



UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

FEB 27 2008

COMPTROLLER

The Honorable Chet Edwards
Chairman, Subcommittee on Military Construction,
Veterans Affairs and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The purpose of this letter is to notify the Committee of the proposed reprogramming of funds for the projects and amounts shown below. Detailed justification is enclosed.

<u>Defense-Wide/Installation</u>	<u>Project</u>	<u>Fiscal Program</u>	<u>Reprogramming Request (\$000)</u>
Jacksonville, Florida	Hospital Addition/Alteration	2005	13,562
Keeseler AFB, Mississippi	Central Energy Plant	2006	4,800
Ft. Detrick, Maryland	Steam Sterilization Plant	2006	10,787
MacDill AFB, Florida	SOF 501D Building	2007	9,015
	Addition		
Ft. Campbell, Kentucky	SOF Battalion Operations	2007	<u>6,835</u>
	Complex		
		Total	44,999

A similar letter is being sent to the Chairman and Ranking Member of the Military Construction, Veterans Affairs and Related Agencies Subcommittee of the Senate Appropriations Committee.

Sincerely,



Tina W. Jonas

Enclosure:
As stated

cc:
The Honorable Zach Wamp
Ranking Member



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COMPTROLLER

The Honorable Tim Johnson
Chairman, Subcommittee on Military Construction,
Veterans Affairs and Related Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510

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Sincerely,

Tina W. Jonas

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As stated

cc:
The Honorable Kay Bailey Hutchison
Ranking Member

Bid Expiration Date: March 31, 2008
Military Construction, Defense-Wide
Reprogramming Request

Installation: Naval Air Station Jacksonville, FL

Project: Hospital Addition/Alteration

Authorization: FY 2005 National Defense Authorization Act (P.L. 108-375)

Estimated Cost (\$000):

Previously Appropriated	28,438
Previously Reprogrammed	-
Requested Reprogramming	<u>13,562</u>
Total Estimated Cost	42,000

Description: Naval Air Station Jacksonville is a Master Air and Industrial Base, enabling Naval Aviation "war fighter readiness". The Naval Hospital is one of the few remaining inpatient facilities and serves as an important readiness platform to support Naval Aviation for national defense. The 341,360 Gross Square Feet (GSF) Naval Hospital was built in 1967 and has deficiencies that impede effective delivery of Obstetric and Surgical services. This construction project provides a three story hospital addition of approximately 62,978 square feet (SF) and renovates approximately 28,531 SF of existing space for a total project area of 91,509 SF. The new addition will provide six surgical operating rooms, physical and occupational therapy rooms, administrative offices, and an Americans with Disabilities Act (ADA) compliant elevator tower. The alterations will correct deficiencies in functional space and building systems for Labor/Delivery/Recovery & Postpartum (LDRP) rooms. The Naval Hospital has been a world class service provider for a six-state region, but it is now jeopardized by an inability to keep pace with the delivery of efficient services consistent with modern standards of care, especially in the surgical suite and obstetrics unit.

Justification: Bids received on March 29, 2005 for the original FY 2005 addition/alteration project significantly exceeded the programmed amount and resulted in a 27 percent reduction in scope, valued at \$10 million dollars. Congress was notified in July 2005 that the original project would be reduced in scope by completing the renovation piece in a future military construction project.

The FY 2005 project was re-advertised without the renovation requirements. The bids received September 8, 2005 again exceeded the programmed amount by more than

\$10 million. In response, the total design for the FY 2005 project was revised more drastically, removing the top two floors from the addition and significantly reducing site work. A floor of renovation was also added to accommodate the LDRPs because it was necessary to maintain these services. The FY 2005 project was re-advertised for a third time. The bids received on July 13, 2007 once again exceeded the programmed amount by more than \$10 million.

Every effort has been made to respond to the escalation of market conditions for construction materials and construction labor. The prevalent difference in costs resulted from six elements: Drywall/flooring (\$1.1 million), Plumbing/HVAC (\$2.3 million), Electrical (\$1.1 million), Concrete/Pre-cast (\$900 thousand), General Requirements (\$3.5 million) and Insurance/Bonds (\$1.2 million). Numerous other elements such as site work, steel, roofing, and installed equipment also have sizeable cost differences.

Source of Funds: A FY 2007 military construction project was authorized and appropriated by Congress to incorporate the scope lost from the FY 2005 project after the initial bid was exceeded. The FY 2007 project will be canceled and used as a source for this reprogramming request to support the more critical surgical operating room and the LDRPs in the original FY 2005 project. Congress was notified of the cancellation of the FY 2007 project on October 16, 2007.

