

Department of Defense

Revolving Funds

Justification/Overview



Fiscal Year (FY) 2009

President's Budget

February 2008

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WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008

Activity Group Function:

The Pentagon Reservation Maintenance Revolving Fund was established by the FY 1991 Defense Authorization Act (10 USC 2674). The fund is responsible for the maintenance, protection, repair and renovation of the Pentagon Reservation. As established, the "Pentagon Reservation" refers to that area of land (consisting of approximately 280 acres) located in Arlington, Virginia, on which stand the Pentagon Building, Federal Office Building #2, and the Pentagon Heating and Sewage Treatment Plants. It also refers to other related facilities to include the land and physical facilities at the Raven Rock Mountain Complex. The PRMRF is financed by funds collected via a basic user charge for space and building services. Services above those paid for basic charges are recovered on a reimbursable basis.

Activity Group Composition:

The PRMRF finances the activities of the Washington Headquarters Services (WHS), the Pentagon Force Protection Agency (PFPA) and the Raven Rock Mountain Complex (RRMC) in providing space, building services, deep underground relocation capability, and force protection for Department of Defense (DoD) Components, including Military Departments and other activities housed within the Pentagon Reservation.

Real Property Operations: The Defense Facilities Directorate (DFD) is responsible for the safe and efficient operation, maintenance and repair of the Pentagon Reservation which includes the Pentagon, the Pentagon Heating and Refrigeration Plant, Federal Office Building #2 (Navy Annex), the Modular Office Complex, and all Reservation grounds and parking areas. Real Property Operations (RPO) include cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, and administrative support. Additional services include operating expenses for purchased utilities, operation of the Pentagon's Heating and Refrigeration Plant and classified waste incinerator. These services maintain the facilities at levels adequate to support the assigned mission and to prevent deterioration and damage to Reservation buildings, their support systems and operating equipment.

Pentagon Force Protection Agency: The Pentagon Force Protection Agency was established in May 2002 by the Deputy Secretary of Defense as a Defense Agency under Title 10 USC 191. The mission of PFPA is to provide force protection, security, anti-terrorism, law enforcement, and chemical, biological, radiological, and nuclear protection as required for the people, facilities, infrastructure and other resources at the Pentagon Reservation and DoD activities within the National Capital Region (NCR), to include the RRMCC. PFPA is the DoD focal point for coordination with DoD components, executive departments, agencies, state and local authorities on matters which involve force protection, security, and law enforcement for the Pentagon Reservation and DoD facilities within the NCR.

Pentagon Renovation and Construction: The Pentagon Renovation Program provides all new mechanical, electrical, plumbing and sprinkler systems, vertical transportation, cable management systems, improvements in fire and life safety systems and accessibility throughout for persons with disabilities. It also preserves historic building elements, upgrades operation centers, installs modern telecommunications support features, and complies with energy conservation and environmental requirements. To manage this extensive program, the Pentagon Renovation and Construction Office (PENREN), develops and employs construction business practices that are performance based and results oriented.

Raven Rock Mountain Complex: The mission of Raven Rock Mountain Complex is to support the Continuity of Operations Plan (COOP) for the Office of the Secretary of Defense and the Joint Staff. Real property operation include cleaning, preventive maintenance, operation and repair of mechanical and utility systems, roads and grounds maintenance, fire and emergency services, food services, information management support services, and administrative support. These services support the Raven Rock Mountain Complex customer base to provide maintenance and upkeep of facilities within the Complex at levels adequate to support their assigned mission and to prevent deterioration and damage to its facilities, systems, and operating equipment.

The table on the following page summarizes PRMRF obligation authority by activity group:

Budget Sub-activity	(Dollars in Millions)					
	FY 2007		FY 2008		FY 2009	
	Operating	Capital	Operating	Capital	Operating	Capital
Real Property Operation	209.1	0.0	177.8	2.0	189.0	26.4
Pentagon Renovation	73.8	285.5	85.3	240.5	85.2	273.8
Pentagon Force Protection	169.8	4.5	186.1	2.9	183.1	2.6
Raven Rock Mountain Complex	34.9	0.4	39.2	3.5	40.7	7.8
Total	487.6	290.4	488.4	248.9	498.0	310.6
	778.0		737.3		808.6	

Note: FY 2007 obligation authority includes \$18.5 million in direct appropriation for the Pentagon Memorial.

Operating Budget:

Budget estimates assume annual inflationary increases for utilities, supplies, equipment, service contracts, and civilian pay raises. Maintenance and repair services will be maintained at commercially equivalent levels.

PFPA's budget estimates are developed and programmed to provide a safe and secure environment and to deter acts of terrorism against DoD personnel, assets, and facilities through an effective, proactive, and viable force protection and anti-terrorism program.

Capital Budget:

Real Property Operations include capital improvements for projects that focus on updating and modernizing of interior and exterior support systems which suffered for decades and have deteriorated beyond economical repair.

Budget estimates for the Pentagon renovation are requirements based, allowing for lump sum contract awards for sequenced and interrelated blocks of work. The renovation continues through FY 2009 with design and construction of Wedge 4, and the design of Wedge 5. Information Management and Telecommunication (IM&T) planning, engineering management, and acquisition continue through FY 2007. To accommodate necessary moves and to meet construction requirements, the target date for completing the renovation is October 2011.

The PFPA budget estimates include funding of their Life System Architecture which includes Information Assurance, land mobile radios, procurement of chemical, biological, radiological sensors and building protection/detection sensor integration, and joint system enhancements.

The RRMC budget estimates in FY 2008 and FY 2009 include facility maintenance modernization projects to replace failing

valves and piping in both power plants, and funds a compartmental smoke control system to inhibit the flow of smoke into areas of egress.

Significant Changes in Activity Group:

FY 2008 Budget Estimate:

- Funds an automated system for the Real Property Asset Management Program and to fund environmental and safety corrective actions.
- Includes the transfer of 75 civilian Full Time Equivalent (FTE) from the WHS O&M account to PRMRF. This is the result of an ongoing review of manpower authorizations to ensure personnel are being paid by organizations they support.
- Documents the addition of 113 civilian FTEs at RRMC. The FTEs were previously identified on Army O&M roles.

FY 2009 Budget Estimate:

- Funds needed roof repairs at the Remote Delivery Facility (RDF).
- Redirects Army's budget authority in support of the Defense Post Office and the Pentagon Library to the Pentagon tenant customer data base.

Financial Profile:

	(Dollars in Millions)		
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	750.7	721.0	808.6
Expenses	778.0	737.3	808.6
Net Operating Result (NOR)	-27.3	-16.4	0.0
Disbursements	707.7	737.3	808.6
Collections	766.5	720.9	808.6
Net Outlays	-58.8	16.3	0.0

The negative NOR reflects the funding of specific PRMRF initiatives from within existing PRMRF cash balances, thus reducing the current revenue requirement. These initiatives include RRMC's force protection requirements, PFPA's rent stabilization, the Pentagon Memorial, and initial design of the south parking utility repair project.

