

Department of Defense Revolving Funds

Justification/Overview



Fiscal Year (FY) 2011 President's Budget

February 2010

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Summary Operations
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2011 Budget Estimate
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Activity Group Function:

The FY 1991 Defense Authorization Act established the Pentagon Reservation Maintenance Revolving Fund (PRMRF), and 10 USC 2674 codified it. The fund is responsible for the maintenance, 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 (Navy Annex), 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. Customers pay a basic user charge for space and basic building services to finance the PRMRF. Customers who request above standard services pay an additional charge for those services.

Activity Group Composition:

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

Real Property Operations (RPO): The Defense Facilities Directorate is responsible for the safe and efficient operation, maintenance and repair of the Pentagon Reservation. The Pentagon Reservation 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. RPO include cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, and administrative support. Additional services include operating expenses for purchased utilities 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.

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Pentagon Force Protection Agency (PFPA): The Deputy Secretary of Defense established the PFPA 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 at the Pentagon Reservation and DoD activities within the National Capital Region (NCR), to include the RRM. The 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 (PENREN) provides all new mechanical, electrical, plumbing and sprinkler systems for the Pentagon Reservation. The Renovation includes new vertical transportation (elevators & escalators), cable management systems, and improvements in fire and life safety systems and accessibility throughout the building for persons with disabilities. PENREN 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 PENREN Office develops and employs construction business practices that are performance based and results oriented.

Raven Rock Mountain Complex (RRMC): The mission of the RRMC is to support the Continuity of Operations Plan (COOP) for the Office of the Secretary of Defense and the Joint Staff. Real Property Operations include cleaning, operation and repair of mechanical and utility systems, roads and grounds maintenance, fire and emergency services, food services, information management support services, and administrative support. These services support the RRMC customer base by providing maintenance and upkeep of facilities within the Complex at levels adequate to support assigned missions and prevent deterioration and damage to RRMC's facilities, systems, and operating equipment.

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The following table summarizes PRMRF obligation authority by activity group:

Budget Sub-activity	FY 2009		FY 2010		FY 2011	
	Operating	Capital	Operating	Capital	Operating	Capital
Real Property Operations	\$175.6	\$24.7	\$224.9	\$26.4	\$228.5	\$14.2
Pentagon Renovation	\$83.9	\$257.2	\$79.3	\$153.1	\$53.6	\$16.3
Pentagon Force Protection Agency	\$194.4	\$2.6	\$219.4	\$21.7	\$237.0	\$18.0
Raven Rock Mountain Complex	\$44.1	\$7.8	\$44.1	\$16.5	\$42.4	\$10.8
Total	\$498.0	\$292.3	\$567.7	\$217.7	\$561.5	\$59.3
	\$790.3		\$785.4		\$620.8	

Significant Changes in Activity Group for FY 2011:

- Overall \$162.5 million reduction as the Pentagon Renovation project ramps down. Includes the following changes:
 - o Reduces \$136.8 million in capital purchases as projects reach completion
 - o Reduces \$12.9 million in improvements to land/equipment
 - o Decrease of \$24.5 million in PENREN other contracts primarily due to the termination of customer order requirements.
 - o Increase of \$7.2 million in PENREN leases/rent primarily for rate increases and lease building restoration.
- Real Property Operations is reduced by \$8.6 million primarily as a result of capital project completions.
- Pentagon Force Protection Agency increases by \$13.9 million primarily due to integrated Pentagon Security upgrades and enhancements at RRMC.
- Decreases funding for Raven Rock Mountain Complex by \$7.4 million primarily due to decreases in capital projects and one time fuel fill of new fuel tank in FY 2010.

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Operating Budget:

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

Real Property Operation estimates include projects to upgrade the Defense Post Office with a digital mail sorter and the installation of an automated cataloging system for the Pentagon Library.

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

In November 2006, the Deputy Secretary of Defense approved the results of the Pentagon Occupancy Space Allocation Study (POSAS). The POSAS resulted in a reallocation of space to each of the Pentagon tenants. Beginning in FY 2010, the POSAS allocation is the basis for calculating customer rent.

Capital Budget:

Real Property Operations FY 2011 budget estimates include capital improvement projects that focus on updating and modernizing interior and exterior support systems which have deteriorated beyond economical repair and were not maintained for decades because of the lack of funding.

Pentagon renovation requirements are the base for the Budget estimates. This allows for lump sum contract awards for sequenced and interrelated blocks of work. The renovation continues through FY 2011 with construction of Wedge 4, and the design and construction of Wedge 5 including Information Management and Telecommunication planning, move planning, furniture, security alarms and associated engineering, and acquisition continue through FY 2011. The target date for completing the renovation is 2011.

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The PFPA budget estimates include funding of their Life Safety System Architecture which includes Information Assurance, system upgrades for the Advanced Emergency Response Integration Environment, a network to integrate building operating systems and emergency alert systems in the Integrated Emergency Operations Center; and Pentagon Shield equipment and systems - the next generation of Chemical, Biological, Radiological detection.

The RRMC budget estimates include funding for facility maintenance and improvement in the capacity of the HVAC system and the reliability of the electrical systems; continuing development of a smoke containment and exhaust system; redundancy developments and mission support at Site C; and reconfiguration and consolidation of the Emergency Operations Center.

<u>Financial Profile:</u>	(Dollars in Millions)		
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Revenue	804.8	786.0	620.8
Expenses	790.3	785.4	620.8
Net Operating Result (NOR)	14.5	0.6	0.0
Disbursements	788.2	899.1	632.2
Collections	742.3	786.0	620.8
Net Outlays	45.9	113.1	11.4

The positive NOR in FY 2009 reflects actual expenditures that were less than expected and the reduction in expense due to a change in inflationary assumptions while revenue remained stable.

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<u>Staffing:</u>	(Full Time Equivalent (FTE))		
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Real Property Operations	448	512	516
Pentagon Renovation	27	26	22
Pentagon Force Protection Agency	1,029	1,147	1,208
Raven Rock Mountain Complex	<u>115</u>	<u>134</u>	<u>147</u>
Total	1,619	1,819	1,893

The increase of 61 FTEs in FY 2011 supports the continued PFPA actions to convert contract security personnel to Pentagon Police Officers. The FY 2011 RRMC increase reflects the funding of 13 additional FTEs to support increasing workload within RRMC. The FY 2011 PENREN decrease of 4 FTEs reflects the PENREN project ramping down. The FY 2011 increase of 4 RPO FTEs in FY 2011 are due to Facilities Engineering & Safety Program corrective actions and additional support for RPO.