<u>Location/ Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated (\$000)</u>	<u>Current Working Estimate (\$000)</u>	<u>Proposed Reprogramming (\$000)</u>
Jacksonville, FL Hospital Alterations	2007	16,000	0	13,562*

* The remaining funds will be used for below threshold reprogrammings to cover other project cost increases.

Bid Expiration Date: March 31, 2008
Military Construction, Defense-Wide
Reprogramming Request

Installation: Keesler Air Force Base, MS

Project: Construct Central Energy Plant

Authorization: DoD Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza, 2006 (P.L. 109-148)

Estimated Cost (\$000):

Previously Appropriated	20,000
Previously Reprogrammed	-
Requested Reprogramming	<u>4,800</u>
Total Estimated Cost	24,800

Description: Keesler Air Force Base is home to the 81st Training Wing and 2nd Air Force headquarters, in addition to the "Hurricane Hunters", a unit of the 403rd Wing (Air Force Reserve). The Central Energy Plant Replacement for the Keesler AFB hospital was programmed as a result of Hurricane Katrina to mitigate the risk of future system failure by relocating the main mechanical/electrical systems above the predicted storm surge level. The project will construct new emergency generators, chillers, boilers, cooling towers, and fire pumps at 24 feet above Mean Sea Level. Existing systems and buildings deemed at risk of storm surge flooding will be demolished.

Justification: Bids received on April 10, 2007 for the project have exceeded the programmed amount, but the base bid for the project was within budget. The base bid included the electrical system and chilled water system. The options to construct the hot water boiler system and the demolition of the current boiler plant were not awarded.

Hurricanes Katrina and Rita completely changed market conditions for construction materials and constructor labor in ways not fully predicted when the project was programmed. The cost of materials (steel and cement) and labor trades skyrocketed because of extreme shortages in both. Mechanical and electrical work (the principal focus of this facility), because of their technical nature, have escalated because of these shortages. Volatile market conditions and increasing energy prices have increased the risk to construction contractors, which is reflected in higher bids. Awarding the scope for the boiler system is essential to mitigate the risk of another major failure at the Keesler Air Force Base hospital due to storm surge. Without the award of the options, the

existing boiler plant will remain below storm surge level, placing patients at risk and risking another service disruption after a hurricane event.

Source of Funds: Savings from another FY 2006 Hurricane Supplemental project (Diagnostic Imaging Center) are available to fund the increased cost of the Central Energy Plant project. While the Imaging Center project has had the same difficulties as the Central Energy Plant with the volatile Gulf Coast market, the scope of the project has been reduced through innovative solutions during the post-Katrina rebuilding effort using other Katrina funding. Congress was notified of these scope changes on February 1, 2008. These initiatives resulted in less new construction and a reduced cost for the Imaging Center project. This reprogramming action will realign funding from one hurricane-related construction project to another.

<u>Location/ Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated (\$000)</u>	<u>Current Working Estimate (\$000)</u>	<u>Proposed Reprogramming (\$000)</u>
Keesler AFB, MS Diagnostic Imaging Center	2006	25,000	20,200	4,800

Bid Expiration Date: March 31, 2008
Military Construction, Defense-Wide
Reprogramming Request

Installation: Fort Detrick, MD

Project: Steam Sterilization Plant (SSP)

Authorization: FY 2006 National Defense Authorization Act (P.L. 109-114)

Estimated Cost (\$000):

Previously Appropriated	20,951
Previously Reprogrammed	-
Requested Reprogramming	<u>10,787</u>
Total Estimated Cost	31,738

Description: This project will construct a new biomedical effluent sterilization plant, replacing the existing facility that services Ft. Detrick. The existing batch sterilization plant was constructed over 40 years ago to support the entire installation for secondary biological effluent decontamination, and newer guidelines from the Centers for Disease Control (CDC) require stricter controls for decontamination of bio-waste.

Justification: Bids were received for the construction of the Steam Sterilization Plant project in August 2007. The bids exceeded the programmed amount of \$20.951 million because the sterilization equipment is highly specialized and qualified suppliers are limited. Other factors contributing to the increase in cost include limited direct access to the site, unusual limestone geology, and the presence of unusual sub-surface water.

If no action is taken on this project, the Laboratory Sewer System (LSS) at Fort Detrick will continue to convey contaminated and potentially highly infective waste nearly one mile from its source of generation to the sterilization plant. The currently aging sterilization plant will continue to require extensive maintenance to ensure safe operations. Major portions of the LSS will require replacement. Fort Detrick will not be in compliance with guidelines from the CDC, the National Institute of Health, accepted environmental safety requirements, and standard laboratory practices. The Fort Detrick Biological Advisory Group determined that in light of current guidelines and accepted practices, a new sterilization plant is necessary and it must include a piping leak detection system.

