

Department of Defense Revolving Funds

Justification/Overview



Fiscal Year 2018 President's Budget

May 2017

This page intentionally left blank.

Table of Contents

Preparation of the Defense Revolving Funds Justification book cost the Department of Defense a total of approximately \$19,000 in Fiscal Year (FY) 2017.

	<u>Page</u>
Pentagon Reservation Maintenance Revolving Fund (PRMRF)	5
Buildings Maintenance Fund (BMF)	24
Defense Logistics Agency (DLA), Strategic Materials	36

DISTRIBUTION LIST

	<u>Copies</u>
Senate Armed Services Committee	1
House Armed Services Committee	2
Senate Appropriations Committee	4
House Appropriations Committee	3
Congressional Budget Office	2
Library of Congress	1

This document is available to the public on the Internet at <http://comptroller.defense.gov/>

This page intentionally left blank.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017

The FY 1991 Defense Authorization Act established the Pentagon Reservation Maintenance Revolving Fund (PRMRF) and Title 10, United States Code (USC) Section 2674 codified it. The fund finances the maintenance, sustainment, protection, repair and renovation of the Pentagon Reservation. As established, the “Pentagon Reservation” refers to the 240 acres of land located in Arlington, Virginia, on which stand the Pentagon Building, the Pentagon Heating and Refrigeration Plant and the Sewage Treatment Plant. It also refers to other related facilities including parking areas, the Raven Rock Mountain Complex (RRMC), and the Mark Center (MC) Campus (effective in FY 2018). The PRMRF customers pay a basic user charge for space and standard building services. 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) and the Pentagon Force Protection Agency (PFPA) within the Pentagon Reservation. 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): Through the RPO WHS provides for the safe and efficient operation, maintenance and repair of the Pentagon Reservation, the RRMC and the MC. The RPO services include cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, and administrative support. Additional services include purchased utilities and operation of the Pentagon’s heating and refrigeration plant and classified waste incinerator. The RPO maintains the facilities at levels adequate to support the assigned mission and to prevent deterioration and damage to Reservation buildings, support systems, and operating equipment. The RPO also provides financial management and acquisition services for the Pentagon Reservation and the Pentagon Force Protection Agency.

Raven Rock Mountain Complex. The RRMC satisfies 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. The RRMC provides facility maintenance and upkeep of facilities within the Complex at levels adequate to support assigned mission and to prevent deterioration and damage to facilities, systems, and operating equipment. The RRMC also supports operational readiness by providing a safe and secure environment for DoD essential functions.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017

Pentagon Force Protection Agency (PFPA): The PFPA is responsible for providing law enforcement; force protection; security; counterintelligence; antiterrorism; and chemical, biological, radiological, and nuclear protection to the people, facilities, infrastructure and other resources at the Pentagon Reservation, to the DoD activities within the National Capital Region (NCR), and to the RRMC. The PFPA is the DoD focal point for coordination with DoD components, executive departments, agencies, and state and local authorities on matters involving force protection, security, and law enforcement for the Pentagon Reservation and DoD facilities within the NCR.

The following table summarizes PRMRF obligations by activity group:

Budget Sub-activity	Dollars in Millions					
	FY 2016		FY 2017		FY 2018	
	Operating	Capital	Operating	Capital	Operating	Capital
Real Property Operations	440.0	27.7	369.6	29.0	338.1	4.0
Pentagon Force Protection Agency	255.3	7.4	219.9	13.0	242.5	12.7
Total by Category	695.3	35.1	589.5	42.0	580.6	16.7
Total PRMRF	730.4		631.5		597.3	

Note: Totals may not add due to rounding.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017

Financial Profile:

	(Dollars in Millions)		
	FY 2016	FY 2017	FY 2018
Revenue	580.7	603.0	599.5
Operating Expenses	531.6	589.5	580.6
Capital Investments	<u>35.1</u>	<u>42.0</u>	<u>16.7</u>
Net Operating Result (NOR)	14.0	(28.5)	2.2
Disbursements	548.9	587.0	613.8
Collections	<u>471.8</u>	<u>695.7</u>	<u>600.3</u>
Net Outlays	77.1	(108.7)	13.5

The FY 2018 estimate includes net reductions of \$98.7M primarily from workforce reshaping, project requirements reductions and the transfer of common IT support. This decrease from FY 2017 to FY 2018 is offset by inflation (\$11.5M) and the transfer of the Mark Center Campus operations from the Buildings Maintenance Fund (\$53.0M) for an overall net decrease of \$34.2M.

Customer rates are set to recover both operating and capital investment costs budgeted for each year.

Operating Budget

The operating budget includes annual inflationary increases for supplies, equipment, service contracts and personnel. It also provides for a safe and secure environment, including effective, proactive force protection and anti-terrorism programs, for Pentagon personnel, assets and facilities.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017

Capital Budget

The capital budget includes security improvements at the Pentagon, and network upgrades and Facility Sustainment, Restoration, and Modernization (FSRM) projects at the RRMC. The capital budget also includes security infrastructure modernization and access control upgrades to meet Homeland Security Presidential Directive 12 (HSPD-12) requirements.

Recent Initiatives

The WHS and the PFPA continually pursue opportunities to improve business practices and reduce costs to customers. Some examples of recent initiatives are:

- Continued review by the Senior Resource Requirements Board (SRRB) to identify cost reductions that are passed on to the tenants
- Reduced contract support costs by reevaluating requirements
- Reduced personnel costs by workforce reshaping

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

Mission Transfer of Common IT Support

On 1 May 2015, the Deputy Secretary of Defense approved aligning IT services in the Pentagon and the NCR to a "Joint Information Technology Service Provider - Pentagon", hereafter referred to as the JSP, under the operational control of the Defense Information Systems Agency (DISA). On 20 July 2015, the JSP commenced operations as a merged organization, leveraging the existing capabilities and assuming operational control of the U.S. Army Information Technology Agency and the WHS Enterprise Information Technology Service Directorate (EITSD). This consolidation allows for common support for common IT services. The fiscal transfer of this mission to DISA O&M in FY 2018 is reflected in this budget submission (\$70.1M/19 FTE).

