

Department of Defense

Revolving Funds

Justification/Overview



Fiscal Year (FY) 2008/2009

President's Budget

February 2007

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WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) FY 2008/2009 Budget Estimates
February 2007

Activity Group Function

The Pentagon Reservation Maintenance Revolving Fund (PRMRF) was established by the FY 1991 Defense Authorization Act (10 USC §2674). The fund is responsible for the maintenance, protection, repair and renovation of the Pentagon Reservation. As established, the "Pentagon Reservation" refers to that area of land (consisting of approximately 280 acres) located in Arlington, Virginia, on which stand the Pentagon Building, Federal Office Building #2, and the Pentagon Heating and Sewage Treatment Plants. It also refers to other related facilities to include the land and physical facilities at the Raven Rock Mountain Complex. The PRMRF is financed by funds collected via a basic user charge for space and building services. Services above those paid for basic charges are recovered on a reimbursable basis.

Activity Group Composition

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

Real Property Operations: The Defense Facilities Directorate (DFD) is responsible for the safe and efficient operation, maintenance and repair of the Pentagon Reservation which includes the Pentagon, the Pentagon Heating and Refrigeration Plant, Federal Office Building #2 (Navy Annex), the Modular Office Complex, and all Reservation grounds and parking areas. Real Property Operations 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, operation of the Pentagon's Heating and Refrigeration Plant 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, their support

systems and operating equipment.

Pentagon Force Protection Agency: The Pentagon Force Protection Agency (PFPA) was established in May 2002 as a Defense Agency under Title 10 USC 191. The mission of 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 resources at the Pentagon Reservation and DoD activities within the National Capital Region (NCR), to include the RRMC. PFPA is the DoD focal point for coordination with DoD components, executive departments, agencies, state and local authorities on matters which involve force protection, security, and law enforcement for the Pentagon Reservation and DoD facilities within the NCR.

Pentagon Renovation and Construction: The Pentagon Renovation Program provides all new mechanical, electrical, plumbing and sprinkler systems, vertical transportation, cable management systems, improvements in fire and life safety systems and accessibility throughout for persons with disabilities. It also preserves historic building elements, upgrades operation centers, installs modern telecommunications support features, and complies with energy conservation and environmental requirements. To manage this extensive program, the Pentagon Renovation and Construction Office (PENREN), develops and employs construction business practices that are performance based and results oriented.

Raven Rock Mountain Complex: The mission of Raven Rock Mountain Complex is to support the Continuity of Operations Plan (COOP) for the Office of the Secretary of Defense and the Joint Staff. Real property operation includes cleaning, preventive maintenance, 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 Raven Rock Mountain Complex customer base to provide maintenance and upkeep of facilities within the Complex at levels adequate to support their assigned mission and to prevent deterioration and damage to its facilities, systems, and operating equipment.

The following table summarizes PRMRF obligation authority by activity group:

| Budget Sub-activity | (Dollars in Millions) | | | | | | | |
|-----------------------------|-----------------------|---------|--------------|---------|--------------|---------|--------------|---------|
| | FY 2006 | | FY 2007 | | FY 2008 | | FY 2009 | |
| | Operating | Capital | Operating | Capital | Operating | Capital | Operating | Capital |
| Real Property Operation | 147.9 | 0.0 | 162.3 | 0.0 | 170.9 | 0.0 | 168.7 | 0.0 |
| Pentagon Renovation | 115.1 | 231.0 | 85.7 | 307.7 | 85.0 | 240.5 | 84.9 | 302.2 |
| Pentagon Force Protection | 162.5 | 1.5 | 169.8 | 4.5 | 184.7 | 2.9 | 181.7 | 2.6 |
| Raven Rock Mountain Complex | 29.6 | 0.4 | 36.8 | 0.4 | 39.2 | 3.5 | 35.8 | 7.8 |
| | 455.1 | 232.9 | 454.6 | 312.6 | 479.9 | 246.9 | 471.1 | 312.6 |
| Total | 688.0 | | 767.2 | | 726.8 | | 783.7 | |

Note: FY 2007 obligation authority includes \$18.5 million in direct appropriation for the Pentagon Memorial.

Operating Budget

Budget estimates assume annual inflationary increases for utilities, supplies, equipment, service contracts, and civilian pay raises. Maintenance and repair services will be maintained at commercially equivalent levels.

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.

Capital Budget

Budget estimates for the Pentagon renovation are requirements based, allowing for lump sum contract awards for sequenced and interrelated blocks of work. The renovation continues through FY 2009 with design and construction of Wedge 4, and the design of Wedge 5. Information Management and Telecommunication (IM&T) planning, engineering management, and acquisition continue through FY 2007. To accommodate necessary moves and to meet construction requirements, the target date for completing the renovation is adjusted from December 2010 to October 2011.

The PFPA budget estimates include funding of their Life System Architecture which includes Information Assurance, land mobile radios, procurement of chemical, biological, radiological sensors and building protection/detection sensor integration, and joint system enhancements.

The RRMC budget estimates in FY 2008 and FY 2009 include facility maintenance modernization projects to replace failing valves and piping in both power plants, and funds a compartmental smoke control system to inhibit the flow of smoke into areas of egress.

Significant Changes in Activity Group

FY 2007 Budget Estimate

- Includes the cost to construct the Pentagon Memorial, estimated at \$21.0 million. A direct appropriation of \$18.5 million was approved to fund the majority of the construction with the remaining \$2.5 million to be funded from existing Memorial Fund cash deposits.

FY 2008 Budget Estimate

- Funds the design and construction of an Integrated Emergency Operations Center (IEOC) to service the operational needs of the PFFA and the WHS to co-locate four existing centers into one contiguous area.
- Funds RRMC facility maintenance & modernization project to replace chilled water line's failing valves and piping in both power plants as well as between the plants.
- Funds Pentagon Shield to provide the Pentagon Reservation the next generation of chemical-biological detection.
- Funds new anti-terrorism and force protection requirements necessary to ensure life safety, and well being to include security for the Pentagon and Air Force Memorials, and an Explosive Ordnance Disposal Unit.
- Funds RRMC emergency egress route to allow direct emergency outlet.
- Increases the Pentagon baseline square footage by 115,788 square feet of space to include the Pentagon Library and Conference Center (PLC2), a multi-tenant facility which opened in the fall of 2006 that houses the Army Library, PFFA's Police Headquarters, and the Pentagon Conference Center. The Pentagon Conference Center will provide a premier meeting and training space for DoD components on the Reservation.

FY 2009 Budget Estimate

- Funds permanent screening facilities at the Pentagon to control pedestrian traffic into and out of the building and to improve vehicular traffic in the south parking lot.
- Funds needed roof repairs at the Remote Delivery Facility.

Financial Profile

(Dollars in Millions)

| | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> |
|----------------------------|----------------|----------------|----------------|----------------|
| Revenue | 638.4 | 765.9 | 726.8 | 783.7 |
| Expenses | 688.0 | 767.2 | 726.8 | 783.7 |
| Net Operating Result (NOR) | -49.6 | -1.3 | 0.0 | 0.0 |
| Disbursements | 655.4 | 780.0 | 758.8 | 772.5 |
| Collections | 616.4 | 765.9 | 726.8 | 783.7 |
| Net Outlays | 39.0 | 14.1 | 32.0 | -11.2 |

The negative NOR reflects the funding of specific PRMRF initiatives from within existing PRMRF cash balances, thus reducing the current revenue requirement. These initiatives include RRMC's force protection requirements, PFPA's rent stabilization, the Pentagon Memorial, and initial design of the south parking utility repair project.

Staffing

Full Time Equivalents (FTE)

| | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> |
|----------------------------------|----------------|----------------|----------------|----------------|
| Real Property Operations | 321 | 317 | 341 | 361 |
| Pentagon Renovation | 26 | 25 | 24 | 24 |
| Pentagon Force Protection Agency | 837 | 942 | 938 | 995 |
| Raven Rock Mountain Complex | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | 1,184 | 1,284 | 1,303 | 1,380 |

Summary of Price, Program, and other Changes - Operating Budget
 Washington Headquarters Services
 Pentagon Reservation Maintenance Revolving Fund
 Fiscal Year (FY) 2008/FY 2009 Budget Estimates
 February 2007
 (Dollars in Millions)

| Element of Expense | Cost of Operations FY 2006 | Annualization of Pay Raises | Price Growth/Amount | Program & Other Changes | Cost of Operations FY 2007 | |
|---|----------------------------------|--------------------------------|------------------------|-------------------------------|----------------------------------|--------------|
| Civilian Personnel Compensation | 75.6 | 0.6 | 1.7% | 1.2 | 20.6 | 98.0 |
| Civilian Personnel Benefits | 23.1 | 0.2 | 1.7% | 0.4 | -3.3 | 20.4 |
| Benefits to Former Employees | 0.2 | 0.0 | 1.7% | 0.0 | 0.1 | 0.3 |
| Travel | 1.2 | | 2.2% | 0.0 | 0.1 | 1.3 |
| Transportation | 0.3 | | 2.2% | 0.0 | 0.3 | 0.6 |
| Rent | 35.7 | | 2.2% | 0.8 | 0.0 | 36.5 |
| Communication and Utilities | 25.3 | | 2.2% | 0.6 | -1.0 | 24.9 |
| Printing | 0.1 | | 2.2% | 0.0 | 0.0 | 0.1 |
| Other Services | 479.4 | | 2.2% | 10.5 | 44.9 | 534.8 |
| Supplies and Materials | 21.2 | | 2.2% | 0.5 | -8.8 | 12.9 |
| Equipment | 25.8 | | 2.2% | 0.6 | 10.9 | 37.3 |
| Interest & Dividends | 0.1 | | 2.2% | 0.0 | 0.0 | 0.1 |
| Total COST OF OPERATIONS (Includes Above Standard Program) | 688.0 | 0.8 | | 14.6 | 63.8 | 767.2 |

