

Department of Defense Revolving Funds

Justification/Overview



Fiscal Year (FY) 2014 President's Budget

April 2013

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Preparation of the Defense Revolving Funds Justification book cost the Department of Defense a total of approximately \$15,000 in FY 2013. This includes \$60.00 in expenses and \$14,900 in labor.

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

The FY 1991 Defense Authorization Act established the Pentagon Reservation Maintenance Revolving Fund (PRMRF) and 10 U.S.C. 2674 codified it. The fund is responsible for the maintenance, sustainment, protection, repair and renovation of the Pentagon Reservation. As established, the "Pentagon Reservation" refers to that area of land (consisting of approximately 280 acres) located in Arlington, Virginia, on which stand the Pentagon Building, 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) and the Pentagon Force Protection Agency within the Pentagon Reservation. The PRMRF provides space, building services, deep underground relocation capability, and force protection for Department of Defense (DoD) Components, including Military Departments and other activities located within the Pentagon Reservation.

Real Property Operations (RPO): The RPO is responsible for the safe and efficient operation, maintenance and repair of the Pentagon Reservation. The RPO includes cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, and administrative support. Additional services include operating expenses for purchased utilities, 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, support systems, and operating equipment. The RPO also finances mission support areas such as financial management, acquisition, and information technology for the Pentagon Reservation and the Pentagon Force Protection Agency.

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Pentagon Force Protection Agency (PFPA): The PFPA provides law enforcement, force protection, security, counterintelligence, antiterrorism, 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 Raven Rock Mountain Complex. The PFPA is the DoD focal point for coordination with DoD components, executive departments, agencies, state and local authorities on these matters.

Raven Rock Mountain Complex (RRMC): The RRMC provides the DOD Continuity of Operations Plan (COOP) for the Office of the Secretary of Defense, the Joint Staff and Senior DOD Leadership. The COOP Support includes cleaning, operation and repair of mechanical and utility systems, roads and grounds maintenance, fire and emergency services, food services, information management services and administrative support. The RRMC provides 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 RRMC also ensures operational readiness and provides a safe and secure environment for execution of DoD mission essential functions.

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The following table summarizes the PRMRF's obligation authority by activity group:

Budget Sub-activity (\$ in Millions)	FY 2012		FY 2013		FY 2014	
	Operating	Capital	Operating	Capital	Operating	Capital
Real Property Operations	363.4	13.9	267.0	0.0	271.6	15.9
Pentagon Force Protection Agency	215.7	10.1	206.6	17.0	210.5	11.6
Raven Rock Mountain Complex	51.6	8.6	61.0	2.4	68.3	2.4
Total	663.3		554.0		580.3	

The PRMRF FY 2014 budget estimate includes changes driven by the Department's objective to eliminate or reduce administrative and overhead costs. It also includes the reduction of travel costs to 30 percent below the FY 2010 travel obligations.

Significant Changes in Activity Group for FY 2014

The overall inflationary increase from FY 2013 to FY 2014 is \$8.4 million. The programmatic increase is \$17.9 million and includes the following changes.

RPO, \$16.0 million (net) programmatic increase includes, but is not limited to:

- Increase for ADPE and Telecommunications Equipment Capital Improvements (\$15.9 million)
- Increase for new IT requirements due to Pentagon IT infrastructure improvements (\$4.9 million)
- Increase for transfer of billets from Operations and Maintenance to the PRMRF (\$3.4 million)
- Increase for transfer of Pentagon Delivery Services from WHS Operations and Maintenance (\$2.9 million)

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- Increases for new projects/requirements
 - Reestablishment of the master planning program following a one-year hiatus to provide time to analyze, synthesize, and determine next steps for major, post-Pentagon Renovation planning studies conducted in FY 2012 (\$1.2 million)
 - Utility rate increases (\$1.3 million)
- Decreases for routine completions of one-time efforts
 - Restore and return leased space formerly housing Pentagon offices displaced by the Pentagon Renovation to the General Services Administration (\$7.4 million)
 - Complete the Boiler-Blowdown heat recovery project designed to recover and reuse exhaust gases to generate energy (\$1.8 million)
 - Refine maintenance requirements (\$2.0 million)
 - Miscellaneous repair projects (\$2.3 million)

PFPA, \$4.4 million (net) programmatic decrease includes:

- Decrease for Capital Improvement Projects, equipment and technical services contracts for Pentagon Sentry (\$5.1 million)
- Decrease for civilian workforce reshaping (\$1.0 million)
- Increase in Pentagon Shield equipment for lifecycle refresh (\$1.5 million)
- Increase in equipment purchases (\$0.2 million)

RRMC, \$6.3 million (net) programmatic increase includes:

- Increase for Sustainment, Restoration and Modernization projects (\$5.5 million)
- Increase for Common IT Support (\$1.2 million)
- Decrease in fuel for completion of fuel storage facility project (\$0.4 million)

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Operating Budget

Budget estimate assumes annual inflationary increases for supplies, equipment, service contracts and personnel. Commercially equivalent levels serve as a benchmark for maintenance and repair functions.

The PFPA portion of the budget was 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

The RPO portion of the budget includes funding for network modernization (to include wireless), cloud computing (design and implement a standardized approach to server and application hosting services; enterprise data storage), and Enterprise Service Desk deployment.

The PFPA portion of the budget includes funding to continue modernization of the Pentagon Reservation's security infrastructure and to upgrade access control at the Pentagon Reservation to meet Homeland Security Presidential Directive 12 (HSPD-12) requirements.

The RRMC portion of the budget includes funding for the purchase of network upgrades.

