



UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

The Honorable Jerry Moran
Chairman
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
U.S. Senate
Washington, DC 20515

JAN 08 2013

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. Detailed justification for the projects is enclosed.

#	<u>Service/Agency/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request (\$)</u>
	<u>Navy</u>			
1	Naval Station Norfolk, Virginia	Communications Center	2016	39,216,000
2	Naval Air Station Fallon, Nevada	Wastewater Treatment Plant	2014	4,265,000
3	Naval Base Kitsap, Bremerton Washington	Nuclear Repair Facility	2017	3,885,000
	<u>United States Special Operations Command</u>			
4	Fort Bragg, North Carolina	SOF Special Tactics Facility, Phase 3	2017	9,670,000

A similar letter is being sent to the Chairman of the House Subcommittee on Military Construction, Veterans Affairs, and Related Agencies. Thank you for your continued support of Defense programs.

David L. Norquist

Enclosures: As stated

cc:

The Honorable Brian Schatz
Ranking Member



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

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David L. Norquist

Enclosures: As stated

cc:
The Honorable Debbie Wasserman Schultz
Ranking Member

Bid Expiration Date: April 30, 2018

Military Construction, Navy and Marine Corps

Reprogramming Request

Installation: Naval Station Norfolk, Virginia
Project: Communications Center
Authorization: National Defense Authorization Act for Fiscal Year 2016,
Public Law 114-92

Estimated Cost (\$000):

Previously Appropriated	\$75,289
Previously Reprogrammed	\$0
Requested Reprogramming	\$39,216
Total Estimated Cost	\$114,505

Description: This project consolidates administrative, personnel, and operational support functions into a secure, state-of-the-art Command, Control, Communications, Computers and Intelligence (C4I) service center and support facility at Naval Computer and Telecommunication Area Master Station Atlantic (NCTAMS LANT). The project constructs a Communications Center and demolishes eight old and deteriorated buildings.

NCTAMS LANT will be one of four world-wide Defensive Information Operations centers to regionally manage networks and telecommunications, effectively respond to Navy Component and Fleet Commanders, contribute to transparent shared situational awareness, track and characterize cyberspace threats and their relative impact on network operations, monitor and defend the security posture of the networks through distributed defensive cyberspace operations, and enable Commander, Tenth Fleet to standardize command and control of Navy Networks. This reprogramming is essential to meet the C4I equipment delivery, installation, and testing schedule.

Justification: The current funding requirement for additional funds is attributable to the following:

a) Market Conditions (+\$10.500M):

Unexpected improvements in the national economy and increases in local construction contracting opportunities have resulted in less than favorable market conditions and higher pricing than anticipated.

b) Primary Facility Underestimated Cost (+\$11.180M):

Unit costs for the primary facility were based on a composite communication center, administrative office, and warehouse. However, the facility should have been estimated only

as a communication center as that is the predominant space usage in the facility. Because the unit costs for administrative and warehouse spaces are lower than the unit cost for communications centers, the composite unit price failed to adequately capture the true cost of constructing this facility. The unit cost for the communications center was based on a weighted calculation of three facility categories; this weighting was based on what the planning and design team understood the facility floor plan was going to be during early planning efforts. The unit costs for a communications facility would have been more accurately accounted for given the unique facility construction standards required in this facility such as 13"-thick concrete exterior walls, thickened interior walls and raised floors throughout the building to enable SCIF construction, and robust HVAC requirements.

c) Redundant/Secondary Telecommunications (+\$4.365M):

Redundancy requirements for telecommunications duct bank and cabling were not identified during initial project design. A Defense Threat Reduction Agency assessment conducted on the facility later identified that a single fiber-optic and copper communications duct bank is highly vulnerable to sabotage or accidental damage. To mitigate this vulnerability, redundant fiber-optic and copper communications paths that do not share communication points of failure are needed.

d) Primary Facility Telecommunications (+\$4.000M):

Cabling is required to accommodate telecommunications requirements identified after establishment of the budget estimate. As requirements were further refined during project build out and the telecommunications backbone was further developed, it was determined that internal cabling for inside plant requirements is required.

e) Cyber Security (+\$1.600M):

Evolving cyber security requirements for control systems are driving greater cyber security measures than planned. New criteria established after submission of the budget estimate include increased requirements such as a systems assessment and a system testing and hygiene report to identify all equipment, personnel, and maintenance plans to ensure no vendor access of the equipment systems.