Summary of Price, Program, and other Changes - Operating Budget
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2008/FY 2009 Budget Estimates
February 2007
(Dollars in Millions)

| Element of Expense | Cost of Operations FY 2007 | Annualization of Pay Raises | Price Growth/Amount | Program & Other Changes | Cost of Operations FY 2008 | |
|---|----------------------------------|--------------------------------|------------------------|-------------------------------|----------------------------------|--------------|
| Civilian Personnel Compensation | 98.0 | 0.5 | 2.2% | 2.2 | 9.2 | 109.9 |
| Civilian Personnel Benefits | 20.4 | 0.1 | 2.2% | 0.5 | 8.6 | 29.6 |
| Benefits to Former Employees | 0.3 | 0.0 | 2.2% | 0.0 | 0.0 | 0.3 |
| Travel | 1.3 | | 2.4% | 0.0 | 0.0 | 1.3 |
| Transportation | 0.6 | | 2.4% | 0.0 | -0.1 | 0.5 |
| Rent | 36.5 | | 2.4% | 0.9 | 0.0 | 37.4 |
| Communication and Utilities | 24.9 | | 2.4% | 0.6 | -7.5 | 18.0 |
| Printing | 0.1 | | 2.4% | 0.0 | -0.1 | 0.0 |
| Other Services | 534.8 | | 2.4% | 12.8 | -56.6 | 491.0 |
| Supplies and Materials | 12.9 | | 2.4% | 0.3 | -7.8 | 5.4 |
| Equipment | 37.3 | | 2.4% | 0.9 | -4.9 | 33.3 |
| Interest & Dividends | 0.1 | | 2.4% | 0.0 | 0.0 | 0.1 |
| TOTAL COST OF OPERATIONS (Includes Above Standard Program) | 767.2 | 0.7 | | 18.2 | -59.3 | 726.8 |

Summary of Price, Program, and other Changes - Operating Budget
 Washington Headquarters Services
 Pentagon Reservation Maintenance Revolving Fund
 Fiscal Year (FY) 2008/FY 2009 Budget Estimates
 February 2007
 (Dollars in Millions)

| Element of Expense | Cost of Operations FY 2008 | Annualization of Pay Raises | Price Growth/Amount | Program & Other Changes | Cost of Operations FY 2009 | |
|---|----------------------------------|--------------------------------|------------------------|-------------------------------|----------------------------------|--------------|
| Civilian Personnel Compensation | 109.9 | 0.8 | 1.7% | 1.9 | 1.2 | 113.8 |
| Civilian Personnel Benefits | 29.6 | 0.2 | 1.7% | 0.5 | 0.7 | 31.0 |
| Benefits to Former Employees | 0.3 | 0.0 | 1.7% | 0.0 | 0.0 | 0.3 |
| Travel | 1.3 | | 2.3% | 0.0 | 0.0 | 1.4 |
| Transportation | 0.5 | | 2.3% | 0.0 | 0.0 | 0.5 |
| Rent | 37.4 | | 2.3% | 0.9 | 0.0 | 38.3 |
| Communication and Utilities | 18.0 | | 2.3% | 0.4 | -3.5 | 14.9 |
| Printing | 0.0 | | 2.3% | 0.0 | 0.0 | 0.1 |
| Other Services | 491.0 | | 2.3% | 11.3 | 38.9 | 541.2 |
| Supplies and Materials | 5.4 | | 2.3% | 0.1 | 4.4 | 9.9 |
| Equipment | 33.3 | | 2.3% | 0.8 | -1.8 | 32.3 |
| Interest & Dividends | 0.1 | | 2.3% | 0.0 | 0.0 | 0.1 |
| TOTAL COST OF OPERATIONS (Includes Above Standard Program) | 726.8 | 1.1 | | 15.9 | 39.9 | 783.7 |

Changes in the Costs of Operation
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2008/FY 2009 Budget Estimates
February 2007
(Dollars in Millions)

| | |
|--|--------------|
| FY 2006 Estimated Actual: | 688.0 |
| FY 2007 Estimate in President's Budget | 789.7 |
| Pricing Adjustments: | -0.1 |
| Program Changes: | -22.4 |
| FY 2007 Estimate Current Estimate | 767.2 |
| Pricing Adjustments: | |
| Annualization of Prior Year Pay Raises | 0.6 |
| FY 2008 Pay Raise | 2.7 |
| General Purchase Inflation | 15.5 |
| Program Changes: | |
| Increase in salary cost | 22.4 |
| Decrease in FTEs | -4.6 |
| Law Enforcement Retirement | 0.3 |
| Pentagon Memorial Construction | -21.0 |
| Renovation Program - Wedge 4 | -64.9 |
| Decrease in above standard workload | -2.5 |
| Renovation for collective protection | -1.9 |
| Decrease in maintenance supplies | -2.7 |
| Handheld radios for RRMC | -0.4 |
| Life Safety Security System Network | -1.3 |
| Decrease maintenance/repair equipment | -1.7 |
| One time equipment purchases | -2.5 |
| CBRN collective protection | -0.7 |
| (IEOC) | 2.5 |
| Integrated Emergency Operations Center (IEOC) Alarms & Cable | 6.4 |
| Anti-Terrorism Initiatives | 8.7 |
| RRMC Facility Modernization | 3.5 |
| RRMC Fire Emergency Egress | 1.2 |
| FY 2008 Estimate: | 726.8 |
| Pricing Adjustments: | |
| Annualization of Prior Year Pay Raises | 1.1 |
| FY 2009 Pay Raise | 2.4 |
| General Purchase Inflation | 13.5 |
| Program Changes: | |
| Direct Labor | 1.9 |
| Decrease communication costs | -3.5 |
| Renovation Program - Wedge 5 | 24.0 |
| Anti-Terrorism Initiatives | 7.2 |
| RRMC Facility Modernization | 7.8 |
| South Terrace/Metro Screening Shelter | 7.2 |
| One Time Equipment Purchase | -1.8 |
| Decrease in above standard workload | -2.9 |
| FY 2009 Estimate: | 783.7 |

Source of New Orders and Revenue
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2008/FY 2009 Budget Estimates
February 2007
(Dollars in Millions)

| 1. New Orders | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|--|--------------|--------------|--------------|--------------|
| a. Orders from DoD Components | | | | |
| Department of the Air Force | 108.3 | 133.1 | 123.7 | 137.7 |
| Department of the Army | 141.9 | 175.0 | 160.1 | 178.5 |
| United States Marine Corps | 41.6 | 50.5 | 49.4 | 54.2 |
| Department of the Navy | 68.4 | 81.7 | 77.8 | 85.4 |
| Subtotal Military Departments | 360.3 | 440.3 | 411.0 | 455.8 |
| Defense-Wide | | | | |
| AFIS | 0.2 | 0.2 | 0.2 | 0.2 |
| DIA | 22.2 | 27.5 | 25.3 | 28.3 |
| DISA | 12.8 | 14.5 | 12.2 | 13.0 |
| DLA | 0.5 | 0.3 | 0.3 | 0.4 |
| DLSA | 0.5 | 0.7 | 0.6 | 0.7 |
| DTRA | 0.7 | 0.7 | 0.5 | 0.5 |
| JCS | 61.0 | 71.9 | 66.5 | 72.2 |
| MDA | 14.9 | 15.4 | 18.1 | 18.7 |
| NGA (NIMA) | 0.4 | 0.5 | 0.5 | 0.5 |
| NSA | 0.3 | 0.4 | 0.3 | 0.4 |
| PFFPA | 6.8 | 8.0 | 8.0 | 8.3 |
| WHS | 103.8 | 127.8 | 121.2 | 135.0 |
| Subtotal Defense-Wide | 224.1 | 267.9 | 253.7 | 278.2 |
| b. Orders from Non-DoD Agencies | | | | |
| DoD Concessions Committee | 0.9 | 0.9 | 0.9 | 1.0 |
| c. Total Standard Level Rent Orders | | | | |
| | 585.2 | 709.1 | 665.7 | 734.9 |
| d. Other Orders | | | | |
| Above Standard Level Services: | | | | |
| Building Services and Space Adjustments | 25.8 | 15.5 | 35.3 | 26.9 |
| PENREN/C Customer Orders | 16.7 | 16.0 | 16.0 | 17.0 |
| Renovation Furniture | 5.2 | 10.3 | 8.0 | 3.0 |
| Force Protection | 5.5 | 3.3 | 1.8 | 1.8 |
| Subtotal Above Standard Services | 53.2 | 45.1 | 61.1 | 48.8 |
| e. Other Sources | | | | |
| Pentagon Memorial Fund | 0.0 | 2.5 | 0.0 | 0.0 |
| Total New Orders: | 638.4 | 756.7 | 726.8 | 783.7 |