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Financial Profile

	(Dollars in Millions)		
	FY 2012	FY 2013	FY 2014
Revenue	503.2	492.6	514.6
Expenses	<u>663.3</u>	<u>554.0</u>	<u>580.3</u>
Net Operating Result (NOR)	-160.1	-61.4	-65.7
Disbursements	561.9	622.0	586.4
Transfers	-4.0	0	0
Collections	<u>503.2</u>	<u>492.6</u>	<u>514.6</u>
Net Outlays	62.7	129.4	71.9
Accumulated Operating Result (AOR)	174.5	113.1	47.4

The negative NOR in FY 2012 reflects revenue and collections below the plan, higher expenses due to the Capital Investment Program (CIP), and using available cash balances to fund the demolition of FOB-#2 (Navy Annex). The budget originally assumed that contract authority would be available for the CIP, therefore capital expenses were not included in the customers' rent bills. In addition, the PRMRF provided a rent abatement to the customers from available cash balances in FY 2012 and is planning to provide rent abatements in FY 2013 and FY 2014 as well.

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Staffing

	Full Time Equivalents (FTE)		
	FY 2012	FY 2013	FY 2014
Real Property Operations	476	526	550
Pentagon Force Protection Agency	1,079	1,133	1,123
Raven Rock Mountain Complex	<u>121</u>	<u>135</u>	<u>141</u>
Total	1,676	1,794	1,814

The RPO's staffing includes an increase of three FTE for the Facilities Environmental and Safety Program, and increase of 23 FTE for the transfer of billets from Operations and Maintenance to the PRMRF, and a decrease of two FTE for civilian workforce reshaping. The PFPA's staffing decreases ten FTE for civilian workforce reshaping. The RRMC's staffing increases by six FTE in FY 2014 to fund critical engineering positions to oversee minor construction projects.

Capital Investment Summary
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Element of Expense	Cost of Operations FY 2012	Cost of Operations FY 2013	Total Price Growth	Program & Other Changes	Cost of Operations FY 2014
Civilian Personnel Compensation	146.9	160.0	1.4	1.2	162.6
Civilian Personnel Benefits	43.6	45.1	0.4	1.7	47.2
Benefits to Former Employees	0.3	0.4	0.0	-0.1	0.3
Travel	0.9	2.2	0.0	-1.5	0.8
Transportation	0.1	0.2	0.0	-0.2	0.0
Depreciation (Memo)	0.0	0.0	0.0	0.8	0.8
Rent, Communications, Utilities & Misc Charges	77.7	46.9	0.9	-11.7	36.1
Advisory and Assistance Services	140.7	57.4	1.1	7.0	65.5
Printing	0.1	0.1	0.0	0.0	0.1
Other Services	186.5	185.5	3.5	16.2	205.3
Supplies and Materials	20.5	16.7	0.3	2.7	19.7
Equipment	46.0	39.5	0.8	2.4	42.7
Interest & Dividends	0.0	0.0	0.0	0.0	0.0
TOTAL COST OF OPERATIONS	663.3	554.0	8.4	17.9	580.3
(includes Above Standard Program, but not Capital)					

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

Note: Totals may not add due to rounding.

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FY 2012 Actual	663.3
FY 2013 Estimate	554.0
Pricing Adjustments:	8.4
Annualization of Pay Raises	0.3
Price Growth Pay	1.5
General Purchase Inflation	6.6
Program Changes:	17.9
Travel/Transportation/Printing: Reduction of non-critical travel, more use of video teleconferencing.	-1.7
Compensation and Benefits: Net increase for funding critical positions and transfer of billets from O&M to the PRMRF, offset by decreases for workforce reshaping.	2.8
Supplies & Material/Equipment Maint & Purchases: Increases for IT subscriptions/maintenance fees, Sentry security equipment, lifecycle refresh for Pentagon Shield equipment and IT equipment, offset by decreases for ammunition,	5.9
Advisory and Assistance Services: Decreases for contracts completed, offset by increases for additional services (bridge inspections, planning, etc) and reclassification from other categories to match execution.	7.0
Communications: Increase in common IT support and telecommunications costs.	1.6
Facilities Maintenance/Other Purchases & Contracts/Utilities: Increases for Sustainment, Restoration and Modernization (SRM) projects, changes in IT requirements/reprioritization of projects, and new efforts; decrease in Sentry requirements and miscellaneous program decreases; net of reclassification to/from	2.2
FY 2014 Estimate	580.3

Exhibit Fund -2 Changes in the Costs of Operations

Note: Totals may not add due to rounding.

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	FY 2012	FY 2013	FY 2014
New Orders			
a. Orders from DoD Components			
Department of the Air Force	88.1	77.8	80.1
Department of the Army	101.1	88.2	93.0
United States Marine Corps	30.6	26.6	27.7
Department of the Navy	60.4	53.7	57.4
Subtotal Military Departments	280.2	246.3	258.1
Defense-Wide			
DMA	0.3	0.2	0.2
DIA	22.8	20.9	20.4
DISA	11.4	11.8	15.3
DLA	0.3	0.2	0.3
DLSA	0.5	0.4	0.1
DTRA	0.3	0.3	0.0
JCS	69.1	66.1	70.4
NGA	0.4	0.3	0.4
NSA	0.3	0.2	0.3
NGB	2.9	2.4	2.5
PFPA	6.0	0.1	0.0
WHS/OSD	112.5	103.4	107.7
Subtotal Defense-Wide	226.7	206.5	217.5

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

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	FY 2012	FY 2013	FY 2014
b. Orders from Non-DoD Activities			
DoD Concessions Committee	0.9	0.9	0.9
c. Total Standard Level Rent Orders	507.8	453.7	476.5
d. Other Orders			
Above Standard Level Services:			
Building Services and Space Adjustments	20.2	31.6	31.9
Force Protection	6.5	5.6	4.5
Raven Rock Mountain Complex	1.0	1.7	1.7
Subtotal Above Standard Services	27.7	38.9	38.1
Other Sources			
N/A			
Total New Orders	535.5	492.6	514.6
Adjustments to Prior Year Unobligated Balances	(32.3)	-	-
Total Gross Orders	503.2	492.6	514.6

Exhibit Fund -11 Source of New Orders and Revenue

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	FY 2012	FY 2013	FY 2014
Revenue			
Standard level	475.5	453.7	476.5
Above standard level	<u>27.7</u>	<u>38.9</u>	<u>38.1</u>
Total Revenue	503.2	492.6	514.6

Standard Level Operating Expenses

Real Property Operations:	357.1	235.3	255.6
Compensation & Benefit	45.5	50.1	54.8
Cleaning	34.1	19.7	19.3
Utilities & Fuel	42.1	24.4	11.7
Maintenance	53.9	26.0	44.6
Other Building Services	41.4	27.8	34.4
Administration	4.1	2.4	2.5
Repairs (over \$10,000)	41.3	10.0	15.7
Swing Space	12.8	4.9	0.0
Design and Construction	17.3	10.0	7.7
FOB #2 Navy Annex Demolition	11.0	0.0	0.0
Information Technology	44.3	51.1	57.1
Defense Post Office	2.9	2.7	2.7
Pentagon Library	2.5	3.9	4.0
Acquisition Services	3.7	2.0	1.0
Human Resource Management	0.2	0.2	0.2

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.