National Defense Authorization Act 2017

The WHS submitted a proposal to transfer administrative jurisdiction over the Fort Belvoir Mark Center Campus (Mark Center Campus) from the Secretary of the Army to the Secretary of Defense by making the Mark Center Campus part of the Pentagon Reservation. Currently, the WHS and PFPA provide operational support and security services for the Mark Center Campus under an exclusive use permit with Fort Belvoir. This transfer of administrative jurisdiction, as approved in the NDAA 2017, will directly align facility ownership with the organizations that provide management support for the Mark Center Campus.

This transfer does not require additional resources, but does require the transfer of reimbursable authority (\$53.0M/95 FTE in FY 2018) between the Buildings Maintenance Fund (BMF) and the Pentagon Reservation Maintenance Revolving Fund (PRMRF). The Mark Center Campus is currently financed through the Buildings Maintenance Fund (BMF). As part of the Pentagon Reservation, the Mark Center Campus will be financed through the Pentagon Reservation Maintenance Revolving Fund (PRMRF). There will be no impact to customer rates. The approved transfer is reflected in this budget submission.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

Staffing

	Full Time Equivalents		
	FY 2016	FY 2017	FY 2018
Real Property Operations	619	658	643
Pentagon Force Protection Agency	<u>1,025</u>	<u>1,095</u>	<u>1,158</u>
Total	1,644	1,753	1,801

The RPO's staffing decreases by 42 FTEs primarily from civilian workforce reshaping (-23) efforts and mission transfers (-19), and increases by 27 FTEs from the Mark Center transfer from the BMF.

The PFPA staffing decreases by 5 FTEs from workforce reshaping, and increases by 68 FTEs from the Mark Center transfer from the BMF.

Changes in the Costs of Operations
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017

FY 2016 Actual	730.4
FY 2017 Estimate	631.5
Pricing Adjustments:	11.5
Annualization of Pay Raises	0.9
Price Growth Pay	2.6
General Purchase Inflation	8.0
Program Changes:	(45.7)
Net Increase in labor costs for Mark Center transfer from BMF	6.6
Increase in management and professional support requirements	0.8
Net Decrease in material/equipment maintenance and purchases primarily due to JSP transfer	(17.2)
Increase in maintenance/repair from Mark Center transfer	19.5
Increase in utilities from Mark Center transfer	5.1
Decrease in other purchases/contracts from JSP transfer	(61.0)
Increase in PFPA lease costs	0.5
FY 2018 Estimate	597.3

Exhibit Fund -2 Changes in the Costs of Operations

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

	FY 2016	FY 2017	FY 2018
New Orders			
a. Orders from DoD Components			
Department of the Air Force	95.0	97.6	87.6
Department of the Army	110.2	113.6	101.7
United States Marine Corps	33.7	34.6	31.1
Department of the Navy	67.0	68.8	62.1
Subtotal Military Departments	305.9	314.6	282.5
Defense-Wide			
Defense Media Activity	0.3	-	-
Defense Intelligence Agency	24.2	18.7	17.1
Defense Information Systems Agency	17.6	18.1	17.4
Defense Logistics Agency	0.4	0.4	0.3
Joint Chiefs of Staff	82.3	84.5	78.3
National Geospatial-Intelligence Agency	0.4	1.4	1.2
National Security Agency	0.4	0.4	0.3
National Guard Bureau	2.9	3.0	2.7
Washington Headquarters Services and Office of the Secretary of Defense	132.9	143.0	152.9
Defense Finance and Accounting Service	-	-	0.5
Defense Human Resources Activity	-	-	8.8
Dept of Defense Education Activity	-	-	3.8

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

Defense-Wide (Cont.)	FY 2016	FY 2017	FY 2018
Dept of Defense Inspector General	-	-	11.0
Defense Technology Security Administration	-	-	1.9
Office of Military Commissions	-	-	0.4
Test Resource Mgmt Center	-	-	0.9
Subtotal Defense-Wide	261.3	269.5	297.5
b. Orders from Non-DoD Activities			
DoD Concessions Committee	1.0	1.0	1.0
c. Total Standard Level Rent Orders	568.2	585.0	581.0
d. Above Standard Level Service Orders			
Building Services and Space Adjustments	8.8	8.8	9.6
Force Protection	3.2	7.3	6.9
Raven Rock Mountain Complex	0.5	1.8	1.9
Subtotal Above Standard Services	12.4	18.0	18.5
Total New Orders:	580.7	603.0	599.5
Carry-In Orders:	22.4	25.3	18.5
Total Gross Orders:	603.1	628.4	618.0

Exhibit Fund -11 Source of New Orders and Revenue

Revenue and Expense
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

	FY 2016	FY 2017	FY 2018
Revenue			
Standard level	568.2	585.0	581.0
Above standard level	12.4	18.0	18.5
Total Revenue	580.7	603.0	599.5
 Standard Level Operating Expenses:			
 Real Property Operations	 466.0	 365.0	 330.5
Compensation and Benefits	74.9	72.5	72.5
Cleaning	17.8	18.2	19.3
Utilities and Fuel	23.8	24.1	29.9
Maintenance	73.4	33.8	34.3
Other Building Services	61.8	51.6	60.5
Administration	7.7	6.5	13.4
Repairs (over \$10,000)	37.0	31.9	39.6
Information Technology	92.6	79.5	15.5
Library	1.7	2.2	2.3
Acquisition Services	1.0	0.6	0.4
Misc. Support (Human Resources, Financial Management)	4.4	1.4	1.4
Other Services (RRMC)	22.8	7.4	13.2
RRMC Improvements	47.1	35.2	28.2

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.
Expenses include capital investment.