Revenue and Expense
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2008/FY 2009 Budget Estimates
February 2007
(Dollars in Millions)

| | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| Revenue: | | | | |
| Standard level | 585.2 | 709.1 | 665.7 | 734.9 |
| Above standard level | <u>53.2</u> | <u>47.6</u> | <u>61.1</u> | <u>48.8</u> |
| Total Revenue | 638.4 | 756.7 | 726.8 | 783.7 |
| <u>Standard Level Operating Expenses:</u> | | | | |
| Real Property Operations: | | | | |
| Cleaning | <u>21.4</u> | <u>22.1</u> | <u>23.1</u> | <u>23.2</u> |
| Utilities & fuel | 14.6 | 15.3 | 19.7 | 19.8 |
| Maintenance | 24.5 | 21.0 | 23.2 | 21.6 |
| Other building services | 9.9 | 8.8 | 8.9 | 8.4 |
| Administration | 14.0 | 9.9 | 32.3 | 35.8 |
| Pentagon Memorial | 7.0 | 21.0 | 0.0 | 0.0 |
| Repairs (over \$10,000) | 7.5 | 11.0 | 12.0 | 10.5 |
| Information Technology | 13.5 | 18.2 | 17.8 | 19.4 |
| Pentagon Force Protection Agency: | <u>158.5</u> | <u>171.1</u> | <u>185.8</u> | <u>182.5</u> |
| Compensation & Benefit | 78.8 | 87.2 | 91.2 | 98.3 |
| Program Integration | 18.8 | 27.9 | 20.9 | 13.6 |
| CBRN | 28.8 | 27.9 | 15.8 | 16.8 |
| Anti-Terrorism/Force Protection | 0.4 | 0.3 | 1.6 | 1.7 |
| Security Services | 17.2 | 7.3 | 8.9 | 8.4 |
| Pentagon Police | 2.8 | 10.7 | 12.1 | 10.7 |
| Force Protection Technology | 11.9 | 9.8 | 35.3 | 33.0 |
| Pentagon Renovation: | <u>328.3</u> | <u>377.4</u> | <u>309.5</u> | <u>370.0</u> |
| Design and Construction | 154.8 | 209.4 | 175.6 | 227.0 |
| Information Management & Telecommunications (IM&T) | 37.8 | 32.6 | 36.3 | 27.7 |
| Swing Space | 44.7 | 51.2 | 45.0 | 44.2 |
| Administration | 30.4 | 16.6 | 20.0 | 19.5 |
| Other Services | 0.6 | 11.3 | 4.0 | 4.2 |
| Life Safety | 0.0 | 23.5 | 0.0 | 17.9 |
| Renovation Acceleration | 27.8 | 32.8 | 28.6 | 29.5 |
| Command Communications Survivability Program | 2.6 | 0.0 | 0.0 | 0.0 |
| Site R Improvements | 21.7 | 0.0 | 0.0 | 0.0 |
| Unified Command Center/Resources Situation Awareness Center (UCC/RSAC) | 7.9 | 0.0 | 0.0 | 0.0 |

Revenue and Expense
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2008/FY 2009 Budget Estimates
February 2007
(Dollars in Millions)

| | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| <u>Standard Level Operating Expenses (continued):</u> | | | | |
| Raven Rock Mountain Complex: | <u>30.0</u> | <u>37.2</u> | <u>42.7</u> | <u>43.6</u> |
| Cleaning | 0.4 | 0.4 | 0.4 | 0.4 |
| Maintenance | 6.2 | 11.5 | 17.0 | 18.7 |
| Utilities & Fuel | 2.1 | 3.3 | 3.4 | 3.6 |
| Administration | 4.6 | 10.7 | 11.4 | 10.0 |
| Repairs & Alterations | 1.6 | 0.0 | 0.0 | 0.0 |
| Physical Security | 3.9 | 0.0 | 0.0 | 0.0 |
| IT Support Services | 9.2 | 9.7 | 9.0 | 9.3 |
| Other Services | 2.0 | 1.6 | 1.5 | 1.6 |
| Subtotal Standard Level | <u>629.3</u> | <u>712.9</u> | <u>674.9</u> | <u>734.8</u> |
| <u>Above Standard Reimbursable Expenses:</u> | | | | |
| Real Property Operations: | 35.5 | 35.0 | 34.1 | 30.0 |
| Pentagon Renovation | 17.6 | 16.0 | 16.0 | 17.0 |
| Pentagon Force Protection Agency | 5.5 | 3.3 | 1.8 | 1.9 |
| Subtotal Above Standard Level | <u>58.7</u> | <u>54.3</u> | <u>51.9</u> | <u>48.9</u> |
| Total Operating Expenses | <u>688.0</u> | <u>767.2</u> | <u>726.8</u> | <u>783.7</u> |
| Cost of Services | <u>688.0</u> | <u>767.2</u> | <u>726.8</u> | <u>783.7</u> |
| Net Operating Result | 0.0 | 0.0 | 0.0 | 0.0 |
| Accumulated Operating Result | 0.0 | 0.0 | 0.0 | 0.0 |

Cost of Basic Service
 Washington Headquarters Services
 Pentagon Reservation Maintenance Revolving Fund
 Fiscal Year (FY) 2008/FY 2009 Budget Estimates
 February 2007

| PROGRAM | FY 2006 | | FY 2007 | | FY 2008 | | FY 2009 | |
|---|-----------------------------|------------------------|-----------------------------|------------------------|-----------------------------|------------------------|-----------------------------|------------------------|
| | Workload Avg. Sq. Ft. | Cost per Sq. Ft. |
| Cleaning | 4,725,242 | \$ 4.59 | 4,725,242 | \$4.68 | 4,841,030 | \$ 4.77 | 4,841,030 | \$ 4.79 |
| Utilities & Fuel | 4,725,242 | \$ 3.09 | 4,725,242 | \$3.24 | 4,841,030 | \$ 4.07 | 4,841,030 | \$ 4.10 |
| Maintenance | 4,725,242 | \$ 4.60 | 4,725,242 | \$4.44 | 4,841,030 | \$ 4.79 | 4,841,030 | \$ 4.46 |
| Other Building Services | 4,725,242 | \$ 2.09 | 4,725,242 | \$1.86 | 4,841,030 | \$ 1.84 | 4,841,030 | \$ 1.74 |
| Administrative | 5,038,658 | \$ 6.00 | 5,038,658 | \$6.35 | 5,154,446 | \$ 6.26 | 5,154,446 | \$ 6.95 |
| Administrative Cost as Percent of Total Program Cost | | 26.6% | | 29.1% | | 27.8% | | 26.5% |

Workload Avg. Square footage is based on occupiable space. It does not include outside parking and it excludes reimbursable above standard services

Square footage increase in FY 2008 from FY 2007 includes the Army Library, Pentagon Conference Center and PFPAs Police Headquarters.

Summary Statement
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2008/FY 2009 Budget Estimates
February 2007
(Dollars in Millions)

| | <u>Obs.</u> | <u>Orders</u> | <u>Revenue</u> | <u>Cost</u> | <u>06</u> | <u>07</u> | <u>08</u> | <u>09</u> | <u>10</u> | <u>11</u> | <u>12</u> | <u>13</u> |
|---|-------------|--------------------|----------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <u>Pentagon Bldg. Renovation:</u> | | | | | | | | | | | | |
| FY 2006 | 346.1 | 304.8 | 304.8 | 346.1 | 320.4 | 65.7 | 20.7 | 0.0 | 0.0 | | | |
| FY 2007 | 393.4 | 406.7 | 406.7 | 393.4 | | 290.5 | 86.1 | 33.3 | 11.0 | 5.0 | | |
| FY 2008 | 325.5 | 325.5 | 325.5 | 325.5 | | | 217.5 | 75.6 | 10.0 | 5.0 | 2.6 | 2.4 |
| FY 2009 | 387.1 | 387.1 | 387.1 | 387.1 | | | | 279.0 | 81.1 | 10.0 | 2.0 | 2.0 |
| <u>Pentagon Force Protection Agency:</u> | | | | | | | | | | | | |
| FY 2006 | 164.0 | 163.7 | 163.7 | 164.0 | 182.7 | 41.0 | | | | | | |
| FY 2007 | 174.3 | 165.4 | 165.4 | 174.3 | | 130.7 | 43.6 | | | | | |
| FY 2008 | 187.6 | 187.6 | 187.6 | 187.6 | | | 156.8 | 17.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| FY 2009 | 184.3 | 184.3 | 184.3 | 184.3 | | | | 159.4 | 17.7 | | | |
| <u>Real Property Operations:</u> | | | | | | | | | | | | |
| FY 2006 | 148.0 | 139.9 | 139.9 | 148.0 | 126.6 | 23.2 | | | | | | |
| FY 2007 | 162.3 | 147.4 | 147.4 | 162.3 | | 132.9 | 33.2 | | | | | |
| FY 2008 | 170.9 | 170.9 | 170.9 | 170.9 | | | 136.7 | 34.2 | | | | |
| FY 2009 | 168.7 | 168.7 | 168.7 | 168.7 | | | | 129.3 | 32.3 | | | |
| <u>Raven Rock Mountain Complex:</u> | | | | | | | | | | | | |
| FY 2006 | 30.0 | 30.0 | 30.0 | 30.0 | 25.7 | 6.0 | | | | | | |
| FY 2007 | 37.2 | 37.2 | 37.2 | 37.2 | | 29.7 | 7.4 | | | | | |
| FY 2008 | 42.7 | 42.7 | 42.7 | 42.7 | | | 30.4 | 7.6 | | | | |
| FY 2009 | 43.6 | 43.6 | 43.6 | 43.6 | | | | 29.0 | 7.2 | | | |
| <u>Total PRMRF:</u> | | | | | | | | | | | | |
| FY 2006 | 688.1 | 638.4 | 638.4 | 688.1 | 655.4 | 192.7 | 20.7 | 0.0 | 0.0 | | | |
| FY 2007 | 767.2 | 756.7 | 756.7 | 767.2 | | 583.8 | 170.3 | 33.3 | 11.0 | 5.0 | | |
| FY 2008 | 726.8 | 726.8 | 726.8 | 726.8 | | 0.0 | 566.7 | 134.8 | 10.0 | 5.0 | 2.6 | 2.4 |
| FY 2009 | 783.7 | 783.7 | 783.7 | 783.7 | | 0.0 | 0.0 | 604.4 | 138.3 | 10.0 | 2.0 | 2.0 |
| <u>Cash:</u> | | | | | | | | | | | | |
| | <u>BOY</u> | <u>Collections</u> | <u>Disb.</u> | <u>EOY</u> | | | | | | | | |
| FY 2006 | 473.0 | 616.4 | 655.4 | 434.0 | | | | | | | | |
| FY 2007 | 434.0 | 765.9 | 780.0 | 419.9 | | | | | | | | |
| FY 2008 | 419.9 | 726.8 | 758.8 | 387.9 | | | | | | | | |
| FY 2009 | 387.9 | 783.7 | 772.5 | 399.1 | | | | | | | | |

