



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

COMPTROLLER

APR 05 2019

The Honorable John Boozman
Chairman, Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
U.S. Senate
Washington, DC 20510

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. 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	Military Ocean Terminal Concord, California	Pier	2016	6,500,000
	<u>Marine Corps</u>			
2	Marine Corps Air Station Yuma, Arizona	VMX-22 Maintenance Hangar	2017	17,236,000
	<u>Air National Guard</u>			
3	McGhee Tyson Airport, Tennessee	Replace KC-135 Maintenance Hangar and Shops	2018	6,000,000
	<u>Army Reserve</u>			
4	Aguadilla, Puerto Rico	AR Center Training Building	2018	6,294,000

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.

Sincerely,

Elaine McCusker
Deputy Under Secretary of Defense
(Comptroller)

Enclosures:

As stated

cc:

The Honorable Brian Schatz
Ranking Member





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The Honorable Debbie Wasserman Schultz
Chairwoman, Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Madam Chairwoman:

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Sincerely,

Elaine McCusker
Deputy Under Secretary of Defense
(Comptroller)

Enclosures:

As stated

cc:

The Honorable John Carter
Ranking Member



Bid Expiration Date: August 11, 2019

Military Construction, Army

Reprogramming Request

Installation: Military Ocean Terminal Concord (MOTCO), California

Project: Pier

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

Estimated Cost (\$000):

Previously Appropriated	98,000
Previously Reprogrammed	0
Requested Reprogramming	6,500
Total Estimated Cost	104,500

Project Description: This project will replace and upgrade the existing Pier #2 to accommodate containerized operations. The project will provide a new, single level main platform with crane tracks to support two container cranes, pilings and a fender system to handle loads from container cranes, container ships and container truck trailers.

Justification: The base contract of for this project was awarded on July 19, 2018. An additional \$6.5 million is required to accommodate containerized operations. Cost increased due to changes in economic factors since the initial government estimate. Construction material supply is low resulting in increasing costs of over 20% of initial estimates. As a result, the material costs for this project increased by \$2.2 million. Additionally, the construction market in the Bay Area and Central Valley is saturated resulting in a shortage of qualified labor. This skilled labor shortage accounts for a \$4.3 million increase in labor costs required for this project.

Source of Funds: Bid savings from the following projects 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>
Fort Drum, NY NCO Academy Complex	2016	17,600 ^{1/}	16,600	500

Fort Wainwright, AK

Unmanned Aerial Vehicle Hanger	2017	47,000	37,539 ^{2/}	6,000
Total				6,500

^{1/} This project was appropriated at \$19 million. The Army reprogrammed \$1.4 million to the Expeditionary Legal Complex at Naval Station Guantanamo Bay, CU (action was approved in January 2018).

^{2/} A 10 U.S.C. §2853 cost reduction was sent to the congressional committees, reflecting an award CWE of \$37.54 million at the time of award on December 20, 2017.

Bid Expiration Date: June 30, 2019

Military Construction, Navy

Reprogramming Request

Installation: Marine Corps Air Station Yuma
Project: VMX-22 Maintenance Hangar
Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2017,
Public Law 114-328

Estimated Cost (\$000):

Previously Appropriated	48,355
Previously Reprogrammed	0
Requested Reprogramming	17,236
Total Estimated Cost	65,591

Project Description: Constructs a new aircraft maintenance hangar, apron, administration and maintenance facilities to support basing and integration of the Operational Test & Evaluation Squadron 22 (VMX-22) and the maintenance and operations associated with the following aircraft: F-35B, MV-22B/C, UH-53E/K, H-1 and multiple UAS platform. The new facilities will allow Marine Corps Aviation to consolidate its Operational Test and Evaluation mission at MCAS Yuma from multiple locations.