Revenue and Expense
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

	FY 2016	FY 2017	FY 2018
Pentagon Force Protection Agency	261.0	223.0	248.2
Compensation and Benefits	132.0	132.6	142.9
Mission Integration	31.9	19.6	15.3
Science and Technology	11.1	7.4	11.0
Threat Management	7.3	4.0	12.4
Security Services	30.4	25.9	34.7
Law Enforcement	24.6	18.9	14.8
Human Capital and Training	7.8	4.0	4.4
Project Integration	15.9	10.5	12.7
Subtotal Standard Level Expenses	727.0	587.9	578.7
Above Standard Reimbursable Expenses:			
Real Property Operations	1.8	33.7	11.6
Projects and Services	1.8	20.7	3.7
Compensation and Benefits	-	6.3	6.0
RRMC Projects and Services	-	6.7	1.9

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.
Expenses include capital investment.

Revenue and Expense
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

	FY 2016	FY 2017	FY 2018
Pentagon Force Protection Agency	1.7	9.9	7.0
Supplies and Equipment Maintenance	-	2.6	1.7
Advisory and Assistance Services	1.7	4.4	2.4
Compensation and Benefits	-	2.9	2.9
Subtotal Above Standard Level	3.4	43.6	18.5
Total Operating Expenses	730.4	631.5	597.3
Recovery of Prior Year Balances	163.7	-	-
Net Operating Result	14.0	(28.5)	2.2
Accumulated Operating Results Prior Year	177.5	191.5	163.0
Deferred Accumulated Operating Results	-	-	(165.2)
Accumulated Operating Results End of Year	191.5	163.0	0.0

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.
Expenses include capital investment.

Cost of Service
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017

PROGRAM	FY 2016		FY 2017		FY 2018	
	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	4,572,908	\$ 3.89	4,575,477	\$ 3.98	4,570,296	\$ 4.02
Utilities & Fuel	4,572,908	\$ 5.20	4,575,477	\$ 5.27	4,570,296	\$ 5.55
Maintenance	4,572,908	\$ 16.06	4,575,477	\$ 7.39	4,570,296	\$ 7.47
Other Building Services	4,572,908	\$ 13.52	4,575,477	\$ 11.28	4,570,296	\$ 11.22
Administrative	4,572,908	\$ 9.04	4,575,477	\$ 9.58	4,570,296	\$ 9.39
Repairs (over \$10,000)	4,572,908	\$ 8.10	4,575,477	\$ 6.96	4,570,296	\$ 7.04
Administrative Cost as Percent of Total Program Cost		12%		15%		19%
Direct and Support Costs for the Pentagon (Standard) (\$ in Thousands)	\$ 337,080		\$ 290,160		\$ 223,343	

Square footage is the total amount of billable space in the Pentagon Building.

Change in Average Square Foot from FY 2017 to FY 2018 reflects the conversion of space from billable to non-billable use.

Summary Statement
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

	Obligations	Orders	Revenue	Cost	Disbursements by Fiscal Year						
					2016	2017	2018	2019	2020	2021	2022
Real Property Operations											
FY 2016	467.7	366.9	366.9	467.7	335.7	183.9	36.3	11.1	4.2	-	-
FY 2017	398.6	374.8	374.8	398.6	-	173.4	179.0	33.1	8.0	5.6	-
FY 2018	342.1	343.8	343.8	342.1	-	-	148.8	153.6	28.4	6.8	4.8
Pentagon Force Protection Agency											
FY 2016	262.7	213.7	213.7	262.7	246.3	75.1	14.0	2.4	1.1	-	-
FY 2017	232.9	228.3	228.3	232.9	-	163.2	56.8	10.0	2.1	0.9	-
FY 2018	255.2	255.6	255.6	255.2	-	-	178.9	62.3	11.0	2.3	1.0
Total Pentagon Reservation Maintenance Fund											
FY 2016	730.4	580.7	580.7	730.4	582.0	259.0	50.3	13.5	5.3	-	-
FY 2017	631.5	603.0	603.0	631.5	-	336.6	235.8	43.1	10.1	6.5	-
FY 2018	597.3	599.5	599.5	597.3	-	-	327.7	215.9	39.4	9.1	5.8
Fund Balance with Treasury											
	Beginning	Collections	Disbursements	Transfers	Ending						
FY 2016	261.5	471.8	548.9	-	184.4						
FY 2017	184.4	695.7	587.0	-	293.1						
FY 2018	293.1	600.3	613.8	-	279.6						

Exhibit Fund –PR2 Revolving Fund Summary Statement

Note: Totals may not add due to rounding.

Capital Investment Summary
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

Line #	Item Description	FY 2016		FY 2017		FY 2018	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Non-ADPE Equipment	1	7.4	1	13.0	1	12.7
2	ADPE & Telecommunication	1	24.9	2	22.9	1	4.0
3	Software Development						
4	Minor Construction	2	2.8	2	6.2		
	TOTAL	4	35.1	5	42.0	2	16.7

Exhibit Fund -9a Capital Investment Summary

Note: Totals may not add due to rounding.