Staffing:

(Full Time Equivalents)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Real Property Operations	317	456	476
Pentagon Renovation	25	26	26
PFPA	918	956	1,013
Raven Rock Mountain Complex	<u>0</u>	<u>113</u>	<u>123</u>
Total	1,260	1,551	1,638

The increase in FTEs beginning in FY 2008 is primarily the results of two transfer actions. The first reflects the transfer of 113 civilian FTEs associated with the transfer of the administrative control of the Raven Rock Mountain Complex from Army to PRMRF. The second transfer reflects the results of the Washington Headquarters Service manpower review which realigned WHS O&M FTEs to PRMRF based on mission support.

Summary of Price, Program, and other Changes - Operating Budget
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(\$ in Millions)

Element of Expense	Cost of Operations FY 2007	Annualization of Pay Raises	Price Growth/Amount	Program & Other Changes	Cost of Operations FY 2008	
Civilian Personnel Compensation	86.2	0.5	3.5%	3.0	22.0	111.7
Civilian Personnel Benefits	25.9	0.2	3.5%	0.9	3.9	30.9
Benefits to Former Employees	0.4	0.0	3.5%	0.0	-0.1	0.3
Travel	1.6		2.3%	0.0	-0.3	1.4
Transportation	0.0		2.3%	0.0	0.5	0.5
Rent	36.7		2.3%	0.8	-29.2	8.3
Communication and Utilities	16.0		2.3%	0.4	31.3	47.6
Printing	0.1		2.3%	0.0	0.1	0.1
Other Services	567.6		2.3%	13.1	-91.7	488.9
Supplies and Materials	11.7		2.3%	0.3	-1.9	10.1
Equipment	31.9		2.3%	0.7	5.0	37.6
Interest & Dividends	0.0		2.3%	0.0	0.0	0.0
TOTAL COST OF OPERATIONS (Includes Above Standard Program)	778.0	0.7		19.2	-60.6	737.3

Note: Totals may not add due to rounding.

Summary of Price, Program, and other Changes - Operating Budget
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(\$ in Millions)

Element of Expense	Cost of Operations FY 2008	Annualization of Pay Raises	Price Growth/Amount	Program & Other Changes	Cost of Operations FY 2009	
Civilian Personnel Compensation	111.7	0.9	2.9%	3.2	9.4	125.3
Civilian Personnel Benefits	30.9	0.2	2.9%	0.9	-0.2	31.8
Benefits to Former Employees	0.3	0.0	2.9%	0.0	0.0	0.3
Travel	1.4		1.9%	0.0	-0.1	1.3
Transportation	0.5		1.9%	0.0	0.0	0.5
Rent	8.3		1.9%	0.2	1.2	9.7
Communication and Utilities	47.6		1.9%	0.9	0.1	48.6
Printing	0.1		1.9%	0.0	-0.1	0.0
Other Services	488.9		1.9%	9.3	39.8	538.0
Supplies and Materials	10.1		1.9%	0.2	0.9	11.1
Equipment	37.6		1.9%	0.7	3.7	42.0
Interest & Dividends	0.0		1.9%	0.0	0.0	0.0
TOTAL COST OF OPERATIONS (Includes Above Standard Program)	737.3	1.1		15.4	54.7	808.6

Note: Totals may not add due to rounding.

Changes in the Costs of Operation
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(\$ in Millions)

FY 2007 Estimated Actual	778.0
FY 2008 Estimate in President's Budget	726.8
Pricing Adjustments:	0.0
Program Changes	10.5
Full Time Equivalent Restoration	8.5
Capital Improvement Planning and Design	2.0
FY 2008 Estimate Current Estimate	737.3
Pricing Adjustments:	16.5
Annualization of Prior Year Pay Raises	1.1
FY 2008 Pay Raise	4.1
General Purchase Inflation	11.3
Program Changes:	54.8
Decrease in above standard workload	-2.9
Transfer and increases in Full Time Equivalents	9.2
South Terrace/Metro Screening Facility/RDF Roof	7.2
Real Property Operations Capital Improvement Projects	26.4
Decrease in contractual costs for IEOC	-2.9
One time decrease for South Parking Repair Project	-11.1
One-time start-up costs - EOD equipment	-2.4
One-time IEOC construction	-6.9
One time increase in Renovation Work	33.3
Communications and Utilities	0.1
Equipment Increase	3.7
Supplies and Materials	0.9
Increase in Alleghen Power Charges	0.2
FY 2009 Estimate	808.6

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(\$ in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
1. New Orders			
a. Orders from DoD Components:			
Department of the Air Force	133.1	123.7	137.7
Department of the Army	175.0	160.1	178.5
United States Marine Corps	50.5	49.4	54.2
Department of the Navy	81.7	77.8	85.4
 Subtotal Military Departments	 440.3	 411.0	 455.8
 Defense-Wide			
AFIS	0.2	0.2	0.2
DIA	27.5	25.3	28.3
DISA	14.5	12.2	13.0
DLA	0.3	0.3	0.4
DLSA	0.7	0.6	0.7
DTRA	0.7	0.5	0.5
JCS	71.9	66.5	72.2
MDA	15.4	18.1	18.7
NGA (NIMA)	0.5	0.5	0.5
NSA	0.4	0.3	0.4
PFFPA	8.0	8.0	8.3
WHS	128.2	124.6	159.9
 Subtotal Defense-Wide	 268.3	 257.2	 303.1
 b. Orders from Non-DoD Agencies			
DoD Concessions Committee	0.9	0.9	1.0
 c. Total Standard Level Rent Orders	 709.5	 669.1	 759.8
 d. Other Orders			
Above Standard Level Services:			
Building Services and Space Adjustments	10.8	26.0	26.9
PENREN/C Customer Orders	12.9	16.0	17.0
Renovation Furniture	8.5	8.0	3.0
Force Protection	6.3	1.8	1.9
Raven Rock Mountain Complex	0.3	0.0	0.0
Subtotal Above Standard Services	38.7	51.8	48.8
 Other Sources:			
Pentagon Memorial Fund	2.5	0.0	0.0
 Total New Orders:	 750.7	 721.0	 808.6

Note: Totals may not add due to rounding.

Revenue and Expense
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(\$ in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue:			
Standard level	709.5	669.1	761.7
Above standard level	<u>38.7</u>	<u>51.8</u>	<u>46.9</u>
Other sources	<u>2.5</u>	<u>0.0</u>	<u>0.0</u>
Total Revenue	750.7	720.9	808.6
 <u>Standard Level Operating Expenses:</u>			
Real Property Operations:			
	<u>175.6</u>	<u>145.8</u>	<u>185.3</u>
Cleaning	24.1	20.2	20.8
Utilities & Fuel	9.4	17.4	18.3
Maintenance	21.3	28.2	29.5
Other Building Services	9.1	11.1	21.5
Administration	67.8	38.2	43.0
Pentagon Memorial	21.0	0.0	0.0
Repairs (over \$10,000)	4.8	12.9	32.8
Information Technology	18.1	17.8	19.4
 Pentagon Force Protection Agency:			
	<u>166.8</u>	<u>187.1</u>	<u>185.8</u>
Compensation & Benefit	88.0	91.2	98.2
Program Integration	12.5	29.0	19.4
CBRN	34.6	32.1	35.3
Anti-Terrorism/Force Protection	0.2	0.2	0.2
Security Services	14.7	11.3	8.4
Pentagon Police / Raven Rock	9.6	11.4	11.0
Force Protection Technology	7.2	11.9	13.3
 Pentagon Renovation:			
	<u>343.3</u>	<u>309.8</u>	<u>342.0</u>
Compensation & Benefit	3.4	4.0	4.1
Design and Construction	196.5	171.9	194.9
Information Management & Telecommunications (IM&T)	25.6	36.3	27.7
Swing Space	44.0	45.0	44.2
Administration	22.7	20.0	19.5
Other Services	2.3	4.0	4.2
Life Safety	19.8	0.0	17.9
Renovation Acceleration	22.1	28.6	29.5
Site R Improvements	6.8	0.0	0.0

