



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

NOV 0 2013

COMPTROLLER

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:

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>
1	<u>Navy</u> Portsmouth Naval Shipyard, Maine	Dry Dock #1 Superflood Basin	2019	47,990,000
2	Portsmouth Naval Shipyard, Maine	Extend Portal Crane Rail	2019	7,700,000
	<u>Defense Health Agency</u>			
3	Marine Corps Base Camp Pendleton, California	Ambulatory Care Center Replacement	2018	7,100,000

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.

Sincerely,

Elaine McCusker
Acting

Enclosures:
As stated

cc:
The Honorable John R. Carter
Ranking Member





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The Honorable John Boozman
Chairman
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
United States 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>
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2	Portsmouth Naval Shipyard, Maine	Extend Portal Crane Rail	2019	7,700,000
3	<u>Defense Health Agency</u> Marine Corps Base Camp Pendleton, California	Ambulatory Care Center Replacement	2018	7,100,000

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
Acting

Enclosures:
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cc:
The Honorable Brian Schatz
Ranking Member



Bid Expiration Date: December 31, 2019

Military Construction, Navy

Reprogramming Request

Installation: Portsmouth Naval Shipyard, ME

Project: Dry Dock #1 Superflood Basin

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2019,
Public Law 115-232

Estimated Cost (\$000):

Previously Appropriated	109,960
Previously Reprogrammed	0
Requested Reprogramming	47,990
Total Estimated Cost	157,950

Project Description: Constructs a superflood basin at the entrance of Dry Dock #1 (DD #1) to raise the seawater level high enough to allow the Los Angeles (LA) class (SSN-688) submarines to float over the caisson sill and be positioned in the dry dock for the new Service Life Extension Program (SLEP) refueling.

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

- a) Lack of competition & project complexity:
Though a prior industry engagement indicated that there would be a significant number of competing bids, potential bidders considered the project as high-risk (due to project complexity) and competition was more limited than anticipated. At present, the Maine construction market is saturated with work, particularly with state-funded construction projects, resulting in a 30-60 percent market increase from 2018 to 2019.
- b) Lack of specialized contractors and labor:
There are a limited number of specialized sub-contractors possessing the skill set for this work (i.e. underwater construction divers and heavy machine operators). This type of specialized labor is in high demand in this area and beyond.
- c) Commodity cost increase:
There have been significant increases in commodity prices for steel and soft-wood used for concrete forms and contractor uncertainty exists due to impacts of tariffs and fuel prices. Additionally, concrete must be trucked to the shipyard resulting in higher than anticipated costs since the government estimate assumed a barge-mounted concrete batch plant would be used for the continuous-pour placement of concrete for large portions of the basin structure.

- d) Schedule and weather related risks:
Risk to contractors is anticipated due to a very tight construction schedule driven by planned docking of USS Cheyenne in September 2021 for the first of seven Engineered Refueling Overhaul (ERO). New England storms and cold weather also increases construction risk, particularly for in-water work.
- e) Higher than anticipated inflation:
DoD inflation factors of two percent per year, as prescribed by UFC 1-701-01 Facilities Pricing Guide, were used to escalate the baseline project cost set at FY 2019 President’s Budget submission (Jan 2018) to the mid-point of construction (Jun 2020). The actual escalation factors for non-residential construction for the past two year has been five percent; this difference is reflected in the bids received.
- f) Unforeseen material disposal costs:
There were unforeseen costs associated with disposal of dredged material since landfills will only accept limited truckloads per day and the material must be dry.
- g) Precast specifications eliminate local vendors:
Tight tolerances are required for the pre-cast concrete panels for the basin structure. Local vendors cannot meet these requirements given that the closest supplier is 40 miles away, resulting in high transportation costs.
- h) Bid extension costs and contingency:
Other costs included in the current funding requirement include costs to extend bids and additional contingency and Supervision, Inspection and Overhead.

A 10 USC §2853 notification dated September 6, 2019 was submitted to Congress.

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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Pearl Harbor, HI Drydock Waterfront Facility	2019	45,000	0 ^{1/}	45,000
San Diego, CA LCS Support Facility	2016	37,366	31,803	2,990
Total				47,990

^{1/}A 10 U.S.C. §2853 cost reduction notification dated September 11, 2019 was sent to the Congressional committees.

Bid Expiration Date: December 31, 2019

Military Construction, Navy

Reprogramming Request

Installation: Portsmouth Naval Shipyard, ME

Project: Extend Portal Crane Rail

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2019,
Public Law 115-232

Estimated Cost (\$000):

Previously Appropriated	39,725
Previously Reprogrammed	0
Requested Reprogramming	7,700
Total Estimated Cost	47,425

Project Description: Constructs a new portal crane rail and modernizes existing portal crane rail to support a new high-capacity crane to be used for refueling and servicing submarines at Dry Dock #1 (DD #1) in support of the new SSN-688 Improved (688I) Service Life Extension Program (SLEP) refueling.