Summary of Price, Programs, and Other Changes
WASHINGTON HEADQUARTERS SERVICES
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Element of Expense	Cost of Operations FY 2009	Cost of Operations FY 2010	Total Price Growth	Program & Other Changes	Cost of Operations FY 2011
Civilian Personnel Compensation	133.0	144.1	3.2	2.3	149.5
Civilian Personnel Benefits	38.0	42.0	0.9	0.3	43.3
Benefits to Former Employees	0.1	0.0	0.0	0.0	0.0
Travel	0.9	1.1	0.0	-0.1	1.0
Transportation	0.3	0.3	0.0	0.0	0.4
Rent	44.6	45.8	0.7	7.2	53.7
Communication and Utilities	46.6	27.0	0.4	-0.4	27.0
Printing	0.1	0.1	0.0	0.0	0.1
Other Services	487.0	436.4	7.0	-187.5	255.8
Supplies and Materials	18.0	24.2	0.4	0.4	25.0
Equipment	21.8	64.5	1.0	-0.5	65.0
Interest & Dividends	0.0	0.0	0.0	0.0	0.0
	790.3	785.4	13.7	-178.4	620.8
TOTAL COST OF OPERATIONS (Includes Above Standard Program)					

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

Changes in the Costs of Operations
WASHINGTON HEADQUARTERS SERVICES
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FY 2009 Estimated Actual	790.3
FY 2010 Estimate in President's Budget	785.4
Pricing Adjustments:	13.7
Annualization of Pay Raise	0.9
Price Growth Pay Raise	3.2
General Purchase Inflation	9.6
Program Changes:	
Planned Baseline Changes	(201.0)
Decrease in Other services Defense Post Office Mail Sorter System entering into the sustainment/maintenance phase	(0.4)
Decrease in RPO Other services	(4.7)
Decrease in OSD Networks for Wireless Technology	(0.1)
Decrease in capital projects/improvements made to land/equipment	(171.2)
Decrease in CBRNE Protection	(0.1)
Decrease in Fire & Emergency Life Safety	(0.7)
Decrease in Utilities Requirements	(0.3)
Decrease in Other Contract	(23.4)
Required Baseline Changes	22.6
Increase in Supplies/Material/Travel	0.1
Increase of Civilian personnel requirements	3.4

Exhibit Fund -2 Changes in the Costs of Operations

Changes in the Costs of Operations
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Increase in Leases	3.6
Increase in Rents/Non-GSA	3.7
Increase in life cycle replacement requirements	1.1
Integrated Pentagon Security upgrades	7.3
Increase in Above Standard Workload	0.6
Security enhancement at RRMC	2.8
FY 2011 Estimate	620.8

Exhibit Fund -2 Changes in the Costs of Operations

Source of New Orders and Revenue
WASHINGTON HEADQUARTERS SERVICES
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New Orders	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
a. Orders from DoD Components:			
Department of the Air Force	137.3	118.4	91.2
Department of the Army	179.1	134.0	102.6
United States Marine Corps	55.6	58.3	48.7
Department of the Navy	87.8	98.1	79.7
Subtotal Military Departments	459.9	408.8	322.2
Defense-Wide			
AFIS	0.2	0.4	0.3
DIA	28.5	28.5	21.9
DISA	14.4	16.6	14.0
DLA	0.4	0.4	0.3
DLSA	0.7	0.7	0.5
DTRA	0.7	1.1	1.0
JCS	74.3	96.9	78.5
MDA	20.0	23.9	24.1
OMC	1.0	1.2	1.2
NGA (NIMA)	0.6	0.5	0.4
NSA	0.4	0.4	0.3
NGB (Army Guard)	0.0	3.9	2.9
PFPA	10.7	7.7	6.8
WHS	133.0	139.0	106.9
Subtotal Defense-Wide	284.8	321.1	259.1

Exhibit Fund -11 Source of New Orders and Revenue

Source of New Orders and Revenue
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b. Orders from Non-DoD Agencies	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
DoD Concessions Committee	0.5	0.7	0.7
c. Total Standard Level Rent Orders	745.1	730.6	582.0
d. Other Orders			
Above Standard Level Services:			
Building Services and Space			
Adjustments	22.2	30.7	31.2
PENREN/C Customer Orders	27.3	17.1	0.0
Renovation Furniture	0.0	0.0	0.0
Force Protection	9.9	6.0	6.0
Raven Rock Mountain Complex	0.2	1.7	1.7
Subtotal Above Standard Services	59.7	55.5	38.8
Other Sources:			
N/A	0.0	0.0	0.0
Total New Orders:	804.8	786.0	620.8

Exhibit Fund -11 Source of New Orders and Revenue

Revenue and Expense
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	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Revenue:			
Standard level	745.1	730.6	582.0
Above standard level	<u>59.7</u>	<u>55.5</u>	<u>38.8</u>
Other sources			
Total Revenue	804.8	786.0	620.8
 <u>Standard Level Operating Expenses:</u>			
Real Property Operations:	<u>168.9</u>	<u>220.6</u>	<u>211.5</u>
Cleaning	17.9	20.8	21.0
Utilities & Fuel	23.8	21.2	22.1
Maintenance	28.3	35.4	39.1
Other Building Services	13.4	18.9	15.0
Administration	21.2	33.9	34.5
Repairs (over \$10,000)	29.1	29.5	19.3
Information Technology/OSD Networks	22.2	40.2	40.2
Defense Post Office	2.2	3.2	3.4
APSD Library	2.3	3.1	3.2
Acquisition & Procurement Office	5.9	8.2	8.4
Miscellaneous Support	2.8	6.2	5.2

Exhibit Fund -14 Revenue and Expense

Revenue and Expense
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	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Pentagon Force Protection Agency:	197.0	235.1	249.1
Compensation & Benefit	115.8	118.6	123.4
Program Integration	22.3	33.0	35.2
CBRN	22.1	40.7	43.4
Anti-Terrorism/Force Protection	0.6	0.3	0.3
Security Services	11.5	9.4	11.5
Pentagon Police / Raven Rock	8.5	16.5	17.6
Force Protection Technology	16.3	16.7	17.8
Pentagon Renovation:	334.2	215.3	69.9
Compensation & Benefit	4.2	3.3	2.8
Design and Construction	138.8	89.1	28.2
Information Management & Telecommunications (IM&T)	60.3	38.7	12.2
Swing Space	50.4	32.4	10.2
Administration	13.1	8.4	2.7
Other Services	30.6	19.7	6.2
Life Safety	4.8	3.1	1.0
Renovation Acceleration	32.0	20.6	6.5
Raven Rock Mountain Complex:	51.9	59.0	51.5
Compensation & Benefit	10.3	12.5	11.0
Information Management & Telecommunications (IM&T)	11.3	12.6	11.0

Exhibit Fund -14 Revenue and Expense

Revenue and Expense
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	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Standard Level Operating Expenses (continued):			
Administration	11.5	12.8	11.2
Other Services	1.0	1.1	1.0
Life Safety	9.0	10.0	8.7
Site R Improvements	8.9	9.9	8.6
Subtotal Standard Level	<u>752.0</u>	<u>730.0</u>	<u>582.0</u>
Above Standard Reimbursable Expenses:			
Real Property Operations:			
	<u>31.5</u>	<u>30.7</u>	<u>31.2</u>
Utilities and Fuel	3.0	3.4	3.7
Maintenance	0.6	0.6	0.7
Space adjustments, renovation furniture & other	27.9	26.6	26.9
Pentagon Renovation	6.8	17.1	0.0
Pentagon Force Protection Agency	0.0	6.0	6.0
Raven Rock Mountain Complex	0.0	1.7	1.7
Subtotal Above Standard Level	<u>38.3</u>	<u>55.4</u>	<u>38.8</u>

Exhibit Fund -14 Revenue and Expense

Revenue and Expense
WASHINGTON HEADQUARTERS SERVICES
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	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Total Operating Expenses	790.3	785.5	620.8
Cost of Services	790.3	785.5	620.8
Net Operating Result	14.5	0.6	0.0
Accumulated Operating Result	14.5	15.0	15.0

Exhibit Fund -14 Revenue and Expense

Pentagon Reservation Maintenance Revolving Fund Cost of Services
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PROGRAM	FY 2009		FY 2010		FY 2011	
	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	4,841,030	\$ 3.70	4,806,336	\$ 4.32	4,806,336	\$ 4.38
Utilities & Fuel	4,841,030	\$ 4.91	4,806,336	\$ 4.40	4,806,336	\$ 4.60
Maintenance	4,841,030	\$ 5.84	4,806,336	\$ 7.37	4,806,336	\$ 8.14
Other Building Services	4,841,030	\$ 2.78	4,806,336	\$ 3.92	4,806,336	\$ 3.12
Administrative	5,154,446	\$ 4.12	5,154,446	\$ 6.58	5,154,446	\$ 6.70
Administrative Cost as Percent of Total Program Cost		13%		15%		16%
Total RPO Std Operating Expense	168,927		220,609		211,471	

Workload Average Square footage is based on occupiable space. It excludes both outside parking and reimbursable above standard services.

