.1	386.5
Accounts Receivable	0.0	0.5	0.5
Inventories	570.3	513.3	461.9
Other Asset Accounts:	<u>0.0</u>	<u>0.4</u>	<u>0.4</u>
TOTAL ASSETS	952.3	895.3	849.3
LIABILITIES			
Selected Liabilities			
Accounts Payable	0.7	0.3	0.3
Advances Received	1.3	1.4	1.4
Environmental Clean-up Liability	42.6	39.0	30.0
Other Liabilities	<u>7.1</u>	<u>9.0</u>	<u>9.0</u>
TOTAL LIABILITIES	51.7	49.7	40.7
GOVERNMENT EQUITY			
Cumulative Results of Operations	<u>900.6</u>	<u>845.6</u>	<u>808.6</u>
TOTAL NET POSITION	900.6	845.6	808.6
TOTAL LIABILITIES AND EQUITY	952.3	895.3	849.3

Exhibit Fund -23 Statement of Financial Condition

Stockpile Financial Status Report
Transaction Fund
DEFENSE LOGISTICS AGENCY, Strategic Materials
Fiscal Year (FY) 2013 Budget Estimate
February 2012
(\$ in Millions)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Treasury Cash Balance, End of Prior Year	447.2	381.1	386.5
Collections	94.7	134.3	153.0
Recovery of Prior-Year Unpaid Obs			
Disbursements	44.0	50.1	44.9
Labor	9.7	10.7	10.2
Non-Labor	34.3	39.4	34.7
Payments			
Payments from Current Year Sales			
HHS & TGF	89.5	62.1	71.4
Cobalt TGF	0.0	0.0	0.0
Spectrum	27.3	16.7	17.4
Payments from Current Year Sales	116.8	78.8	88.9
Carryover Payments from Previous Year			
Anticipated Transfers Out	0.0	0.0	0.0
Total Payments and Transfers	116.8	78.8	88.9
Cash Balance	381.1	386.5	405.7
Selected Liabilities			
Accounts Payable	0.3	0.3	0.3
Advances Received	1.0	1.4	1.4
Environmental Clean-up Liability	44.3	39.0	30.0
Other Liabilities	11.7	9.0	9.0
Undelivered Orders	27.7	25.0	23.0
Other Contingencies	0.0	0.0	0.0
Totals	85.0	74.7	63.7
Estimated Available Cash	296.1	311.8	342.0

Exhibit Fund -SP1 Stockpile Financial Status Report

Note: Totals may not add due to rounding.