

Department of Defense Revolving Funds

Justification/Overview



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Department of Defense
OFFICE OF PREPUBLICATION AND SECURITY REVIEW

Fiscal Year 2019 President's Budget

February 2018

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Preparation of the Defense Revolving Funds Justification book cost the Department of Defense a total of approximately \$21,000 in Fiscal Year (FY) 2018.

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Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2019 Budget Estimate
February 2018

The FY 1991 Defense Authorization Act established the Pentagon Reservation Maintenance Revolving Fund (PRMRF) and Title 10, United States Code (USC) Section 2674 codified it. The fund finances the maintenance, sustainment, protection, repair and renovation of the Pentagon Reservation. As established, the “Pentagon Reservation” refers to the 240 acres of land located in Arlington, Virginia, on which stand the Pentagon Building, the Pentagon Heating and Refrigeration Plant and the Sewage Treatment Plant. It also refers to other related facilities including parking areas, the Raven Rock Mountain Complex (RRMC), and the Mark Center (MC) Campus (effective in FY 2018). The PRMRF customers pay a basic user charge for space and standard building services. Customers who request above standard services pay an additional charge for those services.

Activity Group Composition

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

Real Property Operations (RPO): Through the RPO WHS provides for the safe and efficient operation, maintenance and repair of the Pentagon Reservation, the RRMC and the MC. The RPO services include cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, and administrative support. Additional services include purchased utilities and operation of the Pentagon’s heating and refrigeration plant and classified waste incinerator. The RPO maintains the facilities at levels adequate to support the assigned mission and to prevent deterioration and damage to Reservation buildings, support systems, and operating equipment. The RPO also provides financial management and acquisition services for the Pentagon Reservation and the Pentagon Force Protection Agency.

Raven Rock Mountain Complex. The RRMC satisfies the DoD Continuity of Operations Plan (COOP) for the Office of the Secretary of Defense, the Joint Staff and Senior DoD Leadership. COOP Support includes cleaning, operation and repair of mechanical and utility systems, roads and grounds maintenance, fire and emergency services, food services, information management support services, and administrative support. The RRMC provides facility maintenance and upkeep of facilities within the Complex at levels adequate to support assigned mission and to prevent deterioration and damage to facilities, systems, and operating equipment. The RRMC also supports operational readiness by providing a safe and secure environment for DoD essential functions.

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

The following table summarizes PRMRF obligations by activity group:

Budget Sub-activity	Dollars in Millions					
	FY 2017		FY 2018		FY 2019	
	Operating	Capital	Operating	Capital	Operating	Capital
Real Property Operations	1,033.1	63.4	368.3	4.0	344.5	4.1
Pentagon Force Protection Agency	629.9	32.6	246.0	12.7	239.6	11.7
Total by Category	1,663.0	96.0	614.3	16.7	584.1	15.8
Total PRMRF	1,759.0		631.0		599.9	

Note: Totals may not add due to rounding.

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Financial Profile:

	(Dollars in Millions)		
	FY 2017	FY 2018	FY 2019
Revenue	979.7	599.5	600.7
Operating Expenses	1,663.0	614.3	584.1
Capital Investments	<u>96.0</u>	<u>16.7</u>	<u>15.8</u>
Net Operating Result (NOR)	(39.7)	(31.5)	0.8
Disbursements	535.0	759.8	637.8
Collections	<u>755.1</u>	<u>599.5</u>	<u>600.7</u>
Net Outlays	(220.0)	160.3	37.2

The FY 2019 estimate includes net reductions of \$38.8M primarily from workforce reshaping, project requirements reductions. This decrease from FY 2018 to FY 2019 is offset by inflation (\$7.7M) for an overall net decrease of \$31.1M.

Customer rates are set to recover both operating and capital investment costs budgeted for each year. This FY 2019 submission reflects a decrease to the standard rates of 0.6% from the FY 2018 rates.

Operating Budget

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

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Capital Budget

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

Recent Initiatives

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

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

Summary of Operations
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Staffing

	Full Time Equivalents		
	FY 2017	FY 2018	FY 2019
Real Property Operations	582	643	629
Pentagon Force Protection Agency	<u>1,081</u>	<u>1,158</u>	<u>1,167</u>
Total	1,663	1,801	1,796

The RPO's staffing decreases from FY 2018 to FY 2019 by 14 FTEs primarily from civilian workforce reshaping.

The PFPA staffing decreases by 8 FTEs from workforce reshaping, and increases by 17 FTEs from manpower adjustments for a net increase of 9 FTEs from FY 2018 to FY 2019.