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	FY 2012	FY 2013	FY 2014
Pentagon Force Protection Agency:	219.3	218.0	217.7
Compensation & Benefit	120.6	127.7	129.7
Mission Integration	34.0	30.8	34.4
Science & Technology	5.1	7.5	9.3
Threat Management	11.9	3.9	3.7
Security Services	22.5	15.9	14.6
Law Enforcement	12.0	13.0	11.9
Human Capital / Training	3.2	2.3	2.4
Project Integration	10.1	17.0	11.6
Raven Rock Mountain Complex:	59.2	61.7	68.9
Compensation & Benefit	12.6	15.2	15.2
Information Management & Administration	5.3	11.6	13.0
Other Services	4.8	5.1	4.8
Site R Improvements	8.5	5.6	5.0
	<u>28.0</u>	<u>24.2</u>	<u>30.9</u>
Subtotal Standard Level	635.6	515.0	542.2

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.

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	FY 2012	FY 2013	FY 2014
Above Standard Reimbursable Expenses:			
Real Property Operations:	20.2	31.7	31.9
Utilities and Fuel	13.0	23.7	23.9
Compensation & Benefit	7.2	8.0	8.0
Pentagon Force Protection Agency:	6.5	5.6	4.5
Utilities and Fuel	0.4	0.7	0.6
Avisory and Assistance Services	0.3	0.4	1.5
Other Services	0.9	0.0	0.0
Compensation & Benefit	4.8	4.5	2.3
Raven Rock Mountain Complex	1.0	1.7	1.7
Subtotal Above Standard Level	<u>27.7</u>	<u>39.0</u>	<u>38.1</u>
Total Operating Expenses	663.3	554.0	580.3
Net Operating Result	-160.1	-61.4	-65.7
Accumulated Operating Result	174.5	113.1	47.4

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.

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PROGRAM	FY 2012		FY 2013		FY 2014	
	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	4,376,343	\$ 7.78	4,398,843	\$ 4.49	4,398,843	\$ 4.38
Utilities & Fuel	4,376,343	\$ 9.62	4,398,843	\$ 5.55	4,398,843	\$ 2.67
Maintenance	4,376,343	\$ 12.32	4,398,843	\$ 5.90	4,398,843	\$ 10.13
Other Building Services	4,376,343	\$ 9.45	4,398,843	\$ 6.33	4,398,843	\$ 7.81
Administrative	4,376,343	\$ 8.66	4,398,843	\$ 7.89	4,398,843	\$ 8.91
Repairs (over \$10,000)	4,456,667	\$ 9.27	4,456,667	\$ 2.24	4,456,667	\$ 3.52
Administrative Cost as Percent of Total Program Cost		11%		15%		15%
Total RPO Std Operating Expense	357.140		235.326		255.571	

Cost per square foot is displayed in whole dollars.

Workload Average Square Footage is based on occupiable space. It does not include outside parking.

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

Exhibit Fund -PR1 PRMRF Cost of Service

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	Oblig.	Orders	Revenue	Cost	Disbursements by Fiscal Year						
					2012	2013	2014	2015	2016	2017	2018
Pentagon Force Protection Agency											
FY 2012	225.8	192.1	191.9	225.8	226.7	72.7	13.6	1.6	0.0	0.0	0.0
FY 2013	223.6	183.7	183.7	223.6	0.0	152.3	58.0	11.8	1.6	0.0	0.0
FY 2014	222.1	195.1	195.1	222.1	0.0	0.0	150.6	57.3	11.7	1.5	0.0
Real Property Operations											
FY 2012	377.3	305.6	258.5	377.3	283.4	225.2	56.4	17.5	14.7	8.9	0.0
FY 2013	267.0	252.9	252.9	267.0	0.0	109.0	122.1	24.6	0.2	4.8	6.3
FY 2014	287.5	253.7	253.7	287.5	0.0	0.0	117.3	131.5	26.5	0.2	5.2
Raven Rock Mountain Complex											
FY 2012	60.2	37.8	52.8	60.2	51.8	19.2	3.1	0.7	0.0	0.0	0.0
FY 2013	63.4	56.0	56.0	63.4	0.0	43.5	16.8	2.3	0.8	0.0	0.0
FY 2014	70.7	65.7	65.7	70.7	0.0	0.0	48.5	18.7	2.6	0.9	0.0
Total PRMRF											
FY 2012	663.3	535.5	503.2	663.3	561.9	317.1	73.1	19.8	14.7	8.9	0.0
FY 2013	554.0	492.6	492.6	554.0	0.0	304.8	196.9	38.7	2.6	4.8	6.3
FY 2014	580.3	514.6	514.6	580.3	0.0	0.0	316.4	207.5	40.8	2.6	5.2
	Beg.			Transfer	Ending						
Cash	Balance	Collect.	Disb.	Out	Balance						
FY 2012	397.3	503.2	561.9	4.0	334.6						
FY 2013	334.6	492.6	622.0		205.2						
FY 2014	205.2	514.6	586.4		133.3						

Exhibit Fund -PR2 PRMRF Summary Statement

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Line #	Item Description	FY 2012		FY 2013		FY 2014	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Software Development > \$250K	0	0.0	0	0.0	0	0.0
2	ADPE & Telecommunication > \$250K	0	0.0	1	2.4	2	18.2
3	Non-ADPE & Telecommunication Equipment > \$250K	3	20.9	1	17.0	1	11.6
4	Minor Construction > \$100K and equal to or less than \$250K	0	0.0	0	0.0	0	0.0
5	Major Construction	0	13.9	0	0.0	0	0.0
	TOTAL	3.0	34.7	2.0	19.3	3.0	29.8

Exhibit Fund -9a Capital Investment Summary

Note: Totals may not add due to rounding.