Square footage adjustments from FY 2009 to FY 2010 reflects the results of the Pentagon Occupancy Space Allocation Study (POSAS).

Exhibit Fund -PR1 PRMRF Cost of Services

Pentagon Reservation Maintenance Revolving Fund Summary Statement
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	<u>Obs.</u>	<u>Orders</u>	<u>Revenue</u>	<u>Cost</u>	<u>09</u>	<u>Disbursements by Fiscal Year</u>					
						<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>
<u>Pentagon Bldg. Renovation:</u>											
FY 2009	341.0	356.2	356.2	341.0	341.8	264.2	63.7	13.7	0.7	0.0	0.0
FY 2010	232.6	232.6	232.6	232.6	0.0	80.6	109.2	33.0	8.4	0.5	0.0
FY 2011	70.1	69.9	69.9	70.1	0.0	0.0	24.3	32.9	9.9	2.5	0.1
<u>Pentagon Force Protection Agency:</u>											
FY 2009	197.0	200.5	200.5	197.0	203.6	61.5	11.2	4.1	0.0	0.0	0.0
FY 2010	241.2	241.2	241.2	241.2	0.0	165.9	61.5	8.7	4.9	0.0	0.0
FY 2011	256.5	256.5	256.5	256.5	0.0	0.0	175.5	65.1	9.2	5.3	0.0
<u>Real Property Operations:</u>											
FY 2009	200.4	215.7	215.7	200.4	202.7	114.8	11.0	0.4	0.0	0.0	0.0
FY 2010	251.3	251.5	251.5	251.3	0.0	143.2	94.7	12.8	0.4	0.0	0.0
FY 2011	242.7	243.7	243.7	242.7	0.0	0.0	138.3	91.5	12.4	0.4	0.0

Exhibit Fund -PR2 PRMRF Summary Statement

Pentagon Reservation Maintenance Revolving Fund Summary Statement
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	<u>Obs.</u>	<u>Orders</u>	<u>Revenue</u>	<u>Cost</u>	<u>09</u>	<u>Disbursements by Fiscal Year</u>					
						<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>
<u>Raven Rock Mountain Complex:</u>											
FY 2009	48.4	48.6	48.6	67.5	40.2	21.3	5.4	0.4	0.2	0.0	0.0
FY 2010	60.7	60.7	60.7	60.6	0.0	30.3	22.4	7.3	0.3	0.3	0.0
FY 2011	51.3	51.3	51.3	53.3	0.0	0.0	26.6	19.7	6.4	0.3	0.3
<u>Total PRMRF:</u>											
FY 2009	786.8	821.0	821.0	805.9	788.3	461.8	91.3	18.6	0.9	0.0	0.0
FY 2010	785.8	786.0	786.0	785.8	0.0	420.0	287.8	61.8	14.0	0.8	0.0
FY 2011	620.6	621.4	621.4	622.6	0.0	0.0	364.7	209.2	37.9	8.5	0.4
<u>Cash:</u>	<u>BOY</u>	<u>Collections</u>	<u>Disb.</u>	<u>EOY</u>							
FY 2009	432.8	742.3	788.2	386.9							
FY 2010	386.9	786.0	881.8	291.1							
FY 2011	291.1	620.8	743.9	168.0							

Exhibit Fund -PR2 PRMRF Summary Statement

Note: Totals May not add due to rounding.

Capital Investment Summary
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Line #	Item Description	FY 2009		FY 2010		FY 2011	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Major Construction	1	257.2	1	153.1	1	16.3
2	Pentagon Capital Improvement Projects	1	24.7	1	26.4	1	14.2
3	Equipment - Other	1	2.6	1	21.7	1	18.0
4	Raven Rock Mountain Complex Capital Improvement Projects	<u>1</u>	<u>7.8</u>	<u>1</u>	<u>16.5</u>	<u>1</u>	<u>10.8</u>
	TOTAL	4	292.3	4	217.7	4	59.3

Exhibit Fund -9a Capital Investment Summary

Note: Totals May not add due to rounding.

Activity Group Capital Purchase Justification
WASHINGTON HEADQUARTERS SERVICES
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PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2011 Budget Estimates					
B. Pentagon Renovation				C. Equipment/Other			D. Line Item #3		
	FY 2009			FY 2010			FY 2011		
Element of Cost (\$000)		Unit	Total		Unit	Total		Unit	Total
	Qty	Cost	Cost	Qty	Cost	Cost	Qty	Cost	Cost
Major Construction	1	257,161	257,161	1	153,094	153,094	1	16,262	16,262
TOTAL	1	257,161	257,161	1	153,094	153,094	1	16,262	16,262

Narrative Justification:

FY 2009: \$257.1 million will be invested in renovation initiatives to include:

- Design and construction activities (\$148.1 million)
- Construction management and quality assurance (\$4.4 million)
- Information management and telecommunications planning, engineering management, acquisition and implementation activities (\$51.5 million)
- Force Protection (\$16.6 million)
- Renovation Acceleration (\$36.5)

Exhibit Fund -9b Capital Investment Justification

Activity Group Capital Purchase Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010
(\$ in Millions)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2011 Budget Estimates					
B. Pentagon Renovation				C. Equipment/Other			D. Line Item #3		
Element of Cost (\$000)	FY 2009			FY 2010			FY 2011		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
	Major Construction	1	257,161	257,161	1	153,094	153,094	1	16,262
TOTAL	1	257,161	257,161	1	153,094	153,094	1	16,262	16,262

FY 2010: \$153.1 million will be invested in renovation initiatives to

- Design and construction activities (\$99.5 million)
- Construction management and quality assurance (\$4.4 million)
- Information management and telecommunications planning, engineering management, acquisition and implementation activities (\$22.2 million)
- Renovation Acceleration (\$27.0)

FY 2011: \$16.3 million will be invested in renovation initiatives to

- Design and construction activities (\$14.3 million)
- Information management and telecommunications planning, engineering management, acquisition and implementation activities (\$2.0 million)

Exhibit Fund -9b Capital Investment Justification

Activity Group Capital Purchase Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010
(\$ in Millions)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION			Fiscal Year (FY) 2011 Budget Submission						
B. Real Property Operations			C. Equipment/Other				D. Line Item #2		
Element of Cost (\$000)	FY 2009			FY 2010			FY 2011		
		Unit	Total		Unit	Total		Unit	Total
	Qty	Cost	Cost	Qty	Cost	Cost	Qty	Cost	Cost
	Major Construction	1	24,735	24,735	1	26,404	26,404	1	1
Total	1	24,735	24,735	1	26,404	26,404	1	1	14,248

FY 2009: \$24.7 million will be invested in Operation initiatives to include:

- Roof Replacement (\$7.8 million)
- Backup power for control systems & Networks support building services (\$.9 million)
- Digital Controls System Assessment & Upgrade (\$9.0 million)
- Door to Auto Door Replacement - ADA Requirement (\$.4 million)
- Emergency Repairs (\$2.2 million)
- ARC Flash Program (\$.2 million)
- Remote Delivery Facility Cooling Tower Air Flow Modification (\$.2 million)
- Façade Repairs (\$1.6 million)
- Emergency Powered Exterior Lighting (\$.2 million)
- Secondary RDF CW Loop (\$.2 million)

