



UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

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

JUL 28 2014

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. A detailed justification is enclosed.

<u>#</u>	<u>Service/Agency/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request(\$)</u>
<u>Army</u>				
1	Landstuhl, Germany	Satellite Communications Center	2012	6,000,000
2	Sierra Army Depot, California	Water Well, Potable	2014	2,550,000
<u>Navy</u>				
3	Ft. Buchanan, Puerto Rico	Reserve Center Addition	2010	4,443,000
<u>Department of Defense Education Activity</u>				
4	Camp Foster, Okinawa, Japan	Zukeran Elementary School Repl.	2013	34,563,000
<u>Department of Defense Health Agency</u>				
5	Joint Base San Antonio, Texas	Ambulatory Care Center, Phase 3	2012	19,300,000

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,

A handwritten signature in blue ink, appearing to read "Michael McCord". The signature is fluid and cursive, with the first name "Michael" and last name "McCord" clearly distinguishable.

Michael McCord

Enclosure:
As stated

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



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1 100 DEFENSE PENTAGON
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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

JUL 28 2014

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Michael McCord

Enclosure:
As stated

cc:
The Honorable Mark Kirk
Ranking Member

Bid Expiration Date: September 30, 2014

Military Construction, Army

Reprogramming Request

Installation: Landstuhl, Germany

Project: Satellite Communications Center

Authorization: National Defense Authorization Act for Fiscal Year (FY) 2012,
Public Law 112-81

Estimated Cost (\$000):

Previously Appropriated	39,000
Previously Reprogrammed	-
Requested Reprogramming	6,000
Total Estimated Cost	45,000

Description: This project will provide a consolidated, functionally reliable, state-of-the-art satellite earth terminal communication facility. It will provide tactical and strategic users with communications connectivity to the Defense Information System Network through the Defense Communications Satellite Station Landstuhl and the Global Information Grid Landstuhl, respectively. This critical strategic mission provides enhanced worldwide communications capability, requiring continuous operations 24 hours a day, seven days a week. Operations at the station must provide high quality satellite links to multiple major communications facilities within the key operational areas of the Continental United States, United States Africa Command, Southwest Asia, Middle East, Europe, and the Indian and Pacific basins.

Justification: This reprogramming is based on the contractor's proposal, which is higher than anticipated, and includes the full scope for the project. Several factors contribute to this reprogramming action, including lessons learned from the completion of the first satellite communication (SATCOM) project for the U.S. Army Network Enterprise Technology Command (NETCOM). These changes did not add scope, but reconfigured the floor plan to accommodate new equipment, which increased the cost of the project.

Delays in the acquisition process also led to increased costs. Originally, the Army planned to award the project through the Bauamt (German construction ministry), which is the normal practice for execution of military construction projects in Germany; however, due to the complexity of the project, the project incurred delays under Bauamt management. This led to a change in the acquisition strategy, and the United States Army Corps of Engineers will now award the construction project directly to German industry. In addition, the local government in

the Landstuhl area refused to issue a building permit for the project. The Army worked closely with the German Ministry of Defense and other governmental organizations to eventually get the required building permit.

Lastly, current market conditions have caused the price of construction projects in Germany to increase. As a result, the amount appropriated for this project is insufficient to provide the required scope. Efforts to reduce scope and cost were considered, but mission impacts were unacceptable.

A 10 U.S.C. §2853 cost increase notification, dated May 16, 2014, was sent to the congressional committees.

Source of funds: Bid savings from the following project will fund this requirement.

(Dollars in Thousands)

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Camp Arifjan, KU APS Warehouse PN 71485	2010	82,000	69,058 ¹	6,000

PN = Project Number

¹ A 10 U.S.C. §2853 cost reduction notification, dated April 14, 2014, was sent to the congressional committees, reflecting an award CWE of \$69.058 million.

Bid Expiration Date: October 31, 2014

Military Construction, Army

Reprogramming Request

Installation: Sierra Army Depot, California

Project: Water Well, Potable

Authorization: Title 10 U.S. Code, Section 2854, Restoration or replacement of damaged or destroyed facilities

Estimated Cost (\$000):

Previously Appropriated	0
Previously Reprogrammed	0
Requested Reprogramming	2,550
Total Estimated Costs	2,550

Description: This project constructs a domestic water supply well, relocates the existing well building, and constructs a water treatment building, appurtenances and distribution line to connect the well water to the existing water system. This well project replaces well No. 9, which was rendered inoperable after an attempt to clean the well, with a new well that will provide Sierra Army Depot (SAD) with water of sufficient quality and quantity to bring the activity back into compliance with the State of California water quality requirements and quantity to support fire protection capability.