Capital Investment Summary
 Washington Headquarters Services
 Pentagon Reservation Maintenance Revolving Fund
 Fiscal Year (FY) 2008/FY 2009 Budget Estimates
 February 2007
 (Dollars in Millions)

| Line Number | Item Description | FY 2006 | | FY 2007 | | FY 2008 | | FY 2009 | |
|-------------|----------------------------------|----------|--------------|----------|--------------|----------|--------------|----------|--------------|
| | | Quantity | Total Cost |
| 1 | Equipment - Other | 1 | 1.5 | 1 | 4.6 | 1 | 2.9 | 1 | 2.6 |
| 2 | Major Construction - Replacement | 1 | 231.0 | 1 | 307.7 | 1 | 240.5 | 1 | 302.2 |
| 3 | Fire Vehicle / Equipment - Other | <u>1</u> | <u>0.4</u> | <u>1</u> | <u>0.4</u> | <u>1</u> | <u>3.5</u> | <u>1</u> | <u>7.80</u> |
| | TOTAL | 3 | 232.9 | 3 | 312.6 | 3 | 246.9 | 3 | 312.6 |

| PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands) | | | | | | | | | | A. Fiscal Year (FY) 2008/ FY 2009 Budget Estimates | | |
|---|----------|-----------|------------|----------------------|-----------|------------|-----------------|-----------|------------|---|-----------|------------|
| B. Pentagon Force Protection Agency | | | | C. Equipment - Other | | | D. Line Item #1 | | | | | |
| Element of Cost (\$000) | FY 2006 | | | FY 2007 | | | FY 2008 | | | FY 2009 | | |
| | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |
| Equipment - except ADPE & Telecomm | 1 | 1,543 | 1,543 | 1 | 4,562 | 4,562 | 1 | 2,885 | 2,885 | 1 | 2,577 | 2,577 |
| TOTAL | 1 | 1,543 | 1,543 | 1 | 4,562 | 4,562 | 1 | 2,885 | 2,885 | 1 | 2,577 | 2,577 |

Narrative Justification:

FY 2007: \$4.6 million will be invested in PFFA initiatives to include:

- Incident Command Support Network - (\$200K)
- Digital recording capability for new cameras - (\$100K)
- Systems defense and computer network defense - (\$100K)
- Land mobile radios - (\$250K)
- Life Safety System Equipment - (\$1,927K)
- Procurement of chemical, biological, radiological detection sensors and protection/detection sensor integration, and the joint operations system enhancements - (\$1,985K)

FY 2008: \$2.9 million will be invested in PFFA initiatives to include:

- Life Safety System Equipment - (\$2,100K)
- Land mobile radios - (\$225K)
- Armored vehicle for senior personnel - (\$175K)
- Procurement of chemical, biological, radiological detection sensors and protection/detection sensor integration, and the joint operations system enhancements - (\$385K)

FY 2009: \$2.6 million will be invested in PFFA initiatives to include:

- Life Safety System Equipment - (\$2,000K)
- Land mobile radios - (\$225K)
- Procurement of chemical, biological, radiological detection sensors and protection/detection sensor integration, and the joint operations system enhancements - (\$352K)

| PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands) | | | | | | | | | A. Fiscal Year (FY) 2008/ FY 2009 Budget Estimates | | | |
|---|----------|----------------|-------------------------------------|----------|----------------|-----------------|----------|----------------|---|----------|----------------|----------------|
| B. Pentagon Renovation | | | C. Major Construction - Replacement | | | D. Line Item #2 | | | | | | |
| Element of Cost (\$000) | FY 2006 | | | FY 2007 | | | FY 2008 | | | FY 2009 | | |
| | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |
| Major Construction | 1 | 230,983 | 230,983 | 1 | 307,676 | 307,676 | 1 | 240,500 | 240,500 | 1 | 302,200 | 302,200 |
| TOTAL | 1 | 230,983 | 230,983 | 1 | 307,676 | 307,676 | 1 | 240,500 | 240,500 | 1 | 302,200 | 302,200 |

Narrative Justification:

FY 2007: \$307.6 million will be invested in Renovation initiatives to include:

1. Design and Construction activities, including design, construction, energy management control system, lock hardware, and security systems and interior signs for Wedge Three (\$84.5 million)
2. Design and Construction activities for Wedge Four (\$129.6 million)
3. Construction management and quality assurance (\$5.0 million)
4. Information Management and Telecommunications planning, engineering management, acquisition and implementation activities (\$31.0 million)
5. Renovation accelerator (\$33.4 million)
6. Life Safety initiatives in Wedge Four to enhance safety, fire suppression, and blast resistance for the Pentagon (\$24.1 million)

FY 2008: \$240.5 million will be invested in Renovation initiatives to include:

1. Design and Construction activities (\$172.4 million)
2. Construction management and quality assurance (\$3.2 million)
3. Information Management and Telecommunications planning, engineering management, acquisition and implementation activities (\$36.3 million)
4. Renovation accelerator (\$28.6 million)

FY 2009: \$302.2 million will be invested in Renovation initiatives to include:

1. Design and Construction activities (\$223.8 million)
2. Construction management and quality assurance (\$3.2 million)
3. Information Management and Telecommunications planning, engineering management, acquisition and implementation activities (\$27.8 million)
4. Renovation accelerator (\$29.5 million)
5. Force Protection (\$17.9 million)

| PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands) | | | | | | | A. Fiscal Year (FY) 2008/ FY 2009 Budget Estimates | | | | | |
|---|----------|-----------|---------------------|----------|-----------|------------|---|-----------|------------|----------|-----------|------------|
| B. Raven Rock Mountain Complex - RRMC | | | C. Equipment, Other | | | | D. Line Item #3 | | | | | |
| Element of Cost (\$000) | FY 2006 | | | FY 2007 | | | FY 2008 | | | FY 2009 | | |
| | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |
| Equipment, Other | 1 | 375 | 375 | 1 | 390 | 390 | 1 | 3,500 | 3,500 | 1 | 7,800 | 7,800 |
| TOTAL | 1 | 375 | 375 | 1 | 390 | 390 | 1 | 3,500 | 3,500 | 1 | 7,800 | 7,800 |

Narrative Justification:

FY 2007: \$0.4 million will be invested in RRMC Capital Improvement initiatives to include:

- Purchase of a fire engine

FY 2008: \$3.5 million will be invested in RRMC Capital Improvement initiatives to include:

- Chilled Water Line Replacement - replaces valves and piping in both power plants as well as between the plants within the chilled water system

FY 2009: \$7.8 million will be invested in RRMC Capital Improvement initiatives to include:

- the continuation of the Chilled Water Line Replacement (\$5.5 million)
- the continuation of the Electrical Power Distribution Project (\$2.3 million)

Capital Budget Execution
 Washington Headquarters Services
 Pentagon Reservation Maintenance Revolving Fund
 Fiscal Year (FY) 2008/FY 2009 Budget Estimates
 February 2007
 (Dollars in Thousands)

Projects on the FY 2007 President's Budget

| <u>FY</u> | <u>Approved Project</u> | <u>Approved Proj Cost</u> | <u>Current Proj Cost</u> | <u>Asset/Deficiency</u> | <u>Explanation</u> |
|-----------|---|---------------------------|--------------------------|-------------------------|--|
| 2007 | Equipment ADPE and TELECOM | | | | |
| 2007 | Equipment Other Information Management & Force Protection Technology | 4,562 | 4,562 | | |
| 2007 | Armored Vehicles | | | | |
| 2007 | Major Construction Major construction associated with the renovation of the Pentagon Complex | 321,000 | 307,676 | 13,324 | Based on current review of capital requirement |
| 2007 | Fire Vehicle | 390 | 390 | | |
| | Total FY 2007 | 325,952 | 312,628 | 13,324 | |

WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year (FY) FY 2008/2009 Budget Estimates
February 2007

Activity Group Function

The Buildings Maintenance Fund (BMF) operates under authority of Section 2208 of Title 10, United States Code. The fund is responsible for providing space, building services and force protection for two federally owned and 28 leased facilities within the National Capital Region (NCR). These facilities are operated by Washington Headquarters Services (WHS) under GSA DoD Interagency Agreements. The BMF is financed by funds collected via a basic service charge. Service above those paid for basic charges are recovered on a reimbursable basis.

Activity Group Composition

The BMF finances the activities of the Washington Headquarters Services (WHS) and the Pentagon Force Protection Agency in providing space, building services and force protection for Department of Defense (DoD) components including military departments and other activities in DoD delegated buildings within the NCR.

Real Property Operations (RPO): The Defense Facilities Directorate is responsible for providing safe and efficient operation and management of all DoD delegated buildings within the NCR. Real Property Operations include cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, purchased utilities and administrative support. 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 Pentagon Force Protection Agency (PFPA) was established in May 2002 as a Defense Agency under 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 resources within the NCR.

The following table summarizes BMF obligation authority by activity group:

| | (Dollars in Millions) | | | |
|----------------------------------|-----------------------|----------------|----------------|----------------|
| | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> |
| Real Property Operations | 16.6 | 22.2 | 22.4 | 22.6 |
| Pentagon Force Protection Agency | <u>34.0</u> | <u>35.5</u> | <u>36.2</u> | <u>38.6</u> |
| Total | <u>50.6</u> | <u>57.7</u> | <u>58.6</u> | <u>61.2</u> |

Budget Highlight

Budget estimates assume annual inflationary increases for real property operations and force protection requirements. Real property maintenance and repair projects will be maintained at commercially equivalent levels. In FY 2008 the overall delegated office space within the NCR increased by 434,472 square feet to a total of 4,943,172 square feet which includes authority granted to PFPA to provide physical security at Presidential Towers.

Financial Profile

| | (Dollars in Millions) | | | |
|-----------------------|-----------------------|----------------|----------------|----------------|
| | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> |
| Revenue | 55.9 | 52.7 | 58.6 | 61.2 |
| Expenses | 50.6 | 57.7 | 58.6 | 61.2 |
| Net Operating Results | 5.3 | -5.0 | 0.0 | 0.0 |
| Disbursements | 44.3 | 57.2 | 60.0 | 62.8 |
| Collections | 49.4 | 52.7 | 58.6 | 61.2 |
| Net Outlays | -5.1 | 4.5 | 1.4 | 1.6 |

Staffing

| | Full Time Equivalents | | | |
|--------------------------|-----------------------|----------------|----------------|----------------|
| | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> |
| Real Property Operations | 55 | 58 | 58 | 58 |

Note: Pentagon Force Protection personnel are reported under the Pentagon Reservation Maintenance Revolving Fund budget estimates.