Exhibit Fund -9b Capital Investment Justification

Activity Group Capital Purchase Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010
(\$ in Millions)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION			Fiscal Year (FY) 2011 Budget Submission						
B. Real Property Operations			C. Equipment/Other				D. Line Item #2		
Element of Cost (\$000)	FY 2009			FY 2010			FY 2011		
		Unit	Total		Unit	Total		Unit	Total
	Qty	Cost	Cost	Qty	Cost	Cost	Qty	Cost	Cost
Major Construction	1	24,735	24,735	1	26,404	26,404	1	1	14,248
Total	1	24,735	24,735	1	26,404	26,404	1	1	14,248

FY 2009: (continued)

- ECMS Upgrade to renovated areas to include W1 lighting controls (\$.5 million)
- Fan Powered Induction Unit Fan Motor Replacement (\$.5 million)
- Elevator Bank Floor Tile Installation (\$.5 million)
- Restroom Automatic Flush Valve & Faucet Replacement (\$.5 million)

FY 2010: \$26.4 million will be invested in Operation initiatives to include:

- Roof Replacement (\$8.7 million)
- Retube/Replace Chillers (\$1.2 million)
- Remote Delivery Facility Air Intake Contaminate Correction (\$2.6 million)
- Door to Auto Door Replacement - ADA Requirement (\$0.4 million)
- Façade Repairs (\$1.6 million)
- ARC Flash Program (\$1.6 million)
- Remote Delivery Facility Cooling Tower Air Flow Modification (\$1.1 million)
- Emergency Powered Exterior Lighting (\$1.0 million)
- Secondary RDF CW Loop (\$5.0 million)
- ECMS Upgrade to renovated areas to include W1 lighting controls (\$1.0 million)

Exhibit Fund -9b Capital Investment Justification

Activity Group Capital Purchase Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010
(\$ in Millions)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION			Fiscal Year (FY) 2011 Budget Submission						
B. Real Property Operations			C. Equipment/Other				D. Line Item #2		
Element of Cost (\$000)	FY 2009			FY 2010			FY 2011		
		Unit	Total		Unit	Total		Unit	Total
	Qty	Cost	Cost	Qty	Cost	Cost	Qty	Cost	Cost
	Major Construction	1	24,735	24,735	1	26,404	26,404	1	1
Total	1	24,735	24,735	1	26,404	26,404	1	1	14,248

FY 2010: (Continued)

- Fan Powered Induction Unit Fan Motor Replacement (\$0.5 million)
- Restroom Automatic Flush Valve & Faucet Replacement (\$0.5 million)
- Floor Repair & Replacement (\$0.2 million)
- Ceiling Tile Replacement (\$0.6 million)
- Elevator Bank Floor Tile Installation (\$0.4 million)

FY 2011: \$14.2 million will be invested in Operation initiatives to include:

- Roof Replacement (\$5.4 million)
- Retube/Replace Chillers (\$1.2 million)
- Door to Auto Door Replacement - ADA Requirement (\$0.4 million)
- Façade Repairs (\$1.6 million)
- ARC Flash Program (\$0.1 million)

Exhibit Fund -9b Capital Investment Justification

Activity Group Capital Purchase Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010
(\$ in Millions)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION			A. Fiscal Year (FY) 2011 Budget Estimates						
B. Real Property Operations			C. Equipment/Other				D. Line Item #2		
Element of Cost (\$000)	FY 2009			FY 2010			FY 2011		
		Unit	Total		Unit	Total		Unit	Total
	Qty	Cost	Cost	Qty	Cost	Cost	Qty	Cost	Cost
	Major Construction	1	24,735	24,735	1	26,404	26,404	1	1
Total	1	24,735	24,735	1	26,404	26,404	1	1	14,248

FY 2011: (continued)

- ECMS Upgrade to renovated areas to include W1 lighting controls
- Fan Powered Induction Unit Fan Motor Replacement (\$0.4 million)
- Elevator Bank Floor Tile Installation (\$0.4 million)
- Restroom Automatic Flush Valve & Faucet Replacement (\$0.5 million)
- Floor Repair & Replacement (\$0.3 million)
- Ceiling Tile Replacement (\$0.6 million)

Exhibit Fund -9b Capital Investment Justification

Activity Group Capital Purchase Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010
(\$ in Millions)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2011 Budget Estimates					
B. Pentagon Force Protection Agency				C. Equipment/Other			D. Line Item #3		
	FY 2009			FY 2010			FY 2011		
Element of Cost (\$000)		Unit	Total		Unit	Total		Unit	Total
	Qty	Cost	Cost	Qty	Cost	Cost	Qty	Cost	Cost
Equipment - except ADPE & Telecom	1	2,577	2,577	1	21,719	21,719	1	18,034	18,034
	1	2,577	2,577	1	21,719	21,719	1	18,034	18,034

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

- Life Safety System Equipment (\$2.0 million)
- Land mobile radios (\$0.2 million)
- Chemical, biological, radiological detection system (Pentagon Shield) enhancements (\$0.4 million)

FY 2010: \$21.7 million will be invested in PFPA initiatives to include:

- Chemical, biological, radiological detection system (Pentagon Shield) enhancements (\$14.0 million)
- Life Safety System Equipment (\$2.0 million)
- Integrated Emergency Operations Center system (Aeries) (\$5.7 million)

Exhibit Fund -9b Capital Investment Justification

Activity Group Capital Purchase Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010
(\$ in Millions)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2011 Budget Estimates					
Pentagon Force Protection Agency				C. Equipment/Other			D. Line Item #3		
	FY 2009			FY 2010			FY 2011		
Element of Cost (\$000)		Unit	Total		Unit	Total		Unit	Total
	Qty	Cost	Cost	Qty	Cost	Cost	Qty	Cost	Cost
Equipment - except ADPE & Telecom	1	2,577	2,577	1	21,719	21,719	1	18,034	18,034
	1	2,577	2,577	1	21,719	21,719	1	18,034	18,034

FY 2011: \$18.0 million will be invested in PFFA initiatives to include:

- Chemical, biological, radiological detection system (Pentagon Shield) enhancements - (\$10.9 million)
- Life Safety System Equipment - (\$2.1 million)
- Integrated Emergency Operations Center system (Aeries) (\$5.0 million)

Exhibit Fund -9b Capital Investment Justification

Activity Group Capital Purchase Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010
(\$ in Millions)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION			A. Fiscal Year (FY) 2011 Budget Estimates						
. Raven Rock Mountain Complex			C. Equipment/Other				D. Line Item #4		
Element of Cost (\$000)	FY 2009			FY 2010			FY 2011		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Equipment, Other	1	7,800	7,800	1	16,500	16,500	1	10,810	10,810
TOTAL	1	7,800	7,800	1	16,500	16,500	1	10,810	10,810

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)

FY 2010: \$16.5 million will be invested in RRMC Capital Improvement initiatives to include:

- The continuation of the Electrical Power Distribution Project (\$6.4 million)
- Mission support at Site C (\$5.0 million)
- Continued upgrade of chilled water system (\$5.1 million)

FY 2011: \$10.8 million will be invested in RRMC Capital Improvement initiatives to include:

- The continuation of development of smoke containment system (\$5.3 million)
- Consolidation of Emergency Operations Center (\$5.5 million)

Exhibit Fund -9b Capital Investment Justification

Activity Group Capital Budget Execution
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010
(\$ in Millions)

