



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

COMPTROLLER

DEC 14 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 Gordon, Georgia	Company Operations Facility	2017	5,200,000
	<u>Navy</u>			
2	Patuxent River, Maryland	UCLASS RDT&E Hangar	2017	9,616,000
	<u>Defense Health Agency</u>			
3	Fort Bliss, Texas	Hospital Replacement	2010	116,676,000

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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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:  
As stated

cc:  
The Honorable Brian Schatz  
Ranking Member

Bid Expiration Date: January 13, 2019

Military Construction, Army

Reprogramming Request

Installation: Fort Gordon, Georgia

Project: Company Operations Facility

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

Estimated Cost (\$000):

Previously Appropriated	10,600
Previously Reprogrammed	-
Requested Reprogramming	5,200
Total Estimated Cost	15,800

Description: This project provides a Company Operations Facility (COF) to support Headquarters Army Cyber Command/Second Army, Joint Force Headquarters Cyber, and Cyber Protection Team requirements. Based upon equipment and personnel assigned to these activities, there is a need for a company operations facility and organizational classroom space to support the U.S. Army's Cyber Mission that are collocated with the National Security Agency in Georgia. This facility supports the operational mission to evaluate and defeat cyber threats and provides specialized deployment readiness requirements, preparation, and staging space that cannot be met in existing facilities. This allows operations on information technology domains at tactical, operational, and strategic levels to achieve information dominance and facilitate military and national objectives.

Justification: This project was include in the FY 2017 Army Military Construction (MILCON) program as a late addition. It was submitted by the Chief of Staff of the Army as an Unfunded Requirement. The Current Working Estimate (CWE) based on the lowest bid of \$15.8 million, which exceeds the programmed amount by 49 percent. The additional request of \$5.2 million is required to award the project at full scope. The project was submitted as if it was a standard COF; however, special features were added during design to accommodate cyber requirements which contributed to increase in cost. The special features include an open and closed storage of cyber deployment computer-kits increased costs by approximately \$2 million. Isolating this space, adding shielding, surveillance and intrusion/entry automation raised the unit cost of the work area. Cyber Security measures were added to be compliant with DoD/Army Regulations which added approximately \$1 million to secure communications. More robust and special foundation were included to stabilize the soil, adding about \$0.5 million to project costs.

Additionally, the construction industry in this area, and around the country, is experiencing cost escalation due to a lack of skilled labor, increased demand for construction materials and rising fuel prices. Sudden expansive growth at Fort Gordon due to the concentration of Army cyber capabilities by building Army Cyber Command Headquarters and the multiple Cyber Instructional Facilities have exacerbated the rising construction costs in this local market. These costs dominate the remaining \$1.7 million increase.

These factors were unforeseen during the initial programming phase. The Programmed Amount (PA) did not take into account the total increase of \$5.2 million from the added cost of special features (\$3.5 million) nor the unforeseen change in market conditions (\$1.7 million). The CWE represents current pricing for the work as it was based on competitive bids that were all in the same range.

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

<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>
Fort Irwin, CA Unmanned Aerial Vehicle Hangar	2015	45,000 <sup>1/</sup>	36,200 <sup>2/</sup>	5,200
Total				5,200

<sup>1/</sup> This project was used as a bill-payer in a previous Army reprogramming for the Fort Leonard Wood Fire Station for \$3.255 million (on withhold), leaving \$41.745 million available from the amount appropriated. The appropriated amount in the table above reflects the original programmed amount as the previous reprogramming has not yet been approved.

<sup>2/</sup> A 10 U.S.C. §2853 cost reduction notification dated June 18, 2018, was sent to the congressional committees, reflecting an award 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: December 31, 2018

Military Construction, Navy

Reprogramming Request

Installation: Patuxent River, Maryland

Project: UCLASS RDT&E Hangar

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

Estimated Cost (\$000):

Previously Appropriated	40,576
Previously Reprogrammed	0
Requested Reprogramming	9,616
Total Estimated Cost	50,192

Description: Constructs an aircraft hangar with multiple bays to support the research, development, testing, and evaluation of MQ-25 Carrier Based Unmanned Aerial System. The hangar includes hangar floor area to accommodate two aircraft with wings extended and one with wings folded, maintenance shops, crew spaces, storage areas, offices and laboratory space for integrated test team personnel.