f) Demolition (+\$1.172M):

The cost for demolition of facilities was underestimated. While the original scope included phased demolition, with four facilities being demolished at the start of construction to clear the site for the project and the remaining four facilities to be demolished after completion of the project, the cost for the contractor to de-mobilize and re-mobilize later was underestimated. Additionally, the facility that serves as the existing communication center has highly specialized equipment and electrical utilities, further increasing the cost of demolition.

g) Computer Room Air Handler Units Requirement (+\$1.000M):

The costs for computer room air handler units were underestimated. The units are required to mitigate hot spots that result from server rooms and are critical for mission equipment to operate as commercial cooling (air conditioning for administrative spaces). The server room layout and exact equipment room cooling solution was identified after submission of the budget estimate.

h) Clean Agent Fire Protection System Evolving Criteria (+\$0.829M):

DoD Unified Facilities Criteria issued after submission of the budget estimate requires a clean agent fire protection system for communications centers. This system uses a gas to smother the fire, rather than water, to help prevent damage to the equipment used in communication centers.

i) Increase in Contingency and Supervision, Inspection & Overhead Costs (+\$4.570M):

The contingency and SIOH amounts have increased due to higher construction costs.

Source of Funds: Savings from the following project(s) are cited as a source of funds for this cost increase.

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>(Dollars in Thousands)</u>		
		<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Joint Region Marianas, Guam Aircraft Maintenance Hangar - North Ramp (P109)	2014	85,673	63,673 ^{1/}	17,900
Pearl City, HI Water Transmission Line (P493)	2014	8,798 ^{2/}	0 ^{3/}	8,798
SW Asia, Bahrain Island Ship Maintenance Support Facility (P970)	2016	52,091	40,935 ^{4/}	5,715
Joint Region Marianas, Guam Modular Storage Magazines (P425)	2014	63,382	58,382 ^{5/}	4,636
Bremerton, WA Integrated Water Treatment Sys Dry Docks 3&4 (P420)	2014	12,705 ^{6/}	12,053 ^{7/}	652
Bremerton, WA Integrated Water Treatment System DD 1, 2,& 5 (P422)	2015	13,137 ^{8/}	12,511	626
Coronado, CA Coastal Campus Utilities (P998)	2016	4,856	4,241	615
Lemoore, CA F-35C Training Facilities (P379)	2016	8,187	7,987	200
Coronado, CA H-60 Trainer Facility (P957)	2014	8,672 ^{9/}	8,598	74
Total				39,216

^{1/} A 10 U.S.C. §2853 cost reduction notification dated August 25, 2014 was sent to the Congressional committees.

^{2/} Reflects a revised PA of \$8.798M as a result of a \$4.214M reprogramming decrease approved by Congress in September 2016, an \$8.330M reprogramming decrease approved by Congress in November 2016, and an \$8.758M reprogramming decrease approved by Congress in November 2016.

^{3/} A 10 U.S.C. §2853 cost reduction notification dated July 19, 2016 was sent to the Congressional committees.

^{4/} A 10 U.S.C. §2853 cost reduction notification dated April 27, 2017 was sent to the Congressional committees.

^{5/} A 10 U.S.C. §2853 cost reduction notification dated August 26, 2014 was sent to the Congressional committees.

^{6/} Reflects a revised PA of \$12.705M as a result of a \$5.484M reprogramming decrease approved by Congress in July 2016.

^{7/} A 10 U.S.C. §2853 cost reduction notification dated August 26, 2014 was sent to the Congressional committees.

^{8/} Reflects a revised PA of \$13.137M as a result of a \$1.264M reprogramming decrease approved by Congress in July 2016 and a \$2.000M reprogramming decrease approved by Congress in July 2016.

^{9/} Reflects a revised PA of \$8.672M as a result of a \$0.238M reprogramming decrease approved by Congress in July 2016.

Bid Expiration Date: May 23, 2018

Military Construction, Navy and Marine Corps

Reprogramming Request

Installation: Naval Air Station Fallon, Nevada
Project: Wastewater Treatment Plant
Authorization: National Defense Authorization Act for Fiscal Year 2014,
Public Law 113-66

Estimated Cost (\$000):

Previously Appropriated	\$11,334
Previously Reprogrammed	\$0
Requested Reprogramming	\$4,265
Total Estimated Cost	\$15,599

Description: This project replaces the existing wastewater treatment plant and associated operations building. The project replaces the existing sequencing batch reactor treatment system with a membrane bioreactor continuous-flow treatment system that will utilize treatment reactors and de-nitrification to meet National Pollutant Discharge Elimination System permit requirements.