Projects in the FY 2010 President's Budget

Approved	FY 2009		FY 2010		Asset
	Approved	Current	Approved	Current	
2010 Equipment ADPE & TELECOM	0	0	0	0	0
2010 Equipment Other					
Security Related Equipment	2,577	2,577	21,719	21,719	0
Electrical Power Distribution	2,300	2,300	6,400	6,400	0
Chilled Water Line Replacement	5,500	5,500	0	0	0
Infrastructure/Capital Improvements	0	0	10,100	10,100	0
2010 Major Construction					
Major construction associated with the Renovation of the Pentagon Complex	273,839	257,161	153,094	153,094	16,678
					Wedge 3 savings was used to "buy down" FY 09 requirement
Construction activities for Pentagon Operations	26,128	24,735	26,404	26,404	1,393
					Roof replacement cost was less than projected
Total FY 2010	310,344	292,273	217,717	217,717	18,071

Exhibit Fund -9c Capital Budget Execution

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010

Activity Group Function:

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

Activity Group Composition:

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

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

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

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010

The following table summarizes BMF obligation authority by activity group:

	(Dollars in Millions)		
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Real Property Operations	16.5	21.7	25.9
Pentagon Force Protection Agency	<u>38.0</u>	<u>42.4</u>	<u>49.8</u>
Total	54.5	64.1	75.7

Budget Highlight:

Budget estimates derived for FY 2009 through FY 2011 assume annual inflationary increases for real property operations and force protection requirements. In addition, significant changes for FY 2011 are outlined in the paragraph below.

Significant Changes in Activity:

FY 2011 Budget Estimate:

Provides funds of \$10.0 million for the initial phase of securing the "BRAC 133" Facility. The BRAC 133 project reflects the 2005 Base Realignment and Closure Commission's Recommendation #133 and is part of the U.S. Army's Fort Belvoir, Virginia, BRAC initiative. The BRAC 133 project will entail the relocation of 6,409 Defense Department-level agencies' personnel, from leased space in Northern Virginia to a new office complex being developed at the Mark Center in Alexandria, VA. Estimates include pay for additional Pentagon Police personnel and to acquire associated equipment.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010

Financial Profile:

	(Dollars in Millions)		
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Revenue	53.7	64.1	75.7
Expenses	54.5	64.1	75.7
Net Operating Results	-0.8	0.0	0.0
Disbursements	53.1	59.3	69.1
Collections	53.7	64.1	76.0
Net Outlays	-0.6	-4.8	-6.9

Staffing:

	Full Time Equivalents		
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Real Property Operations	54	58	48
Pentagon Force Protection Agency	<u>0</u>	<u>54</u>	<u>102</u>
Total	54	112	150

The increase of 54 FTEs in FY 2010 and 48 FTEs in FY 2011 for PFFPA is the result of the need to hire additional Pentagon Police personnel to conduct security and force protection actions prior to occupancy by OSD and WHS elements in the "BRAC 133" Facility.

Summary of Price, Programs, and Other Changes
 WASHINGTON HEADQUARTERS SERVICES
 Building Maintenance Fund
 Fiscal Year (FY) 2011 Budget Estimate
 February 2010

Element of Expense	Cost of Operations FY 2009	Cost of Operations FY 2010	Annualization of Pay Raises	Price Growth/Amount
Civilian Personnel Comp	4.9	10.5	0.1	2.3% 0.2
Civilian Personnel Benefits	1.2	2.7	0.0	2.3% 0.1
Benefits to Former Employees	0.1	0.2	0.0	2.3% 0.0
Travel	0.0	0.0	0.0	1.6% 0.0
Transportation	0.0	0.0	0.0	1.6% 0.0
Rent	3.8	0.8	0.0	1.6% 0.0
Communication and Utilities	0.9	1.7	0.0	1.6% 0.0
Printing	0.0	0.0	0.0	1.6% 0.0
Other Services	38.4	39.5	0.0	1.6% 0.6
Supplies and Materials	0.4	4.9	0.0	1.6% 0.1
Equipment	4.8	3.7	0.0	1.6% 0.1
Interest & Dividends	0.0	0.0	0.0	1.6% 0.0
TOTAL COST OF OPERATIONS (Includes Above Standard Program)	54.5	64.1	0.1	1.1

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

Note: Totals may not add due to rounding.

Changes in the Costs of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010

FY 2009 Actual	54.5
FY 2010 Estimate in President's Budget	64.1
Pricing Adjustments:	1.0
Annualization of Pay Raise	0.1
Price Growth Payroll	0.2
General Purchase Inflation	0.7
Program Changes:	10.7
Increase in Utility Requirements	1.0
Standup of BRAC-Mark Center	9.7
FY 2011 Estimate	75.7

Exhibit Fund -2 Changes in the Costs of Operations

Source of New Orders and Revenue
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
New Orders			
a. Orders from DoD Components:			
Department of the Air Force	1.2	1.1	1.2
Department of the Army	18.1	16.5	17.1
Department of the Navy	4.3	3.9	4.1
Subtotal Military Departments	23.7	21.6	22.3
Defense-Wide			
CAAF	1.4	1.6	1.6
DCMA	1.5	1.6	1.7
DFAS	0.8	0.9	1.0
DIA	1.1	1.3	1.3
MDA	0.6	0.8	0.8
DISA	3.3	3.3	3.3
DLA	0.7	1.0	1.0
DSS	(0.3)	0.0	0.0
DTRA	1.1	1.0	1.0
DECA	(0.1)	0.2	0.2
WHS	8.3	8.0	8.3
Subtotal Defense-Wide	18.3	19.6	20.3

Exhibit Fund -11 Source of New Orders and Revenue

Source of New Orders and Revenue
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
b. Orders from Non-DoD Agencies	-	-	-
c. Total Standard Level Rent Orders	42.0	41.1	42.6
d. Other Orders			
Above Standard Level Services:			
Building Services and Space Adjustment	6.8	10.7	14.9
Force Protection	5.0	5.0	4.8
Mark Center Security	-	7.2	13.4
Subtotal Above Standard Services	11.7	22.9	33.1
Other Sources:			
Pentagon Memorial Fund	-	-	-
Total New Orders:	53.7	64.1	75.7

Exhibit Fund -11 Source of New Orders and Revenue

Revenue and Expenses
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Revenue:			
Standard level	42.0	41.1	42.6
Above standard level	11.7	22.9	33.1
Other sources			
Total Revenue	53.7	64.1	75.7
 <u>Standard Level Operating Expenses:</u>			
Real Property Operations:			
	9.7	10.9	11.0
Cleaning	1.2	1.5	1.6
Utilities & Fuel	0.9	1.4	1.6
Maintenance	1.0	1.2	1.3
Other Building Services	0.0	0.0	0.0
Administration	6.1	6.6	6.5
Repairs (over \$10,000)	0.5	0.2	0.0
Information Technology			
 Pentagon Force Protection Agency:			
	33.0	30.2	31.6
Compensation & Benefits	0.0	0.0	0.0
Program Integration	4.6	6.3	6.0
Chemical, Biological, Radiological, Nuclear, and Ex	10.4	6.4	7.4
Anti-Terrorism/Force Protection	0.2	0.2	0.2

Exhibit Fund -14 Revenue and Expense

Revenue and Expenses
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Security Services	3.1	4.2	4.1
Pentagon Police	14.1	12.5	12.8
Force Protection Technology	0.6	0.6	1.2
Subtotal Standard Level	42.7	41.1	42.6
<u>Above Standard Reimbursable Expenses:</u>			
Real Property Operations	6.8	10.7	14.9
Pentagon Force Protection Agency	5.0	12.2	18.2
Subtotal Above Standard Level	11.9	22.9	33.1
<u>Total Operating Expenses</u>	54.5	64.1	75.7
<u>Cost of Services</u>	54.5	64.1	75.7
Net Operating Result	-0.8	0.0	0.0
<u>Accumulated Operating Result</u>	52.9	64.1	75.7