Revenue and Expense
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(\$ in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
<u>Standard Level Operating Expenses (continued):</u>			
Raven Rock Mountain Complex:	<u>34.1</u>	<u>42.7</u>	<u>48.5</u>
Compensation & Benefit	0.0	12.3	13.4
Design and Construction	0.4	0.4	0.4
Information Management & Telecommunications (IM&T)	3.4	4.6	4.3
Swing Space	2.0	2.3	2.5
Administration	11.6	0.8	0.9
Other Services	2.0	13.0	16.2
Life Safety	0.0	0.0	0.0
Renovation Acceleration	9.4	9.0	10.5
Site R Improvements	5.3	0.3	0.3
Subtotal Standard Level	<u>719.8</u>	<u>685.5</u>	<u>761.6</u>
<u>Above Standard Reimbursable Expenses:</u>			
Real Property Operations:	33.5	34.0	30.0
Pentagon Renovation	16.0	16.0	17.0
Pentagon Force Protection Agency	7.5	1.8	0.0
Raven Rock Mountain Complex	1.2	0.0	0.0
Subtotal Above Standard Level	58.2	51.8	47.0
Total Operating Expenses	778.0	737.3	808.6
Cost of Services	778.0	737.3	808.6
Net Operating Result	-27.3	-16.4	0.0
Accumulated Operating Result	-27.3	-43.6	-43.6*

* FY 2009 negative Accumulated Operating Result is the result of the application of current year expenses financed by prior year recoveries and existing cash balances.

Note: Totals may not add due to rounding.

Capital Investment Summary
 Washington Headquarters Services
 Pentagon Reservation Maintenance Revolving Fund
 Fiscal Year (FY) 2009 Budget Estimates
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PROGRAM	FY 2007		FY 2008		FY 2009	
	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.
Cleaning	4,725,242	\$5.10	4,841,030	\$4.17	4,841,030	\$4.30
Utilities & Fuel	4,725,242	\$1.99	4,841,030	\$3.60	4,841,030	\$3.78
Maintenance	4,725,242	\$4.51	4,841,030	\$5.83	4,841,030	\$6.09
Other Building Services	4,725,242	\$1.93	4,841,030	\$2.29	4,841,030	\$4.44
Administrative	5,038,658	\$4.72	5,154,446	\$6.65	5,154,446	\$7.59
Administrative Cost as Percent of Total Program Cost		16.0%		8.0%		7.8%

Workload Avg. Square footage is based on occupiable space. It does not include outside parking and it excludes reimbursable above standard services

Square footage increase in FY 2008 from FY 2007 includes the Army Library, Pentagon Conference Center and PFFPA's Police Headquarters.

Capital Investment Summary
 Washington Headquarters Services
 Pentagon Reservation Maintenance Revolving Fund
 Fiscal Year (FY) 2009 Budget Estimates
 February 2008
 (\$ in Millions)

	<u>Obs.</u>	<u>Orders</u>	<u>Revenue</u>	<u>Cost</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>
<u>Pentagon Bldg. Renovation:</u>											
FY 2007	359.2	359.2	359.2	359.2	240.6	82.6	10.7	10.7	7.3	7.3	
FY 2008	325.8	325.8	325.8	325.8		218.2	74.9	9.7	9.7	6.8	6.5
FY 2009	359.0	359.0	359.0	359.0			240.5	82.6	10.8	10.8	7.1

Pentagon Force Protection Agency:

FY 2007	174.3	174.3	174.0	174.3	146.4	27.9					
FY 2008	188.9	188.9	188.9	188.9		158.7	30.2				
FY 2009	185.6	185.6	185.6	185.6			155.9	29.7			

Real Property Operations:

FY 2007	209.1	209.1	182.8	209.1	167.2	41.9					
FY 2008	179.8	179.8	163.6	179.8		143.8	36.0				
FY 2009	215.3	215.3	215.3	215.3			172.2	43.1			

Raven Rock Mountain Complex:

FY 2007	35.3	35.3	34.7	35.3	25.1	10.2					
FY 2008	42.7	42.7	42.7	42.7		30.3	12.4				
FY 2009	48.5	48.5	48.5	48.5			34.4	14.1			

Total PRMRF:

FY 2007	777.9	777.9	750.7	777.9	579.3	194.5	10.7	10.7	7.3		
FY 2008	737.2	737.2	721.0	737.2		576.3	153.5	9.7	9.7	6.8	6.5
FY 2009	808.4	808.4	808.4	808.4		0.0	610.7	169.5	10.8	10.8	7.1

	<u>Cash:</u>	<u>BOY</u>	<u>Collections</u>	<u>Disb.</u>	<u>EOY</u>
FY 2007		434.0	766.5	707.7	492.8
FY 2008		492.8	720.9	737.3	476.5
FY 2009		476.5	808.6	808.6	476.5

Capital Investment Summary
Washington Headquarters Services
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(\$ in millions)

Line Number	Item Description	FY 2007		FY 2008		FY 2009	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Pentagon Capital Improvement Projects	0	0.0	1	2.0	1	26.4
2	Equipment - Other	1	4.5	1	2.9	1	2.6
3	Major Construction - Replacement	1	285.5	1	240.5	1	273.8
4	Fire Vehicle and Chilled Water Line Replacement	<u>1</u>	<u>0.4</u>	<u>1</u>	<u>3.5</u>	<u>1</u>	<u>7.8</u>
	TOTAL	3	290.4	4	248.9	4	310.6

Capital Investment Summary
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
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(\$ in Thousands)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Fiscal Year (FY) 2009 President's Budget Submission			
B. Real Property Operations				C. Equipment/Other			D. Line Item #1			
Element of Cost (\$000)		FY 2007			FY 2008			FY 2009		
		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
		0	0	0	1	2,000	2,000	1	26,428	26,428
TOTAL		0	0	0	1	2,000	2,000	1	26,428	26,428

Narrative Justification:

FY 2008: \$2.0 million will be invested in Operation initiatives to include:

- Design and Planning of Pentagon Capital Improvement Projects

FY 2009: \$26.4 million will be invested in Operation initiatives to include:

- Roof Replacement (\$9.5 million)
- Backup power for control systems & Networks support building services (\$.9 million)
- Digital Controls System Assessment & Upgrade (\$9.0 million)
- Door to Auto Door Replacement - ADA Requirement (\$.4 million)
- Emergency Repairs (\$2.2 million)
- ARC Flash Program (\$.2 million)
- Remote Delivery Facility Cooling Tower Air Flow Modification (\$.2 million)
- Façade Repairs (\$1.6 million)
- Emergency Powered Exterior Lighting (\$.2 million)
- Secondary RDF CW Loop - (\$.2 million)
- ECMS Upgrade to renovated areas to include W1 lighting controls (\$.5 million)
- Fan Powered Induction Unit Fan Motor Replacement (\$.5 million)
- Elevator Bank Floor Tile Installation (\$.5 million)
- Restroom Automatic Flush Valve & Faucet Replacement (\$.5 million)

Capital Investment Summary
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
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(\$ in Thousands)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Fiscal Year (FY) 2009 President's Budget Submission				
B. Pentagon Force Protection Agency			C. Equipment/Other			D. Line Item #1					
			FY 2007			FY 2008			FY 2009		
Element of Cost (\$000)			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Equipment - except ADPE & Telecomm			1	4,562	4,562	1	2,885	2,885	1	2,577	2,577
TOTAL			1	4,562	4,562	1	2,885	2,885	1	2,577	2,577

Narrative Justification:

FY 2007: \$4.5 million will be invested in FPPA initiatives to include:

- Incident Command Support Network - (\$.1 million)
- Digital recording capability for new cameras - (\$.1 million)
- Systems defense and computer network defense - (\$.1 million)
- Land mobile radios - (\$.3 million)
- Life Safety System Equipment - (\$1.9 million)
- Procurement of chemical, biological, radiological detection sensors and protection/detection sensor integration, and the joint operations system enhancements - (\$2.0 million)

FY 2008: \$2.9 million will be invested in FPPA initiatives to include:

- Life Safety System Equipment - (\$2.1 million)
- Land mobile radios - (\$.2 million)
- Armored vehicle for senior personnel - (\$.2 million)
- Procurement of chemical, biological, radiological detection sensors and protection/detection sensor integration, and the joint operations system enhancements - (\$.5 million)

FY 2009: \$2.6 million will be invested in FPPA initiatives to include:

- Life Safety System Equipment - (\$2.0 million)
- Land mobile radios - (\$.2 million)
- Procurement of chemical, biological, radiological detection sensors and protection/detection sensor integration, and the joint operations system enhancements - (\$.4 million)

Capital Investment Summary
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(\$ in Thousands)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Fiscal Year (FY) 2009 President's Budget Submission		
B. Pentagon Renovation	C. Major Construction - Repair/Replace			D. Line Item #2					
Element of Cost (\$000)	FY 2007			FY 2008			FY 2009		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Major Construction	1	285,498	285,498	1	240,500	240,500	1	273,839	273,839
TOTAL	1	285,498	285,498	1	240,500	240,500	1	273,839	273,839

Narrative Justification:

FY 2007: \$285.5 million invested in renovation initiatives to include:

- Design and Construction activities, including design, construction, energy management control system, lock hardware, and security systems and interior signs for Wedge Three (\$84.5 million)
- Design and Construction activities for Wedge Four (\$107.5 million)
- Construction management and quality assurance (\$5.0 million)
- Information Management and Telecommunications planning, engineering management, acquisition and implementation activities (\$31.0 million)
- Renovation acceleration (\$33.4 million)
- Life Safety initiatives in Wedge Four to enhance safety, fire suppression, and blast resistance for the Pentagon (\$24.1 million)

FY 2008: \$240.5 million will be invested in renovation initiatives to include:

- Design and Construction activities (\$172.4 million)
- Construction management and quality assurance (\$3.2 million)
- Information Management and Telecommunications planning, engineering management, acquisition and implementation activities (\$36.3 million)
- Renovation acceleration (\$28.6 million)

FY 2009: \$273.8 million will be invested in renovation initiatives to include:

- Design and Construction activities (\$195.5 million)
- Construction management and quality assurance (\$3.2 million)
- Information Management and Telecommunications planning, engineering management, acquisition and implementation activities (\$27.8 million)
- Renovation acceleration (\$29.5 million)
- Force Protection (\$17.8 million)

Capital Investment Summary
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(\$ in Millions)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)										A. Fiscal Year (FY) 2009 President's Budget Submission		
B. Raven Rock Mountain Complex - RRMC				C. Equipment, Other			D. Line Item #3					
Element of Cost (\$000)	FY 2006			FY 2007			FY 2008			FY 2009		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Equipment, Other	1	375	375	1	390	390	1	3,500	3,500	1	7,800	7,800
TOTAL	1	375	375	1	390	390	1	3,500	3,500	1	7,800	7,800

Narrative Justification:

FY 2007: \$0.4 million - Fire Vehicle Purchase

FY 2008: \$3.5 million will be invested in RRMC Capital Improvement initiatives to include:

- Chilled Water Line Replacement - Replaces valves and piping in both power plants as well as between the plants within the chilled water system

FY 2009: \$7.8 million will be invested in RRMC Capital Improvement initiatives to include:

- The continuation of the Chilled Water Line Replacement (\$5.5 million)
- The continuation of the Electrical Power Distribution Project (\$2.3 million)

Capital Investment Summary
 Washington Headquarters Services
 Pentagon Reservation Maintenance Revolving Fund
 Fiscal Year (FY) 2009 Budget Estimates
 February 2008
 (\$ in Thousands)

Projects on the FY 2009 President's Budget

<u>FY</u>	<u>Approved Project</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation</u>
2008	Equipment ADPE and TELECOM				
2008	Equipment Other Information Management & Force Protection Technology	2,885	2,885		
2008	Armored Vehicles				
2008	Major Construction Major construction associated with the renovation of the Pentagon Complex	240,500	240,500		
	Design and Planning of Pentagon Capital Improvement Projects	2,000	2,000		
2008	Chilled Water Line Replacement	3,500	3,500		
	Total FY 2008	248,885	248,885		

WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008

Activity Group Function:

The Buildings Maintenance Fund operates under authority of Section 2208 of Title 10, United States Code. The fund is responsible for providing space, building services and force protection for two federally owned and 28 leased facilities within the National Capital Region (NCR). These facilities are operated by Washington Headquarters Services (WHS) under GSA DoD Interagency Agreements. The BMF is financed by funds collected via a basic service charge. Service above those paid for basic charges are recovered on a reimbursable basis.

Activity Group Composition:

The BMF finances the activities of the Washington Headquarters Services (WHS) and the Pentagon Force Protection Agency in providing space, building services and force protection for DoD components including military departments and other activities in DoD delegated buildings within the NCR.

Real Property Operations (RPO): The Defense Facilities Directorate is responsible for providing safe and efficient operation and management of all DoD delegated buildings within the NCR. Real Property Operations include cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, purchased utilities and administrative support. The scheduled maintenance and day-to-day customer support via these services provides for operational continuity of the customer's mission.

Pentagon Force Protection Agency (PFPA): The Pentagon Force Protection Agency (PFPA) was established by the Deputy Secretary of Defense as a Defense Agency under Title 10 USC 191. The mission of the PFPA is to provide force protection, security, anti-terrorism, law enforcement, and chemical, biological, radiological, and nuclear protection as required for the people, facilities, infrastructure, and other DoD resources within the NCR.