Justification: The cost increase is attributable to the following:

- a) Changes in design requirements (+ \$10.961 million):
The VMX consolidated squadron was a first of its kind. While the basic Operational Test & Evaluation (OT&E) requirements and supporting facilities were identified during programming, the uniqueness of those systems, and the extent of system redundancy required to support a consolidated VMX squadron, was not fully incorporated into the design. Project costs increased due to additional security requirements and enhancements in the mechanical, electrical, and telecommunications supporting facilities.
- b) Increased cost due to market conditions (+ \$4.613 million):
 - The Arizona Builder's Exchange reports an average national increase in construction costs of roughly 5.1 percent, with Yuma County experiencing a much higher increase because of an insufficient labor pool to support current construction demands. As a result, contractors import construction labor forces from the San Diego and Los Angeles metropolitan areas, adding significant cost to construction due to per diem and travel expenses.
 - Increase in regional mega projects and programs within the Southwestern part of the country has resulted in a shortage of skilled labor. Projects include:

- Road/Bridge (San Elijo, Ogilvy Road, Coronado Bridge) \$794 million
- Rail/Mega Project (California High Speed Rail) \$70 billion
- Power/Communications (Intel Semiconductor Factory Chandler, AZ, Police HQ Co-Generation) \$7.04 billion
- Vertical (Los Angeles Stadium, Manchester Pacific Gateway, Pinnacle on the Park) \$4.25 billion.
- A tightening of the qualified labor market as reflected by a national decrease in construction sector unemployment from 8.4% in the first quarter of 2017 to 5.9% in the 4th quarter of 2017.

c) Increase in Contingency and Supervision, Inspection & Overhead Costs (+ \$1.662 million):
The contingency and SIOH amounts have increased due to higher construction costs.

A 10 U.S.C. §2853 cost notification dated January 11, 2019 was submitted to the Congressional committees.

Scope Reduction: The Apron construction was removed from this project in an effort to reduce total project cost. With reduced scope, this project will still meet the mission requirement described in the project documentation.

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

(Dollars in Thousands)

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Sigonella, Italy Triton Hangar and Operation Facility	2016	29,785 ^{1/}	26,141 ^{2/}	3,644
Camp Lejeune, NC Simulator Integration/Range Control Facility	2016	50,204 ^{3/}	47,599 ^{4/}	2,605
Barking Sands, HI Upgrade Power Plant & Electrical Distrib Sys	2017	27,834 ^{5/}	25,250 ^{6/}	2,584
Barstow, CA Combat Vehicle Repair Facility	2018	36,539	33,975	2,564
Beaufort, SC Aircraft Maintenance Hangar	2017	83,490	81,490	2,000

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Coronado, CA Coastal Campus Utilities Infrastructure	2017	76,389 ^{7/}	75,251 ^{8/}	1,138
Parris Island, SC Range Safety Improvements & Modernization	2016	27,075	26,075	1,000
Sigonella, Italy P-8A Hangar and Fleet Support Facility	2016	54,143 ^{9/}	53,219 ^{10/}	923
New River, NC Operational Trainer Facility	2016	3,312	2,812	500
Camp Butler, Japan Military Working Dog Facilities (Camp Hansen)	2016	10,475 ^{11/}	10,197	278
Total				17,236

^{1/} Reflects a revised programmed amount (PA) of \$29.785 million as a result of a \$4.099 million reprogramming decrease approved by Congress in August 2017 and a \$6.757M reprogramming decrease approved by Congress in December 2018.

^{2/} A 10 U.S.C. §2853 cost reduction notification dated March 20, 2017 was sent to the Congressional committees.

^{3/} Reflects a revised PA of \$54.650M as a result of a \$0.199 million reprogramming decrease approved by Congress in March 2018 and a \$4.446 million reprogramming decrease approved by Congress in August 2018.

^{4/} A 10 U.S.C. §2853 cost reduction notification dated November 23, 2016 was sent to the Congressional committees.

^{5/} Reflects a revised PA of \$27.834M as a result of a \$5.934 million reprogramming decrease approved by Congress in December 2018 and another \$9.616 million reprogramming decrease approved by Congress in December 2018.

^{6/} A 10 U.S.C. §2853 cost reduction notification dated October 11, 2018 was sent to the Congressional committees.

