



UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

COMPTROLLER

OCT 22 2018

The Honorable John Carter  
Chairman  
Subcommittee on Military Construction,  
Veterans Affairs, and Related Agencies  
Committee on Appropriations  
U.S. House of Representatives  
Washington, DC 20510

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>Army</u>			
1	Fort Sill, Oklahoma	Reception Barracks Complex Ph2	2016	9,400,000
2	Fort Leonard Wood, Missouri	Fire Station	2017	3,255,000
	<u>Navy</u>			
3	Annapolis, Maryland	Center for Cyber Security Studies Building	2015	23,156,000
4	Redzikowo Base, Poland	Aegis Ashore Missile Defense Complex	2016	14,987,000

A similar letter is being sent to the Chairman of the Senate 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 Debbie Wasserman Schultz  
Ranking Member



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OCT 22 2018

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

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Enclosures:  
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cc:  
The Honorable Brian Schatz  
Ranking Member

Bid Expiration Date: November 29, 2018

Military Construction, Army

Reprogramming Request

Installation: Fort Sill, Oklahoma

Project: Reception Barracks Complex Phase 2

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016,  
Public Law 114-92.

Estimated Cost (\$000):

Previously Appropriated	56,000
Previously Reprogrammed	0
Requested Reprogramming	9,400
Total Estimated Cost	65,400

Description: This project will construct Phase 2 (\$56M) of a two phase project. Phase 1 was authorized in FY12 to construct a new battalion headquarters and an in-processing facility for \$36 million. Phase 2 of the project will support four Basic Training Battalions and is required to provide housing and company operations facilities for Initial Entry Training (IET) Soldiers during their in-processing into the Army. Barracks and company operations are required to replace temporary re-locatable facilities and deteriorating permanent facilities. The barracks and company operations are required to be co-located with the facilities constructed in Phase 1.

Justification: This \$9.4 million increase is based on both an increase in labor and material as well as new construction requirements. Changing market conditions in the region has reduced supply of labor and material in the construction market, which resulted in increased cost. Additional increased cost is also due to a new requirement to elevate the facility due to a revision of flood plain maps effective after siting the project. Phase 2 must be co-located with Phase 1 of the site and requires construction at the higher elevation. Tribal Reviews of the project were required before the final design could be completed, further delaying the timeline. The design also incorporates inclement weather shelter-in-place spaces that were not originally identified.

The project was advertised in November 2017 as a Best Value acquisition. Based on the range of proposals received, the Army decided to open discussions with the vendors. Multiple rounds of discussions ensued and the winning proposal resulted in an Award Current Working Estimate (CWE) approximately \$9.4 million above the programmed amount.

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

<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>
Fort Drum, NY Unmanned Aerial Vehicle Hanger	2015	22,725 <sup>1/</sup>	21,325	1,400
Fort Hood, TX Simulation Center	2015	73,000 <sup>2/</sup>	62,867 <sup>3/</sup>	8,000
Total				9,400

<sup>1/</sup> This project was appropriated at \$27 million. The Army reprogrammed \$4.275 million to the Command and Control facility at Fort Gordon (action was approved on December 8, 2016).

<sup>2/</sup> This project was appropriated at \$46 million. The Army reprogrammed \$27 million to the Simulation Center at Fort Hood, TX (action was approved February 28, 2017).

<sup>3/</sup> A 10 U.S.C. §2853 cost reduction notification, dated June 8, 2018, was sent to the congressional committees, reflecting a CWE of \$62.867 million.

Bid Expiration Date: December 31, 2018

Military Construction, Army

Reprogramming Request

Installation: Fort Leonard Wood, Missouri

Project: Fire Station

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2017,  
Public Law 113-66

Estimate Cost (\$000):

Previously Appropriated	6,900
Previously Reprogrammed	0
Requested Reprogramming	3,255
Total Estimated Cost	10,155

Description: This project constructs a standard-design, one-company, headquarters fire station. If this facility is not provided, the Fort Leonard Wood fire department cannot meet mandated emergency response times to the eastern side of the installation, which includes family housing, permanent party and training barracks, warehouses and schools.

Justification: An additional \$3.255 million is required to award a contract for this project, based on the actual successful bid. With eight contractors submitting bids, there was a competitive environment.

Several items required to provide a standard-design fire station were not included in the initial cost estimate. These include a standby generator, intrusion detection system, and closed-circuit television. The addition of these items is the principal reason for the cost increase above the amount requested for the project.