Activity Group Capital Budget Execution
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PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2014 Budget Estimates					
B. Real Property Operations				C. Equipment/Other					
Element of Cost	FY 2012			FY 2013			FY 2014		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Repair/Replacement	1	13,864	13,864	0	0	0	0	0	0

FY 2012: \$13.9 million was invested to complete renovation of the Pentagon basement

Exhibit Fund -9b Capital Investment Justification

Activity Group Capital Budget Execution
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PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2014 Budget Estimates					
B. Real Property Operations				C. ADPE and Telecommunications					
Element of Cost	FY 2012			FY 2013			FY 2014		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
ADPE and Telecommunications	0	0	0	0	0	0	1	15,877	15,877

FY 2014: Improvements to ADPE and Telecommunications Equipment

- Network Transport Modernization-IPv6 Transition (\$0.5 million)
- Network Transport Modernization-Network (\$2.1 million)
- Network Transport Modernization - Wireless (\$1.4 million)
- Cloud Computing-Design and implement a standardized approach to server and application hosting services (\$1.2 million)
- Cloud Computing-Enterprise data storage. (\$1.8 million)
- Unified Capabilities (\$5.5 million)
- Security Architecture (\$1.4 million)
- Enterprise Service Desk- Deploy/Integrate (\$1.2 million)
- Enterprise Service Desk- Deploy Customer (\$0.8 million)

Exhibit Fund -9b Capital Investment Justification

Note: Totals may not add due to rounding.

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PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION			A. Fiscal Year (FY) 2014 Budget Estimates						
B. Pentagon Force Protection Agency			C. Equipment/Other						
Element of Cost	FY 2012			FY 2013			FY 2014		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Equipment - except ADPE and Telecommunications	1	10,084	10,084	1	16,963	16,963	1	11,579	11,579

FY 2012: \$10.1 million was invested in PFPA initiatives for Sentry.

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

FY 2014: \$11.6 million will be invested in PFPA initiatives for Sentry.

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

Exhibit Fund -9b Capital Investment Justification

Activity Group Capital Budget Execution
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PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION			A. Fiscal Year (FY) 2014 Budget Estimates						
B. Raven Rock Mountain Complex			C. Equipment/Other						
Element of Cost	FY 2012			FY 2013			FY 2014		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Equipment, Other	1	10,784	10,784	0	0	0	0	0	0

FY 2012: \$10.8 million will be invested in RRMC capital improvement initiatives to

- Completion of the smoke containment system (\$4.4 million)
- Improve CBRNE Detection Capability (\$4.7 million)
- DA&M Support Facility (\$1.4 million)
- UPS Power Distribution Contract Modification (\$.3 million)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION			A. Fiscal Year (FY) 2014 Budget Estimates						
B. Raven Rock Mountain Complex			C. Equipment/Other						
Element of Cost	FY 2012			FY 2013			FY 2014		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
ADP and Telecomm	0	0	0	1	2,378	2,378	1	2,378	2,378

FY 2013: \$2.4 million will be invested in RRMC capital improvement initiatives to purchase

FY 2014: \$2.4 million will be invested in RRMC capital improvement initiatives to purchase

Exhibit Fund -9b Capital Investment Justification

**Activity Group Capital Budget Execution
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2014 Budget Estimate
April 2013
(\$ in Thousands)**

Projects in the FY 2013 President's Budget

Approved		FY 2012					FY 2013		Explanation
		PB-13 Approved	Reprog	Approved Proj Cost	Current	Asset	Approved	Current	
2012 Equipment, Other									
PFPA	Sentry initiatives	9,596	488	10,084	10,084	0	16,963	16,963	Approved reprogramming
RRMC	Smoke Containment System	4,365	0	4,365	4,365	0	0	0	no change
RRMC	Improve CNRNE Detection Capability	4,903	-241	4,662	2,510	2,152	0	0	Approved reprogramming and carryover into FY
RRMC	DA&M Support Facility	0	1,448	1,448	1,448	0	0	0	Approved reprogramming
RRMC	UPS Power Distribution Modification	0	309	309	309	0	0	0	Approved reprogramming (FY 2010 capital
RPO	Pentagon Basement Buildout	13,827	37	13,864	13,864	0	0	0	Approved reprogramming
2013 ADPE and Telecommunications									
RRMC	Network Upgrades	0	0	0	0	0	2,378	2,378	
Total		32,691	2,041	34,732	32,580	2,152	19,341	19,341	

Exhibit Fund -9c Capital Budget Execution

Note: Totals may not add due to rounding.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
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Activity Group Function

Title 10 United States Code Section 2208 authorizes the Secretary of Defense to establish Working Capital Funds to support The Department's mission. In FY 1995, the Secretary established the Building Maintenance Fund (BMF). The BMF is responsible for providing space, building services and force protection for three federally owned and 15 leased facilities within the National Capital Region (NCR). The Washington Headquarters Services (WHS) operates these facilities under General Services Administration (GSA) 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. The BMF also includes the GSA/Department of Homeland Security (DHS) Rent Program, which enables the WHS to collect and pay the GSA rental and DHS security bills for all DOD tenants in leased facilities within the NCR.

Activity Group Composition

The BMF finances the activities of the WHS and the Pentagon Force Protection Agency (PFPA) within the NCR. The BMF provides space, building services and force protection for DOD components, including Military Departments and other activities located within the NCR.