The following table summarizes BMF obligation authority by activity group:

	(Dollars in Millions)		
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Real Property Operations	15.3	21.0	21.0
PFPA	<u>37.7</u>	<u>37.6</u>	<u>40.2</u>
Total	53.0	58.6	61.2

Budget Highlight:

Budget estimates derived for FY 2007 through FY 2009 assume annual inflationary increases for real property operations and force protection requirements. Real property maintenance and repair projects will be maintained at commercially equivalent levels.

Financial Profile:

	(Dollars in Millions)		
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	55.5	58.6	61.2
Expenses	53.0	58.6	61.2
Net Operating Results	2.5	0.0	0.0
Disbursements	58.8	56.2	60.8
Collections	56.0	58.6	61.2
Net Outlays	2.8	-2.4	-0.4

Staffing:

	(Full Time Equivalents)		
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Real Property Operations:	57	58	58

Summary of Price, Program, and other Changes (Operating Budget) - Costs
Washington Headquarters Services
Building Maintenance Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(\$ in Millions)

<u>Element of Expense</u>	<u>Cost of Operations FY 2007</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Amount</u>	<u>Program & Other Changes</u>	<u>Cost of Operations FY 2008</u>	
Civilian Personnel Compensation	3.2	0.0	3.5%	0.1	1.4	4.7
Civilian Personnel Benefits	1.2	0.0	3.5%	0.0	0.1	1.3
Benefits to Former Employees	0.0	0.0	3.5%	0.0	0.0	0.0
Travel	0.0		2.3%	0.0	0.0	0.0
Transportation	0.0		2.3%	0.0	0.0	0.0
Rent	0.8		2.3%	0.0	-0.1	0.7
Communication and Utilities	1.0		2.3%	0.0	0.0	1.1
Printing	0.0		2.3%	0.0	0.0	0.0
Other Services	43.1		2.3%	1.0	-0.5	43.6
Supplies and Materials	0.9		2.3%	0.0	0.1	1.0
Equipment	2.8		2.3%	0.1	3.3	6.1
Interest & Dividends	0.0		2.3%	0.0	0.0	0.0
Total COST OF OPERATIONS (Includes Above Standard Program)	53.0	0.0		1.3	4.3	58.6

Note: Totals may not add due to rounding.

Summary of Price, Program, and other Changes (Operating Budget) - Costs
Washington Headquarters Services
Building Maintenance Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(\$ in Millions)

<u>Element of Expense</u>	<u>Cost of Operations FY 2008</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Amount</u>	<u>Program & Other Changes</u>	<u>Cost of Operations FY 2009</u>	
Civilian Personnel Compensation	4.7	0.0	2.9%	0.1	-0.1	4.8
Civilian Personnel Benefits	1.3	0.0	2.9%	0.0	0.0	1.3
Benefits to Former Employees	0.0	0.0	2.9%	0.0	-0.1	0.0
Travel	0.0		1.9%	0.0	0.0	0.0
Transportation	0.0		1.9%	0.0	0.0	0.0
Rent	0.7		1.9%	0.0	0.0	0.7
Communication and Utilities	1.1		1.9%	0.0	0.0	1.1
Printing	0.0		1.9%	0.0	0.0	0.0
Other Services	43.6		1.9%	0.8	1.5	45.9
Supplies and Materials	1.0		1.9%	0.0	0.0	1.0
Equipment	6.1		1.9%	0.1	0.1	6.3
Interest & Dividends	0.0		1.9%	0.0	0.0	0.0
TOTAL COST OF OPERATIONS (Includes Above Standard Program)	58.6	0.0		1.2	1.4	61.2

Note: Totals may not add due to rounding.

Changes In Cost Of Operations
Fiscal Year (FY) 2009 Budget Estimates
Building Maintenance Fund
February 2008
(\$ in Millions)

FY 2007 Estimated Actual:	53.0
FY 2008 Estimate in President's Budget	58.6
Pricing Adjustments:	1.3
Annualization of Prior Year Pay Raises	0.0
FY 2008 Pay Raise	0.1
General Purchase Inflation	1.2
Program Changes:	-1.3
Decrease in Above Standard Workload	-2.5
One Time Equipment Purchase	1.2
FY 2008 Estimate Current Estimate	58.6
Pricing Adjustments:	1.3
Annualization of Prior Year Pay Raises	0.0
FY 2009 Pay Raise	0.1
General Purchase Inflation	1.2
Program Changes:	1.3
Increased Customer Security Installations	2.0
Lifecycle Replacement of Security Equipment	-0.8
FY 2009 Estimate:	61.2

Note: Totals may not add due to rounding.

Source of New Orders and Revenue
Washington Headquarters Services
Building Maintenance Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(\$ in Millions)

	FY 2007	FY 2008	FY 2009
1. New Orders			
a. Orders from DoD Components:			
Department of the Air Force	1.6	1.7	1.8
Department of the Army	17.5	18.5	19.1
Department of the Navy	3.3	3.4	3.6
Subtotal Military Departments	22.4	23.6	24.5
Defense-Wide			
CAAF	1.1	1.2	1.4
DCMA	1.7	1.8	2.0
DFAS	0.9	1.0	1.1
DIA	1.7	1.8	2.0
DISA	2.9	3.0	3.2
DLA	1.5	1.6	1.7
DSS	0.3	0.3	0.4
DTRA	3.1	3.2	3.4
WHS	8.2	7.8	8.1
Subtotal Defense-Wide	21.4	21.7	23.3
b. Orders from Non-DoD Agencies			
c. Subtotal Standard Level Rent Orders	43.8	45.3	47.8
d. Other Orders			
Above Standard Level Services:			
Building Services and Space Adjustments	5.9	10.6	10.5
Force Protection	5.8	2.7	2.9
Subtotal Above Standard Services	11.7	13.3	13.4
Total New Orders:	55.5	58.6	61.2

Note: Totals may not add due to rounding.

Revenue and Expenses
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(\$ in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Standard level	43.8	45.3	47.8
Above standard level	<u>11.7</u>	<u>13.3</u>	<u>13.4</u>
Total Revenue	55.5	58.6	61.2
 <u>Standard Level Operating Expenses:</u>			
Real Property Operations:	<u>7.5</u>	<u>10.4</u>	<u>10.5</u>
Compensation & Benefit	0.0	0.0	0.0
Cleaning	1.2	1.0	1.0
Utilities & fuel	0.9	0.8	0.9
Maintenance	0.5	1.2	1.2
Other building services	0.0	0.0	0.0
Administration	4.9	6.8	6.8
Repairs (over \$10,000)	0.0	0.6	0.6
 Pentagon Force Protection Agency:	 <u>31.9</u>	 <u>34.9</u>	 <u>37.3</u>
Program Integration	4.8	8.6	12.3
CBRN	8.1	6.3	6.3
Anti-Terroism/Force Protection	6.7	5.6	3.9
Security Services	0.0	0.0	0.0
Pentagon Police	11.9	13.8	14.2
Force Protection Technology	0.4	0.6	0.6
Subtotal Standard Level	39.4	45.3	47.8
 <u>Above Standard Reimbursable Expenses:</u>			
Real Property Operations	7.8	10.6	10.5
Pentagon Force Protection Agency	5.8	2.7	2.9
Subtotal Above Standard Level	13.6	13.3	13.4
 Total Operating Expenses	 53.0	 58.6	 61.2
 Cost of Services	 53.0	 58.6	 61.2
 Net Operating Result	 2.5	 0.0	 0.0
 Accumulated Operating Result	 2.5	 2.5	 2.5

Note: Totals may not add due to rounding.