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

<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>
Fort Irwin, CA Unmanned Aerial Vehicle Hangar	2015	45,000	36,200 <sup>1/</sup>	3,255
Total				3,255

<sup>1/</sup> A 10 U.S.C. §2853 cost reduction notification dated June 18, 2018 was sent to the congressional committees reflecting a current working estimate (CWE) of \$35.5 million. The current CWE reflects cost to complete the project, based on actual costs and pending changes to date.

Bid Expiration Date: N/A  
Military Construction, Navy  
Reprogramming Request

Installation: Annapolis, Maryland

Project: Center for Cyber Security Studies Building

Authorization: Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015, Public Law 113-291

Estimated Cost (\$000):

Previously Appropriated	120,112
Previously Reprogrammed	0
Requested Reprogramming	23,156
Total Estimated Cost	143,268

Description: Constructs a five-story academic building at the Naval Academy, including classrooms, teaching and research laboratories, lecture halls, offices, multi-purpose space, observatory and loading dock. The facility includes a research and testing tank in support of the engineering and weapons laboratories. The project includes a Secure Compartmented Intelligence Facility. The building will house the newly established Center for Cyber Security Studies, as well as collocating three existing academic departments. The project also provides a multi-level 300-space parking garage (completed in April 2018).

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

- a) Parking Garage Unforeseen Items (+\$7.680 million): Unforeseen site conditions were encountered during construction, requiring design and cost changes as described below.
- Reconfigured a water main.
  - Redesigned the exterior panels to satisfy the State Historic Preservation Office.
  - Added work to address unforeseen concrete debris encountered during construction, including an old concrete foundation and structures.
  - Modified the elevator machine room and hydraulic lines to meet current standards.
  - Relocated a hot water line.
  - Removed transite (concrete containing asbestos) pipe and contaminated soils.
  - Removed an abandoned water treatment plant underground water tanks. Initial plans assumed the piles could puncture through the tanks. However, the tanks were too thick to be punctured and required removal.
  - Provided additional foundation drains.

- Added design effort after construction award exceeding the amount budgeted to address quality of work issues.
- b) Academic Building Unforeseen Items (+\$9.718 million): Unforeseen site conditions were encountered during construction, requiring design and cost changes as described below.
- Corrected building elevation design discrepancies; documents initially submitted to contractor showed incorrect adjacent building elevations.
  - Removed unforeseen contaminated soils.
  - Labeled existing feeders inside manholes.
  - Changed the type of piles; concrete piles were initially used until obstructions were encountered. Steel piles were substituted to penetrate the obstructions, more piles and reconfigured pile caps were needed due to differing subsurface conditions. Fire hydrant relocated to de-conflict with pile location.
  - Relocated a primary power line to the outside building footprint and relocated an active duct bank that was obstructing placement of the utility platform foundation.
  - Located a missing manhole and repaired crushed conduits.
  - Redesigned the storm water management plan to obtain Maryland Department of the Environmental permit.
  - Upgraded switchgear and associated items for improved functionality (unsuitable soil, abandoned structures, and active utilities were found at the switchgear location and needed to be corrected).
  - Addressed new OSHA standards.
  - Extended and relocated a gas line at the substation.
  - Stabilized the berm at McNair Road.
  - Provided a water connection to contractor trailers.
  - Added design effort after construction award exceeding the amount budgeted to address contractor Requests for Equitable Adjustment, project change orders, and quality of work issues.
- c) Delay Costs (+\$3.0 million): Added costs for government-caused delays.
- d) Increase in contingency and Supervision, Inspection & Overhead (SIOH) costs (+\$2.758 million): The contingency and SIOH amounts have been increased due to higher construction costs.

<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>	
Kings Bay, GA Industrial Control System Infrastructure	2016	8,099	0 <sup>1/</sup>	8,099
Sigonella, Italy P-8A Hangar and Fleet Support Facility	2016	62,302	54,143 <sup>2/</sup>	7,500
Pearl Harbor, HI UEM Interconnect Sta C to Hickam	2016	6,335	0 <sup>3/</sup>	6,335
Camp Butler, Japan Military Working Dog Facilities (Camp Hansen)	2016	11,697	10,197	1,222
Total				23,156

<sup>1/</sup> A 10 U.S.C. §2853 cost reduction notification dated August 8, 2018 sent to the Congressional committees.

<sup>2/</sup> A 10 U.S.C. §2853 cost reduction notification dated March 8, 2017 was sent to the Congressional committees.