In August 2009, the State of Nevada issued the first Administrative Order of Consent to formally memorialize the activities proposed by Naval Air Station (NAS) Fallon to ensure compliance with the regulatory requirements associated with the wastewater treatment plant operating permit. The current Administrative Order on Consent between NAS Fallon and the State of Nevada states that construction must be completed by March 30, 2019. Failure to meet this date could cause the state to revoke the permit allowing NAS Fallon wastewater treatment plant to operate. This has a potential cost impact of one million dollars per day to truck and dispose of wastewater off site and invite greater environmental regulatory scrutiny from the State of Nevada.

Justification: The current funding requirement for additional funds is attributable to the following:

a) Market Conditions (+\$3.841M):

Bids received were higher than the estimated cost previously programmed. Recent data indicates market conditions are affecting bids throughout Arizona, Utah, California and northern Nevada due to major commercial, industrial and utility projects. There are currently five large scale projects under construction within this area: Apple 2 Campus (\$5B) in Cupertino, CA; Apple Command Center (\$2B) in Mesa, AZ; ECHO Wastewater Treatment Projects (\$1.6B) in Sacramento, CA; Tesla Gigafactory (\$5B) in Sparks, NV; and the Los Angeles Rams Stadium (\$2.6B) in Los Angeles, CA. These increases in local construction contracting opportunities have caused spikes in costs and a shortage in skilled labor trades in the region. Consequently, prime contractors have had to hire subcontractors based further

away from the project. These current conditions contribute to additional costs not considered during the cost development of the project.

This project has had two scope reductions. The first scope reduction reduced the authorized quantity from 750 thousand gallons to 364 thousand gallons. The original scope was 750 thousand gallons as that was the capacity of the existing plant and the facility was originally planned as a one-for-one replacement project. However, during design the engineers identified that the most effective technical solution was to design for the actual load and anticipated growth demand, which was less than 750 thousand gallons. This was achieved through value engineering with sewer pipe lining projects (that prevent infiltration from ground water) and cross connection surveys (that prevent storm sewer from draining into sanitary sewer), resulting in less capacity required for treatment systems.

During the last year, the project has been solicited twice. Initially under a Multiple Award Construction Contract (MACC) which yielded limited competition. After learning that a city in the vicinity of Fallon had recently constructed a Wastewater Treatment Plan (WWTP) of similar size, the project was solicited full and open competition in an effort to award the project at a lesser amount. When bids came in higher than anticipated, an additional scope reduction (to the operations building) was developed during discussions with contractors. Despite the two scope reductions, a reprogramming is still required since the increase driven by market conditions is greater than the cost reductions associated with the scope decreases.

b) Increase in Contingency and Supervision, Inspection & Overhead Costs (+\$0.424M):

The contingency and SIOH amounts have increased due to higher construction costs.

Source of Funds: Savings from the following projects are cited as a source of funds for this cost increase.

<u>Location/Project</u>	<u>(Dollars in Thousands)</u>		<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
	<u>Fiscal Year</u>	<u>Amount Appropriated</u>		
Okinawa, Japan Airfield Securities Upgrade (P201)	2014	5,820	2,722 ^{1/}	3,098
Kaneohe Bay, HI Aircraft Maintenance Expansion (P864)	2014	16,968	16,000	968
Camp Lejeune, NC Sim Integratn/Range Control Fac (P1346)	2016	54,849	42,507 ^{2/}	199
			Total:	4,265

^{1/}A 10 U.S.C. §2853 cost reduction notification dated 1 July 2014 was sent to the Congressional committees.

^{2/}A 10 U.S.C. §2853 cost reduction notification dated 13 December 2016 was sent to the Congressional committees.

Bid Expiration Date: April 30, 2018

Military Construction, Navy and Marine Corps

Reprogramming Request

Installation: Naval Base Kitsap - Bremerton, Washington
Project: Nuclear Repair Facility
Authorization: National Defense Authorization Act for Fiscal Year 2017,
Public Law 114-328

Estimated Cost (\$000):

Previously Appropriated	6,704
Previously Reprogrammed	0
Requested Reprogramming	3,885
Total Estimated Cost	10,589

Description: Constructs a multi-story, steel-frame, reinforced-concrete nuclear repair facility with built-up roof and concrete foundation. The facility will include laboratory, light industrial, personnel support, storage and administrative areas.