Real Property Operations (RPO): The RPO is responsible for the safe and efficient operation and management of all DOD delegated buildings within the NCR. The RPO includes cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, information technology 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. In FY 2013, the WHS began implementing business services that include the GSA and the DHS billed costs for leased facilities. This change promotes prompt payment of leases and enhances our efforts to achieve audit readiness.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
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Pentagon Force Protection Agency (PFPA): The Deputy Secretary of Defense established the PFPA as a Defense Agency under Title 10 U.S.C. 191. The mission of the PFPA is to provide force protection, security, anti-terrorism, law enforcement, and chemical, biological, radiological, and nuclear protection as required for the people, facilities, infrastructure and other DOD resources within the NCR.

The following table summarizes the BMF's obligation authority by activity group:

	(Dollars in Millions)		
	FY 2012	FY 2013	FY 2014
Real Property Operations	66.9	181.3	293.2
Pentagon Force Protection Agency	<u>54.6</u>	<u>61.2</u>	<u>55.1</u>
Total	121.5	242.6	348.3

Budget Highlight

Budget estimates derived for FY 2012 through FY 2014 assume annual inflationary adjustments for real property operations and force protection requirements. The increase of obligations beginning in FY 2013 reflects the ramp up of the GSA/DHS Rent Program. Significant changes for FY 2014 are outlined in the paragraphs below.

Significant Changes in Activity

The overall programmatic increase of \$101.4 million supports the operation, maintenance and security of government owned and leased facilities, as well as the continued ramp up of the GSA/DHS rent program.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
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The increase includes following:

PFPA, \$7.0 million programmatic decrease:

- Decrease of \$1.1 million to security equipment due to a reduction in leased facilities
- Decrease of \$0.3 million for civilian pay adjustment
- Decrease of \$5.6 million to security contractor support due to reduction of facilities

RPO, \$108.4 million programmatic increase:

- Increase of \$106 million for GSA/DHS Rent Program
- Increase of \$3.0 million for transfer of billets from the General Fund to the BMF
- Decrease of \$0.6 million to facilities maintenance due to reduction of facilities

Financial Profile

	(Dollars in Millions)		
	FY 2012	FY 2013	FY 2014
Revenue	98.3	242.6	348.3
Expenses	<u>121.5</u>	<u>242.6</u>	<u>348.3</u>
Net Operating Results (NOR)	-23.2	0.0	0.0
Disbursements	72.6	221.5	334.5
Collections	<u>98.3</u>	<u>242.6</u>	<u>348.3</u>
Net Outlays	-25.7	-21.1	-13.8
Accumulated Operating Results (AOR)	23.8	23.8	23.8

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

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2014 Budget Estimate
April 2013

Staffing

	Full Time Equivalents (FTE)		
	FY 2012	FY 2013	FY 2014
Real Property Operations	40	48	72
Pentagon Force Protection Agency	<u>115</u>	<u>155</u>	<u>157</u>
Total	<u>155</u>	<u>203</u>	<u>229</u>

The FTE increase in FY 2014 reflects 24 FTEs realigned from WHS Operations and Maintenance to the BMF based on missions performed.

Summary Statement
Building Maintenance Fund
Fiscal Year (FY) 2014 Budget Estimate
April 2013
(\$ in Millions)

Element of Expense	Cost of Operations FY 2012	Cost of Operations FY 2013	Annualization of Pay Raises	Price Growth/Amount	Program & Other Changes	Cost of Operations FY 2014	
Civilian Personnel Comp	14.7	19.0	0.0	1.0%	0.1	2.3	21.5
Civilian Personnel Benefits	3.8	4.8	0.0	1.0%	0.0	0.3	5.2
Benefits to Former Employees	0.0	0.1	0.0	1.0%	0.0	0.0	0.1
Travel	4.0	3.7		1.9%	0.1	-3.8	0.0
Transportation	0.0	0.0		1.9%	0.0	3.8	3.8
Rent, Communications and Utilities	10.8	120.9		1.9%	2.3	105.9	229.1
Advisory and Assistance Services	38.0	37.7		1.9%	0.7	-5.6	32.8
Printing	0.0	0.0		1.9%	0.0	0.0	0.0
Other Services	47.6	52.1		1.9%	1.0	-0.5	52.6
Supplies and Materials	0.6	0.6		1.9%	0.0	0.0	0.6
Equipment	2.0	3.7		1.9%	0.1	-1.1	2.7
Interest & Dividends	0.0	0.0		1.9%	0.0	0.0	0.0
TOTAL COST OF OPERATIONS (Includes Above Standard Program)	121.5	242.6	0.0		4.3	101.4	348.3

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

Note: Totals may not add due to rounding.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2014 Budget Estimate
April 2013
(\$ in Millions)

FY 2012 Actual	121.5
FY 2013 Estimate	242.6
Pricing Adjustments:	4.3
Annualization of Pay Raise	0.0
General Purchase Inflation	4.1
Price Growth Payroll	0.2
Program Changes:	101.4
Decrease in security contractor support, facilities maintenance and security equipment due to the reduction of the number of facilities in the NCR	-7.3
Civilian payroll adjustment which reflects a transfer of billets from the General Fund to Revolving Funds	2.6
GSA/DHS Rent Program	106.0
FY 2014 Estimate	348.3

Exhibit Fund -2 Changes in the Costs of Operations

Note: Totals may not add due to rounding.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
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April 2013
(\$ in Millions)

	FY 2012	FY 2013	FY 2014
1.New Orders			
a.Orders from DoD Components			
Department of the Air Force	0.7	1.5	0.5
Department of the Army	11.6	21.4	115.9
Department of the Navy	2.9	5.4	2.7
Subtotal Military Departments	15.2	28.2	119.2
Defense-Wide			
DLSA	0.1	0.1	1.1
PFPA	0.5	0.3	0.8
DARPA	1.5	0.4	16.4
CAAF	0.7	0.9	0.2
DFAS	0.6	1.5	1.0
DIA	0.6	1.3	1.8
MDA	0.8	0.5	1.1
DLA	4.1	4.6	11.8
DSS	0.0	0.0	0.0
WHS/OSD	40.8	41.7	37.3
DHRA	6.6	11.2	20.9
DODEA	2.6	5.3	7.4
DODIG	7.3	14.2	14.7
DTSA	1.5	2.9	3.0
AT&L-TRMC	0.6	1.1	1.1
OMC	0.3	0.6	3.2
DMA	0.1	0.2	4.3
DOHA	0.4	0.5	3.1