Exhibit Fund -14 Revenue and Expense

Capital Investment Summary
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010

PROGRAM	FY 2009		FY 2010		FY 2011	
	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	881,798	\$ 1.41	855,455	\$1.70	855,455	\$1.82
Utilities & Fuel	964,331	\$ 0.94	626,338	\$2.31	626,388	\$2.49
Maintenance	2,175,702	\$ 0.45	1,689,882	\$0.73	1,689,882	\$0.78
Other Building Services	0	\$0.00	0	\$0.00	0	\$0.00
Administrative	4,508,700	\$ 1.35	4,663,713	\$1.42	4,663,713	\$1.40
Administrative Cost as Percent of Total Program Cost		36.9%		30.5%		25.2%

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

- The square footage decreases in FY 2010 and FY2011 are due to Army BRAC 211.
- The increase in administrative square footage in FY 2010 and FY 2011 is the net change in square footage in various delegated leased facilities

Exhibit Fund -PR1 Capital Investment Summary

Building Maintenance Fund Summary Statement
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2011 Budget Estimate
February 2010

	<u>Obs.</u>	<u>Orders</u>	<u>Revenue</u>	<u>Cost</u>	<u>Disbursements by Fiscal Year</u>						
					<u>09</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>12</u>	<u>14</u>	<u>15</u>
<u>Pentagon Force Protection Agency:</u>											
FY 2009	38.0	39.9	39.9	38.0	34.4	2.9	0.7	0.0	0.0	0.0	0.0
FY 2010	42.4	42.4	42.4	42.4		38.3	3.2	0.8	0.0	0.0	0.0
FY 2011	49.8	49.8	49.8	49.8			45.2	3.8	0.8	0.0	0.0
<u>Real Property Operations:</u>											
FY 2009	16.5	13.8	13.8	16.5	18.7	6.1	1.3	0.1	0.0	0.0	0.0
FY 2010	21.7	21.7	21.7	21.7		13.5	6.5	1.5	0.2	0.0	0.0
FY 2011	25.9	25.9	25.9	25.9			16.1	7.8	1.8	0.2	0.0
<u>Total BMF:</u>											
FY 2009	54.5	53.7	53.7	54.5	53.1	9.0	2.0	0.1	0.0	0.0	0.0
FY 2010	64.1	64.1	64.1	64.1	0.0	51.8	9.7	2.3	0.2	0.0	0.0
FY 2011	75.7	75.7	75.7	75.7	0.0	0.0	61.3	11.6	2.6	0.2	0.0
<u>Cash:</u>											
	<u>BOY</u>	<u>Collections</u>	<u>Disb.</u>	<u>EOY</u>							
FY 2009	42.2	53.7	53.1	42.8							
FY 2010	42.8	64.1	59.3	47.6							
FY 2011	47.6	76.0	69.1	54.5							

Exhibit Fund -PR2 BMF Summary Statement

Summary of Operations
Defense National Stockpile Center
Fiscal Year (FY) 2011 Budget Estimate
February 2010

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 Act provides that strategic and critical materials are stockpiled in the interest of national defense to preclude a dangerous and costly dependence upon foreign sources of supply in times of national emergency. The Defense National Stockpile Center (DNSC) administers the acquisition, storage, management, and disposal of the NDS.

The sales and payment information included in this submission reflect the international commodities market subject to fluctuation. The DNSC sales program is revised periodically to accommodate market dynamics. The FY 2009 year-end position takes into account the national economic slowdown and its expected impact on the economy affecting sales and revenue.

DNSC Reconfiguration

The NDS, through the efforts of an Office of the Secretary of Defense-led Working Group, the DoD Strategic and Critical Materials Working Group, developed a plan for a comprehensive strategic materials security management system that would identify, on an ongoing basis, those strategic and critical materials required for national security. The system would be founded on an interagency collaborative approach, and bolstered by the use of experts and timely market research and intelligence. The system would also employ an integrated risk assessment construct, compare demand to supply by analyzing supply sources and risks of supply chain interruption, and identify mitigation strategies to ensure an adequate and timely supply of certain materials. The actions the Secretary of Defense plans to take in response to recommendations in the April 2009 report entitled "Reconfiguration of the National Defense Stockpile to Congress, submitted by the Under Secretary of Defense for Acquisition, Logistics, and Technology, as required by House Report 109-89, House Report 109-452, and Senate Report 110-115 is addressed in response to congressional request in HR 2647 to provide a report on implementation of the reconfiguration of the National Defense Stockpile. Some components of the reconfiguration plan require Congressional approval.

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If implemented, the reconfigured stockpile program would require a stable funding source to make strategic acquisitions, undertake other risk mitigation strategies and operate the stockpile program.

DNSC Business Operations

The DNSC assessed materials needed by the DoD, especially for a set of priority weapon systems, and is developing and illustrating an approach that the DoD could use to determine the risks to the continuous supply of a test set of certain materials. These studies of technologically advanced materials needed by today's national security environment, along with additional studies, are planned through FY 2011.

Pilot Programs and Initiatives

The DNSC has expanded its outreach to the Military Services, and begun participation in two pilot programs to prepare and plan for the reconfiguration. The first pilot is the Strategic Metals Buffer Pilot, in which DNSC has partnered with the DLA Warstopper Program to establish and maintain a Strategic Metals Buffer inventory of select grades of steel. The buffer program provides DoD a guaranteed accessible monthly inventory of two grades of steel at the semi-finished product stage resulting in a significant reduction in production lead time, making the material ready for induction directly into the production of critical repair parts. The DNSC has also taken steps to broaden its footprint within DoD by preparing and issuing "alerts" on potential material and market disruptions, and participating in the OSD-level working group to revise and vet various supply-and demand-side assumptions related to the identification of potential material shortages. Additional initiatives include realigning the requirements determination process with the Quadrennial Defense Review (QDR), identifying and analyzing technologically advanced materials needed by the Military Services and defense production, and expanding and strengthening relationships with other federal agencies, industry, and academia.

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Sales

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

Authorized Programs

- Principal Sales Program
- Cobalt Post-FMS Program
- HHS and Treasury General Fund (TGF) Program
- Spectrum/Military Benefits Program

Sales (\$in millions)	FY 2009 (Actual)	FY 2010 (Estimate)	FY 2011 (Estimate)
Principal Sales Program	\$38.7	\$24.8	\$57.5
Cobalt Post-FMS Program	\$6.8	\$4.5	\$16.5
HHS & TGF Program	\$7.0	\$52.9	\$82.8
Spectrum/Military Benefits Program	\$28.5	\$25.0	\$30.7
Total Sales	\$81.0	\$107.2	\$187.5

Cobalt Post-FMS Program

The National Defense Authorization Act (NDAA) for FY 1998, P.L.105-85, authorized additional sales of cobalt. The receipts from these sales are to be paid from the Transaction Fund (T-fund) and deposited into the Treasury General Fund. The NDAA for FY 2000, P.L. 106-65, increased payment authorization from \$152 million (previously

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authorized in P.L. 105-85) to \$235 million. The NDAA for FY 2002, P.L. 107-107, accelerated sales to begin in FY 2002 instead of FY 2003 to avoid potential market disruption. The NDAA for FY 2007 extended the program through FY 2008, and the FY 2009 NDAA extended the program through FY 2009. The NDAA for FY 2010 extends the program through FY 2011. The sale of material in this program generated proceeds of \$192 million through FY 2009. A legislative proposal to extend the program to FY 2012 is pending approval.