Note: Totals may not add due to rounding.

**Changes in the Costs of Operations
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
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FY 2017 Actual	1,759.0
FY 2018 Estimate in President's Budget	631.0
Pricing Adjustments:	7.7
Annualization of Pay Raises	1.1
Price Growth Pay	0.0
General Purchase Inflation	6.6
Program Changes:	(38.8)
Decrease compensation and benefits from repricing based on execution	(1.4)
Increase in management and professional support requirements	3.8
Increase in material/equipment maintenance and purchases from increased reimbursable projects & services	2.7
Decrease in maintenance/repair efforts	(30.4)
Decrease in utilities requirements	(8.2)
Decrease in other purchases/contracts from reduced contract operations (Mark Center); overall decrease in requirements	(10.3)
Increase in PFPA lease costs	0.9
Increase due to moving Mark Center shuttle operations costs from BMF	4.1
FY 2019 Estimate	599.9

Exhibit Fund -2 Changes in the Costs of Operations

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
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(\$ in Millions)

	FY 2017	FY 2018	FY 2019
New Orders			
a. Orders from DoD Components			
Department of the Air Force	97.6	87.6	87.8
Department of the Army	113.6	101.7	95.4
United States Marine Corps	34.6	31.1	29.9
Department of the Navy	68.8	62.1	61.9
Subtotal Military Departments	314.6	282.5	275.1
Defense-Wide			
Defense Media Activity	-	-	-
Defense Intelligence Agency	18.7	17.1	17.6
Defense Information Systems Agency	18.1	19.8	29.1
Defense Logistics Agency	0.4	0.3	0.3
Joint Chiefs of Staff	84.5	78.3	77.2
National Geospatial-Intelligence Agency	1.4	1.2	1.2
National Security Agency	0.4	0.3	0.3
National Guard Bureau	3.0	2.7	2.6
Washington Headquarters Services and Office of the Secretary of Defense	143.0	150.4	144.7
Defense Finance and Accounting Service	-	0.5	0.6
Defense Human Resources Activity	-	8.8	9.1
Dept of Defense Education Activity	-	3.8	4.0

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
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Defense-Wide (Cont.)	FY 2017	FY 2018	FY 2019
Dept of Defense Inspector General	-	11.0	11.4
Defense Technology Security Administration	-	1.9	2.0
Office of Military Commissions	-	0.4	0.5
Test Resource Mgmt Center	-	0.9	0.9
Subtotal Defense-Wide	269.5	297.5	301.4
b. Orders from Non-DoD Activities			
DoD Concessions Committee	1.0	1.0	1.0
c. Total Standard Level Rent Orders	585.0	581.0	577.5
d. Above Standard Level Service Orders			
Building Services and Space Adjustments	221.0	9.6	14.7
Force Protection	169.7	6.9	6.6
Raven Rock Mountain Complex	3.9	1.9	1.9
Subtotal Above Standard Services	394.6	18.5	23.2
Total New Orders:	979.7	599.5	600.7
Carry-In Orders:	25.3	18.5	17.5
Total Gross Orders:	1,005.0	618.0	618.2

Exhibit Fund -11 Source of New Orders and Revenue

Revenue and Expense
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
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	FY 2017	FY 2018	FY 2019
Revenue			
Standard level	585.0	581.0	577.6
Above standard level	394.6	18.5	23.1
Total Revenue	979.7	599.5	600.7
Standard Level Operating Expenses:			
Real Property Operations	871.6	330.0	332.1
Compensation and Benefits	69.6	72.5	74.4
Cleaning	40.4	19.3	19.4
Utilities and Fuel	36.4	29.9	28.8
Maintenance	110.4	34.3	54.9
Other Building Services	174.7	60.1	57.1
Administration	26.7	13.4	15.9
Repairs (over \$10,000)	122.8	39.6	20.8
Information Technology	179.5	15.5	15.8
Library	2.2	2.3	2.3
Acquisition Services	1.8	0.4	0.2
Misc. Support (Human Resources, Financial Management)	2.7	1.4	1.4
Other Services (RRMC)	22.9	13.1	2.5
RRMC Improvements	81.4	28.2	38.7