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
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(\$ in Millions)

	FY 2012	FY 2013	FY 2014
DSCA	0.4	0.4	3.6
JIAMDO	0.1	0.2	0.6
OEA	0.0	0.1	0.2
TMA	5.6	0.3	68.1
DCMO	0.9	0.0	0.0
OIG	2.7	0.0	6.2
CENTCOM	0.0	0.0	0.1
DMPO	0.0	0.0	1.4
JOINT STAFF	0.0	0.0	0.3
SOUTHCOM	0.0	0.0	0.1
TRANSCOM	0.0	0.0	0.2
DCMA	0.0	0.0	0.0
Subtotal Defense-Wide	79.1	88.4	210.0
c.Total Standard Level Rent Orders	94.3	116.6	329.2
d. Other Orders			
Above Standard Level Services:			
Building Services and Space Adjustments	5.8	11.1	11.4
Force Protection	7.0	5.2	7.7
GSA/DHS Rent Program	0.0	109.6	0.0
Subtotal Above Standard Services	12.8	125.9	19.1
Total New Orders:	107.1	242.6	348.3

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2014 Budget Estimate
April 2013
(\$ in Millions)

	FY 2012	FY 2013	FY 2014
Total Revenue	98.3	242.6	348.3
<u>Standard Level Operating Expenses</u>			
Real Property Operations:	61.1	60.3	281.8
Cleaning	24.5	6.0	6.1
Utilities and Fuel	7.2	7.7	8.1
Maintenance	1.6	11.5	11.6
Other Building Services	0.8	4.7	4.4
Administration	6.3	7.2	10.3
Repairs (over \$10,000)	0.0	1.1	1.0
Transportation	4.0	3.7	3.8
Information Technology	16.7	18.4	18.5
Defense Post Office	0.1	0.1	0.1
GSA/DHS Rent Program	0.0	0.0	218.0

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.

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WASHINGTON HEADQUARTERS SERVICES
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(\$ in Millions)

	FY 2012	FY 2013	FY 2014
Pentagon Force Protection Agency:	47.6	56.0	47.4
Compensation & Benefit	13.6	16.4	16.1
Mission Integration	2.6	1.8	1.6
Threat Management	21.9	20.7	21.2
Law Enforcement	1.2	1.8	1.3
Deputy Director	6.4	7.3	3.2
Chief of Staff	2.0	7.9	3.7
Human Capital & Workforce Development	0.0	0.2	0.3
Subtotal Standard Level	108.8	116.4	329.2
<u>Above Standard Reimbursable Expenses</u>			
Real Property Operations	5.8	121.1	11.4
Pentagon Force Protection Agency	7.0	5.2	7.7
Subtotal Above Standard Level	12.8	126.3	19.1
Total Operating Expenses	121.5	242.6	348.3
Net Operating Result	-23.2	0.0	0.0
Accumulated Operating Result	23.8	23.8	23.8

Exhibit Fund -14 Revenue and Expense

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2014 Budget Estimate
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(\$ in Millions)

PROGRAM	FY 2012		FY 2013		FY 2014	
	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	2,219,246	\$11.03	2,219,246	\$2.73	2,028,627	\$3.01
Utilities & Fuel	2,219,246	\$3.24	2,219,246	\$3.46	2,028,627	\$3.97
Maintenance	2,219,246	\$0.72	2,219,246	\$5.16	2,028,627	\$5.70
Administrative	5,983,115	\$1.06	5,983,115	\$1.21	4,877,400	\$2.10
Other Building Services	2,219,246	\$0.35	2,219,246	\$2.12	2,028,627	\$2.18
Repairs	2,219,246	\$0.00	2,219,246	\$0.42	2,028,627	\$0.49
Administrative Cost as Percent of Total Program Cost		9.4%		4.0%		3.5%

Cost per square foot is displayed in whole dollars.

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

Square footage decreases in FY 2014 due to the reduced number of leased facilities.

Exhibit Fund -PR1 Cost of Services

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Building Maintenance Fund
Fiscal Year (FY) 2014 Budget Estimate
April 2013
(\$ in Millions)

	Oblig.	Orders	Revenue	Cost	Disbursements by Fiscal Year						
					2012	2013	2014	2015	2016	2017	2018
Pentagon Force Protection Agency											
FY 2012	54.6	48.1	33.6	54.6	44.0	28.9	4.8	0.7	0.0	0.0	0.0
FY 2013	61.2	61.2	61.2	61.2	0.0	30.2	25.9	4.4	0.7	0.0	0.0
FY 2014	55.1	55.1	55.1	55.1	0.0	0.0	27.3	23.3	4.0	0.6	0.0
Real Property Operations											
FY 2012	66.9	59.0	64.7	66.9	28.6	23.5	3.9	0.5	0.0	0.0	0.0
FY 2013	181.3	181.3	181.3	181.3	0.0	138.9	38.2	3.7	0.6	0.0	0.0
FY 2014	293.2	293.2	293.2	293.2	0.0	0.0	234.4	54.5	3.7	0.5	0.0
Total BMF											
FY 2012	121.5	107.1	98.3	121.5	72.6	52.4	8.7	1.2	0.0	0.0	0.0
FY 2013	242.6	242.6	242.6	242.6	0.0	169.1	64.1	8.1	1.3	0.0	0.0
FY 2014	348.3	348.3	348.3	348.3	0.0	0.0	261.7	77.8	7.7	1.1	0.0
Cash	Beg. Balance	Collect.	Disb.	Ending Balance							
FY 2012	32.4	98.3	72.6	58.1							
FY 2013	58.1	242.6	221.5	79.2							
FY 2014	79.2	348.3	334.5	92.9							

Exhibit Fund -PR2 BMF Summary Statement

Note: Totals may not add due to rounding.