Summary of Price, Program, and other Changes - Operating Budget
 Washington Headquarters Services
 Buildings Maintenance Fund
 Fiscal Year (FY) 2008/FY 2009 Budget Estimates
 February 2007
 (Dollars in Millions)

| Element of Expense | Cost of Operations FY 2006 | Annualization of Pay Raises | Price Growth/Amount | Program & Other Changes | Cost of Operations FY 2007 | |
|---|----------------------------------|--------------------------------|------------------------|-------------------------------|----------------------------------|-------------|
| Civilian Personnel Compensation | 4.3 | 0.0 | 1.7% | 0.1 | 0.1 | 4.5 |
| Civilian Personnel Benefits | 1.5 | 0.0 | 1.7% | 0.0 | -0.4 | 1.1 |
| Benefits to Former Employees | 0.0 | 0.0 | 1.7% | 0.0 | 0.0 | 0.0 |
| Travel | 0.1 | | 2.2% | 0.0 | 0.0 | 0.1 |
| Transportation | 0.0 | | 2.2% | 0.0 | 0.0 | 0.0 |
| Rent | 0.7 | | 2.2% | 0.0 | -0.7 | 0.0 |
| Communication and Utilities | 1.8 | | 2.2% | 0.0 | -0.8 | 1.1 |
| Printing | 0.0 | | 2.2% | 0.0 | 0.0 | 0.0 |
| Other Services | 32.7 | | 2.2% | 0.7 | 12.6 | 46.0 |
| Supplies and Materials | 0.4 | | 2.2% | 0.0 | 3.0 | 3.4 |
| Equipment | 9.1 | | 2.2% | 0.2 | -7.8 | 1.5 |
| Interest/Dividend | 0.0 | | 2.2% | 0.0 | 0.0 | 0.0 |
| Total COST OF OPERATIONS (Includes Above Standard Program) | 50.6 | 0.0 | | 1.1 | 6.0 | 57.7 |

Summary of Price, Program, and other Changes - Operating Budget
 Washington Headquarters Services
 Buildings Maintenance Fund
 Fiscal Year (FY) 2008/FY 2009 Budget Estimates
 February 2007
 (Dollars in Millions)

| Element of Expense | Cost of Operations FY 2007 | Annualization of Pay Raises | Price Growth/Amount | Program & Other Changes | Cost of Operations FY 2008 | |
|---|----------------------------------|--------------------------------|------------------------|-------------------------------|----------------------------------|-------------|
| Civilian Personnel Compensation | 4.5 | 0.0 | 2.2% | 0.1 | 0.0 | 4.6 |
| Civilian Personnel Benefits | 1.1 | 0.0 | 2.2% | 0.0 | 0.0 | 1.1 |
| Benefits to Former Employees | 0.1 | 0.0 | 2.2% | 0.0 | 0.0 | 0.1 |
| Travel | 0.1 | | 2.4% | 0.0 | 0.0 | 0.1 |
| Transportation | 0.0 | | 2.4% | 0.0 | 0.0 | 0.0 |
| Rent | 0.0 | | 2.4% | 0.0 | 0.0 | 0.0 |
| Communication and Utilities | 1.0 | | 2.4% | 0.0 | 0.0 | 1.0 |
| Printing | 0.0 | | 2.4% | 0.0 | 0.0 | 0.0 |
| Other Services | 46.0 | | 2.4% | 1.1 | -1.0 | 46.1 |
| Supplies and Materials | 3.4 | | 2.4% | 0.1 | -2.0 | 1.4 |
| Equipment | 1.5 | | 2.4% | 0.0 | 2.7 | 4.2 |
| Interest & Dividends | 0.0 | | 2.4% | 0.0 | 0.0 | 0.0 |
| TOTAL COST OF OPERATIONS (Includes Above Standard Program) | 57.7 | 0.0 | | 1.3 | -0.4 | 58.6 |

Summary of Price, Program, and other Changes - Operating Budget
 Washington Headquarters Services
 Buildings Maintenance Fund
 Fiscal Year (FY) 2008/FY 2009 Budget Estimates
 February 2007
 (Dollars in Millions)

| Element of Expense | Cost of Operations FY 2008 | Annualization of Pay Raises | Price Growth/Amount | Program & Other Changes | Cost of Operations FY 2009 | |
|---|----------------------------------|--------------------------------|------------------------|-------------------------------|----------------------------------|-------------|
| Civilian Personnel Compensation | 4.6 | 0.0 | 1.7% | 0.1 | 0.0 | 4.7 |
| Civilian Personnel Benefits | 1.1 | 0.0 | 1.7% | 0.0 | 0.0 | 1.2 |
| Benefits to Former Employees | 0.1 | 0.0 | 1.7% | 0.0 | 0.0 | 0.1 |
| Travel | 0.1 | | 2.3% | 0.0 | 0.0 | 0.1 |
| Transportation | 0.0 | | 2.3% | 0.0 | 0.0 | 0.0 |
| Rent | 0.0 | | 2.3% | 0.0 | 0.0 | 0.0 |
| Communication and Utilities | 1.0 | | 2.3% | 0.0 | 0.0 | 1.0 |
| Printing | 0.0 | | 2.3% | 0.0 | 0.0 | 0.0 |
| Other Services | 46.1 | | 2.3% | 1.1 | 3.1 | 50.3 |
| Supplies and Materials | 1.4 | | 2.3% | 0.0 | 0.0 | 1.4 |
| Equipment | 4.2 | | 2.3% | 0.1 | -1.9 | 2.4 |
| Interest & Dividends | 0.0 | | 2.3% | 0.0 | 0.0 | 0.0 |
| TOTAL COST OF OPERATIONS (Includes Above Standard Program) | 58.6 | 0.0 | | 1.3 | 1.2 | 61.2 |

Changes in the Costs of Operaton
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2008/FY 2009 Budget Estimates
February 2007
(Dollars in Millions)

| | |
|---|-------------|
| FY 2006 Actual: | 50.6 |
| FY 2007 Estimate in President's Budget | 57.7 |
| Pricing Adjustments: | 0.0 |
| Program Changes: | 0.0 |
| FY 2007 Estimate Current Estimate | 57.7 |
| Pricing Adjustments: | |
| Annualization of Prior Year Pay Raises | 0.0 |
| FY 2008 Pay Raise | 0.1 |
| General Purchase Inflation | 1.2 |
| Program Changes: | |
| Contract Guards | -1.4 |
| Decrease of maintenance supplies | -1.6 |
| Access Control Equipment | 2.6 |
| FY 2008 Estimate: | 58.6 |
| Pricing Adjustments: | |
| Annualization of Prior Year Pay Raises | 0.0 |
| FY 2009 Pay Raise | 0.1 |
| General Purchase Inflation | 1.2 |
| Program Changes: | |
| Contract Guards | 3.1 |
| Decrease of Access Control Equipment | -1.8 |
| FY 2009 Estimate: | 61.2 |

Source of New Orders and Revenue
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2008/FY 2009 Budget Estimates
February 2007
(Dollars in Millions)

| | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> |
|---|----------------|----------------|----------------|----------------|
| 1. New Orders | | | | |
| a. Orders from DoD Components: | | | | |
| Department of the Air Force | 1.5 | 1.6 | 1.7 | 1.8 |
| Department of the Army | 17.1 | 17.5 | 18.5 | 19.1 |
| Department of the Navy | 3.3 | 3.3 | 3.4 | 3.6 |
| Subtotal Military Departments | 21.9 | 22.4 | 23.6 | 24.5 |
| Defense-Wide | | | | |
| CAAF | 1.1 | 1.1 | 1.2 | 1.4 |
| DCMA | 1.6 | 1.7 | 1.8 | 2.0 |
| DFAS | 0.9 | 0.9 | 1.0 | 1.1 |
| DIA | 1.7 | 1.7 | 1.8 | 2.0 |
| DISA | 2.7 | 2.9 | 3.0 | 3.2 |
| DLA | 1.4 | 1.5 | 1.6 | 1.7 |
| DSS | 0.3 | 0.3 | 0.3 | 0.4 |
| DTRA | 3.0 | 3.1 | 3.2 | 3.4 |
| WHS | 13.4 | 7.5 | 7.8 | 8.1 |
| Subtotal Defense-Wide | 26.1 | 20.7 | 21.7 | 23.2 |
| b. Orders from Non-DoD Agencies | | | | |
| c. Subtotal Standard Level Rent Orders | 48.0 | 43.1 | 45.3 | 47.7 |
| d. Other Orders | | | | |
| Above Standard Level Services: | | | | |
| Building Services and Space Adjustments | 6.0 | 7.1 | 12.1 | 12.2 |
| Force Protection | 1.9 | 2.5 | 1.2 | 1.3 |
| Subtotal Above Standard Services | 7.9 | 9.6 | 13.3 | 13.5 |
| Total New Orders: | 55.9 | 52.7 | 58.6 | 61.2 |