HHS and Treasury General Fund Sales Program

The National Defense Authorization Act (NDAA) for FY 1999, P.L. 105-261, authorized additional disposal of commodities. The receipts from these sales are to be paid from the T-Fund and deposited into the U.S. Treasury. A portion of the receipts was paid to the Secretary of Health and Human Services (HHS) to be credited in the manner determined by the Secretary to the Federal Hospital Insurance Fund and the Federal Supplementary Medical Insurance Trust Fund. The NDAA 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 and Treasury General Fund. The NDAA 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 NDAA for FY 2005 further increased the funds to be paid to \$870 million by the end of FY 2009. The NDAA for FY 2006 further increased the funds to be paid to \$1.0 billion by the end of FY 2013. The NDAA for FY 2007 raised the limit to \$1.016 billion by the end of FY 2014. The NDAA for FY 2008 raised the limit to \$1.066 billion by the end of FY 2015, and the NDAA for FY 2009 raised the limit to \$1.386 billion by the end of FY 2016.

The sale of materials in this program generated proceeds of \$1.082 billion through FY 2009 and is anticipated to meet its program goals in FY 2015.

SPECTRUM/Military Benefits Sales Program

The National Defense Authorization Act (NDAA) for FY 2000, P.L. 106-65 authorized additional sales of commodities through the end of FY 2009. The NDAA for FY 2004,

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P.L. 108-136 increased the funds to be paid from \$300 million to \$450 million by the end of FY 2013. The NDAA for FY 2006 further increased the funds to be paid to \$600 million by the end of FY 2013. The NDAA for FY 2008 raised the limit to \$710 million by the end of FY 2013. The sale of materials in this program generated proceeds of \$660 million through FY 2009 and is expected to meet its program goals in FY 2013.

Transaction Fund

Cash Transfers or Payments to legislated programs are summarized in the chart below.

T-Fund Balances (\$ in millions)	FY 2009 Actuals	FY 2010 Estimate	FY 2011 Estimate
Beginning Cash Balance	\$1732.3	\$332.3	\$317.3
Collections	\$59.1	\$97.3	\$173.4
Legislated Transfers	-\$73.9	-\$71.1	-\$116.8
Other Directed Transfers	-\$1340.0	0.0	0.0
Operations Budget	-\$45.2	-\$41.2	-\$41.2
Ending Cash Balance	\$332.3	\$317.3	\$332.7

The DNSC entered FY 2009 with a carryover balance from FY 2008 collected earnings of \$56.7 million. The carryover balance was paid in the 2nd quarter of FY 2009 and used FY 2009 payment authority. The DNSC executed additional Sales of \$17.2 million, and issued a second payment in the 4th quarter of FY 2009. Additionally, the DNSC disbursed non-expenditure transfers of \$1.340 billion in unobligated Stockpile balances from prior year sales to the Defense Health Program (\$1.3 billion) so that the Department can continue to

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provide quality health care to the men and women of the armed forces and their families and Treasury Miscellaneous Receipts (\$40 million).

Payments

Payments (\$ in millions)	FY 2009 Actuals	FY 2010 Estimate	FY 2011 Estimate
Cobalt Post Foreign Military Sales	\$12.9	\$4.0	\$14.1
HHS & Treasury GF	\$30.5	\$44.9	\$73.6
Spectrum / Military Benefits	\$30.5	\$22.2	\$29.1
Total Payments	\$73.9	\$71.1	\$116.8

Payment estimates for fiscal years 2010 and 2011 are based on the latest DNSC sales plan. The recent, unprecedented global market conditions, including financial uncertainty in the industry and particularly the general tightening of credit, have affected the DNSC ability to continue its past practice of exceeding planned sales. World-wide demand for materials has softened substantially, as producers are operating at reduced capacity and utilize existing inventories. The DNSC major revenue generators, those relating to the production of steel and its support industries such as construction and automotive, have been severely affected by foreign and domestic production cutbacks, and their current depressed prices are a direct result of the decreased demand. Attempts to attract buyers, by offering much smaller quantities of material for sale, for example, have been largely unsuccessful. Demand and pricing turnaround estimates vary; however, many analysts anticipated this depressed market extending through fiscal year 2010 and possibly into 2011. Proceeds from sales of excess stockpile materials will be necessary for future liabilities, strategic materials management, and other operational requirements.

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Budget Highlights

Operations Obligations (\$ in millions)	FY 2009 Actuals	FY 2010 Estimate	FY 2011 Estimate
Labor	\$9.4	\$10.7	\$10.6
Non-Labor	\$35.9	\$30.5	\$30.6
Select non-labor accounts			
Rent	\$3.6	\$4.2	\$ 2.6
Depot Operations	\$4.2	\$6.6	\$4.4
RPM	\$1.2	\$2.9	\$1.1
Environmental	\$8.1	\$6.5	\$9.8
Other	\$18.8	\$10.3	\$12.6
Total	\$45.2	\$41.2	\$41.2

Labor

The DNSC executed its anticipated end-strength in FY 2009. Staffing levels will remain in line with workload in FY 2010, and adjustments will continue to be made to level end-strength as mission requirements change.

Non-Labor

Rents & Leases: Real property rental and leasing required to support stockpiling operations include warehouses, administrative buildings, service buildings and open land for outdoor storage. Property is obtained through occupancy agreements with the General Services Administration (GSA), other Federal Agencies or commercial leases administered by DNSC. Increases are anticipated in the rates for GSA Service Level User Charges in FYs 2010, 2011, and future years; GSA is also in the process of selling the sites with excess stockpile inventories to coincide with the end of those operations. Depressed

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materials markets will delay efforts to vacate these properties, requiring DNSC to lease these sites for extended periods and increasing costs in the short term.

Operational costs are incurred for sites where material has been sold but not yet removed, and sites where environmental remediation is still ongoing. As a result, the DNSC reports on sites in three stages. The table below provides the projected number of sites (staffed and unstaffed) at fiscal year-end that will be occupied for one of three reasons: commodities currently available for sale, commodities under contract but not yet removed, or commodities awaiting environmental action (i.e., remedial investigation or clean up). The DNSC storage site reduction schedule has been impacted primarily due to buyers not being able to take material from remote western sites and remaining environmental activity. The FY 2009 actuals and budget year estimates for the number of storage sites has been updated as follows:

Sites	FY 2009	FY 2010	FY 2011
Staffed and Unstaffed Sites	15	9	6

Relocation projects involving the repositioning of commodities to the consolidation points continued through FY 2009, and are expected to be completed in FY 2010.

Depot Operations: Depot Operations are costs associated with operating and maintaining the day-to-day depot mission, which includes:

- Fire alarms, 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 & trash removal)

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In FY 2009, these costs were expected to decrease as depot consolidation points were established; however, slow material sales delayed consolidation efforts. Facility maintenance and security requirements will increase in FY 2010 and then begin to gradually decline in FY 2011. Other costs are expected to be reduced as the consolidation points are implemented.

Real Property Maintenance (RPM): The real property maintenance program includes both recurring maintenance and major repair projects. RPM requirements increased in both FY 2009 and FY 2010 due to delays in site closings caused by lower material sales and deferred delivery of already purchased material. RPM program costs increased in FY 2009 primarily for roof replacement projects and other facility maintenance requirements that could no longer be deferred without potential damage to existing inventory. RPM costs decline as sites close.