Statement of Financial Condition
Transaction Fund
DEFENSE LOGISTICS AGENCY, Strategic Materials
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The Defense Logistics Agency (DLA) Strategic Materials 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 for the acquisition and retention of stock of certain strategic and critical materials. The Act also encourages the development of sources of such materials within the United States to mitigate a dangerous and costly dependence upon foreign or single sources of supply, particularly in times of national emergency. The DLA Strategic Materials identifies risks and associated mitigation strategies for the defense and essential civilian industrial materials supply chain. The DLA Strategic Material activities include acquisition, storage, management, and disposal of the National Defense Stockpile (NDS).

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

Pilot Programs and Initiatives

In FY 2012, the DLA Strategic Materials awarded contracts to upgrade germanium metal to space-qualified wafers and to launch a pilot to assess the viability of converting hot-pressed powder to alum-thermic structural grade metal powder. These upgrades enhance multiple and end-use applications.

Sales

The DLA Strategic Material's Principal Sales program consists of commodity disposals considered excess to the needs of the DoD that were authorized for sale prior to FY 1996. Subsequent authorization acts granted sales authority for additional excess commodities.

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Collections from Sales	(Dollars in Millions)		
	FY 2012	FY 2013	FY 2014
Principal Sales Program	9.2	63.0	67.8
HHS & TGF Program	37.9	72.5	52.0
Spectrum/Military Benefits Program	<u>14.8</u>	<u>17.5</u>	<u>32.5</u>
Total Sales	61.9	153.0	152.3

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. Receipts from sales are deposited to the U.S. Treasury General Fund account. Portions of the receipts are used to supplement the Federal Hospital Insurance Fund and the Federal Supplementary Medical Insurance Trust Fund. Subsequent authorization acts gradually raised the program goal to \$1.386 billion by the end of FY 2016 (NDAA FY 2009). The sale of materials in this program generated proceeds of \$1.279 billion through FY 2012.

SPECTRUM/Military Benefits Sales Program

The NDAA for FY 2000, P.L. 106-65, authorized additional sales of commodities through the end of FY 2009. Subsequent authorization acts gradually raised the program goal to \$830 million by the end of FY 2016 (NDAA FY 2012). The sale of materials in this program generated proceeds of \$714 million through FY 2012.

Statement of Financial Condition
Transaction Fund
DEFENSE LOGISTICS AGENCY, Strategic Materials
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Transaction Fund

The table below summarizes the cash balances, payments and program costs of the Transaction Fund.

Cash Balances	(Dollars in Millions)		
	FY 2012	FY 2013	FY 2014
Beginning Unobligated Balance	356.9	301.0	321.2
Collections from Sales of Material	61.9	153.0	152.3
Prior-Year Recovery of Obligations	1.9	1.0	1.0
Payments to Spectrum/HHS Programs	-76.3	-88.9	-84.9
Disbursements from Obligations	<u>-43.4</u>	<u>-44.9</u>	<u>-46.0</u>
Ending Unobligated Balance	301.0	321.2	343.6

Payments

The table below reflects anticipated payments to legislative program. Cobalt payment reflects correction of prior year transfer error in FY 2012.

Payments	(Dollars in Millions)		
	FY 2012	FY 2013	FY 2014
Cobalt Post Foreign Military Sales	-2.5	0.0	0.0
HHS & Treasury GF	62.1	71.4	52.7
Spectrum / Military Benefits	<u>16.7</u>	<u>17.4</u>	<u>32.2</u>
Total Payments	76.3	88.9	84.9

Note: Totals may not add due to rounding.

Statement of Financial Condition
Transaction Fund
DEFENSE LOGISTICS AGENCY, Strategic Materials
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Budget Highlights

Obligations for Operations	(Dollars in Millions)		
	FY 2012	FY 2013	FY 2014
Labor	8.7	10.2	10.2
Non-Labor	<u>34.7</u>	<u>34.7</u>	<u>35.8</u>
Total	43.4	44.9	46.0

Labor

The increased scientific and technical complexity of the DLA Strategic Materials mission present challenges for hiring and maintaining a skilled workforce. Through new outreach and recruiting efforts, the DLA Strategic Materials continues to identify and close emerging skill gaps, enabling the agency to carry out its mission. Budget projections through FY 2014 ensure optimal staffing levels to achieve program goals.

Non-Labor

Mobilization Studies and Material Handling: The FY 2014 Mobilization Studies program is comprised of a broad range of projects that enable the DLA to gain a clear and comprehensive understanding of the requirements and vulnerabilities of US defense and essential civilian industries. These research, analyses and development projects analyze reconstitution and expansion of stockpiling capabilities, through (1) laboratory-based scientific research, analyses and development, (2) expanded processes to model material supply chains downstream from mines to finished platforms and development of effective risk mitigation strategies and solutions, and (3) development of additional data and analyses collection and evaluation sources from industry and academia. The FY 2014 Materials Handling program will support: (1) continuation of the beryllium upgrade project pursuant to successful completion of the FY 2012 pilot, (2) long term mercury storage operations, (3)reclamation of surplus materials from the Department of Energy and other Federal Agencies that are suitable for transfer to or required for the NDS, and (4) storage of new semi-process NDS materials at vendor locations to expedite finish processing in the event these assets are deployed.

Statement of Financial Condition
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DEFENSE LOGISTICS AGENCY, Strategic Materials
Fiscal Year (FY) 2014 Budget Estimate
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According to 50 U.S.C. 98 et Seq Section 8, the DLA Strategic Materials is statutorily authorized and required to provide scientific, technological, and economic research of industrial applications of raw and semi-processed strategic materials. For instance, the 2013 Requirements Report studied 76 materials, 23 with projected shortfalls under approved NDS base-cased conflict scenario.

To fulfill these statutory obligations, the DLA Strategic Materials maintains recurring annual Inter-Service Support agreements with the United States Geological Survey (USGS), the U.S. Department of Commerce, the U.S. Census Bureau and contractual agreements with the Institute for Defense Analyses (IDA). Agreements also exist with two Federally Funded Research and Development Centers (FFRDC) of the Department of Energy - the Oak Ridge National Laboratories (ORNL) and the PANTEX Production Plant (in conjunction with the Lawrence Livermore National Laboratory and the Los Alamos National Laboratory). Additionally, groundwork has begun for a series of studies and research in the areas of rare earth supply chain analyses, rare earth security risks, risk mitigation strategies and risk assessment models for the rare earth materials with projected shortfalls.