Revenue and Expenses
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2008/FY 2009 Budget Estimates
February 2007
(Dollars in Millions)

| | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> |
|---|--------------------|--------------------|--------------------|--------------------|
| Revenue: | | | | |
| Standard level | 48.0 | 43.1 | 45.3 | 47.7 |
| Above standard level | <u>7.9</u> | <u>9.6</u> | <u>13.3</u> | <u>13.5</u> |
| Total Revenue | 55.9 | 52.7 | 58.6 | 61.2 |
| <u>Standard Level Operating Expenses:</u> | | | | |
| Real Property Operations: | <u>12.8</u> | <u>10.2</u> | <u>10.4</u> | <u>10.5</u> |
| Cleaning | 1.2 | 1.1 | 1.2 | 1.2 |
| Utilities & fuel | 1.8 | 1.7 | 1.3 | 1.3 |
| Maintenance | 1.1 | 0.8 | 0.9 | 0.9 |
| Other building services | 0.9 | 0.1 | 0.1 | 0.1 |
| Administration | 7.4 | 6.1 | 6.5 | 6.6 |
| Repairs (over \$10,000) | 0.4 | 0.4 | 0.4 | 0.4 |
| Pentagon Force Protection Agency: | <u>32.1</u> | <u>33.0</u> | <u>34.9</u> | <u>37.3</u> |
| CBRN | 15.1 | 6.2 | 6.3 | 6.3 |
| Security Services | 16.8 | 26.2 | 28.0 | 30.4 |
| Force Protection Technology | 0.2 | 0.6 | 0.6 | 0.6 |
| Subtotal Standard Level | 44.9 | 43.2 | 45.3 | 47.8 |
| <u>Above Standard Reimbursable Expenses:</u> | | | | |
| Real Property Operations | 3.8 | 12.0 | 12.1 | 12.1 |
| Pentagon Force Protection Agency | 1.9 | 2.5 | 1.2 | 1.3 |
| Subtotal Above Standard Level | 5.7 | 14.5 | 13.3 | 13.4 |
| Total Operating Expenses | 50.6 | 57.7 | 58.6 | 61.2 |
| Cost of Services | 50.6 | 57.7 | 58.6 | 61.2 |
| Net Operating Result | 0.0 | 0.0 | 0.0 | 0.0 |
| Accumulated Operating Result | 0.0 | 0.0 | 0.0 | 0.0 |

Cost of Basic Services
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2008/FY 2009 Budget Estimates
February 2007

| PROGRAM | FY 2006 | | FY 2007 | | FY 2008 | | FY 2009 | |
|--|-----------------------------|------------------------|-----------------------------|------------------------|-----------------------------|------------------------|-----------------------------|------------------------|
| | Workload Avg. Sq. Ft. | Cost per Sq. Ft. |
| Cleaning | 881,798 | \$1.36 | 881,798 | \$1.25 | 881,798 | \$1.34 | 881,798 | \$ 1.37 |
| Utilities & Fuel | 964,331 | \$1.87 | 964,331 | \$1.76 | 394,212 | \$3.26 | 394,212 | \$ 3.34 |
| Maintenance | 2,175,702 | \$0.51 | 2,175,702 | \$0.37 | 2,175,702 | \$0.39 | 2,175,702 | \$ 0.40 |
| Other Building Services | 4,204,537 | \$0.21 | 4,204,537 | \$0.02 | 3,920,384 | \$0.03 | 3,920,384 | \$ 0.03 |
| Administrative | 4,508,700 | \$1.64 | 4,508,700 | \$1.35 | 4,943,172 | \$1.32 | 4,943,172 | \$ 1.33 |
| Administrative Cost as Percent of Total Program Cost | | 5.5% | | 5.0% | | 5.3% | | 5.3% |

The workload average square footage for real property operations is based upon the execution of non-fully serviced leases at delegated leased facilities; it does not include reimbursable above standard services.

- The decrease in Utilities & Fuel square footage from FY 2007 to FY 2008 is due to Hoffman II lease change from non-fully service to fully service.

- The decrease in Other Building Services square footage from FY 2007 to FY 2008 is due to the non-delegation of 13,000 square feet at 2320 Mill Road and the change of One Liberty delegation to physical security only.

- The net increase in Administrative square footage from FY 2007 to FY 2008 is due to delegation of physical security at Presidential Towers.

The percentage change for Administration Cost as a percentage of total program includes the oversight of annual GSA Leases.

Summary Statement
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2008/FY 2009 Budget Estimates
February 2007
(Dollars in Millions)

| | <u>Obs.</u> | <u>Orders</u> | <u>Revenue</u> | <u>Cost</u> | <u>06</u> | <u>07</u> | <u>08</u> | <u>09</u> | <u>10</u> | <u>11</u> | <u>12</u> | <u>13</u> |
|---|-------------|--------------------|----------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <u>Real Property Operations:</u> | | | | | | | | | | | | |
| FY 2006 | 16.6 | 22.0 | 22.0 | 16.6 | 20.0 | 5.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FY 2007 | 22.2 | 17.2 | 17.2 | 22.2 | | 16.7 | 3.4 | 2.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| FY 2008 | 22.5 | 22.5 | 22.5 | 22.5 | | | 20.2 | 2.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| FY 2009 | 22.6 | 22.6 | 22.6 | 22.6 | | | | 20.3 | 2.3 | 0.0 | 0.0 | 0.0 |
| <u>Pentagon Force Protection Agency:</u> | | | | | | | | | | | | |
| FY 2006 | 33.9 | 33.9 | 33.9 | 33.9 | 24.3 | 8.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FY 2007 | 35.5 | 35.5 | 35.5 | 35.5 | | 26.4 | 5.4 | 3.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| FY 2008 | 36.2 | 36.2 | 36.2 | 36.2 | | | 31.0 | 3.6 | 1.6 | 0.0 | 0.0 | 0.0 |
| FY 2009 | 38.6 | 38.6 | 38.6 | 38.6 | | | | 30.8 | 5.5 | 2.3 | 0.0 | 0.0 |
| <u>Total BMF:</u> | | | | | | | | | | | | |
| FY 2006 | 50.6 | 55.9 | 55.9 | 50.6 | 44.3 | 14.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FY 2007 | 57.7 | 52.7 | 52.7 | 57.7 | | 43.1 | 8.8 | 5.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| FY 2008 | 58.6 | 58.6 | 58.6 | 58.6 | | 0.0 | 51.2 | 5.9 | 1.6 | 0.0 | 0.0 | 0.0 |
| FY 2009 | 61.2 | 61.2 | 61.2 | 61.2 | | 0.0 | 0.0 | 51.1 | 7.8 | 2.3 | 0.0 | 0.0 |
| <u>Cash:</u> | | | | | | | | | | | | |
| | <u>BOY</u> | <u>Collections</u> | <u>Disb.</u> | <u>EOY</u> | | | | | | | | |
| FY 2006 | 39.2 | 49.4 | 44.3 | 44.3 | | | | | | | | |
| FY 2007 | 44.3 | 52.7 | 57.2 | 39.8 | | | | | | | | |
| FY 2008 | 39.8 | 58.6 | 60.0 | 38.4 | | | | | | | | |
| FY 2009 | 38.4 | 61.2 | 62.8 | 36.8 | | | | | | | | |

DEFENSE LOGISTICS AGENCY
National Defense Stockpile Transaction Fund
Defense National Stockpile Center
Fiscal Year (FY) 2008/2009 Budget Estimates
February 2007

The National Defense Stockpile (NDS) 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 a national emergency. The Defense National Stockpile Center (DNSC) administers the acquisition, storage, management, and disposal of the NDS.

The sales and payment information included in this submission reflects the international commodities market subject to fluctuation. For example, tungsten ores and concentrates prices have been subject to significant increases as a result of a shortage in available material, thereby increasing collections and subsequent payments in the respective programs. DNSC's sales program is revised periodically to accommodate market dynamics.

DNSC Restructuring Program

DNSC first prepared an organizational review in 1997 which focused on ensuring the appropriate staffing and operational infrastructure as inventory was being sold. At the time, there was no authorization to reacquire material. DNSC developed a formal Restructuring Plan in 2002, which was revised in 2004, and continues to review and revise the plan to ensure the operational requirements of the NDS are met. The Restructuring Plan formally documents:

- Key considerations and assumptions in plan development
- Current and projected sales and staffing levels
- Estimated depot closure schedule
- Planned transition into the DLA Enterprise Support (DES) organization

A major Restructuring Plan influence on the budget year information contained in this submission is the expectation that DNSC will be in three "consolidation point" depots by the end of FY 2007; down from eight depots at the start of FY 2006. A consolidation point is defined as a facility that presents the

best opportunity to consolidate and sell materials, with consideration given to cost, location, access, and general marketability. There will be three staffed consolidation points (depots) starting in FY 2008. In addition, the consolidation points will have oversight for a number of unstaffed sites where material or environmental requirements still remain. The budgets for rents, depot operations, real property maintenance and other select object classes reflect the planned depot consolidations.

DNSC continues to implement the current Restructuring Plan, which targets a reduction in end-strength to 65 by the end of FY 2007. Barring mission-critical fact-of-life changes or direction to implement the ongoing Defense National Stockpile reconfiguration study, DNSC has planned for separation incentives, such as VERA/VSIP, as well as costs for accrued leave in the budget estimates for FYs 2007 and 2008.

DNSC Business Operations

The Restructuring Plan includes reviewing inventory locations and operational costs for Headquarters and the depots. Through the material consolidations, DNSC continues to reduce its number of storage sites (both staffed and un-staffed). Previous budget submissions have only disclosed sites with material remaining to be sold. Because operational costs are still incurred for sites where material has been sold but not yet removed and sites where environmental remediation is still ongoing, DNSC now reports on sites in all three stages. The table below provides the projected number of sites at fiscal yearend that are occupied for one of three reasons: commodities currently available for sale, commodities under contract but not yet removed, or awaiting environmental action (i.e., remedial investigation or clean up). At the end of FY 2005 DNSC had 33 storage sites. DNSC projected to end FY 2006 with 24 sites, but ended with 28 sites. This is primarily due to buyers not being able to take material from remote western sites and remaining environmental activity. The estimate of the number of storage sites has been updated for FY 2006 through FY 2009 as follows:

| | <u>FY 06</u> | <u>FY 07</u> | <u>FY 08</u> | <u>FY 09</u> |
|---------------------------|--------------|--------------|--------------|--------------|
| Active and Occupied Sites | 28 | 20 | 13 | 9 |

The non-labor programs of the Operations Directorate continue to reflect the overall corporate strategy to liquidate the bulk of the materials assets of the National Defense Stockpile. Relocation projects involving the repositioning of commodities continued through FY 2006 and have continued into FY 2007.

Sales

Sales are summarized in the following chart. The DNSC sales plan reflects the six authorized programs.