<sup>3/</sup> A 10 U.S.C. §2853 cost reduction notification dated August 13, 2018 was sent to the Congressional committees

Bid Expiration Date: December 18, 2018

Military Construction, Navy

Reprogramming Request

Installation: Redzikowo Base, Poland  
Project: AEGIS Ashore Missile Defense Complex  
Authorization: National Defense Authorization Act for Fiscal Year 2016,  
Public Law 114-92

Estimated Cost (\$000):

Previously Appropriated	51,270
Previously Reprogrammed	0
Requested Reprogramming	14,987
Total Estimated Cost	66,257

Description: Constructs the support facilities for the personnel operating the Aegis Ashore Missile Defense System (AAMDS) in Redzikowo, Poland. The construction will consist of steel frames, insulated steel walls, built-up roof, concrete floors and pile foundations. The facilities include a public works building, fire station, general warehouse, post office, barracks, dining facility, fitness center, medical clinic, recreation center, Navy exchange, administrative spaces and a formal command entrance. Also to be provided are the access and security control facilities that includes a gate house, vehicle inspection area, overhead cover, guard tower, operations control center, armory and administrative spaces.

Justification: The project cost increases are a result of the following:

- a) Utility Infrastructure Delays (+\$8.681 million): The utility infrastructure that will deliver permanent power and domestic water supply to P401 will be constructed as part of the Missile Defense Agency (MDA) Military Construction Project, MDA-640. The MDA project has been delayed by more than a year, and the projected date of completion for the utilities construction is April 2019. P401 is currently at 90% physical completion but will not be able to progress to the commissioning phase without site wide utilities, including permanent power and domestic water supply. The increased authorization costs are associated with funding the overhead costs to extend the current construction contract from December 2018 to November 2019 to provide temporary power to run HVAC and lighting systems at the minimum levels in order for finishing work to continue. Since permanent utilities are not projected to be complete until April 2019, the construction contract for P401 will need to be extended until November 2019 to complete

commissioning activities. The delay costs associated with the lack of permanent utilities include:

- Field overhead costs to extend the construction contract from December 2018 to November 2019 since permanent utilities are not expected until April 2019. Temporary climate controls from October 2018 to June 2019 are required since temporary power is needed to run HVAC and lighting systems at minimum levels in order for finishing work to continue. This will also provide heat during the winter months.
- Maintaining finished facilities from December 2018 to November 2019.

b) Design deficiencies and omissions (+ \$4.932 million):

During construction, multiple design errors and omissions were discovered. The design had to be modified after contract award to comply with current building codes, provide functional systems and properly coordinate critical systems. The design deficiencies and omissions costs include:

- Walls cracking due to improper door designs and structural bracing, and inadequate wall sound ratings that allowed noise levels above acceptable requirements.
- Initial design of communication infrastructure did not provide code-required pathways and spaces.
- Other miscellaneous design errors: transformer pad relocation to coordinate with Navy Exchange, realignment of stairs to align with landings, relocation of power connections to coordinate with equipment and modifications to the fire alarm systems to comply with safety requirements.

c) Increase in Contingency and Supervision, Inspection & Overhead Costs (+ \$1.374 million):

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>Fiscal Year</u>	<u>(Dollars in Thousands)</u>		<u>Proposed Reprogramming</u>
		<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	
Sigonella, Italy Triton Hangar and Operation Facility	2016	36,542 <sup>1/</sup>	26,141 <sup>2/</sup>	6,757
Lemoore, CA F-35C Engine Repair Facility	2017	26,723	22,873	3,850
Jacksonville, FL Fleet Support Facility Addition	2016	8,455	6,342	2,113
SW Asia, Bahrain Island Ship Maintenance Support Facility	2016	46,376 <sup>3/</sup>	44,376	1,667
Jacksonville, FL P-8A Runway Thresholds and Taxiways	2015	16,295 <sup>4/</sup>	15,695	600
Total				14,987

<sup>1/</sup> Reflects a revised PA of \$36.542M as a result of a \$4.099M reprogramming decrease approved by Congress in August 2017.

<sup>2/</sup> A 10 U.S.C. §2853 cost reduction notification dated March 10, 2017 was sent to the Congressional committees.

<sup>3/</sup> Reflects a revised PA of \$46.376M as a result of a \$5.715M reprogramming decrease approved by Congress in March 2018.

<sup>4/</sup> Reflects a revised PA of \$16.295M as a result of a \$5.357M reprogramming decrease approved by Congress in July 2016.