



UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

COMPTROLLER

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

NOV 21 2018

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>Defense Health Agency</u>			
1	Naval Shipyard, Portsmouth, Maine	Medical/Dental Clinic Replacement	2017	10,300,000
	<u>DoD Education Activity</u>			
2	Dover Air Force Base, Delaware	Welch Elementary School/ Dover Middle School Replacement	2017	10,406,000
	<u>Special Operations Command</u>			
3	Fort Bragg, North Carolina	SOF Tactical Equipment Maintenance Facility	2017	11,135,000
4	Fort Bragg, North Carolina	SOF Tactical Equipment Maintenance Facility	2018	4,502,000

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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1 100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

COMPTROLLER

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

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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

Bid Expiration Date: December 31, 2018

Military Construction, Defense-Wide (Defense Health Agency)

Reprogramming Request

Installation: Naval Shipyard, Portsmouth, Maine

Project: Medical/Dental Clinic Replacement

Authorization: National Defense Authorization Act for Fiscal Year (FY) 2017, Public Law 114-328

Estimated Cost (\$000):

Previously Appropriated	27,100
Previously Reprogrammed	-
Requested Reprogramming	10,300
Total Estimated Cost	37,400

Project Description: This project constructs a multi-story Medical/Dental Clinic Replacement project at Naval Shipyard, Portsmouth, Maine that includes Medical Homeport, Optometry, Undersea Medicine, Dental, and Mental Health services along with Ancillary Support spaces. Supporting facilities include utilities, site improvements, parking, and environmental protection measures. The existing branch health clinic will be returned to the Naval Shipyard.

Justification: Based on bids received to date, an additional \$10.3 million is needed to award this project and provide the facilities needed to meet mission requirements. Additional funds are required due to:

- a) Construction market conditions (\$3.4 million): Limited competition due to the limited availability of contractors with medical facility experience, in combination with a willingness to execute on a challenging construction site, have increased costs significantly.
- b) Material and labor costs (\$2.2 million): The escalation of materials and labor costs have caused a sharp increase in the project costs.
- c) Building foundation (\$2.0 million): Unstable island soils and excessive debris found at the timber basin present an unacceptable risk to structures which requires modification to the building foundation to provide sufficient support (i.e. micro-piles socketed into bedrock). This work requires the use of specially qualified subcontractors.

- d) Site constraints (\$1.4 million): Reduced on-site laydown area requiring increased staging away from the project site has resulted in additional costs to store and transport materials.
- e) Unexpected soil conditions (\$1.3 million): Costs have increased due to the abatement and removal of contaminated, hazardous soils, which were unknown at the time the project was budgeted.

A 10 USC §2853 notification was submitted to Congress on July 18, 2018.

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

<u>Location/Project</u>	(Dollars in Thousands)			
	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Kaneohe Bay, HI Medical/Dental Replacement	2016	122,071	93,000 <sup>1/</sup>	10,300

<sup>1/</sup> A 10 USC §2853 notification was submitted to Congress on August 17, 2016.

Bid Expiration Date: February 28, 2019

Military Construction, Defense-Wide (DoD Education Activity)

Reprogramming Request

Installation: Dover Air Force Base, Delaware

Project: Welch Elementary School/Dover Middle School Replacment

Authorization: National Defense Authorization Act for Fiscal Year (FY) 2017, Public Law 114-328

Estimated Cost (\$000):

Previously Appropriated	44,115
Previously Reprogrammed	-
Requested Reprogramming	10,406
Total Estimated Cost	54,521

Description: This project includes construction of a 105,549 SF multi-story, consolidated elementary/middle school and athletic fields, and demolition of the 126,398 SF existing elementary/middle school on Dover Air Force Base. The new facility will meet DoDEA 21<sup>st</sup> Century School Design requirements.

Justification: Based on bids received to date, an additional \$10.4 million is needed to award this project and provide for a complete and useable facility that meets mission requirements. The additional funds are needed due to the following:

- a) Market Conditions and Construction Climate (\$8.6 million): Proposals received were significantly higher than the estimated cost due primarily to an unexpected increase in construction materials (\$7.0 million due to the increased costs of building materials notably lumber, plywood, steel, aluminum, and ready mix concrete) and high demand of contractor skilled and unskilled labor (\$1.6 million due to increased labor rates for building, electrical and integrated automations). These increased costs were not anticipated when this project was originally programmed.
- b) Increased Contingency and Supervision, Inspection, and Overhead (SIOH) (+\$1.8 million): These costs have increased due to higher construction costs.