Authorized Programs

- Principal Sales Program
- Foreign Military Sales (FMS) Program
- Cobalt Post-FMS Program
- Treasury and HHS Program
- Spectrum/Military Benefits Program
- WWII Memorial & Treasury General Fund Program

| Sales (\$ in millions) | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Principal Sales Program | \$290.1 | \$108.0 | \$ 97.8 | \$ 55.4 |
| Foreign Military Sales | 4.5 | 0.0 | 0.5 | 0.0 |
| Cobalt Post-FMS Program | 6.1 | 0.0 | 0.0 | 0.0 |
| Treasury & HHS Program | 121.5 | 88.7 | 81.2 | 81.0 |
| Spectrum/Military Benefits | 64.4 | 40.9 | 39.0 | 36.9 |
| WWII Memorial | 15.9 | 0.0 | 0.0 | 0.0 |
| Total Sales | \$502.5 | \$237.6 | \$218.5 | \$173.3 |

Payments

Payments (Transfers) are summarized in the following chart. For FY 2006, DNSC entered the fiscal year with \$145 million in payment authority. Due to favorable market conditions and commodity prices, DNSC was able to execute payments of \$142.0 million.

| Payments (\$ in millions) | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Foreign Military Sales | \$ 3.6 | \$ 0.9 | \$ 1.3 | \$ 0.0 |
| Cobalt Post-FMS Program | 12.7 | 0.0 | 10.4 | 2.7 |
| Treasury & HHS Program | 91.9 | 86.7 | 101.3 | 85.1 |
| Spectrum/Military Benefits | 21.5 | 46.1 | 48.8 | 40.2 |
| WWII Memorial | 12.3 | 11.3 | 0.0 | 0.0 |
| Transfer to MERHC | | 186.0 | | |
| Total Payments | \$142.0 | \$331.0 | \$161.8 | \$128.0 |

Principal Sales Program

DNSC's Principal Sales program consists of disposals of commodities that are considered excess to the needs of the Department of Defense (DoD) and authorized for sale prior to FY 1996. Subsequent authorization acts that have granted sales authority for other excess commodities have earmarked the proceeds to the other programs listed above.

Foreign Military Sales Program

The National Defense Authorization Act for FY 1997, P.L. 104-201, authorized additional disposals to offset losses to the U.S. Treasury that would be incurred due to reduced charges to buyers in the Foreign Military Sales (FMS) program. A provision of the Federal Acquisition and Reform Act (FARA), P.L. 104-106, permits the President to waive charges for non-recurring Research & Development (R&D) and production costs for FMS sales from DoD stocks. This provision was intended to increase FMS sales, increase production quantities, and ultimately to reduce the cost of equipment procured by the Services. The provision required offsetting legislation before costs could be waived. The Stockpile FMS program was to fulfill this requirement by generating anticipated receipts of \$612 million by the end of FY 2006. The National Defense Authorization Act for FY 2000, P.L. 106-65, increased the funds to be paid from \$612 million (previously authorized in P.L. 104-201) to \$720 million.

The National Defense Authorization Act for FY 2007 extended the program through FY 2008. The sale of this material generated proceeds of \$633 million through FY 2006 and will generate an anticipated cumulative total of \$633.9 million by the end of FY 2007.

Cobalt Post Foreign Military Sales Program

The National Defense Authorization Act for FY 1998, P.L. 105-85, authorized additional sales of cobalt. The receipts from these sales are to be paid from the T-Fund and deposited into the Treasury General Fund. The National Defense Authorization Act for FY 2000, P.L. 106-65, increased the funds to be paid from \$102 million (previously authorized in P.L. 105-85) to \$235 million. The National Defense Authorization Act for FY 2002, P.L. 107-107, accelerated sales to begin in FY 2002 instead of FY 2003 to avoid potential market disruption.

The National Defense Authorization Act for FY 2007 extended the program through FY 2008. The sale of this material generated proceeds of \$132.7 million through FY 2006.

Treasury and HHS Sales Program

The National Defense Authorization Act for FY 1999, P.L. 105-261, authorized additional disposals 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. The National Defense Authorization Act for FY 2001, P.L. 106-398, increased the funds to be paid from \$590 million (previously authorized in P.L. 105-261) to \$720 million for the HHS & Treasury General Fund. The National Defense Authorization Act for FY 2002, P.L. 107-107, increased the funds to be paid from \$720 million (previously authorized in P.L. 106-398) to \$770 million by the end of FY 2006. The National Defense Authorization Act for FY 2005 further increased the funds to be paid to \$870 million by the end of FY 2009. The National Defense Authorization Act for FY 2006 further increased the funds to be paid to \$1.0 billion by the end of FY 2013. The National Defense Authorization Act for FY 2007 raised the limit to \$1.016 billion by the end of FY 2014. DNSC paid \$891.2 million through FY 2006.

SPECTRUM/Military Benefits Sales Program

The National Defense Authorization Act for FY 2000, P.L. 106-65 authorized additional sales of commodities through the end of FY 2009. The National Defense Authorization Act for FY 2004, P.L. 108-136, increased the funds to be paid from \$300 million to \$450 million by the end of FY 2013. The National Defense Authorization Act for FY 2006 further increased the funds to be paid to \$600 million by the end of FY 2013. The sale of these materials generated proceeds of \$461.4 million through FY 2006.

WWII Memorial & Treasury General Fund Program

The National Defense Authorization Act for FY 2001, P.L. 106-398, authorized the sale of 30,000 short tons of titanium by September 30, 2010. Proceeds of \$6 million were transferred to the American Battle Monuments Commission for the World War II Memorial. The remainder will be deposited into the General Treasury as Miscellaneous Receipts. DNSC has completed sales under this program during the first quarter FY 2006. The sale of this material generated proceeds of \$135.1 million through FY 2006.

Authorization for Additional Sales

In addition to the sales previously discussed, the Department will propose, as part of the FY 2008 Defense Authorization request, legislation to permit the sale of the remaining

government-owned industrial commodities in the National Defense Stockpile that are not needed for national defense requirements. This would be accomplished by raising the authorized dollar threshold for the sale of specific commodities. Absent this, sales of specific commodities would have to halt once the authorized dollar threshold had been reached. These sales are expected to result in mandatory sales receipts of about \$583 million in the next six years. Receipts from these additional sales would be deposited in the Treasury for deficit reduction.

Receipts from Additional Sales, FY 2008
Defense Authorization Proposal

| \$ in millions | | | | | |
|----------------|---------|---------|---------|---------|---------|
| FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
| 69 | 145 | 198 | 145 | 25 | 1 |

Budget Highlights

| Operations Obligations (\$ in millions) | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> |
|--|----------------|----------------|----------------|----------------|
| Labor | \$ 13.9 | \$ 14.1 | \$ 9.4 | \$ 7.6 |
| Non-Labor | 26.6 | 37.7 | 35.4 | 31.8 |
| Select non-labor accounts | | | | |
| Rent | 5.9 | 2.9 | 5.0 | 4.9 |
| Depot Operations | 8.1 | 7.2 | 5.0 | 4.0 |
| Real Property Maintenance | 3.5 | 1.7 | 3.5 | 3.4 |
| Environmental | 6.6 | 11.3 | 8.7 | 7.8 |
| Other | 2.6 | 14.6 | 13.2 | 11.7 |
| Total | \$40.6 | \$51.8 | \$44.8 | \$39.4 |

Labor

DNCS staffing levels will continue to remain in line with workload; however, DNCS continues to re-evaluate organizational structures for both headquarters and the depots staffing levels.

Non-Labor

Rents & Leases: Real property required to support stockpiling operations includes warehouses, administrative buildings, service buildings and open land for outdoor storage. Property is primarily obtained through occupancy agreements with the General Services Administration (GSA), other Federal Agencies or commercial leases administered by GSA. The budget years reflect the savings generated by reducing the DNCS footprint to the three consolidation points and limited unstaffed sites where it

would not be economical to relocate material.

Depot Operations: The depot operations will also benefit from consolidation. The program supports the operation needs at each site including:

- Fire alarms and suppression systems operations and maintenance
- Physical security
- General facility maintenance and repairs less than \$100,000
- Janitorial services
- Non-ADP equipment maintenance and repair services
- Vehicle and liquid heating fuels
- Grounds maintenance (e.g. snow removal, vegetation control, and trash removal)

Real Property Maintenance: The real property maintenance program (RPM) includes both recurring maintenance and major repair projects. Program costs are projected to increase during FYs 2007 and 2008 as the consolidations continue and are completed. It is expected that the program will reduce as the number of sites requiring maintenance are reduced.

Environmental

As part of DNSC's focus on stewardship of all sites that have been occupied, environmental assessments are conducted to determine the extent of any required remediation. Studies are performed in order to determine the extent and nature of contamination and the best approach for remediation. Cleanup costs are estimated by DNSC using Remedial Action Cost Engineering and Requirements (RACER), a computer-based costing model. This estimation model is consistently applied DLA-wide. Based on input from DNSC, the RACER estimate for environmental liability for cleaning up at the remaining DNSC sites is projected to be \$48 million. Contaminated sites must be cleaned up prior to closure and cleanup actions are being coordinated with the depot closure plan to minimize disruption to sales and depot operations.

The environmental program is planned to increase in FY 2007 as material relocation and consolidation continues, thereby clearing sites and potentially requiring environmental remediation. During the budget years, the program is expected to decrease as the number of sites requiring remedial action is reduced.

Two significant environmental issues noted in previous budget submissions are the mercury inventory and Thorium nitrate clean up. DNSC has a sizeable inventory of mercury. In order to determine the best approach, DNSC completed an Environmental Impact Statement in March 2004. The conclusion was to continue to store the mercury at one consolidated location. DNSC has selected the Hawthorne Army Depot (HWAD) in Nevada as the consolidated mercury storage site. Negotiations are underway with HWAD to develop plans for required building modifications. Transportation is expected to begin in spring 2007. Another significant effort is the decontamination and decommissioning of former thorium nitrate storage sites. Thorium nitrate is a low-level radioactive material that was previously stored at the Curtis Bay, Maryland and the Hammond, Indiana depots. Cleanup is closely coordinated with the Nuclear Regulatory Commission. The FY 2007 budget includes \$3.0 million for decontamination at Curtis Bay and \$1.0 million for decontamination at Hammond.

