



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

COMPTROLLER

JUL 8 2014

The Honorable John Culberson
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 project and amount shown below. A detailed justification is enclosed.

<u>Service/Agency/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request(\$)</u>
<u>Air Force</u>			
Offutt AFB, Nebraska	STRATCOM Replacement Facility	2014	37,000,000

A similar letter is being sent to the Chairman of the Senate Subcommittee on Military Construction, Veterans Affairs, and Related Agencies. Additional details will be provided separately. Thank you for your continued support of DoD programs.

Sincerely,

Michael McCord

Enclosure:
As stated

cc:
The Honorable Sanford D. Bishop, Jr.
Ranking Member



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

JUL 8 2014

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cc:
The Honorable Mark Kirk
Ranking Member

Bid Expiration Date: Not Applicable
Military Construction, Air Force
Reprogramming Request

Installation: Offutt Air Force Base, Nebraska
Project: STRATCOM Replacement Facility
Authorization: National Defense Authorization Act for Fiscal Year 2012, P.L. 112-81

Estimated Cost (\$000):

Appropriated (Increments 1-3)	384,000
Final Increment (Increment 4 in FY 2015 PB)	180,000
Total Authorized ¹	564,000
Requested Reprogramming ²	37,000
Total Estimated Cost	601,000

¹ This incrementally funded project is authorized at \$564 million. Increments 1 through 3 were appropriated in Fiscal Years 2012-2014. The last \$180 million was requested in the FY 2015 President's budget.

² This requested reprogramming amount includes \$2 million that was previously reprogrammed using below threshold reprogramming authority. Approval of the requested reprogramming will establish a revised reprogramming base of \$601 million.

Description: This project constructs a multi-story facility and associated supporting infrastructure to provide nuclear, space, and network command and control operation functions for USSTRATCOM. The facility command and control and secure backup capability will be high altitude electro-magnetic pulse shielded and the facility will be designed to survive an EF-5 tornado.

Justification: This \$37 million reprogramming action replenishes contingency fund balances on this complex, information-technology intensive, military construction project so that sufficient funds are readily available to accommodate possible future contract modifications necessitated by unanticipated, emergent events that must be remediated in order to avoid a disruption in contractor work. Current contingency fund balances approximate one percent of project value. Should these balances be insufficient to fund a critical contract modification that results in contractor work delays, contract delay claims could be as high as \$113 thousand per day.

Bids on the construction contract were higher than planned because the project team did not appreciate the full scope, complexity and risk of this information technology intensive construction project. The project team, U.S. Army Corps of Engineers, and the Air Force Civil Engineer Center collaborated to reduce the scope of the project while preserving its ability to meet mission requirements. These changes in project scope necessitated subsequent contract modifications, including the revision of project designs. The team determined that project scope cannot be reduced further without significant mission degradation.

Ultimately, the contract was awarded within the appropriated amount, leaving only a one percent contingency fund balance. Post-award, value engineering and credit modifications were affected in an effort to increase contingency fund balances -- these efforts were only marginally successful, increasing the contingency fund balance to 2.5 percent of program amount. After performing a rigorous potential risk analysis on all the remaining elements of construction placement, the team determined that the project cannot be successfully completed without increasing the reserve for contingencies and the project's programmed amount by \$37 million (6.6 percent).

As of May 2014, the contingency balance was \$9.6 million. However, there were \$7.2 million in required modifications pending execution and \$8.8 million in contractor identified changes being reviewed. Current contingency fund balances are projected to be exhausted in the first quarter FY 2015 (October through December 2014). Although the final FY 2015 funding increment (\$180 million) has been requested in the FY 2015 President's budget, these funds will not be available to increase the contingency fund because they are required to fund the final increment on the construction contract.

A Title 10 USC §2853 notification was submitted for this project on June 16, 2014.

Source of Funds: The required funds are available from bid savings on the following projects.

Location & Project	Fiscal Year	Amount Appropriated	(Dollars in Thousands)	
			Current Working Estimate	Proposed Reprogramming
McConnell AFB, KS / KC-46A 1-Bay Maintenance Hangar	2014	32,000	28,286	3,000
McConnell AFB, KS / KC-46A 2-Bay Corrosion/Fuel Hangar ¹¹	2014	82,000	70,702	10,500
McConnell AFB, KS / KC-46A 3-Bay General Purpose Maintenance Hangar ¹¹	2014	80,000	60,018	19,000
McConnell AFB, KS / KC-46A Alter Apron Fuel Distribution Systems ¹	2014	12,800	9,470	2,500

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(Dollars in Thousands)

Location & Project	Fiscal Year	Amount Appropriated	Current Working Estimate	Proposed Reprogramming
Luke AFB, AZ / F-35 Academic Training Center ¹	2011*	53.541	49.388	1.831
Cape Canaveral, FL / Satellite Operations Support Facility ³	2009*	8.000	5.824	<u>169</u>
Total				37,000

* Already accomplished via Below Threshold Reprogramming during FY 2014 and FY 2013

¹ Title 10 USC 2853 notification submitted May 13, 2014

² Title 10 USC 2853 notification submitted March 25, 2014

³ Title 10 USC 2853 notification submitted April 5, 2010