Justification: The current funding requirement for additional funds is attributable to the following:

a) Construction Market Conditions (+ \$3.418M):

Improvements in the national economy and increases in local construction contracting opportunities have resulted in less than favorable market conditions and higher pricing than budgeted. There are currently over 65 major buildings under construction in Seattle with a total value of over \$3.5 billion, more than at any point since 2005, with dozens more projects in the pipeline. The Navy has over 13 major construction projects in the Pacific Northwest with a total value of over \$868 million and more planned in the near future. The combination of Navy and non-Navy construction projects places competitive demands on labor, subcontractors and material suppliers which has resulted in higher than expected contractor proposals.

b) Increase in Contingency and Supervision, Inspection & Overhead Costs (+ \$0.467M):

The contingency and SIOH amounts have increased due to higher construction costs.

Source of Funds: Savings from the following project are cited as a source of funds for this cost increase.

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>(Dollars in Thousands)</u>		<u>Proposed Reprogramming</u>
		<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	
Joint Region Marianas, Guam Aircraft Maintenance Hangar - North Ramp (P109)	2014	85,673	63,673 ^{1/}	3,885
Total				3,885

^{1/} A 10 U.S.C. §2853 cost reduction notification dated August 26, 2014 was sent to the Congressional committees.

Bid Expiration Date: April 7, 2018

Military Construction, Defense-Wide (U.S. Special Operations Command)

Reprogramming Request

Installation: Fort Bragg, North Carolina

Project: SOF Special Tactics Facility, Phase 3

Authorization: National Defense Authorization Act for Fiscal Year (FY) 2017,
P.L. 114-328

Estimated Cost (\$000):

Previously Appropriated	30,670
Previously Reprogrammed	-
Requested Reprogramming	9,670
Total Estimated Cost	40,340

Description: Construct two team buildings, individual storage unit building, a combat support team maintenance facility and equipment barn to serve Joint Special Operations Command elements at Aberdeen Training Facility, Fort Bragg, North Carolina.

Justification: Based on multiple bids received to date, an additional \$9.7 million is required to award this project for the full scope needed to meet mission requirements. The increase in cost is associated with changing market conditions as the cost for labor and materials are increasing due to the increased volume of construction projects in the region. In addition, a lack of skilled labor that can meet the security requirement for working in a secured compound results in a higher than typical labor rate. These additional costs were unforeseen at the time the project was initially estimated.

A 10 USC 2853 notification was submitted to Congress on October 30, 2017.

Source of Funds: Savings from the following projects are available to fund this requirement:

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>(Dollars in Thousands)</u>		
		<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Ft. Carson, CO/ SOF Ground Support Battalion	2014	22,282	19,876	335

<u>Location/Project</u>	<u>Fiscal Year</u>	(Dollars in Thousands)		
		<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Ft. Bragg, NC/ SOF Regional Studies & Education Center	2014	64,606	62,403	44
Torii Station, JA/ SOF facility Augmentation	2014	63,621	62,450	870
Ft. Campbell, KY/ SOF System Integration MX Office Facility	2015	16,474	14,937	537
Ft. Bragg, NC/ SOF Training Command Building	2015	48,062	44,115	1,947
NAS Fallon, NV/ SOF Tactical GMV Maintenance Facility	2015	20,241	20,389	503 ^{1/}
Coronado, CA/ SOF Logistics Support Unit One Operations Facility #1	2015	41,740	37,142	1,063
Coronado, CA/ SOF Support Activity Operations Facility #2	2015	28,600	24,871	623
MacDill AFB, FL/ SOF Operational Support Facility	2016	39,142	38,137	1,000
Ft. Bragg, NC/ SOF Battalion Operations Facility	2016	38,649	37,565	983
Coronado, CA/ SOF Seal Team Operations Facility	2017	47,290	37,097 ^{2/}	1,765
			Total:	9,670

^{1/}Funds are available since \$2.0 million of FY 2011 funds were used to award this project.

^{2/}A Title 10 USC 2853 notification was submitted to Congress on October 5, 2017.