Exhibit Fund -14 Revenue and Expense

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

Revenue and Expense
WASHINGTON HEADQUARTERS SERVICES
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	FY 2017	FY 2018	FY 2019
Pentagon Force Protection Agency	492.8	248.0	244.6
Compensation and Benefits	137.2	142.9	139.6
Mission Integration	56.8	15.3	17.8
Science and Technology	35.0	11.0	11.2
Threat Management	42.5	12.4	4.9
Emergency Management	1.2	-	0.6
Security Services	104.9	34.5	48.5
Law Enforcement	49.9	14.8	10.3
Human Capital and Training	17.5	4.4	0.0
Project Integration	47.8	12.7	11.7
Subtotal Standard Level Expenses	1,364.4	578.0	576.8
Above Standard Reimbursable Expenses:			
Real Property Operations	224.9	42.2	16.5
Projects and Services	214.6	34.4	8.6
Compensation and Benefits	6.4	6.0	6.0
RRMC Projects and Services	3.9	1.9	1.9

Exhibit Fund -14 Revenue and Expense

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

Revenue and Expense
WASHINGTON HEADQUARTERS SERVICES
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	FY 2017	FY 2018	FY 2019
Pentagon Force Protection Agency	169.7	10.7	6.6
Supplies and Equipment Maintenance	61.7	5.5	1.3
Advisory and Assistance Services	105.1	2.4	1.3
Compensation and Benefits	2.9	2.9	3.9
Subtotal Above Standard Level	394.6	53.0	23.1
Total Operating Expenses	1,759.0	631.0	599.9
Recovery of Prior Year Balances	739.6	-	-
Net Operating Result	(39.7)	(31.5)	0.8
Accumulated Operating Results Prior Year	191.5	151.8	120.3
Deferred Accumulated Operating Results	-	-	(121.0)
Accumulated Operating Results End of Year	151.8	120.3	-

Exhibit Fund -14 Revenue and Expense

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

**Cost of Service
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2019 Budget Estimate
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PROGRAM	FY 2017		FY 2018		FY 2019	
	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	4,575,477	\$ 8.82	4,570,296	\$ 4.02	4,570,342	\$ 4.06
Utilities & Fuel	4,575,477	\$ 7.95	4,570,296	\$ 5.55	4,570,342	\$ 3.94
Maintenance	4,575,477	\$ 24.14	4,570,296	\$ 7.42	4,570,342	\$ 7.67
Other Building Services	4,575,477	\$ 38.19	4,570,296	\$ 11.22	4,570,342	\$ 11.33
Administrative	4,575,477	\$ 13.27	4,570,296	\$ 9.39	4,570,342	\$ 9.69
Repairs (over \$10,000)	4,575,477	\$ 26.83	4,570,296	\$ 7.04	4,570,342	\$ 7.11
Administrative Cost as Percent of Total Program Cost		21%		19%		20%
Direct and Support Costs for the Pentagon (Standard) (\$ in Thousands)	\$ 290,160		\$ 223,343		\$ 220,939	

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

Exhibit Fund –PR1 Cost of Service

Summary Statement
WASHINGTON HEADQUARTERS SERVICES
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	Obligations	Orders	Revenue	Cost	Disbursements by Fiscal Year						
					2017	2018	2019	2020	2021	2022	2023
Real Property Operations											
FY 2017	1,096.6	589.1	589.1	1,096.6	313.8	295.2	59.1	15.8	8.1	-	-
FY 2018	372.3	343.8	343.8	372.3	-	161.9	166.8	30.9	7.4	5.2	-
FY 2019	348.7	349.7	349.7	348.7	-	-	151.7	156.2	28.9	7.0	4.9
Pentagon Force Protection Agency											
FY 2017	662.5	390.6	390.6	662.5	221.2	121.2	21.4	41.1	1.8	-	-
FY 2018	258.7	255.6	255.6	258.7	-	181.4	62.9	11.1	2.3	1.0	-
FY 2019	251.2	251.0	251.0	251.2	-	-	176.1	61.0	10.8	2.3	1.0
Total Pentagon Reservation Maintenance Fund											
FY 2017	1,759.0	979.7	979.7	1,759.0	535.0	416.4	80.5	56.9	9.9	-	-
FY 2018	631.0	599.5	599.5	631.0	-	343.3	229.7	42.0	9.7	6.2	-
FY 2019	599.9	600.7	600.7	599.9	-	-	327.8	217.2	39.7	9.3	5.9
Fund Balance with Treasury											
	Beginning	Collections	Disbursements	Transfers	Ending						
FY 2017	184.5	755.1	535.0	-	404.5						
FY 2018	404.5	599.5	759.8	-	244.2						
FY 2019	244.2	600.7	637.8	-	207.0						

Exhibit Fund –PR2 Revolving Fund Summary Statement

Note: Totals may not add due to rounding.