Environmental

As part of the DNSC focus on site stewardship, environmental assessments are conducted to determine environmental effects that may have occurred as a result of materiel storage and whether a site requires remediation. If a site requires restoration, further studies are performed to determine the extent and nature of contamination and the best approach for remediation. Cleanup costs are estimated using the Remedial Action Cost Engineering and Requirements (RACER) process; a computer-based costing model. Based on input from DNSC, RACER estimates for clean-up of known sites are estimated at \$43.8 million. An additional \$11 million will be required for mercury disposition during the out years. Contaminated sites must be restored prior to closure, therefore, as sites are cleared of material and the requirements are more accurately identified environmental liability could increase. Restoration actions are coordinated with the sites closure plan to minimize disruption.

Two significant environmental issues noted in previous budget submissions are the mercury inventory disposition and Thorium nitrate (radiological) remediation. The 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. The DNSC has selected the Hawthorne Weapons and

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Ammunition Depot (HWAD) in Hawthorne, NV as the consolidated mercury storage site. transportation was planned to begin in FY 2007; however, resolution of concerns raised by the Nevada Department of Environmental Protection (NDEP) has postponed the removal until impacts of long term storage are more thoroughly considered. Relocation of the mercury will proceed to HWAD once all NDEP issues are addressed. If required, the cost of reflasking mercury in new similar size containers has been estimated at an additional \$30M. Since DNSC still occupies storage sites, not all environmental requirements have been identified or characterized since the studies have not been completed. Therefore, we expect the current ongoing RACER CTC estimate to be significantly greater than the last year. To keep the liability growth estimate a round figure, we propose \$130 million as the total "set aside" for environmental remediation. Another significant effort is the survey and decontamination of former thorium nitrate storage sites. Thorium nitrate is a low-level radioactive material that was previously stored at the Curtis Bay, MD, New Haven, IN, Scotia, NY, Somerville, NJ and Hammond, IN, facilities. Restoration involves a protracted three step process of evaluation, restoration and remediation administered by the Nuclear Regulatory Commission (NRC) to reconcile and close the Operator's License.

The DNSC also updated its Environmental Safety Occupational Health Management (ESOHM) Plan in FY 2009. The plan outlines environmental activities at DNSC depots including cleanup, audits, storm water monitoring, community relations, occupational health, mishap reporting, radiation protection, and other ESOHM areas.

Environmental Concerns

Revised projected sales revenues, inventory values, cash collections, outlays, and remaining cash balances will further reduce transaction fund balances. Outlays for stockpile operations in the Center's projections include some outlays related to compliance with environmental laws and cleanup of contamination resulting from past operations. These outlays have been a relatively small part of the stockpile's annual operating budget; however costs for all related mercury management requirements including transfer, long term consolidated storage at HWAD, and restoration of the current storage locations are estimated to be \$52.9 million expensed over the next 40 years. Obligations of \$1.5 million of those costs are planned in FYs 2010 and 2011 for Transportation, Receipt, Stock

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Positioning, Inventory Verification and Maintenance in Storage at HWAD. The balance of the costs will be obligated at evenly indexed rates through FY 2015.

Statement of Financial Condition
Transaction Fund
Defense National Stockpile Center
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(\$ in Millions)

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
ASSETS:			
Selected Assets:			
Cash (EOY)	332.3	317.3	332.7
Accounts Receivable	4.5	0.5	0.5
Inventories	723.6	651.3	586.1
Other Asset Accounts:	<u>24.8</u>	<u>0.1</u>	<u>0.1</u>
TOTAL ASSETS	1,085.2	969.2	919.4
LIABILITIES			
Selected Liabilities			
Accounts Payable	1.5	0.5	0.5
Advances Received	4.5	1.2	1.2
Environmental Clean-up Liability	68.9	56.3	56.3
Other Liabilities	14.9	3.0	3.0
TOTAL LIABILITIES	89.8	61.1	61.1
GOVERNMENT EQUITY			
Cumulative Results of Operations	<u>995.4</u>	<u>908.1</u>	<u>858.3</u>
TOTAL NET POSITION	995.4	908.1	858.3
TOTAL LIABILITIES AND EQUITY	1,085.2	969.2	919.4

Exhibit Fund -23 Statement of Financial Condition

Stockpile Financial Status Report
Transaction Fund
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(\$ in Millions)

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Treasury Cash Balance, End of Prior Year	1732.3	332.3	317.3
Collections	59.1	97.3	173.4
Disbursements	45.2	41.2	41.2
Labor	9.3	10.7	11.2
Non-Labor	35.9	30.5	30.0
<u>Payments</u>			
Payments from Current Year Sales			
HHS & TGF	30.5	44.9	73.6
Cobalt TGF	12.9	4.0	14.1
Spectrum	<u>30.6</u>	<u>22.2</u>	<u>29.1</u>
Payments from Current Year Sales	73.9	71.1	116.8
Carryover Payments from Previous Year			
Payment for Prior Year Sales (DHP)	1340.0	0.0	0.0
Total Payments and Transfers	1413.9	71.1	116.8
Cash Balance	332.3	317.3	332.7
Selected Liabilities			
Accounts Payable	1.5	0.5	0.5
Advances Received	4.5	1.2	1.2
Environmental Clean-up Liability	68.9	56.3	56.3
Other Liabilities	14.9	3.0	3.0
Undelivered Orders	24.9	8.6	8.6
Other Contingencies	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Totals	114.7	69.7	69.7
Estimated Available Cash	217.5	247.6	263.0

Exhibit Fund -SP1 Stockpile Financial Status Report

**Summary of Operations
Conventional Ammunition Working Capital Fund
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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 to complete the closeout of all financial records.

Closeout 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.

CAWCF unliquidated obligations, inventory and Government Furnished Materiel are at zero balances. The Defense Finance and Accounting Service (DFAS)-Columbus, Ohio is responsible for preparing the post-closing transactions as well as the final financial statements to close out the CAWCF appropriation.

**FINANCIAL POSITION
As of 30 September 2009**

The CAWCF has sufficient cash to meet all currently known and estimated unliquidated obligations and requires no additional funding. As of September 30, 2009 the fund balance was \$3.0 million. The Department will close this account and return remaining fund balance to the Treasury during FY 2010. The last transaction was recorded in October 2007.

Procurement of Ammunition, Army will fund additional obligations of unforeseen litigation, settlements, and/or problems with disposal of CAWCF-owned supplies and materials that may occur after September 30, 2009.

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Defense Security Cooperation Agency (DSCA)
Defense Coalition Acquisition Fund (DCAF)
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The FY 2011 budget estimate for the Defense Security Cooperation Agency (DSCA) requests a total of \$10.0 million in FY 2011 for the establishment of the Defense Coalition Acquisition Fund (DCAF) as a new revolving fund. The DCAF 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 (NVDs) for use by coalition partners.

This fund 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 Operations 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 \$200 million in property purchased and inventory held "except during a period of active hostilities."

To establish the account, the Department requests a direct appropriation of \$10.0 million in FY 2011. Once the account is established, the Department may request additional appropriations to this account to increase its inventory. Replenishment of established inventory items will use the revolving fund as items are sold and collections are received.

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Defense Security Cooperation Agency (DSCA)
Defense Coalition Acquisition Fund (DCAF)
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The creation of a DCAF will allow DoD to purchase and keep on hand those items most needed by our partners. This is vital for partners who deploy with the U.S. in military operations and for the Department's ability to effectively train and equip partners to take on common challenges.

In FY 2011, \$10.0 million will allow the DCAF 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. Initial reimbursable sales may occur as early as FY 2012.

Obligation Plan
 (Dollars in Millions)

FY 2011 Obligations	\$10.0
FY 2011 Disbursements	\$10.0

Agency	FY 2009	FY 2010	FY 2011	Appropriation
DSCA	0.0	0.0	10.0	4640D (to be established)