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

a) Lack of competition & project complexity:

Though a prior industry engagement indicated that there would be a significant number of competing bids, potential bidders considered the project as high-risk (due to project complexity) and competition was more limited than anticipated. At present, the Maine construction market is saturated work, particularly with state-funded construction projects, resulting in a 30-60 percent market increase from 2018 to 2019.

b) Lack of specialized contractors and labor:

There are a limited number of specialized sub-contractors possessing the skill set for this work (i.e. underwater construction divers and heavy machine operators). This type of specialized labor is in high demand in this area and beyond.

c) Commodity cost increase:

There have been significant increases in commodity prices for steel and soft-wood used for concrete forms and contractor uncertainty exists due to impacts of tariffs and fuel prices. Additionally, concrete must be trucked to the shipyard resulting in higher than anticipated costs since the government estimate assumed a barge-mounted concrete batch plant would be used for the continuous-pour placement of concrete for large portions of the basin structure.

- d) Schedule and weather related risks:
Risk to contractors is anticipated due to a very tight construction schedule driven by planned docking of USS Cheyenne in September 2021 for the first of seven Engineered Refueling Overhaul (ERO). New England storms and cold weather also increases construction risk, particularly for in-water work.
- e) Higher than anticipated inflation:
DoD inflation factors of two percent per year, as prescribed by UFC 1-701-01 Facilities Pricing Guide, were used to escalate the baseline project cost set at FY 2019 President's Budget submission (Jan 2018) to the mid-point of construction (Jun 2020). The actual escalation factors for non-residential construction for the past two year has been five percent; this difference is reflected in the bids received.
- f) Bid extension costs and contingency:
Other costs included in the current funding requirement include costs to extend bids and additional contingency and Supervision, Inspection and Overhead.

A 10 USC §2853 notification dated September 9, 2019 was submitted to Congress.

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 Working Estimate</u>	<u>Proposed Reprogramming</u>
San Diego, CA LCS Support Facility	2016	37,366	31,803	2,573
Norfolk, VA Electrical Repairs to Piers 2,6,7, and 11	2016	44,254	42,254	2,000
Souda Bay, Greece Strategic Aircraft Parking Apron Expansion	2018	22,045	17,045	1,348
SW Asia, Bahrain Island Ship Maintenance Support Facility	2016	44,376 ^{1/}	43,376 ^{2/}	1,000
Sigonella, Italy Triton Hangar and Operation Facility	2016	26,141 ^{3/}	25,641 ^{4/}	500
Jacksonville, FL Fleet Support Facility Addition	2016	6,342 ^{5/}	6,120 ^{6/}	222

Coronado, CA Coastal Campus Utilities	2016	4,241 ^{7/}	4,184	57
Total				7,700

^{1/} Reflects a revised PA of \$44.376M as a result of a \$5.715M reprogramming decrease approved by Congress in March 2018, a \$0.333M reprogramming decrease approved by Congress in September 2018, and a \$1.667M reprogramming decrease approved by Congress in November 2018.

^{2/} A 10 U.S.C. §2853 cost reduction notification dated March 27, 2017 was sent to the Congressional committees.

^{3/} Reflects a revised PA of \$26.141M as a result of a \$4.009M reprogramming decrease approved by Congress in August 2017, a \$6.757M reprogramming decrease approved by Congress in November, 2018, and a \$3.644M reprogramming decrease approved by Congress in May 2019.

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

^{5/} Reflects a revised PA of \$6.642M as a result of a \$2.113M reprogramming decrease approved by Congress in November 2018.

^{6/} A 10 U.S.C. §2853 cost reduction notification dated July 11, 2016 was sent to the Congressional committees.

^{7/} Reflects a revised PA of \$4.241M as a result of a \$0.615M reprogramming decrease approved by Congress in March 2018.

Bid Expiration Date: December 20, 2019

Military Construction, Defense-Wide (Defense Health Agency)

Reprogramming Request

Installation: Marine Corps Base Camp Pendleton, CA

Project: Ambulatory Care Center Replacement

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

Estimated Cost (\$000):

Previously Appropriated	26,400
Previously Reprogrammed	0
Requested Reprogramming	7,100
Total Estimated Cost	33,500

Project Description: This project constructs a replacement ambulatory care center (ACC) in Area 13, Marine Corps Base (MCB) Camp Pendleton, California. The new facility will incorporate the 2-team Marine Centered Medical Home (MCMH) concept supporting the Marine Active Duty personnel currently being seen in substandard Battalion Aid Stations located across MCB Camp Pendleton. In addition to the MCMH, the Area 13 ACC will have a Patient Centered Medical Home Port (PCMH) team to serve enrolled family members and other beneficiaries. Once complete, the existing clinic will be demolished.

Justification: Based on bids received to date, an additional \$7.1 million is required to award this project and provide facilities needed to meet mission requirements. The cost increase is due to current market conditions causing a shortage of contractors with medical construction experience as well as higher labor and material costs. Camp Pendleton has also been impacted by the fires in California and the hurricane recovery efforts in the Southeast part of the country.

A 10 USC §2853 notification dated August 27, 2019 was submitted to Congress.

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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Fort Gordon, GA Ambulatory Care Center / Dental Clinic	2018	25,000	0 ^{1/}	7,100
Total				7,100

^{1/}A 10 U.S.C. §2853 cost reduction notification dated November 6, 2018 was sent to the Congressional committees.