Capital Investment Summary
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
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(\$ in Millions)

Line #	Item Description	FY 2017		FY 2018		FY 2019	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Non-ADPE Equipment	1	32.611	1	12.695	1	11.657
2	ADPE & Telecommunication	2	52.586	1	3.985	1	3.843
3	Software Development	-	-	-	-	-	-
4	Minor Construction	2	10.822			1	0.300
	TOTAL	5	96.019	2	16.680	3	15.800

Exhibit Fund -9a Capital Investment Summary

Note: Totals may not add due to rounding.

**Capital Investment Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2019 Budget Estimate
February 2018
(\$ in Thousands)**

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION			A. Fiscal Year (FY) 2019 Budget Estimates						
B. Pentagon Force Protection Agency			C. Equipment/Other						
Element of Cost (\$000)	FY 2017			FY 2018			FY 2019		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE and Telecom Equip.	1	32,611	32,611	1	12,695	12,695	1	11,657	11,657
TOTAL	1	32,611	32,611	1	12,695	12,695	1	11,657	11,657
FY 2017: \$32.6 million in PFPA initiatives for Sentry - Pentagon Security Operations Center equipment (\$0.6 million) - Access Control technology refresh (\$8.2 million) - Perimeter fencing (\$1.4 million) - Video Surveillance System (\$1.5 million) - Physical security upgrades (\$1.3 million) - Misc prior year projects cleanup (\$19.6 million)									
FY 2018: \$12.7 million in PFPA initiatives for Sentry - Sentry Equipment (\$1.5 million) - Sentry Access Control Procurement (\$7.0 million) - Sentry Perimeter Fence (\$0.4 million) - Sentry Vehicle Entry Control Point - Procurement(\$0.5 million) - Sentry Personnel Entry Control Point - Procurement(\$0.6 million) - Video Surveillance Program (\$2.7 million)									
FY 2019: \$11.7 million in PFPA initiatives for Video surveillance, Access Control, Physical Security, & MILCON SPT Equipment. - Video Surveillance Program (\$3.6 million) - PFPA MILCON Equipment (\$3.7 million) - Electronic Access Control (\$3.8 million) - Physical Security Force Protection (\$0.6 million)									

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

Exhibit Fund -9b Capital Investment Justification

Note: Totals may not add due to rounding.

**Capital Investment Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
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(\$ in Thousands)**

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2019 Budget Estimates					
B. Real Property Operations				C. ADPE & Telecommunications					
Element of Cost (\$000)	FY 2017			FY 2018			FY 2019		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADPE and Telecomm (Pentagon)	1	49,880	49,880			0			0
ADPE and Telecomm (RRMC)	1	2,706	2,706	1	3,985	3,985	1	3,843	3,843
TOTAL	2	52,586	52,586	1	3,985	3,985	1	3,843	3,843
FY 2017: \$52.6 million - Enterprise Transport: Network Architecture Redesign (\$4.9 million); Capacity Upgrade (\$3.9 million) - Pentagon Computing Center-Pentagon IPN Upgrade (\$6.1 million); Storage Virtualization (\$2.2 million) - Enhanced Security Architecture-Computer Network Defense (\$2.1 million) - Pentagon Enterprise Capabilities Service Desk (\$1.0 million); Network upgrades at RRMC (\$2.7 million) - Misc prior year projects cleanup (\$29.7 million)									
FY 2018: \$4.0 million - JSCR/network/optical lifecycle (\$4.0 million)									
FY 2019: \$3.8 million - Lifecycle ADPE hardware and software									

Exhibit Fund -9b Capital Investment Justification

**Capital Investment Justification
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
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(\$ in Thousands)**

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2019 Budget Estimates					
B. Real Property Operations				C. Construction					
Element of Cost (\$000)	FY 2017			FY 2018			FY 2019		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction (RRMC)	1	5,872	5,872			0	1	300	300
Minor Construction (Pentagon)	1	4,950	4,950			0			
TOTAL	1	10,822	10,822	0	0	0	1	300	300
FY 2017: \$10.8 million Infrastructure Repair									
- Infrastructure Repair at the RRMC (\$5.9 million)									
- Safety Exterior Lighting for pedestrian walkways at the Pentagon (\$0.3 million)									
- Misc prior year projects cleanup (\$4.6 million)									
FY 2019: \$0.3 million Infrastructure Repair									
- Infrastructure Repair at the RRMC (\$0.3 million)									

Exhibit Fund –9b Capital Investment Justification

Note: Totals may not add due to rounding.