Cost of Basic Services
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008

PROGRAM	FY 2007		FY 2008		FY 2009	
	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.
Cleaning	881,798	\$1.36	881,798	\$1.13	881,798	\$1.13
Utilities & Fuel	964,331	\$0.93	394,212	\$2.03	394,212	\$2.28
Maintenance	2,175,702	\$0.23	2,175,702	\$0.55	2,175,702	\$0.55
Other Building Services	0	\$0.00	0	\$0.00	0	\$0.00
Administrative	4,508,700	\$1.09	4,508,700	\$1.51	4,508,700	\$1.51
Administrative Cost as Percent of Total Program Cost		5.0%		4.2%		3.8%

The workload average square footage for real property operations is based upon the execution of non-fully serviced leases at delegated leased facilities; it does not include reimbursable above standard services.

- The decrease in Utilities & Fuel square footage from FY 2007 to FY 2008 is due to Hoffman II lease change from non-fully serviced to fully serviced.

- The Other Building Services identified in previous budget submissions are now funded directly by the customer.

- The percentage change for Administration Cost as a percentage of total program includes the oversight of annual GSA Leases.

Summary Statement
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(\$ in Millions)

	<u>Obs.</u>	<u>Orders</u>	<u>Revenue</u>	<u>Cost</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>
<u>Real Property Operations:</u>											
FY 2007	15.3	16.8	16.8	15.3	13.8	1.5	0.0	0.0	0.0	0.0	0.0
FY 2008	21.0	21.0	21.0	21.0		18.9	2.1	0.0	0.0	0.0	0.0
FY 2009	21.0	21.0	21.0	21.0			18.9	2.1	0.0	0.0	0.0
<u>Pentagon Force Protection Agency:</u>											
FY 2007	37.7	38.7	38.7	37.7	32.0	3.8	1.9	0.0	0.0	0.0	0.0
FY 2008	37.6	37.6	37.6	37.6		32.0	3.8	1.8	0.0	0.0	0.0
FY 2009	40.2	40.2	40.2	40.2			34.1	4.0	2.1	0.0	0.0
<u>Total BMF:</u>											
FY 2007	53.0	55.5	55.5	53.0	45.8	5.3	1.9	0.0	0.0	0.0	0.0
FY 2008	58.6	58.6	58.6	58.6	0.0	50.9	5.9	1.8	0.0	0.0	0.0
FY 2009	61.2	61.2	61.2	61.2	0.0	0.0	53.0	6.1	2.1	0.0	0.0

<u>Cash:</u>	<u>BOY</u>	<u>Collections</u>	<u>Disb.</u>	<u>EOY</u>
FY 2007	44.3	56.0	58.8	41.5
FY 2008	41.5	58.6	56.2	43.9
FY 2009	43.9	61.2	60.8	44.3

**Defense National Stockpile Center
Fiscal Year (FY) 2009 Budget Estimates**

The National Defense Stockpile (NDS) operates under the authority of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. §98, et seq.). The Stock Piling Act provides that strategic and critical materials are stockpiled in the interest of national defense to preclude a dangerous and costly dependence upon foreign sources of supply in times of national emergency. The Defense National Stockpile Center (DNSC) administers the acquisition, storage, management, and disposal of the NDS.

The sales and payment information included in this submission reflect the international commodities market subject to fluctuation. For example, tungsten ores and concentrates prices have been subject to significant increases as a result of a shortage in available material, thereby increasing collections and subsequent payments in the respective programs. DNSC's sales program is revised periodically to accommodate market dynamics.

Transfer of Unobligated Balances

The budget includes a request to transfer in FY 2009 \$1.3 billion in unobligated Stockpile balances from prior year sales to the Defense Health Program so that the Department can continue to provide quality health care to the men and women of our armed forces and their families.

Unobligated balances from prior year Stockpile sales were transferred to Operation and Maintenance accounts of the Army, Navy, and Air Force in the annual total amount of \$150 million in FY 1995 through FY 2001. These transfers totaled \$1.05 billion. Larger amounts were transferred in FY 1994, with \$150 million each to O&M, Army and Navy, and \$200 million to O&M, Air Force. The FY 1994 transfer totaled \$.5 billion. The total transferred between FY 1994 and FY 2001 was \$1.55 billion.

DNSC Restructuring Program

DNSC maintains a formal restructuring plan that considers Stockpile's strategic mission, objectives and associated operational needs. The Restructuring Plan documents:

- Projected sales and staffing levels
- Inventory reduction strategies
- Proposed depot closure schedule

It currently excludes any assumption on future DNSC acquisitions.

In FY 2007, the Restructuring Plan reduced the amount of staffed depots by four, resulting in three staffed depots at the end of FY 2007. The remaining staffed depots are referred to as "consolidation points" because the facilities present the best opportunity to consolidate and sell remaining NDS materials, based on factors such as cost, location, and access. The three consolidation point depots have oversight for a number of unstaffed sites where material and/or environmental remediation requirements still remain. The budgets for rents, depot operations, real property maintenance and other select object classes reflect the depot consolidations.

DNSC Business Operations

The Restructuring Plan includes reviewing inventory locations and operational costs for Headquarters and the depots. Through the material consolidations, DNSC continues to reduce its number of storage sites (both staffed and un-staffed). Because operational costs are still incurred for sites where material has been sold but not yet removed, and sites where environmental remediation is still ongoing, DNSC now reports on sites in all three stages. The table below provides the projected number of sites (staffed and unstaffed) at fiscal yearend that will be occupied for one of three reasons: commodities currently available for sale, commodities under contract but not yet removed, or commodities awaiting environmental action (i.e., remedial investigation or clean up). At the end of FY 2006 DNSC had 28 storage sites. DNSC projected to end FY 2007 with 20 sites, but ended with 23 sites. This is primarily due to buyers not being able to take material from remote western sites and remaining environmental activity. The estimate for end-of-year number of storage sites has been updated for FY 2008 through FY 2013 as follows:

	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Staffed and Unstaffed Sites	23	18	9	8	6	4	2

Relocation projects involving the repositioning of commodities to the consolidation points continued through FY 2006 and completed in FY 2007.