Source of Funds: Funds are available due to savings from the following projects:

<u>Location/ Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated (\$000)</u>	<u>Current Working Estimate (\$000)</u>	<u>Proposed Reprogramming (\$000)</u>
Colorado Springs, CO/ Hospital Add/Alt	2004	21,500	21,410	90
Ft. Benning, GA Health Clinic	2005	7,100	6,607	493
Ft. Buckley, CO Aero Medical Clinic	2005	2,100	1,692	408
Grafenwoehr, GY Health/Dental Clinic	2005	13,000	12,264	736
Peterson AFB, CO Life Skills Center	2006	1,799	0	1,799
Lackland AFB, TX Medical Facility	2006	11,000	10,925	75
Ft. Detrick, MD Joint Medical Logistics Center	2006	33,601	31,269	2,332
Beale AFB, CA Medical/Dental Clinic	2006	18,000	17,897	103
Ft. Irwin, CA Dental Clinic	2007	6,050	5,299	751
Ft. Richardson, AK Health Clinic	2007	<u>37,200</u>	<u>33,200</u>	<u>4,000</u>
Total		151,350	140,563	10,787

Bid Expiration Date: March 31, 2008

Military Construction, Defense-Wide

Reprogramming Request

Installation: MacDill Air Force Base, Florida

Project: SOF 501D Building Addition (Project Number NVZR053712)

Authorization: FY 2007 National Defense Authorization Act (P.L. 109-364)

Estimated Cost (\$000):

Previously Appropriated	27,300
Previously Reprogrammed	-
Requested Reprogramming	<u>9,015</u>
Total Estimated Costs	36,315

Description: The SOF 501D Building Addition project constructs a facility for critical US Special Operations Command (USSOCOM) Command and Control and Operations Battle Staff and authorized increases in the intelligence, operations, and planning functions and personnel to effectively synchronize the Global War on Terror.

Justification: Congress appropriated \$27.3 million for this project in the FY 2007 Military Construction program. A parametric cost estimate was the basis for this programmed amount.

The U.S. Corps of Engineers received proposals that significantly exceeded the programmed amount. All feasible measures have been taken to reduce the cost of construction pursuant to the scope and intent of this project.

The Corps of Engineers attributes these unanticipated cost increases to significant changed conditions that USSOCOM could not have foreseen when they set the budget for this project. Volatile market conditions for a variety of construction materials and skilled labor resulted in a high risk bidding climate. Suppliers have passed the risk of price escalation to the general contractors, who ultimately reflected this risk in premium prices quoted in their proposals.

Source of Funds: Funds are available due to the restructuring from Design-Bid-Build to Design-Build on several projects.

<u>Location/ Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated (\$000)</u>	<u>Current Working Estimate (\$000)</u>	<u>Proposed Reprogramming (\$000)</u>
Worldwide * Unspecified Locations, Planning and Design	2007	48,000	32,161	9,015

* \$6.835 million of the FY 2007 Planning and Design is also proposed as a source for the SOF Battalion Operations Facility reprogramming request, which is also in this package.

Bid Expiration Date: March 31, 2008

Military Construction, Defense-Wide

Reprogramming Request

Installation: Fort Campbell, Kentucky

Project: SOF Battalion Operations Complex

Authorization: FY 2007 National Defense Authorization Act (PL 109-364)

Estimated Cost (\$000):

Previously Appropriated	24,500
Previously Reprogrammed	-
Requested Reprogramming	<u>6,835</u>
Total Estimated Cost	31,335

Description: The SOF Battalion Operations Complex will provide facilities to house and conduct operations at the battalion and company levels for the 5th Special Forces Group. The project constructs a complex supporting the continual training and deployment of forces into real-world and exercise environments, fighting both conventional and unconventional war scenarios.

Justification: Congress appropriated \$24.5 million for this project in the FY 2007 Military Construction program. A parametric cost estimate was the basis for this programmed amount.

The U.S. Corps of Engineers received proposals that significantly exceeded the programmed amount. All feasible measures have been taken to reduce the cost of construction pursuant to the scope and intent of this project.

The Corps of Engineers attributes these unanticipated cost increases to significantly changed conditions that the US Special Operations Command could not have foreseen when they set the budget for this project. Volatile market conditions for a variety of construction materials and skilled labor resulted in a high risk bidding climate. Suppliers have passed the risk of price escalation to the general contractors, who ultimately reflected this risk in premium prices quoted in their proposals.

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Worldwide * Unspecified Locations, Planning and Design	2007	48,000	32,161	6,835

* \$9.015 million of the FY 2007 Planning and Design is also proposed as a source for the SOF 501D Building Addition reprogramming request, which is also in this package.