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

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	(Dollars in Thousands)	
			<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
NAVSTA Rota, Spain/ Rota Elem/High School Additions	2016	13,737	9,233	451
Brussels, Belgium/ Brussels Elem/High School Replacement	2015	41,626	34,603	4,523
Misawa AB, Japan/ Edgren High School Renovation	2015	37,775	31,462	3,312
Fort Jackson, SC Pierce Terrace ES	2016	35,477	31,866	1,111
Kadena AB, Japan/ Kadena Elementary School Replacement	2017	84,918	81,908	1,009
Total				10,406

Bid Expiration Date: December 31, 2018

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

Reprogramming Request

Installation: Fort Bragg, North Carolina

Project: SOF Tactical Equipment Maintenance Facility

Authorization: National Defense Authorization Act for Fiscal Year (FY) 2017, Public Law 114-328

Estimated Cost (\$000):

Previously Appropriated	23,598
Previously Reprogrammed	-
Requested Reprogramming	11,135
Total Estimated Cost	34,733

Description: This project constructs a standard tactical equipment maintenance facility complex. The project includes a large standard vehicle maintenance facility, tactical organization vehicle parking, organizational storage, petroleum and other hazardous material storage. Supporting facilities include all site related features to make the complex complete and usable.

Justification: Based on three separate solicitations, an additional \$11.135 million is required to award this project for the full scope needed to meet mission requirements. The cost increase is primarily attributed to delays in the project execution and changes to the construction market during those delays. Funds are needed to address the following:

- a) Project delays and changing market conditions (\$6.65 million): In attempts to produce more favorable bids, this project was solicited three times. Project costs have escalated due to a healthy construction market where contractors are not lacking in work and can bid higher than typical since they have many opportunities to obtain work. As a result, three separate solicitations efforts were undertaken to award this project. The original estimated cost of this project did not account for these current market conditions. In addition, the delay in awarding this project by 18 months has also added to the cost.
- b) Additional soil costs (\$0.485 million): Excess soil from a road project on base was planned to be used to raise the construction site. However, this soil is no longer available, necessitating 25,000 cubic yards of soil to be imported from outside of the installation at a higher cost.

- c) Changes in actual design fees (\$1.5 million): Design fees on the design-build proposals came in higher than the programmed amount.
- d) Increased Contingency and Supervision, Inspection and Overhead (SIOH) (\$2.5 million): These costs have increased due to the higher construction costs.

A 10 USC §2853 notification was submitted to Congress on September 6, 2018.

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

<u>Location/Project</u>	(Dollars in Thousands)			
	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Naval Base Coronado, CA SOF SEAL Team Ops Facility (P892)	2018	66,218	49,562 <sup>1/</sup>	11,135

<sup>1/</sup> A 10 USC §2853 notification was submitted to Congress on August 16, 2018.

Bid Expiration Date: March 29, 2019

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

Reprogramming Request

Installation: Fort Bragg, North Carolina  
Project: SOF Tactical Equipment Maintenance Facility  
Authorization: National Defense Authorization Act for Fiscal Year (FY) 2018,  
Public Law 115-91

Estimated Cost (\$000):

Previously Appropriated	20,000
Previously Reprogrammed	-
Requested Reprogramming	4,502
Total Estimated Cost	24,502

Description: This project constructs a two-story tactical equipment maintenance facility. The project includes petroleum/oil/lubricants (POL) and hazardous waste storage building; organizational storage buildings and organizational vehicle parking. Supporting facilities include all site related features to make the complex complete and usable.

Justification: Based on bids received, an additional \$4.502 million is required to award this project at the full scope needed to meet mission requirements. The cost increase is primarily attributed to changes in construction market conditions. Funds are needed to address the following:

- a.) Changing market conditions (\$2.404 million): The increased cost reflects the current market and labor conditions in this region. Escalated costs are due to a healthy construction market where contractors are not lacking in work and can bid higher than typical since they have many opportunities to obtain work. The original estimated cost of this project did not account for these current market conditions.
- b.) Changes in actual design fees (\$0.537 million): Actual design fees on the design-build proposals came in higher than the programmed amount.
- c.) Increased Contingency and Supervision, Inspection and Overhead (SIOH) (\$1.561 million): These costs have increased due to the higher construction costs.

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

<u>Location/Project</u>	(Dollars in Thousands)			
	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Naval Base Coronado, CA SOF SEAL Team Ops Facility (P892)	2018	66,218	49,562 <sup>1/</sup>	4,502

<sup>1/</sup> A 10 USC §2853 notification was submitted to Congress on August 16, 2018.