DNSC developed its FY 2007 Environmental Safety Occupational Health Management (ESOHM) Plan. The plan outlines environmental activities at DNSC depots including cleanup, environmental audits, storm water monitoring, community relations, occupational health, mishap reporting, radiation protection, and other ESOHM areas.

Other Matters of Interest

The National Defense Authorization Act for FY 2007 directed the Secretary of Defense to transfer \$186 million from the unobligated balances of the NDS Transaction Fund to the Department of Defense Medicare-Eligible Retiree Health Care Fund (MERHCF). DNSC executed a non-expenditure transfer as directed by public law during the first quarter of FY 2007.

DEFENSE LOGISTICS AGENCY
Transaction Fund
National Defense Stockpile Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Stockpile Financial Status Report
February 2007
(Dollars in Million)

| | <u>FY 06</u> | <u>FY 07</u> | <u>FY 08</u> | <u>FY 09</u> |
|--|---------------|---------------|---------------|---------------|
| Treasury Cash Balance, End of Prior Year | 1169.9 | 1495.6 | 1382.7 | 1410.2 |
| Collections | 508.2 | 269.9 | 234.1 | 199.3 |
| Disbursements | <u>40.5</u> | <u>51.8</u> | <u>44.8</u> | <u>39.4</u> |
| Labor | 14.2 | 14.3 | 9.6 | 7.8 |
| Non-Labor | 26.3 | 37.5 | 35.2 | 31.6 |
| <u>Payments:</u> | | | | |
| FMS | 3.6 | 0.9 | 1.3 | 0.0 |
| Treasury (HHS) | 91.9 | 86.7 | 101.3 | 85.1 |
| Cobalt TGF | 12.7 | 0.0 | 10.4 | 2.7 |
| Treasury (Spectrum) | 21.5 | 46.1 | 48.8 | 40.2 |
| WWII Memorial | 12.3 | 11.3 | 0.0 | 0.0 |
| Transfer (TRICARE) | <u>0.0</u> | <u>186.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total Payments | 142.0 | 331.0 | 161.8 | 128.0 |
| Cash Balance | 1495.6 | 1382.7 | 1410.2 | 1442.1 |
| Selected Liabilities | | | | |
| Accounts Payable | 1.6 | 4.0 | 4.0 | 4.0 |
| Advances Received | 16.4 | 20.0 | 20.0 | 20.0 |
| Environmental Clean-up Liability | 52.2 | 40.0 | 30.0 | 30.0 |
| Other Liabilities | 29.6 | 20.0 | 20.0 | 20.0 |
| Undelivered Orders | 20.4 | 25.0 | 25.0 | 25.0 |
| Other Contingencies | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Totals | 120.2 | 109.0 | 99.0 | 99.0 |
| Available Cash | 1375.4 | 1273.7 | 1311.2 | 1343.1 |

DEFENSE LOGISTICS AGENCY
Transaction Fund
Defense National Stockpile Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Statement of Financial Condition
February 2007
(Dollars in Million)

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|----------------------------------|---------|---------|---------|---------|
| ASSETS: | | | | |
| Selected Assets: | | | | |
| Cash | 1495.6 | 1382.7 | 1410.2 | 1442.1 |
| Accounts Receivable | 5.9 | 9.1 | 9.1 | 9.1 |
| Inventories | 1078.8 | 928.8 | 778.8 | 628.8 |
| TOTAL ASSETS | 2580.3 | 2320.6 | 2198.1 | 2080.0 |
| LIABILITIES | | | | |
| Selected Liabilities: | | | | |
| Accounts Payable | 1.6 | 4.0 | 4.0 | 4.0 |
| Accrued Liabilities | 29.6 | 20.0 | 20.0 | 20.0 |
| Advances Received | 16.4 | 20.0 | 20.0 | 20.0 |
| Environmental Liability | 52.2 | 40.0 | 30.0 | 30.0 |
| Undelivered Orders | 20.4 | 25.0 | 25.0 | 25.0 |
| TOTAL LIABILITIES | 120.2 | 109.0 | 99.0 | 99.0 |
| GOVERNMENT EQUITY | | | | |
| Cumulative Results of Operations | 2460.1 | 2211.6 | 2099.1 | 1981.0 |
| TOTAL NET POSITION | 2460.1 | 2211.6 | 2099.1 | 1981.0 |
| TOTAL LIABILITIES AND EQUITY | 2580.3 | 2320.6 | 2198.1 | 2080.0 |

Fund-23

**Conventional Ammunition Working Capital Fund
Fiscal Year (FY) 2008/2009 Budget Estimates
February 2007**

Effective September 30, 1998, the Conventional Ammunition Working Capital Fund (CAWCF) stopped accepting new orders for the procurement of conventional ammunition. However, the Fund remains open through September 2007 to complete residual functions. These include the 1) close-out of all financial records; and 2) disposal of CAWCF-owned inventory, material, and supplies.

Close-out of Financial Records

The CAWCF does not have any unresolved litigation or other contract negotiation concerns at this time. All orders placed in FY 1998 and prior years were closed in accordance with applicable Financial Management Regulations.

The CAWCF bills Foreign Military Sales (FMS) orders at actual cost. Fifty-two FMS orders require funding adjustment. Thirty-five were completed in FY 2005. The remaining seventeen orders were completed by the end of FY 2006.

Disposal of Materials and Supplies

CAWCF-owned material currently on-hand includes both industrial stock and inventory. This material will either be transferred to a storage activity or disposed of properly. As of September 30, 2006, the total unliquidated obligation balance of the cost of transfer and/or proper disposal is \$11.6 million at the following locations:

(\$ in Millions)

| <u>Location</u> | <u>ULO</u> |
|--------------------------------|------------|
| Crane Army Ammunition Activity | 0.4 |
| Kansas Army Ammunition Plant | 0.4 |
| Lonestar Army Ammunition Plant | 3.0 |
| Milan Army Ammunition Plant | 0.8 |
| Pine Bluff Arsenal | 6.8 |
| Red River Army Depot | <u>0.2</u> |
| Total | 11.6 |

FINANCIAL POSITION
As of 30 September 2006

The CAWCF has sufficient cash to meet all currently known and estimated requirements and requires no additional funding. Projected cash disbursements include payments for production contracts, disposal of materials and supplies, and administrative close-out costs. The cash spend-out plan through the end of FY 2007 is shown below. The FY 2007 net outlays include disbursements, de-obligations, and Lake City billings for Workers Compensation Liabilities. The remaining cash after final close-out is currently projected to be \$2.3 million and will be returned to the Treasury.

Cash Spend-out Plan (\$ Millions)

| | |
|---------------------------------------|--------------|
| Cash Balance as of September 30, 2006 | \$28.7 |
| FY 2007 Net Outlays | -11.4 |
| Less \$15M Reprogramming by HQDA | <u>-15.0</u> |
| Estimated Cash Position at Closure | \$ 2.3 |

The CAWCF could incur additional obligations if unforeseen litigation, settlements, and/or problems with disposal of CAWCF-owned supplies and materials occur. Deobligations will occur in FY 2007 as production contracts are completed and closed out. Disbursements will occur as the Defense Finance and Accounting Service makes the necessary accounting entries to account for payments of contract production and disposal costs. In the obligation plan below, positive numbers increase total unliquidated obligations (ULO) and negative numbers (such as deobligations and disbursements) decrease total unliquidated obligations (ULO). By the end of FY 2007, all unliquidated obligations will be zero.

Obligation Plan (\$ Millions)

| | |
|--------------------------------------|--------------|
| ULO Balance as of September 30, 2006 | \$15.8 |
| FY 2007 Obligations | 0.2 |
| FY 2007 Deobligations | -3.4 |
| FY 2007 Disbursements | <u>-12.6</u> |
| ULO Balance as of September 30, 2007 | \$ 0.0 |

Defense Coalition Support Account
Fiscal Year (FY) 2008/2009 Budget Estimates
February 2007

The FY 2008/2009 budget estimate requests a total of \$22.0 million each fiscal year for the establishment of the Defense Coalition Support Account (DCSA) appropriation. The Defense Coalition Support Account is a Quadrennial Defense Review endorsed initiative that creates a mechanism to allow DoD to pre-purchase and stock defense articles such as helmets, body armor, and night vision devices for use by coalition partners.

This account provides military equipment that many coalition partners require to deploy with U.S. forces, to participate in stability operations and counterterrorism operations throughout the world. The absence of such a resource has greatly hindered and delayed coalition participation in Operation Iraqi Freedom, Operation Enduring Freedom, and other operations. Pre-procured equipment significantly shortens lead-times to equip Coalition partners.

This program directly supports objectives in the Building Partnership Capacity and Authorities roadmap and is critical to implementation of DoD Directive 3000.05, Military Support for Stability, Security, Transition, and Reconstruction (SSTR). Title XV Sec. 1524 of the legislative initiative, requests the establishment of this fund which may not exceed \$200M in property purchased and inventory held "except during a period of active hostilities".

To establish the account, the Department requests \$22.0 million in both FY 2008 and FY 2009. Once the account is established, it should sustain itself (as a revolving account) without further regular appropriations through collections of sales or transfers made from this account.

The creation of a DCSA will allow DoD to purchase and keep on hand those items most needed by our partners. This is vital for partners who deploy with us in military operations and for our ability to effectively train and equip partners to take on common challenges.

In FY 2008, \$22.0 million will allow the DCSA to purchase night vision devices (about \$5,500 each), body armor (about \$700 each), battle dress uniforms (BDUs) (about \$70 each) and Kevlar helmets (about \$200 each). The exact breakdown of the

items purchased each year will depend on the critical needs when funds are available. In FY 2009 additional purchases of the same items will be made. Initial reimbursable sales may occur as early as FY 2009.

Obligation Plan
(Dollars in Millions)

| | |
|-----------------------|--------|
| FY 2008 Obligations | \$22.0 |
| FY 2008 Disbursements | \$22.0 |
| FY 2009 Obligations | \$22.0 |
| FY 2009 Disbursements | \$22.0 |