Justification: An examination of well No. 9 revealed that crusted deposits of manganese and iron on the well filter screens were negatively impacting both the quality of the water and the water flow rate. On April 21, 2011, well No. 9 was hydro-jetted in an attempt to clean the well to improve the quality and quantity of water on the installation. During the cleaning process, the well casing collapsed, rendering the well non-functional. Upon further investigation in June 2011, it was determined that the well was non-salvageable. Since the time of the collapse the installation has been operating under a notice of violation for non-compliance with state drinking water requirements attributed to elevated uranium levels in the water.

A new well is required to replace the damaged well No. 9. The new well will be located in an area with increased accessibility and with the required water quality in order to successfully blend with the existing well water supply to meet the state's standards for water quality. Additionally, the new well will increase the firefighting water supply capacities to the levels that

existed prior to the well collapse. If the replacement project is not executed, Sierra Army Depot will remain noncompliant with the State of California water quality requirements and continue to operate with a degraded amount of stored water.

A 10 U.S.C §2854 notification for the restoration or replacement of damaged or destroyed facilities, dated May 21, 2014, was sent to the congressional committees.

Source of funds: Bid savings from the following project will fund this requirement.

<u>Location/Project</u>	<u>(Dollars in Thousands)</u>			
	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Bagram, AF Joint Defense Operations Center PN 69404	2011	2,794 ^{1/}	0 ^{2/}	2,550

PN = Project Number

¹ The revised amount reflects a 0.2 percent across-the-board rescission as directed in P.L. 112-10, Section 1119.

² The Joint Defense Operations Center project at Bagram, Afghanistan (PN 69404) is no longer required. A 10 U.S.C §2853 cancellation notification was sent to the congressional committees on November 22, 2013.

Bid Expiration: September 3, 2014
Military Construction, Navy Reserve
Reprogramming Request

Installation: Ft. Buchanan, Bayamón, Puerto Rico

Project: Reserve Center Addition (P-629)

Authorization: National Defense Authorization Act for Fiscal Year 2010 (P. L. 111-84)

Estimated Cost (\$000):

Previously Appropriated	6,420
Sequestration Reduction	<u>-3</u>
Revised Appropriated Amount	6,417
Requested Reprogramming	<u>4,443</u>
Total Estimated Cost	10,860

Description: Military Construction (MILCON) project P-629 constructs a new single story addition to the existing reserve center and demolishes four buildings. The project provides an assembly/drill hall, auditorium, administrative space, training and recruiting space, shower facilities, support spaces, site improvements including grading, roadway paving, curbs, sidewalks, landscaping, fencing, signs, storm-water drainage and parking.

Justification: Higher than expected costs are required to resolve technical issues discovered during the design and demolition phase.

Unforeseen site conditions, including relocation of unmarked utility lines, removal of buried demolition debris, demolition of asbestos and lead-based paint facilities and additional excavation and backfill to mitigate unsuitable soils, contributed to an increase in project costs. Additional cost impacts include a requirement to install a water booster pump to mitigate insufficient fire protection water pressure.

Without this reprogramming Navy Active Duty and Reserve personnel will continue to work and train in overcrowded and substandard facilities.

Source of Funds: Bid savings from the following project are available to fund this requirement.

(Dollars in Thousands)

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Naval Air Station Oceana, VA C-40 Hangar (P-837)	2010	29,667 ¹	18,608 ²	4,443

¹ Reflects FY 2013 sequestration reductions.

² A 10 U.S.C. §2853 cost increase notification will be sent to the congressional committees.

Bid Expiration Date: September 30, 2014

Military Construction, Defense-Wide (DoD Education Activity)

Reprogramming Request

Installation: Camp Foster, Okinawa, Japan

Project: Replace Zukeran Elementary School

Authorization: National Defense Authorization Act for Fiscal Year (FY) 2013,
Public Law 112-239

Estimated Cost (\$000):

Previously Appropriated*	78,932
Sequestration Reduction	<u>-6,094</u>
Revised Appropriated Amount	72,838
Requested Reprogramming	<u>34,562</u>
Total Estimated Cost	\$107,400

**Reflects section 2001 and 3004 in P.L. 113-6*

Description: This project will construct a new multiple story elementary school to replace the existing elementary school that is currently in poor/failing condition. The project will include neighborhoods containing learning studios, learning hubs, group learning/virtual learning, one-to-one teaching spaces, staff planning/collaboration areas and instructional storage; administration areas, miscellaneous offices, guidance counseling center, special education offices, professional development center, health services, flexible labs, art and music rooms, commons, information center, theater/auditorium, gym, food service/kitchen, recycling center, janitorial administration, maintenance support, school supply/storage, technology service center, and other required areas for a fully functioning school. The project includes related infrastructure to include site utilities and site improvements.