Sales

DNOSC's Principal Sales program consists of commodity disposals considered excess to the needs of DoD that were authorized for sale prior to FY 1996. Subsequent authorization acts have granted sales authority for other excess commodities, whose proceeds were earmarked for the programs below:

Authorized Programs

- Principal Sales Program
- Foreign Military Sales (FMS) Program
- Cobalt Post-FMS Program
- HHS and Treasury General Fund (TGF) Program
- Spectrum/Military Benefits Program
- WWII Memorial and Treasury General Fund Program

Sales (\$ in millions)	FY 2007	FY 2008	FY 2009
Principal Sales Program	\$279.2	\$ 97.8	\$ 31.6
Foreign Military Sales Program	3.0	.8	0
Cobalt Post-FMS Program	20.4	0	0
HHS & TGF Program	42.5	81.2	144.8
Spectrum/Military Benefits Program	105.5	39.0	54.9
WWII Memorial & TGF Program	0.1	0	0
Total Sales	\$450.7	\$218.8	\$231.3

Foreign Military Sales Program

The National Defense Authorization Act for FY 1997, P.L. 104-201, authorized additional disposals to offset losses to the U.S. Treasury that would be incurred due to reduced charges to buyers in the Foreign Military Sales (FMS) program. A provision of the Federal Acquisition and Reform Act (FARA), P.L. 104-106, permits the President to waive charges for non-recurring Research and Development and production costs for FMS sales from DoD stocks. This provision was intended to increase FMS sales, increase production quantities, and ultimately to reduce the cost of equipment procured by the Services. The provision required offsetting legislation before costs could be waived. The Stockpile FMS program was to fulfill this requirement by generating anticipated receipts of \$612 million by the end of FY 2006. The National Defense Authorization Act for FY 2000, P.L. 106-65, increased the funds to be paid from \$612 million (previously authorized in P.L. 104-201) to \$720 million. The National Defense Authorization Act for FY 2007 extended the

program through FY 2008.

DNSC has completed sales of commodities authorized under this program. The program generated proceeds (i.e., processed payments to the program) of \$637 million through FY 2007.

Cobalt Post-FMS Program

The National Defense Authorization Act for FY 1998, P.L.105-85, authorized additional sales of cobalt. The receipts from these sales are to be paid from the T-Fund and deposited into the Treasury General Fund. The National Defense Authorization Act for FY 2000, P.L. 106-65, increased the funds to be paid from \$152 million (previously authorized in P.L. 105-85) to \$235 million. The National Defense Authorization Act for FY 2002, P.L. 107-107, accelerated sales to begin in FY 2002 instead of FY 2003 to avoid potential market disruption. The National Defense Authorization Act for FY 2007 extended the program through FY 2008.

The sale of material in this program generated proceeds of \$133 million through FY 2007 with sales expected to reach near \$146 million by the end of FY 2008.

HHS and Treasury General Fund Sales Program

The National Defense Authorization Act for FY 1999, P.L. 105-261, authorized additional disposal of commodities. The receipts from these sales are to be paid from the T-Fund and deposited into the U.S. Treasury. A portion of the receipts was paid to the Secretary of Health and Human Services (HHS) to be credited in the manner determined by the Secretary to the Federal Hospital Insurance Fund and the Federal Supplementary Medical Insurance Trust Fund. The National Defense Authorization Act for FY 2001, P.L. 106-398, increased the funds to be paid from \$590 million (previously authorized in P.L. 105-261) to \$720 million for the HHS & Treasury General Fund. The National Defense Authorization Act for FY 2002, P.L. 107-107, increased the funds to be paid from \$720 million (previously authorized in P.L. 106-398) to \$770 million by the end of FY 2006. The National Defense Authorization Act for FY 2005 further increased the funds to be paid to \$870 million by the end of FY 2009. The National Defense Authorization Act for FY 2006 further increased the funds to be paid to \$1.0 billion by the end of FY 2013. The National Defense Authorization Act for FY 2007 raised the limit to \$1.016 billion by the end of FY 2014.

The sale of materials in this program generated proceeds of \$995 million through FY 2007 and will generate an anticipated cumulative total of \$1.066 billion by the end of FY 2008 (pending passage of current language in the National Defense Authorization Act for FY 2008, which raises the limit to \$1.066 billion).

SPECTRUM/Military Benefits Sales Program

The National Defense Authorization Act for FY 2000, P.L. 106-65 authorized additional sales of commodities through the end of FY 2009. The National Defense Authorization Act for FY 2004, P.L. 108-136 increased the funds to be paid from \$300 million to \$450 million by the end of FY 2013. The National Defense Authorization Act for FY 2006 further increased the funds to be paid to \$600 million by the end of FY 2013.

The sale of materials in this program generated proceeds of \$564 million through FY 2007 and will generate an anticipated cumulative total of \$613 million by the end of FY 2008 (pending passage of current language in the National Defense Authorization Act for FY 2008, which raises the limit to \$730 million).

WWII Memorial & Treasury General Fund Program

The National Defense Authorization Act for FY 2001, P.L. 106-398, authorized the sale of 30,000 short tons of titanium by September 30, 2010. Proceeds of \$6 million were transferred to the American Battle Monuments Commission for the World War II Memorial. The remainder will be deposited into the General Treasury as Miscellaneous Receipts.

DNSC has completed sales under this program. The program generated proceeds of \$146 million through FY 2007.

Payments

Cash Transfers or Payments to legislated programs are summarized in the chart below. DNSC's payment authority in FY 2007 was increased by request from \$69.9 million to \$257.8 million.

DNSC entered FY 2007 with a carryover balance from FY 2006 collected earnings of \$106.7 million. The carryover balance was paid in the 2nd quarter of FY 2007 and utilized FY 2007 payment authority. DNSC executed additional payments of \$151.2 million

for FY 2007 collected earnings and made a \$186 million non-expenditure transfer to the Medicare-Eligible Retiree Health Care Fund (MERHCF). DNSC had a carryover balance of \$22.4 million from FY 2007 collected earnings which was processed in the 1st quarter of FY 2008.

Payment estimates for fiscal years 2008 and 2009 are based on the latest DNSC sales plan. Due to favorable market conditions and commodity prices, the payments made in the past two fiscal years have exceeded the plan. It is anticipated that this trend will continue in fiscal years 2008 and 2009.

Payments (\$ in millions)	FY 2007	FY 2008	FY 2009
Foreign Military Sales Program	\$ 2.9	\$ 1.3	\$ 0
Cobalt Post Foreign Military Sales	18.9	10.4	2.7
HHS & Treasury GF	100.9	101.3	120.4
Spectrum / Military Benefits	123.8	48.8	75.8
WWII Memorial	11.3		
Non-expenditure Transfer to MERHCF	186.0		
Transfer to Defense Health Program			1,300.0
Total Payments	\$443.8	\$161.8	\$1,498.9

Budget Highlights

Operations Obligations (\$ in millions)	FY 2007	FY 2008	FY 2009
Labor	\$ 10.6	\$ 10.1	\$ 9.4
Non-Labor	49.7	34.7	31.8
Select non-labor accounts			
Rent	4.7	5.0	4.9
Depot Operations	7.2	5.0	3.6
Real Property Maintenance	4.3	3.6	3.4
Environmental	11.3	8.7	7.8
Other	22.2	12.4	12.1
Total	60.3	44.8	41.2

Labor

Based on the current pace of material disposition, operations will continue to require a higher level of staffing through FY 2008 and beyond. The review of the staffing requirements has resulted in an end of FY 2007 end-strength of 88 and maintenance of FTEs at 96 through FY 2009.