^{7/} Reflects a revised PA of \$76.389 million as a result of a \$3.293 million reprogramming decrease approved by Congress in July 2017 and a \$1.422 million reprogramming decrease approved by Congress in August 2017.

^{8/} A 10 U.S.C. §2853 cost reduction notification dated April 19, 2017 was sent to the Congressional committees.

^{9/} Reflects a revised PA of \$54.143 million as a result of a \$8.159 million reprogramming decrease approved by Congress in December 2018.

^{10/} A 10 U.S.C. §2853 cost reduction notification dated February 16, 2017 was sent to the Congressional committees.

^{11/} Reflects a revised PA of \$10.475 million as a result of a \$1.222 million reprogramming decrease approved by Congress in December 2018.

Bid Expiration Date: October 30, 2019

Military Construction, Air National Guard

Reprogramming Request

Installation: McGhee Tyson Airport, Tennessee

Project: Replace KC-135 Maintenance Hangar and Shops

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2018,
P. L. 115-91

Estimated cost (\$000):

Previously Appropriated	25,000
Previously Reprogrammed	0
Requested Reprogramming	6,000
Total Estimated Costs	31,000

Project Description: This project constructs a maintenance hangar and associated workshops to support KC-135 tanker aircraft operations at McGhee Tyson Airport, TN.

Justification: Based on the competitive range average, the current working estimate of \$31.0 million exceeds the authorized and appropriated amount by \$6.0 million. The requirement for additional funds is attributed to the following:

- a) Since the project was authorized and appropriated, local construction costs have increased 30-35%. The increased local costs have been validated by both the Contracting Officer and Project Engineer. Local Architect and Engineering firms, construction contractors, as well as multiple agencies, to include the Metropolitan Airport Authority, whom shares the airfield with McGhee Tyson Air National Guard Station, the University of Tennessee, DoD, DoE, and commercial manufacturing industries were consulted and all reported increased growth in construction pricing.
- b) The Contracting Officer and Project Engineer have determined that the bids provided reflect fair and reasonable costs based on the existing construction market. The project was authorized for bid in April 2018. The four bids for the project all came in high, ranging from \$28,775,000 to \$37,535,000. No reduction in scope can be made and still result in a complete and useable facility. Reprogramming to a new total programmed amount of \$31,000,000 will allow the project to proceed at the minimum scope required to meet mission requirements.

Source of funds: Savings from the following projects will fund this requirement:

(Dollars in Thousands)

<u>Location & Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Joint Base Pearl Harbor – Hickam, HI F-22 Composite Repair Facility	2017	11,000	0 ^{1/}	6,000
Total				6,000

^{1/} A 10 U.S.C. §2853 notification of cancellation was sent to the congressional committees on February 01, 2018.

Bid Expiration Date: June 18, 2019

Military Construction, Army Reserve

Reprogramming Request

Location: Aguadilla, Puerto Rico

Project: Army Reserve Center (ARC) Training Building

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2018,
Public Law 115-91

Estimated Cost (\$000):

Previously Appropriated	12,400
Previously Reprogrammed	0
Requested Reprogramming	6,294
Total Estimated Cost	18,694

Project Description: This project provides for constructing a 150-member ARC Training Building on existing Army Reserve owned property in Aguadilla, PR.

Justification: This reprogramming is required to address the addition of hurricane related project infrastructure to meet power generation requirements, a competitive construction market because of the island-wide recovery in the aftermath of the 2017 hurricanes, and the negative impacts of Puerto Rico's rainy season which limits the periods when site work can be accomplished. A 10 U.S.C. §2853 cost notification dated January 17, 2019 was submitted to the Congressional committees.

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

	<u>(Dollars in Thousands)</u>			
<u>Location & Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Mattydale, NY ARC/AMSA (Area Maintenance Support Activity)	2015	23,000	21,747	1,253
Riverside, CA ARC	2015	25,000	23,681	1,319
Arlington Heights, IL ARC	2015	26,000	24,000	2,000

(Dollars in Thousands)

<u>Location & Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Phoenix, AZ ARC	2017	30,000	28,278	1,722
Total				6,294