Capital Budget Execution
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
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	Major Category	Initial Request	Current Projected Cost	Approved Change	Explanation
2017	Non-ADPE	13.0	32.6	19.6	Data cleansing efforts in preparation for migration to a new accounting system resulted in significant corrections to prior year obligation balances.
	ADPE and Telecom	22.9	52.6	29.7	
	Minor Construction	6.2	10.8	4.6	
	Total 2017	42.0	96.0	54.0	
2018	Non-ADPE	12.7	12.7	-	
	ADPE and Telecom	4.0	4.0	-	
	Minor Construction	-	-	-	
	Total 2018	16.7	16.7	-	
2019	Non-ADPE	11.7	-	-	
	ADPE and Telecom	3.8	-	-	
	Minor Construction	0.3	-	-	
	Total 2019	15.8	-	-	

Exhibit Fund –9c Capital Budget Execution

Note: Totals may not add due to rounding.

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

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

Activity Group Composition

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

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

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

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
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The following table summarizes BMF obligations by activity group:

(Dollars in Millions)

	FY 2017	FY 2018	FY 2019
Real Property Operations	1,058.9	310.7	255.3
Pentagon Force Protection Agency	<u>220.8</u>	<u>33.2</u>	<u>35.8</u>
Total Obligations	1,279.7	343.9	291.1

Operating Budget:

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

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

(Dollars in Millions)

Facility Type	FY 2017	FY 2018	FY 2019
Government Owned	76.2	3.4	2.3
Leased Facilities	298.9	305.8	268.9
Above Standard Work	<u>162.9</u>	<u>20.7</u>	<u>19.3</u>
Total Revenue	538.0	329.9	290.5

Note: Totals may not add due to rounding.

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2019 Budget Estimate
February 2018

Financial Profile:

	(Dollars in Millions)		
	FY 2017	FY 2018	FY 2019
Revenue	538.0	329.9	290.5
Expenses	<u>594.3</u>	<u>343.9</u>	<u>291.1</u>
Net Operating Results	(56.3)	(14.0)	(0.6)
Disbursements	361.2	347.8	318.9
Collections	<u>427.8</u>	<u>329.9</u>	<u>293.8</u>
Net Outlays	(66.5)	17.9	25.1

The FY 2019 estimate includes net reductions of \$58.8M primarily from project requirements reductions and from lease portfolio reductions. This decrease from FY 2018 to FY 2019 is offset by inflation of \$6.0M for an overall net decrease of \$52.8M.

Staffing

	Full Time Equivalents		
	FY 2017	FY 2018	FY 2019
Real Property Operations	60	32	32
Pentagon Force Protection Agency	<u>160</u>	<u>92</u>	<u>92</u>
Total	220	124	124

The FY 2018 to FY 2019 workforce requirements remain steady in the BMF.

Changes in the Costs of Operations
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2019 Budget Estimate
February 2018

FY 2017 Actual	1,279.7
FY 2018 Estimate in President's Budget (as adjusted)	343.9
Pricing Adjustments:	6.0
Annualization of pay raises	0.1
Price Growth Payroll	0.0
General Purchase Inflation	5.9
Program Changes (major items):	(58.8)
Decrease in labor costs from repricing based on execution	(1.3)
Increases to Advisory and Assistance Services for Security Services - ISSC Installations	2.1
Decrease in supplies/materials requirements	(2.4)
Decrease in maintenance/repair efforts	(3.1)
Decrease in utilities requirements (lease reduction)	(9.0)
Decrease due to reduction in lease portfolio	(45.2)
FY 2019 Estimate	291.1

Exhibit Fund -2 Changes in the Costs of Operations

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2019 Budget Estimate
February 2018
(\$ in Millions)

New Orders	FY 2017	FY 2018	FY 2019
a. Orders from DoD Components			
Department of the Air Force	3.7	3.3	3.8
Department of the Army	90.5	55.5	51.5
Department of the Navy	19.9	19.5	20.3
Subtotal Military Departments	114.1	78.3	75.5
Defense-Wide			
US Court of Appeals of the Armed Forces	3.4	2.0	2.3
COWARDIN	0.3	0.4	0.4
Defense Acquisition University	-	0.5	-
Defense Advanced Research Project Agency	19.0	20.7	19.5
Defense Contract Audit Agency	1.6	1.8	1.6
Defense Contract Management Agency	2.3	2.2	2.2
Defense Finance and Accounting Service	1.1	-	-
Defense Human Resources Activity	12.1	-	-
Defense Intelligence Agency	31.9	27.9	28.0
Defense Information Systems Agency	1.5	1.7	9.6
Defense Logistics Agency	15.7	5.2	5.1
Defense Legal Services Activity	2.3	1.9	1.9
Defense Media Activity	0.7	0.7	1.4
Defense Missing Persons Organization	1.5	1.3	1.2
DoD Classified Program	1.3	0.9	1.0
Dept of Defense Education Activity	5.3	-	-