In support of the findings in both the 2011 and 2013 Biennial Requirements Reports, the DLA Strategic Materials will continue to expand the amount and complexity of research over the next four fiscal years to include more in-depth market, economic and applications research and analyses. The NDS will undertake fundamental materials research that will shift emphasis to increasing the number of materials evaluated in the Biennial Requirements Report to Congress, including additional rare earths. In preparation for the 2015 Biennial Requirements Report, the DLA Strategic Materials is planning its FY 2014 research and study efforts to more precisely determine defense demands and applications for specific strategic materials in raw and more processed forms that rely on foreign or single sources of supply.

Depot Operations: Depot Operations are costs associated with the day-to-day depot mission. Those costs include security, operations, maintenance, janitorial services, fuel, and Non-ADP equipment. As the DLA Strategic Materials implements depot consolidations, facility maintenance and security requirements are expected to gradually decline through FY 2014.

Statement of Financial Condition
Transaction Fund
DEFENSE LOGISTICS AGENCY, Strategic Materials
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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. The Service Level User Charges will continue as long as inventory remains.

The table below provides the projected number of sites (staffed and unstaffed) occupied at fiscal year-end for one of three reasons: commodities currently available for sale, commodities under contract but not yet removed, or property awaiting environmental action. The Hammond, IN; Scotia, NY; and Warren, OH, sites will hold active NDS materials through FY 2014. The Pt. Pleasant, WV; Wenden, AZ; and Hawthorne, NV, sites will hold excess materials through FY 2014, and the Somerville, NJ, and Large, PA, sites will remain open pending completion of environmental restoration. Operational costs and storage site reduction plans are impacted by retention of two sites for active NDS inventories, low demand, slow sale of excess materials, long lead times to complete environmental clean-up, and long term storage of mercury at Hawthorne, NV.

Sites	FY 2012	FY 2013	FY 2014
Staffed/Unstaffed	9	8	7

Relocation projects involving the repositioning of commodities to the consolidation points continue through FY 2014.

Environmental: The Costs to Complete (CTC) environmental remediation of the NDS storage sites are estimated using the Remedial Action Cost Engineering and Requirements (RACER) process, a computer based costing model. The revised RACER estimate for cleanup of known sites and sustainment of mercury pending disposal is \$76.2 million.

The most significant environmental issue is disposition of approximately 4,500 metric tons of surplus elemental mercury. The NDS selected the U.S. Army's Hawthorne Weapons and Ammunition Depot in Hawthorne, NV, as its consolidated mercury storage site following an Environmental Impact Assessment and subsequent Statement in March 2004. Transfer began in September 2010

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Fiscal Year (FY) 2014 Budget Estimate
April 2013

and was completed in early March 2011. Pursuant to agreements with the State of Nevada, the DLA Strategic Materials has developed and is on track to accomplish a 15 to 20 year project replacing 100 percent of the existing 50 to 60 year old containers. Along with costs for consolidated storage for 40 years, the CTC estimates include costs to stabilize the mercury through amalgamation to a composition that will permit disposal of the material as solid waste by the end of its planned storage.

Stockpile Financial Status Report
Transaction Fund
DEFENSE LOGISTICS AGENCY, Strategic Materials
Fiscal Year (FY) 2014 Budget Estimate
April 2013
(\$ in Millions)

	FY 2012	FY 2013	FY 2014
ASSETS			
Selected Assets:			
Cash (EOY)	382.0	366.7	352.2
Accounts Receivable	0.0	0.0	0.0
Inventories	550.7	495.6	446.1
Other Asset Accounts	<u>0.0</u>	<u>0.4</u>	<u>0.4</u>
TOTAL ASSETS	932.7	862.7	798.7
 LIABILITIES			
Selected Liabilities:			
Accounts Payable	0.4	0.4	0.4
Advances Received	0.0	0.0	0.0
Environmental Clean-up Liability	25.7	23.5	23.5
Other Liabilities	<u>1.1</u>	<u>3.1</u>	<u>3.1</u>
TOTAL LIABILITIES	27.2	27.0	27.0
 GOVERNMENT EQUITY			
Cumulative Results of Operations	905.6	835.7	771.7
TOTAL NET POSITION	905.6	835.7	771.7
 TOTAL LIABILITIES AND EQUITY	 932.7	 862.7	 798.7

Exhibit Fund -23 Statement of Financial Condition

Note: Totals may not add due to rounding.

Statement of Financial Condition
Transaction Fund
DEFENSE LOGISTICS AGENCY, Strategic Materials
Fiscal Year (FY) 2014 Budget Estimate
April 2013
(\$ in Millions)

	FY 2012	FY 2013	FY 2014
Treasury Cash Balance, End of Prior Year	382.0	324.3	343.4
Collections	61.9	153.0	152.3
Disbursements	43.4	44.9	46.0
Labor	8.7	10.2	10.2
Non-Labor	34.7	34.7	35.8
Payments and Transfers			
Payments from Current Year Sales			
HHS & TGF	62.1	71.4	52.7
Cobalt TGF	-2.5	0.0	0.0
Spectrum	<u>16.7</u>	<u>17.4</u>	<u>32.2</u>
Total Payments from Current Year Sales	76.3	88.9	84.9
Carryover Payments from Previous Year	0.0	0.0	0.0
Anticipated Transfers Out	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Payments and Transfers	76.3	88.9	84.9
End of Year Cash Balance	324.3	343.4	364.8
Selected Liabilities:			
Accounts Payable	0.4	0.4	0.4
Advances Received	0.0	0.0	0.0
Environmental Clean-up Liability	25.7	23.5	23.5
Other Liabilities	1.1	3.1	3.1
Undelivered Orders	34.3	25.0	25.0
Other Contingencies	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Selected Liabilities	61.5	52.0	52.0
End of year Available Cash	262.8	291.4	312.8

Exhibit Fund -SP1 Stockpile Financial Status Report

Note: Totals may not add due to rounding.