Capital Investment Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Thousands)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2018 Budget Estimates					
B. Pentagon Force Protection Agency				C. Equipment/Other					
Element of Cost (\$000)	FY 2016			FY 2017			FY 2018		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE and Telecom Equip.	1	7,404	7,404	1	12,963	12,963	1	12,720	12,720
TOTAL	1	7,404	7,404	1	12,963	12,963	1	12,720	12,720
FY 2016: \$7.4 million in PFPA initiatives for Pentagon Sentry									
- Access Control (\$2.7 million)									
- Perimeter fencing (\$0.8 million)									
- Equipment (\$1.9 million)									
- Video Surveillance System (\$2.0 million)									
FY 2017: \$13.0 million in PFPA initiatives for Sentry									
- Pentagon Security Operations Center equipment (\$0.6 million)									
- Access Control technology refresh (\$8.2 million)									
- Perimeter fencing (\$1.4 million)									
- Video Surveillance System (\$1.5 million)									
- Physical security upgrades (\$1.3 million)									
FY 2018: \$12.7 million in PFPA initiatives for Sentry									
- Sentry Equipment (\$1.5 million)									
- Sentry Access Control Procurement (\$7.0 million)									
- Sentry Perimeter Fence (\$0.4 million)									
- Sentry Vehicle Entry Control Point - Procurement(\$0.5 million)									
- Sentry Personnel Entry Control Point - Procurement(\$0.6 million)									
- Video Surveillance Program (\$2.7 million)									

Note: Pentagon Sentry is a multi-year effort to upgrade Pentagon Reservation physical and electronic security systems to comply with applicable laws, regulations and directives.

Exhibit Fund –9b Capital Investment Justification

Note: Totals may not add due to rounding.

**Capital Investment Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Thousands)**

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION			A. Fiscal Year (FY) 2018 Budget Estimates						
B. Real Property Operations			C. ADPE & Telecommunications						
Element of Cost (\$000)	FY 2016			FY 2017			FY 2018		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADPE and Telecomm (Pentagon)	1	24,930	24,930	1	20,150	20,150			-
ADPE and Telecomm (RRMC)			-	1	2,706	2,706	1	3,993	3,993
TOTAL	1	24,930	24,930	2	22,856	22,856	1	3,993	3,993
FY 2016: \$24.9 million									
- Network Transport: Capacity Upgrade(\$3.8 million); Load Balancer Redesign (\$0.8 million); Port Security and Wake-on-LAN (\$3.8 million)									
- Pentagon Network Architecture Redesign (\$4.4 million); Unified Capabilities (\$1.4 million)									
- Pentagon IPN Upgrade (\$1.9 million); Computer Network Defense (\$1.0 million)									
- Storage Virtualization (\$3.5 million); SSL Decryptor (\$1.3 million)									
- Enterprise Capabilities Service Desk (\$3.0 million)									
FY 2017: \$22.9 million									
- Enterprise Transport: Network Architecture Redesign (\$4.9 million); Capacity Upgrade (\$3.9 million)									
- Pentagon Computing Center-Pentagon IPN Upgrade (\$6.1 million); Storage Virtualization (\$2.2 million)									
- Enhanced Security Architecture-Computer Network Defense (\$2.1 million)									
- Pentagon Enterprise Capabilities Service Desk (\$1.0 million); Network upgrades at RRMC (\$2.7 million)									
FY 2018: \$4.0 million									
- JSCR/network/optical lifecycle (\$4.0 million)									

Exhibit Fund –9b Capital Investment Justification

Note: Totals may not add due to rounding.

**Capital Investment Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Thousands)**

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2018 Budget Estimates					
B. Real Property Operations				C. Construction					
Element of Cost (\$000)	FY 2016			FY 2017			FY 2018		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction (RRMC)	1	1,861	1,861	1	5,872	5,872			
Minor Construction (Pentagon)	1	947	947	1	339	339			
TOTAL	1	2,808	2,808	2	6,211	6,211			
FY 2016: \$2.8 million									
- Infrastructure Repair at the RRMC (\$1.8 million)									
- Safety Exterior Lighting for pedestrian walkways at the Pentagon (\$1.0 million)									
FY 2017: \$6.2 million Infrastructure Repair at the RRMC									
- Infrastructure Repair at the RRMC (\$5.9 million)									
- Safety Exterior Lighting for pedestrian walkways at the Pentagon (\$0.3 million)									

Capital Budget Execution
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2018 Budget Estimate
May 2017

	Major Category	Initial Request	Current Projected Cost	Approved Change	Explanation
2016	Non-ADPE	5.2	7.4	2.2	Additional work required
	ADPE and Telecom	24.6	24.9	0.3	Additional work required
	Minor Construction	4.9	2.8	(2.1)	Requirements originally budgeted in FY 2016 to be executed in FY 2017
	Total 2016	34.7	35.1	0.5	
2017	Non-ADPE	13.0	13.0	-	Requirements originally budgeted in prior FY to be executed in FY 2017
	ADPE and Telecom	22.9	22.9	-	
	Minor Construction	1.5	6.2	4.7	
	Total 2017	37.3	42.0	4.7	
2018	Non-ADPE	12.7	-	-	
	ADPE and Telecom	4.0	-	-	
	Minor Construction				
	Total 2018	16.7	-	-	

Exhibit Fund –9c Capital Budget Execution

Note: Totals may not add due to rounding.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2018 Budget Estimate
May 2017

In Fiscal Year (FY) 1995, the Secretary established the Buildings Maintenance Fund (BMF) per Title 10, United States Code (U.S.C.) Section 2208. The BMF provides space, building services and force protection for one federally owned facility (U.S. Court of Appeals), as well as 13 delegated leased and 63 non-delegated leased facilities, which Washington Headquarters Services (WHS) operates under delegated authority per the General Services Administration (GSA). Customers pay a basic user charge for space and basic building services. Customers who request above standard services pay an additional amount for those services.

The BMF also includes the GSA/Department of Homeland Security (DHS) Rent Program which enables WHS to collect and pay the GSA rent and DHS security bills for all DoD tenants in leased facilities throughout the National Capital Region (NCR). The program improves billing, earnings and collection processes, enabling the Department to make timely payments to GSA and DHS.