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2019 Budget Estimate
February 2018
(\$ in Millions)

Defense-Wide (Cont.)	FY 2017	FY 2018	FY 2019
Dept of Defense Inspector General	14.4	-	-
Dept of Hearings and Appeals	2.9	3.0	3.2
Defense Security Cooperation Agency	5.8	4.9	4.9
Defense System Communication Management Office	0.6	-	-
Defense Security Service	2.8	3.0	3.0
Defense Threat Reduction Agency	0.7	8.2	9.2
Defense Technology Security Administration	3.0	-	-
Joint Integrated Air Missile Defense Organization	1.1	-	-
Joint Staff	0.2	0.2	0.2
Joint Strike Fighter	8.3	10.0	10.2
Missile Defense Agency	3.5	3.7	3.6
Office of Economic Adjustment	0.8	0.8	0.7
Office of Military Commissions	5.0	6.5	5.7
Pentagon Force Protection Agency	4.4	4.1	4.2
Defense Health Agency	45.2	51.7	52.6
Strategic Capabilities Office	-	-	1.0
Transportation Command	0.2	0.1	0.1
Test Resource Mgmt Center	1.2	-	-
White House Management Office	0.2	2.5	2.7
Washington Headquarters Services and Office of the Secretary of Defense	58.2	64.1	19.0
Boards, Commissions & Task Forces	2.3	1.1	1.1
Subtotal Defense-Wide	261.0	230.8	195.6

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

**Source of New Orders and Revenue
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2019 Budget Estimate
February 2018
(\$ in Millions)**

	FY 2017	FY 2018	FY 2019
b. Total Standard Level Rent Orders	375.1	309.2	271.1
c. Above Standard Level Service Orders			
Building Services and Space Adjustments	143.7	15.3	13.9
Force Protection	19.2	5.5	5.4
Subtotal Above Standard Services	162.9	20.7	19.3
Total New Orders	538.0	329.9	290.4
Carry-In Orders	19.1	14.7	8.9
Total Gross Orders	557.1	344.6	299.3

Exhibit Fund -11 Source of New Orders and Revenue

Note: Totals may not add due to rounding.

Revenue and Expense
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2019 Budget Estimate
February 2018
(\$ in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Revenue			
Standard level	375.1	309.2	271.2
Above standard level	162.9	20.7	19.3
Total Revenue	538.0	329.9	290.5
 Standard Level Operating Expenses:			
 Real Property Operations	 915.2	 282.4	 240.8
Cleaning/Trash/General	7.7	-	-
Utilities and Fuel	15.9	0.7	0.2
Maintenance	230.8	0.6	1.3
Other Building Services	19.3	1.8	1.4
Administration	19.2	7.5	6.1
Repairs (over \$10,000)	290.8	-	0.2
Travel and Transportation of Personnel	4.9	4.0	-
Information Technology	59.4	-	-
Defense Post Office	-	-	-
GSA/DHS Rent Program	267.1	267.8	231.6
 Pentagon Force Protection Agency	 201.6	 26.6	 30.4
Compensation and Benefits	16.0	9.2	7.7
Deputy Director	0.1	0.1	-
Human Capital and Workforce Development	0.1	-	-
Law Enforcement	5.1	0.7	15.8
Mission Integration	3.7	0.4	0.3
Security Services	59.9	5.1	6.4
Threat Management	116.8	11.1	0.2

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.

Revenue and Expense
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2019 Budget Estimate
February 2018
(\$ in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Subtotal Standard Level Expenses	1,116.8	309.1	271.2
Above Standard Reimbursable Expenses:			
Real Property Operations	143.7	28.3	14.5
Pentagon Force Protection Agency	19.2	6.5	5.4
Subtotal Above Standard Level Expenses	162.9	34.8	20.0
Total Operating Expenses	1,279.7	343.9	291.1
Recovery of Prior Year Balances	685.4	-	-
Net Operating Result	-56.3	-14.0	-0.6
Accumulating Operating Results Prior Year	70.7	14.4	0.4
Deferred Accumulated Operating Results	-	-	0.2
Accumulated Operating Results End of Year	14.4	0.4	-

Exhibit Fund -14 Revenue and Expense

Note: Totals may not add due to rounding.