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

- a) **Site Change (+ \$3.045 million):** To improve the aircraft traffic flow, the initial project site was changed, resulting in increases to the taxiway length and taxiway site lighting, earthwork and storm sewer distribution, and added a sanitary sewer distribution/new lift station. These additional costs were not captured in the initial budget estimate.
- b) **Building Systems Underestimated Cost (+ \$2.980 million):** The costs for multiple building systems were underestimated in the budget estimate including information systems infrastructure, deep pile foundations, roofing system, and aqueous film forming foam collection & treatment. Price increases are attributed to more accurate quantities and costs identified during design, as well as to address fluctuating material costs.
- c) **Market Conditions and Escalation (+ \$2.641 million):** Unexpected improvements in the national economy and increases in local construction contracting opportunities have resulted

in less than favorable market conditions and higher pricing. The cost of construction materials and equipment have generated a notable increase since January 2018, in addition to ongoing market fluctuation. This is further exacerbated by anticipated escalation (approximately 2.5 percent) for a 1-year delay to construction award.

- d) Increase in Contingency and Supervision, Inspection & Overhead Costs (+ \$0.950 million):  
The contingency and SIOH increased due to higher construction cost.

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>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Barking Sands, HI Upgrade Power Plant & Electrical Distrib Sys (P402)	2017	43,384 <sup>1/</sup>	25,250	9,616
Total				9,616

<sup>1/</sup> A 10 U.S.C. §2853 cost reduction notification dated October 4, 2018 was sent to the Congressional committees.

Bid Expiration Date: March 1, 2019

Military Construction, Defense-Wide (Defense Health Agency)

Reprogramming Request

Installation: Fort Bliss, TX  
Project: Hospital Replacement  
Authorization: National Defense Authorization Act for Fiscal Year (FY) 2010,  
Public Law 111-84

Estimated Cost (\$000):

Previously Appropriated*	1,253,324
Requested Reprogramming	116,676
Total Estimated Cost	1,370,000

*\*Includes FY 2010-2018 Increments, prior approval reprogramming, claim settlements, rescissions and sequestration reductions.*

Description: This project constructs a multi-story hospital replacement project that includes inpatient and outpatient healthcare services, a clinical investigation program, and ancillary healthcare spaces with nutrition, imaging, pharmacy, and laboratory. Supporting facilities include a central utility plant, a helipad, a water storage tank, an electrical sub-station, additional utilities, site improvements, an access control facility, access roads, and parking.

Justification: An analysis of the current working estimate indicates that an additional \$116.676 million is required to complete this project. Specifically, funds are needed to address:

- a) Correction of design errors and contract deficiencies (\$20.106 million): Additional changes are required for functional areas, lighting and architectural windows, interior walls and site wall changes, and structural expansion joint and framing changes.
- b) Changes to low voltage information systems to meet cybersecurity requirements (\$7.4 million): Cyber security and information assurance requirements governing certification/accreditation of low voltage systems to be placed on a government network have changed since the start of construction necessitating modifications to the construction contract to ensure these low voltage systems will be compatible with current requirements.
- c) Provision of temporary heating and cooling while changes are made to the permanent building systems (\$2.38 million): Due to the delays incurred from mandatory changes during construction, permanent heating and cooling systems were not yet available when interior finish work was scheduled to start, necessitating the need for temporary heating and cooling to mitigate further delays and impact costs.

- d) Schedule impacts (\$15.6 million): Additional costs are associated with government changes that extended the construction schedule.
- e) Title II services (\$6.0 million): Extended support to address contractor requests for information, submittal reviews, and design reach back.
- f) Supervision and Administration (\$8.23 million): Increases are associated with the higher construction costs.
- g) Contingency (\$56.96 million): Additional costs are based on the remaining construction work placement for the entire project (estimated at \$364 million).

A 10 USC §2853 notification was submitted to Congress on October 5, 2018.

The \$42.0 million difference between the \$158.680 million increase cited in the 10 USC §2853 notification letter and the \$116.676 million increase requested in this reprogramming action is due to the difference between the amount previously authorized for this project (\$1,211.320 million) and the total amount appropriated to date (\$1,253.324 million).

Source of funds: Funds from the following projects 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>
Peterson AFB, CO Dental Clinic Replacement	2015	15,200	15,000	4,000 <sup>1/</sup>
Kaneohe Bay, HI Medical/Dental Clinic	2016	122,071	93,000	35,000 <sup>2/3/</sup>
Joint Base San Antonio, TX Ambulatory Care Center Phase 4	2016	61,776	54,640	36,000 <sup>4/</sup>
Kadena AB, JA Medical Material Warehouse	2017	20,881	17,288	2,676
Sheppard AFB, TX Medical Dental Clinic Replacement	2017	91,910	87,784	39,000 <sup>5/</sup>
<b>Total</b>				<b>116,676</b>

1/ Funds are available since FY 2011 funds were also used to award this project.

2/ A 10 U.S.C. 2853 notification was submitted to Congress on August 17, 2016.

- 3/ Funds are available since FY 2012 funds were also used to award this project.
- 4/ Funds are available since FY 2014 funds were also used to award this project.
- 5/ Funds are available since FY 2013 funds were also used to award this project.