Activity Group Composition

The BMF provides services in the NCR through two activity groups, Real Property Operations (RPO) and the Pentagon Force Protection Agency (PFPA). Also, the BMF finances WHS and Pentagon Force Protection Agency (PFPA) activities within the NCR. It provides space, building services and force protection for DoD components, including Military Departments and other activities located within the NCR.

Real Property Operations (RPO): RPO is responsible for the safe and efficient operation and management of all DoD delegated buildings within the NCR. RPO includes services such as cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, administrative support and metering utilities in leased facilities. The scheduled maintenance and day-to-day customer support provide operational continuity for the customer's mission. The GSA/DHS Rent Program simplifies lease and security payments for BMF customers by combining these GSA and DHS costs into one rent bill. The program has significantly improved oversight and visibility of the transactions and costs associated with the BMF.

Pentagon Force Protection Agency (PFPA): The Deputy Secretary of Defense established the PFPA as a Defense Agency under Title 10 USC 191. The PFPA provides 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
Buildings Maintenance Fund
Fiscal Year 2018 Budget Estimate
May 2017

The following table summarizes BMF obligations by activity group:

(Dollars in Millions)

	FY 2016	FY 2017	FY 2018
Real Property Operations	347.1	364.7	297.7
Pentagon Force Protection Agency	<u>9.9</u>	<u>49.3</u>	<u>32.1</u>
Total Obligations	447.0	414.0	329.8

Operating Budget:

The operating budget includes annual inflationary increases for supplies, equipment, service contracts and personnel. It also provides for a safe and secure environment, including effective, proactive force protection and anti-terrorism programs, for Pentagon personnel, assets and facilities. The GSA/DHS Rent Program was fully implemented in FY 2015 and is now fully integrated into the BMF budget.

The BMF financed two types of facilities: government-owned (and U.S. Court of Appeals) and leased facilities (delegated and non-delegated). The following table depicts revenue by facility type:

(Dollars in Millions)

Facility Type	FY 2016	FY 2017	FY 2018
Government Owned	76.2	76.2	3.4
Leased Facilities	298.4	298.9	305.8
Above Standard Work	<u>19.7</u>	<u>21.3</u>	<u>20.7</u>
Total Revenue	394.3	396.4	329.9

Note: Totals may not add due to rounding.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2018 Budget Estimate
May 2017

Mission Transfer of Common IT Support

On 1 May 2015, the Deputy Secretary of Defense approved aligning IT services in the Pentagon and the NCR to a "Joint Information Technology Service Provider - Pentagon", hereafter referred to as the JSP, under the operational control of the Defense Information Systems Agency (DISA). On 20 July 2015, the JSP commenced operations as a merged organization, leveraging the existing capabilities and assuming operational control of the U.S. Army Information Technology Agency and the WHS Enterprise Information Technology Service Directorate (EITSD). This consolidation allows for common support for common IT services. The fiscal transfer of this mission to DISA O&M in FY 2018 is reflected in this budget submission (\$20.2M).

National Defense Authorization Act 2017

The WHS submitted a proposal to transfer administrative jurisdiction over the Fort Belvoir Mark Center Campus (Mark Center Campus) from the Secretary of the Army to the Secretary of Defense by making the Mark Center Campus part of the Pentagon Reservation. Currently, the WHS and PFFA provide operational support and security services for the Mark Center Campus under an exclusive use permit with Fort Belvoir. This transfer of administrative jurisdiction, as approved in the NDAA 2017, will directly align facility ownership with the organizations that provide management support for the Mark Center Campus.

This transfer does not require additional resources, but does require the transfer of reimbursable authority (\$53.0M/95 FTE in FY 2018) between the Building Maintenance Fund (BMF) and the Pentagon Reservation Maintenance Revolving Fund (PRMRF). The Mark Center Campus is currently financed through the Building Maintenance Fund (BMF). As part of the Pentagon Reservation, the Mark Center Campus will be financed through the Pentagon Reservation Maintenance Revolving Fund (PRMRF). There will be no impact to customer rates. The approved transfer is reflected in this budget submission.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2018 Budget Estimate
May 2017

Financial Profile:

(Dollars in Millions)

	FY 2016	FY 2017	FY 2018
Revenue	394.2	396.4	329.9
Expenses	<u>332.3</u>	<u>414.1</u>	<u>329.8</u>
Net Operating Results	61.9	(17.7)	0.1
Disbursements	348.4	420.3	338.1
Collections	<u>288.0</u>	<u>436.4</u>	<u>336.9</u>
Net Outlays	60.4	(16.1)	1.2

Staffing

Full Time Equivalents

	FY 2016	FY 2017	FY 2018
Real Property Operations	62	66	32
Pentagon Force Protection Agency	<u>136</u>	<u>138</u>	<u>92</u>
Total	198	204	124

The FY 2018 estimate includes net reductions of \$100.8M primarily from workforce reshaping, project requirements reductions, the transfer of common IT support to DISA, and the transfer of the Mark Center to the PRMRF. This decrease from FY 2017 to FY 2018 is offset by inflation of \$8.2M for an overall net decrease of \$92.6M.