Cost of Services
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2019 Budget Estimate
February 2018
(\$ in Millions)

PROGRAM	FY 2017		FY 2018		FY 2019	
	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.
Cleaning	1,953,901	\$ 3.96	-	\$ -	-	\$ -
Utilities & Fuel	1,953,901	\$ 8.14	701,905	\$ 1.01	701,905	\$ 0.31
Maintenance	1,953,901	\$ 118.13	701,905	\$ 0.90	701,905	\$ 1.83
Administrative	4,802,674	\$ 4.00	3,550,678	\$ 2.11	3,550,678	\$ 1.72
Other Building Services	1,953,901	\$ 9.87	701,905	\$ 2.57	701,905	\$ 1.99
Repairs (over \$10,000)						
Administrative Cost as Percent of Total Program Cost		7.2%		2.8%		2.6%

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

Exhibit Fund –PR1 Cost of Services

Summary Statement
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2019 Budget Estimate
February 2018
(\$ in Millions)

	Obligations	Orders	Revenue	Cost	Disbursements by Fiscal Year							
					2017	2018	2019	2020	2021	2022	2023	
Pentagon Force Protection Agency												
FY 2017	220.8	62.8	62.8	220.8	38.0	34.5	6.6	1.1	0.2	-	-	
FY 2018	33.2	32.2	32.2	33.2	-	17.6	13.4	1.9	0.3	0.1	-	
FY 2019	35.8	35.8	35.8	35.8	-	-	19.0	14.4	2.0	0.3	0.1	
Real Property Operations												
FY 2017	1,058.9	475.2	475.2	1,058.9	323.2	87.8	18.7	2.0	1.0	-	-	
FY 2018	310.7	297.7	297.7	310.7	-	207.9	90.4	10.9	0.9	0.6	-	
FY 2019	255.3	254.7	254.7	255.3	-	-	170.8	74.3	8.9	0.8	0.5	
Total Buildings Maintenance Fund												
FY 2017	1,279.7	538.0	538.0	1,279.7	361.2	122.3	25.3	3.1	1.2	-	-	
FY 2018	343.9	329.9	329.9	343.9	-	225.5	103.8	12.8	1.2	0.7	-	
FY 2019	291.1	290.5	290.5	291.1	-	-	189.8	88.7	10.9	1.1	0.6	
Fund Balance with Treasury	Beginning	Collections	Disbursements	Ending								
FY 2017	2.1	427.8	361.2	68.6								
FY 2018	68.6	329.9	347.8	50.7								
FY 2019	50.7	293.8	318.9	25.7								

Exhibit Fund –PR2 Revolving Fund Summary Statement

Note: Totals may not add due to rounding.

Summary of Operations
DEFENSE LOGISTICS AGENCY, Strategic Materials
National Defense Stockpile Transaction Fund
Fiscal Year 2019 Budget Estimate
February 2018

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

The DLA Strategic Materials will continue to mitigate supply chain risks by using strategies such as research and development, responsible management of NDS material inventory, acquisitions, qualification of substitute materials, and recycling of strategic and critical materials.

Principal Sales Program:

The additional disposal authority granted in the FY 2017 NDAA provides DLA Strategic Materials with sufficient financing to continue to fund the program for the foreseeable future. While DLA-SM is currently positioned to fund operations and the acquisition of strategic and critical materials, the Transaction Fund will eventually require an appropriation or alternate financing source for future mission requirements. The Defense Logistics Agency intends to develop a business case analysis for the FY 2020 budget cycle to access long-term options for the NDS program.

Collections

	(Dollars in Millions)		
	FY 2017	FY 2018	FY2019
Principal Sales Program	64.90	69.03	64.20

Summary of Operations
DEFENSE LOGISTICS AGENCY, Strategic Materials
National Defense Stockpile Transaction Fund
Fiscal Year 2019 Budget Estimate
February 2018
(\$ in Millions)

Budget Highlights

Program Costs

(Dollars in Millions)

	FY 2017	FY 2018	FY 2019
Labor	7.9	9.5	8.8
Non-Labor	25.9	40.8	29.2
Acquisitions (Critical Material)	14.9	28.6	23.3
Environmental	<u>0.2</u>	<u>11.0</u>	<u>5.3</u>
Total Costs	48.9	89.9	66.6

Critical Material Risk Mitigation

In FY 2017, DLA Strategic Materials awarded \$14.9M for strategic and critical materials acquisitions. In FY 2018, \$28.6M and FY 2019, \$23.3M is budgeted for additional strategic and critical material acquisitions. This budget also provides funding for costs to recycle critical materials from surplus Federal assets in order to satisfy NDS critical material requirements and to create domestic sources of supply and eliminate the need to stockpile certain materials.