Justification: Based on competitive bids received to date, an additional \$34.6 million is needed to award this project and provide for a complete and usable facility that meets mission requirements. The additional funds needed are primarily due to the volatile construction climate in Japan resulting from a wide variety of factors and effects including: natural disasters (the Great Tohoku Earthquake and resultant tsunami); Japanese government policies, economic stimulus, and reform; future planned developments (2020 Tokyo Olympic Games); and supply and demand of labor and materials. Additional factors impacting this specific project include extensive removal and disposal of hazardous material of the existing facility, site topography requires more cut and fill due to the hilly terrain at Zukeran, and temporary relocation of exiting utilities to maintain existing school operations. In addition, the sequestration reduction applied to this project also contributed to the need for a prior approval reprogramming action. The sequestration reduction had a significant and detrimental impact on the ability to provide a complete, functionally adequate, and usable facility.

A Title 10 USC §2853 cost increase notification, dated May 29, 2014, was sent to the congressional committees.

Source of Funds: Bid savings from the following project are available to fund this requirement.

<u>Location / Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>(Dollars in Thousands)</u>	
			<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Kadena AB, JA Replace Stearley Heights ES	2013	66,144 ^{/1}	0 ^{/2}	34,562

^{/1}Reflects reduction associated with the FY 2013 sequestration order.

^{/2}A 10 U.S.C. §2853 cancellation notification, dated March 31, 2014, was sent to the congressional committees.

Bid Expiration Date: Not Applicable
Military Construction, Defense-Wide (Defense Health Agency)
Reprogramming Request

Installation: Joint Base San Antonio (Lackland AFB)
Project: Ambulatory Care Center, Phase 3
Authorization: National Defense Authorization Act for Fiscal Year (FY) 2012, Public Law 112-81

Estimated Cost (\$000):

Previously Appropriated*	106,966
Sequestration Reduction	<u>-5,632</u>
Revised Appropriated Amount	101,334
Requested Reprogramming	<u>19,300</u>
Total Estimated Cost	120,634

**Includes FY 2012 and FY 2013 Increments. Reflects Section 3001 and 3004 rescission in P.L. 113-6.*

Description: This project is the third phase of a four phase Ambulatory Care Center (ACC) that replaces the outpatient functions of the existing Wilford Hall Medical Center (WHMC), a 10 - story, 1000 bed, 1.4 million square foot, inpatient facility constructed in 1957. While care is provided to over 57,000 enrollees, WHMC is also the Air Force's premier training platform for Graduate Medical Education (GME). The new ACC will provide outpatient services to include 29 sub-specialty services, 30 GME training programs, and urgent care services in support of the Greater San Antonio area beneficiaries along with space for the Centers of Medical Excellence program. The ACC will be the primary facility for two of the Military Health System's residency training programs in Dermatology and Ophthalmology.

Justification: Congress authorized \$161.3 million in FY 2012 for Phase Three, and incrementally funded the project in FY 2012 and FY 2013. Due to a very favorable, competitive bidding climate when the construction contract was awarded, significant bid savings were initially realized. As a result, a title 10 USC, Section 2853 cost variation notification was sent to Congress in October 2012 that reported a revised total project cost of \$107 million. Sequestration subsequently reduced funding to a total of \$101.3 million. Mandatory construction changes now require an additional \$19.3 million to complete construction to the original square footage.

The additional \$19.3 million is needed for:

- **Mandatory modifications (\$15.5 million)** as follows:
 - \$5.9 million for modifications to the Ophthalmology clinic to consolidate the refractive eye surgery function into this one building. Other mission-based changes

to the facility include architectural, mechanical and electrical modifications necessitated by growth and retraction within the pulmonology, dermatology, immunology services as well as the modifications of the sleep lab function. These changes are all within the authorized square footage of the project. Some modifications were also due to equipment changes, such as the inclusion of the Magnetic Resonance Imaging (MRI) function.

- \$3.8 million to address phasing and integration issues, design adjustments, and other miscellaneous construction issues.
- \$4.4 million to cover costs associated with the re-sequencing of scheduled activities while these mandatory modifications are being finalized.
- \$1.4 million for miscellaneous construction costs
- **Additional design and technical support (\$1.7 million)**
- **Supervision and Administration/contingency (\$2.1 million)**

An updated 10 U.S.C. §2853 cost increase notification, dated May 9, 2014, was sent to the congressional committees.

Source of Funds: Bid savings from the following projects will fund this requirement.

<u>Project/Location</u>	<u>Fiscal Year</u>	<u>Amount Appropriated*</u>	<u>(Dollars in Thousands)</u>	
			<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Hospital Add/Alt. Fort Stewart, GA	2012	69,845 ¹	50,300 ²	11,000
Medical Clinic Replacement Gulfport, MS	2012	33,638 ¹	24,470 ³	8,300

¹Reflects reductions associated with the FY 2013 sequestration order.

²A 10 U.S.C. §2853 cost reduction notification, dated September 6, 2012, was sent to the congressional committees.

³A 10 U.S.C. §2853 cost reduction notification, dated August 2, 2012, was sent to the congressional committees.