Changes in the Costs of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

FY 2016 Actuals	447.1
FY 2017 Estimate	414.1
Pricing Adjustments:	8.3
Annualization of pay raises	0.1
General Purchase Inflation	0.4
Price Growth Payroll	7.7
Program Changes:	(92.5)
Net Decrease in labor costs for Mark Center transfer to PRMRF	(12.7)
Decrease in management and professional support requirements (Mark Center transfer to PRMRF)	(3.0)
Decrease in material/equipment maintenance & purchases (Mark Center transfer to PRMRF)	(1.9)
Decrease in maintenance/repair from Mark Center transfer	(44.0)
Decrease in utilities (Mark Center transfer to PRMRF)	(4.6)
Decrease in other purchases/contracts from Mark Center transfer and JSP transfer	(26.3)
FY 2018 Estimate	329.8

Exhibit Fund -2 Changes in the Costs of Operations

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

New Orders	FY 2016	FY 2017	FY 2018
a. Orders from DoD Components			
Department of the Air Force	3.7	3.7	3.3
Department of the Army	90.7	90.5	55.5
Department of the Navy	19.6	19.9	19.5
Subtotal Military Departments	114.0	114.1	78.3
Defense-Wide			
US Court of Appeals of the Armed Forces	3.3	3.4	2.0
COWARDIN	0.3	0.3	0.4
Defense Acquisition University	-	-	0.5
Defense Advanced Research Project Agency	19.8	19.0	20.7
Defense Contract Audit Agency	1.6	1.6	1.8
Defense Contract Management Agency	2.3	2.3	2.2
Defense Finance and Accounting Service	1.1	1.1	-
Defense Human Resources Activity	12.9	12.1	0
Defense Intelligence Agency	31.4	31.9	27.9
Defense Information Systems Agency	1.5	1.5	1.7
Defense Logistics Agency	15.5	15.7	5.2
Defense Legal Services Activity	2.3	2.3	1.9
Defense Media Activity	0.7	0.7	0.7
Defense Missing Persons Organization	1.5	1.5	1.3
DoD Classified Program	1.3	1.3	0.9
Dept of Defense Education Activity	5.2	5.3	-

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

Defense-Wide (Cont.)	FY 2016	FY 2017	FY 2018
Dept of Defense Inspector General	14.2	14.4	-
Dept of Hearings and Appeals	2.8	2.9	3.0
Defense Security Cooperation Agency	5.7	5.8	4.9
Defense System Communication Management Office	0.6	0.6	-
Defense Security Service	2.7	2.8	3.0
Defense Threat Reduction Agency	0.7	0.7	8.2
Defense Technology Security Administration	2.9	3.0	-
Joint Integrated Air Missile Defense Organization	1.0	1.1	-
Joint Staff	0.2	0.2	0.2
Joint Strike Fighter	8.2	8.3	10.0
Missile Defense Agency	3.5	3.5	3.7
Office of Economic Adjustment	0.8	0.8	0.8
Office of Military Commissions	5.0	5.0	6.5
Pentagon Force Protection Agency	4.4	4.4	4.1
Defense Health Agency	45.1	45.2	51.7
Transportation Command	0.2	0.2	0.1
Test Resource Mgmt Center	1.2	1.2	-
White House Management Office	0.2	0.2	2.5
Washington Headquarters Services and Office of the Secretary of Defense	58.2	58.2	64.1
Boards, Commissions & Task Forces	2.3	2.3	1.1
Subtotal Defense-Wide	260.6	261.0	230.9

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

	FY 2016	FY 2017	FY 2018
b. Total Standard Level Rent Orders	374.6	375.1	309.2
c. Above Standard Level Service Orders			
Building Services and Space Adjustments	16.4	16.1	15.3
Force Protection	3.3	5.2	5.5
 Subtotal Above Standard Services	19.7	21.3	20.7
Total New Orders	394.2	396.4	329.9
Carry-In Orders	8.2	19.1	9.2
Total Gross Orders	402.4	415.5	339.1

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

Revenue and Expense
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

	FY 2016	FY 2017	FY 2018
Revenue			
Standard level	374.6	375.1	309.2
Above standard level	19.7	21.3	20.7
Total Revenue	394.2	396.4	329.9
 Standard Level Operating Expenses:			
 Real Property Operations	330.8	330.0	282.4
Cleaning/Trash/General	4.3	7.7	-
Utilities and Fuel	7.3	4.9	0.7
Maintenance	43.3	16.6	0.6
Other Building Services	0.6	3.2	1.8
Administration	11.2	11.6	7.5
Repairs (over \$10,000)	-	-	-
Travel and Transportation of Personnel	2.8	4.0	4.0
Information Technology	30.9	19.8	-
Defense Post Office	-	-	-
GSA/DHS Rent Program	230.4	262.1	267.8
 Pentagon Force Protection Agency	96.6	43.7	26.7
Compensation and Benefits	18.3	17.3	9.2
Deputy Director	0.1	0.0	0.1
Human Capital and Workforce Development	0.1	0.0	0.0
Law Enforcement	4.2	2.2	0.7
Mission Integration	1.4	0.6	0.4
Security Services	18.3	6.4	5.1
Threat Management	54.2	17.1	11.1

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.

Revenue and Expense
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

	FY 2016	FY 2017	FY 2018
Subtotal Standard Level Expenses	427.4	373.6	309.1
Above Standard Reimbursable Expenses:			
Real Property Operations	16.4	34.8	15.3
Pentagon Force Protection Agency	3.3	5.7	5.5
Subtotal Above Standard Level Expenses	19.7	40.5	20.7
Total Operating Expenses	447.1	414.1	329.8
Recovery of Prior Year Balances	114.7	-	-
Net Operating Result	61.9	(17.7)	0.1
Accumulating Operating Results Prior Year	8.8	70.7	53.0
Deferred Accumulated Operating Results	-	-	(53.0)
Accumulated Operating Results End of Year	70.7	53.0	0.1

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.