Labor

The DLA Strategic Materials will continue to identify and close emerging skill gaps, enabling the agency to carry out its mission. Budget projections through FY 2019 ensure optimal staffing levels to achieve program objectives.

Summary of Operations
DEFENSE LOGISTICS AGENCY, Strategic Materials
National Defense Stockpile Transaction Fund
Fiscal Year 2019 Budget Estimate
February 2018

Non-Labor

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

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

Depot Operations: Depot Operations are costs associated with operating and maintaining the day-to-day depot mission, which includes security, operations, maintenance, janitorial services, fuel, and equipment.

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

Summary of Operations
DEFENSE LOGISTICS AGENCY, Strategic Materials
National Defense Stockpile Transaction Fund
Fiscal Year 2019 Budget Estimate
February 2018

Environmental

Normal compliance requirements to sustain an environmental management system, sustain all required compliance programs, perform compliance audits, track and report liabilities and pay fees are approximately \$700-800K per year and are expected to remain relatively constant through FY 2023. Environmental remediation projects at Somerville, NJ, Scotia, NY, and Large, PA are expected to be active between FY 2019 and FY 2023. At Somerville, NJ, the Remedial Investigation and associated Feasibility Study will be completed in FY 2018. This feasibility study will be used to inform the environmental remedial design and remediation work for the site. The Somerville location will be a multi-million dollar project expected to run through FY 2023.

At Scotia, NY, preliminary planning has been done for the radiological investigation at the site in preparation for close-out of the Nuclear Regulatory Commission (NRC) license. The NRC required remedial investigations and approvals are multi-year projects expected to be active in FY 2019 through approximately FY 2022. Finally, at Larger, PA, it is anticipated that there could be costs associated with environmental remediation and other issues at the former site.

Statement of Financial Condition
DEFENSE LOGISTICS AGENCY, Strategic Materials
National Defense Stockpile Transaction Fund
Fiscal Year 2019 Budget Estimate
February 2018
(\$ in Millions)

	FY 2017	FY 2018	FY 2019
Assets:			
Selected Assets:			
Cash (EOY)	273.1	223.8	223.9
Accounts Receivable	0.0	0.0	0.0
Inventories*	806.6	766.2	725.3
Other Asset Accounts:	1.7	1.5	1.2
Total Assets	1,081.4	991.5	950.5
Liabilities			
Selected Liabilities:			
Accounts Payable	2.6	2.5	2.5
Advances Received	0.0	-	-
Environmental Clean-up Liability	6.8	6.0	6.0
Other Liabilities	2.5	2.0	2.0
Total Liabilities	11.9	10.5	10.5
Government Equity			
Cumulative Results of Operations	1,069.6	981.0	940.0
Total Government Equity	1,069.6	981.0	940.0
Total Liability and Equity	1,081.4	991.5	950.5

Exhibit Fund –23 Statement of Financial Condition

Stockpile Financial Status Report
DEFENSE LOGISTICS AGENCY, Strategic Materials
National Defense Stockpile Transaction Fund
Fiscal Year 2019 Budget Estimate
February 2018
(\$ in Millions)

	FY 2017	FY 2018	FY 2019
Cash Balance, End of Prior Year	247.9	273.1	253.2
Collections	64.9	69.0	64.2
Disbursements	39.7	88.9	66.6
Labor	8.1	9.5	8.8
Non-Labor	24.0	50.8	34.5
Other Program Costs	7.7	28.6	23.3
Cash Balance, End of Year	273.1	253.2	250.8
Selected Liabilities	66.2	63.8	62.4
Accounts Payable	2.6	2.5	2.5
Advances Received	-	-	-
Environmental Clean-up Liability	6.8	6.0	6.0
Other Liabilities	2.5	2.0	2.0
Undelivered Orders	35.8	30.0	30.0
Other Contingencies (Sequester)	18.5	23.3	21.9
Estimated Available Cash	206.9	189.5	188.4

Exhibit Fund –SP1 Stockpile Financial Status Report

Note: Totals may not add due to rounding.