Cost of Services
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

PROGRAM	FY 2016		FY 2017		FY 2018	
	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	1,953,901	\$ 3.63	1,953,901	\$ 11.54		
Utilities & Fuel	1,953,901	\$ 2.40	1,953,901	\$ 7.27	701,905	\$ 1.01
Maintenance	1,953,901	\$ 6.74	1,953,901	\$ 21.23	701,905	\$ 0.90
Administrative	4,802,674	\$ 2.80	4,802,674	\$ 4.20	3,550,678	\$ 2.11
Other Building Services	1,953,901	\$ 2.32	1,953,901	\$ 4.42	701,905	\$ 2.57
Repairs (over \$10,000)						
Administrative Cost as Percent of Total Program Cost		3.6%		3.8%		2.8%

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

Exhibit Fund –PR1 Cost of Services

Summary Statement
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

	Obligations	Orders	Revenue	Cost	Disbursements by Fiscal Year							
					2016	2017	2018	2019	2020	2021	2022	
Pentagon Force Protection Agency												
FY 2016	99.9	57.2	57.2	99.9	78.2	43.8	6.2	1.0	0.2	-	-	
FY 2017	49.3	48.8	48.8	49.3	-	26.2	19.8	2.8	0.4	0.1	-	
FY 2018	32.1	32.2	32.2	32.1	-	-	17.1	12.9	1.8	0.3	0.1	
Real Property Operations												
FY 2016	347.1	337.1	337.1	347.1	264.0	80.7	9.7	1.4	0.5	-	-	
FY 2017	364.7	347.5	347.5	364.7	-	244.0	106.1	12.8	1.1	0.7	-	
FY 2018	297.7	297.7	297.7	297.7	-	-	199.2	86.6	10.4	10.4	0.9	
Total Buildings Maintenance Fund												
FY 2016	447.1	394.2	394.2	447.1	342.2	124.5	15.9	2.4	0.7	-	-	
FY 2017	414.1	396.4	396.4	414.1	-	270.2	125.9	15.6	1.5	0.8	-	
FY 2018	329.8	329.9	329.9	329.8	-	-	216.3	99.5	12.2	10.7	1.0	
Fund Balance with Treasury												
	Beginning	Collections	Disbursements	Ending								
FY 2016	62.5	288.0	348.4	2.1								
FY 2017	2.1	436.4	420.3	18.2								
FY 2018	18.2	336.9	338.1	17.1								

Exhibit Fund –PR2 Revolving Fund Summary Statement

Note: Totals may not add due to rounding.

Summary of Operations
DEFENSE LOGISTICS AGENCY, Strategic Materials
National Defense Stockpile Transaction Fund
Fiscal Year 2018 Budget Estimate
May 2017

The Defense Logistics Agency Strategic Materials (DLA-SM) operates under the authority of the Strategic and Critical Materials Stockpiling Act (50 U.S.C. §98, et seq.). The Stockpiling Act provides for the acquisition and retention of certain strategic and critical materials. The Act also encourages the development of sources of such materials within the United States to mitigate a dangerous and costly dependence upon foreign or single sources of supply, particularly in times of national emergency. The DLA Strategic Materials identifies risks and develops mitigation strategies for the supply chain of defense and essential civilian industrial materials. The DLA Strategic Materials' activities include acquisition, storage, disposal and management of the National Defense Stockpile (NDS).

The DLA Strategic Materials will continue to mitigate risks by using strategies such as research and development, responsible management of NDS material inventory, and application of Better Buying strategic sourcing initiatives.

To improve audit readiness, in FY 2016 DLA Strategic Materials implemented the Statement of Federal Financial Accounting Standards (SFFAS) 48, "Opening Balances for Inventory, Operating Materials and Stockpile Materials", to resolve evidential matter deficiencies pertaining to stockpile material historical cost valuations. This change in accounting principle adjusted historical cost to fair valuation for stockpile materials in the NDS as of September 30, 2016. Review and analysis by management and entity auditors determined fair valuation is more supportable due to incomplete original acquisition records.

Principal Sales Program:

The Principal Sales Program consists of commodity disposals considered excess to the needs of the NDS that were authorized for sale prior to FY 1996. Subsequent authorization acts granted sales authority for additional excess commodities. Revenues generated from the Principal Sales Program are used to finance all operations and acquisitions of the NDS. The disposal authority granted in the FY 2017 NDAA provides DLA Strategic Materials with sufficient financing to continue to fund the program for the foreseeable future. While DLA-SM is currently well positioned to fund operations and the acquisition of strategic and critical materials in the near term, the Transaction Fund cannot indefinitely support DLA-SM's current mission set. The DLA-SM anticipates developing a business case analysis in the FY 2020 cycle to start the discussion of developing a long-term funding solution for the NDS program.

Summary of Operations
DEFENSE LOGISTICS AGENCY, Strategic Materials
National Defense Stockpile Transaction Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

Spectrum: 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 program goal to \$830 million through end of FY 2016 (NDAA FY 2012).

Sales

(Dollars in Millions)

	FY 2016	FY 2017	FY 2018
Principal Sales Program	29.33	12.24	69.00
Spectrum	<u>12.65</u>	<u>-</u>	<u>-</u>
Total Sales	41.98	12.24	69.00

Payments

DLA Strategic Materials completed program transfers under P.L. 106-65 in FY 2016.

Payments to Legislative Programs

(Dollars in Millions)

	FY 2016	FY 2017	FY 2018
Spectrum	<u>20.4</u>	-	-
Total Payments	20.4	-	-

Note: Totals may not add due to rounding.

Summary of Operations
DEFENSE LOGISTICS AGENCY, Strategic Materials
National Defense Stockpile Transaction Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

Budget Highlights

Program Costs

(Dollars in Millions)

	FY 2016	FY 2017	FY 2018
Labor	7.5	10.1	9.5
Non-Labor	23.4	30.4	29.7
Acquisitions (Critical Material)	12.6	23.6	28.6
Environmental	<u>0.8</u>	<u>3.5</u>	<u>10.5</u>
Total Costs	44.3	67.6	78.3

Critical Material Risk Mitigation

In FY 2016, DLA Strategic Materials awarded \$12.6M for strategic and critical materials acquisitions. In FY 2017, \$23.6M and FY 2018, \$28.6M is budgeted for additional strategic and critical material acquisitions. This budget also provides funding for costs to recycle critical materials from surplus Federal assets in order to satisfy NDS critical material requirements and to create domestic sources of supply and eliminate the need to stockpile certain materials.

Labor

The DLA Strategic Materials will continue to identify and close emerging skill gaps, enabling the agency to carry out its mission. Budget projections through FY 2018 ensure optimal staffing levels to achieve program objectives.

Summary of Operations
DEFENSE LOGISTICS AGENCY, Strategic Materials
National Defense Stockpile Transaction Fund
Fiscal Year 2018 Budget Estimate
May 2017

Non-Labor

Mobilization Studies Program: The Mobilization Studies program is comprised of a broad range of research and analysis techniques that enable DLA-SM to gain a clear and comprehensive understanding of the requirements and vulnerabilities of U.S. defense and essential civilian industries. These research, analyses, and development projects support reconstitution and expansion of stockpiling capabilities, through (1) laboratory-based scientific research and analyses, (2) expanded processes to model material supply chains downstream from mines to finished platforms, and development of effective risk mitigation strategies and solutions, and (3) development of additional data and analyses collection and evaluation sources from industry and academia.

Material Handling Program: The Material Handling Program supports: (1) continuation of the beryllium upgrade project, (2) long term mercury storage operations, (3) reclamation of surplus materials from the Department of Energy and other Federal Agencies that are suitable for transfer to or required for the NDS, and (4) storage of new semi-process NDS materials at vendor locations to expedite finish processing in the event these materials are required in a contingency.

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 equipment.

Rents and Leases: Real property rental and leasing required to support stockpiling operations include warehouses, administrative buildings, service buildings and open land for outdoor storage; obtained through occupancy agreements with the General Services Administration (GSA), other Federal Agencies or commercial leases.

Summary of Operations
DEFENSE LOGISTICS AGENCY, Strategic Materials
National Defense Stockpile Transaction Fund
Fiscal Year 2018 Budget Estimate
May 2017

Environmental

Cleanup costs for environmental remediation are estimated using the Remedial Action Cost Engineering and Requirements (RACER) process; a computer-based costing model. Based on input from NDS, RACER estimates for management of environmental liabilities are projected to be roughly \$175-200K per year through FY 2018, then \$25K-75K through FY 2022.

One former NDS storage site, Somerville, NJ, is undergoing environmental investigation through FY 2017. Once the environmental investigation is completed, information will be available to better assess the estimated clean-up cost. DLA-SM expects environmental liabilities to increase for this location. The Final Status Survey at Scotia, NY has been funded, and is expected to be completed by FY 2020. Future Cost to Complete (CTC) estimates could increase if contamination requiring remediation or additional investigation is discovered during the survey process. Once all stockpiled materials have been removed from the Point Pleasant, WV site, a remedial investigation will be conducted in preparation for site close-out. A closure date is not known at this time. Following removal of the remainder of the material at Wenden, AZ, removal of the underlying soil will be required in support of site close-out. Anticipated dates for ore removal and site close-out are unknown at this time. Other sites: Hammond, IN, Scotia, NY, Hawthorne, NV, and all vendor locations will remain operational.

Statement of Financial Condition
DEFENSE LOGISTICS AGENCY, Strategic Materials
National Defense Stockpile Transaction Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

	FY 2016	FY 2017	FY 2018
Assets			
Selected Assets:			
Cash (EOY)	247.9	190.2	185.7
Accounts Receivable	0.0	0.0	0.0
Inventories *	1,152.8	812.2	771.8
Other Asset Accounts:	1.9	1.6	1.4
Total Assets	1,402.6	1,004.1	959.0
Liabilities			
Selected Liabilities:			
Accounts Payable	3.1	1.5	1.5
Advances Received	-	-	-
Environmental Clean-up Liability	6.5	10.2	6.0
Other Liabilities	2.4	2.0	2.0
Total Liabilities	11.9	13.7	9.5
Government Equity:			
Cumulative Results of Operations	1,390.7	990.4	949.5
Total Government Equity	1,390.7	990.4	949.5
Total Liability and Equity	1,402.6	1,004.1	959.0

* FY16Q4, inventory values increased \$734,000 to adjust to fair valuation IAW SFFAS 48. FY17Q1, improvements to fair valuation methodology under IAW auditor request; decreased inventory values by \$306,000. Additional detail provided in NDSTF narrative.

Exhibit Fund –23 Statement of Financial Condition

Stockpile Financial Status Report
DEFENSE LOGISTICS AGENCY, Strategic Materials
National Defense Stockpile Transaction Fund
Fiscal Year 2018 Budget Estimate
May 2017
(\$ in Millions)

	FY 2016	FY 2017	FY 2018
Cash Balance, End of Prior Year	260.1	237.4	182.1
Collections	42.0	12.2	69.0
Disbursements	44.3	67.6	78.3
Labor	7.5	10.1	9.5
Non-Labor	24.2	33.9	40.2
Other Program Costs	12.6	23.6	28.6
Payments			
Payments from Current Year Sales	20.4	-	-
Spectrum	20.4	-	-
Cash Balance, End of Year	237.4	182.1	172.8
Selected Liabilities	41.9	63.0	53.6
Accounts Payable	3.1	1.5	1.5
Advances Received	0.0	-	-
Environmental Clean-up Liability	6.5	10.2	6.0
Other Liabilities	2.4	2.0	2.0
Undelivered Orders	29.9	30.0	30.0
Other Contingencies (Sequester)	0.1	19.3	14.1
Estimated Available Cash	195.5	119.1	119.2

Exhibit Fund –SP1 Stockpile Financial Status Report

Note: Totals may not add due to rounding.