Non-Labor

Rents & Leases: Real property rental and leasing required to support stockpiling operations includes warehouses, administrative buildings, service buildings and open land for outdoor storage. Property is primarily obtained through occupancy agreements with the General Services Administration (GSA), other Federal Agencies or commercial leases administered by GSA. Increases are anticipated in rates for GSA Service User Charges in FYs 2008, 2009, and future years, but DNSC's costs are anticipated to be reduced in the outyears as depots are vacated.

Depot Operations: Depot Operations are costs associated with operating and maintaining the day-to-day depot mission, which includes:

- Fire alarms, suppression systems operations and maintenance
- Physical security
- General facility maintenance and repairs less than \$100,000
- Janitorial services
- Non-ADP equipment maintenance and repair services
- Vehicle and liquid heating fuels
- Grounds maintenance (e.g. snow removal, vegetation control & trash removal)

Costs are expected to be reduced as the consolidation points are implemented.

Real Property Maintenance (RPM): The real property maintenance program includes both recurring maintenance and major repair projects. DNSC deferred emergent RPM projects in FY 2007 to support the movement of mercury and materials handling initiatives, which included a requirement to install fire suppression systems in the mercury storage warehouses at Hawthorne, Nevada. Even though select projects were deferred in FY 2007, RPM program costs are projected to decrease during fiscal years 2008 and 2009 because the number of sites requiring maintenance has been reduced.

Environmental

As part of DNSC's focus on site stewardship, environmental assessments are conducted to determine environmental effects that may have occurred as a result of materiel storage and

whether a site requires remediation. If a site does require clean-up, further studies are performed to determine the extent and nature of contamination and the best approach for remediation. Cleanup costs are estimated using the Remedial Action Cost Engineering and Requirements (RACER) process; a computer-based costing model. Based on input from DNSC, RACER estimates for clean-up of known sites at \$29.8 million and DNSC has an additional \$6.3 million for remediation under contract but not yet completed. Total estimate for known environmental remediation is \$36.1 million. Contaminated sites must be cleaned up prior to closure; therefore, as additional sites are cleared of material, the environmental liability could increase. Cleanup actions are coordinated with the depot closure plan to minimize disruption.

The environmental program increased in FY 2007 due to material relocation and depot consolidation, as cleared sites required environmental remediation. During the budget years, the program is expected to decrease as the number of sites requiring remedial action is reduced.

Two significant environmental issues noted in previous budget submissions are the mercury inventory and Thorium nitrate clean up. DNSC has a sizeable inventory of mercury. In order to determine the best approach, DNSC completed an Environmental Impact Statement in March 2004. The conclusion was to continue to store the mercury at one consolidated location. DNSC has selected the Hawthorne Army Depot (HWAD) in Nevada as the consolidated mercury storage site. Transportation was planned to begin in FY 2007, however, intervention by the Nevada Department of Environmental Protection (NDEP) has postponed the removal until additional safety questions are addressed. The movement of the mercury will proceed to HWAD once all NDEP requirements are met. Another significant effort is the decontamination and decommissioning of former thorium nitrate storage sites. Thorium nitrate is a low-level radioactive material that was previously stored at the Curtis Bay, Maryland and the Hammond, Indiana depots. Cleanup is closely coordinated with the Nuclear Regulatory Commission.

DNSC developed its FY 2007 Environmental Safety Occupational Health Management (ESOHM) Plan. The plan outlines environmental activities at DNSC depots including cleanup, audits, storm water monitoring, community relations, occupational health, mishap reporting, radiation protection, and other ESOHM areas.

DNSC Reconfiguration Study

During FY 2007, at the direction of Congress, DNSC contracted with the National Materials Advisory Board to conduct a Reconfiguration Study. The study and recommendations were published in the first quarter of FY 2008. The objective of the study was to determine the continuing need for and value of the NDS and, if needed, to develop general principles for its operation and configuration. Outputs from the study were to:

1. Describe current national defense material needs, taking account of the recent evolution of the domestic and global materials supply chains, and impact of growing international material needs on materials availability.
2. Re-assess the national need for the stockpiling and safe, secure and environmentally sound stewardship for strategic and critical defense-related materials in the United States (This portion of the assessment was to consider other nations' stockpiling initiatives).
3. Recommend general concepts and scenarios for the operation of any future national stockpile to consider the roles of government, industry, and the wider materials community in the identification of specific defense materials needs.

The Department is currently reviewing the results of the study and is working to determine the way ahead regarding what strategic and critical materials DoD needs for current and future needs and whether the NDS should be reconfigured.

DEFENSE LOGISTICS AGENCY
Transaction Fund
National Defense Stockpile Center
Fiscal Year (FY) 2009 Budget Estimates
Stockpile Financial Status Report
February 2008
(Dollars in Millions)

	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>
Treasury Cash Balance, End of Prior Year	1495.6	1470.7	1498.3
Collections	479.1	234.2	280.6
Disbursements	<u>60.2</u>	<u>44.8</u>	<u>41.2</u>
Labor	10.9	10.1	9.4
Non-Labor	49.3	34.7	31.8
<u>Payments</u>			
Payments from Current Year Sales			
FMS	4.4	1.3	0.0
HHS & TGF	44.8	101.3	120.4
Cobalt TGF	0.0	10.4	2.7
Spectrum	102.0	48.8	75.8
WWII Memorial	0.0	0.0	0.0
Payments from Current Year Sales	<u>151.2</u>	<u>161.8</u>	<u>198.9</u>
Carryover Payments from Previous Year	106.7		
Payment from Prior Year Sales (DHP)			1300.0
Non-expenditure Transfers			
MERHCF (TRICARE)	<u>186.0</u>	<u>0.0</u>	<u>0.0</u>
Total Payments and Transfers	443.8	161.8	1498.9
Cash Balance	1470.7	1498.3	238.8
Selected Liabilities			
Accounts Payable	0.4	2.0	2.0
Advances Received	32.8	20.0	20.0
Environmental Clean-up Liability	36.1	30.0	30.0
Other Liabilities	1.5	20.0	20.0
Undelivered Orders	18.1	25.0	25.0
Other Contingencies	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Totals	88.9	97.0	97.0
Estimated Available Cash	1381.8	1401.3	141.8

DEFENSE LOGISTICS AGENCY
Transaction Fund
Defense National Stockpile Center
Fiscal Year (FY) 2009 Budget Estimates
February 2008
Statement of Financial Condition
(\$M)

	FY 2007	FY 2008	FY 2009
ASSETS:			
Selected Assets:			
Cash	1529.9	1500.9	241.4
Accounts Receivable	2.7	0.1	0.1
Inventories	882.6	718.4	525.6
Other Asset Accounts:	<u>39.7</u>	<u>30.0</u>	<u>30.0</u>
TOTAL ASSETS	2454.9	2249.4	797.1
LIABILITIES			
Selected Liabilities:			
Accounts Payable	0.4	2.0	2.0
Advances Received	32.8	20.0	20.0
Environmental Liability	36.1	30.0	30.0
Other Liability Accounts:	<u>1.5</u>	<u>20.0</u>	<u>20.0</u>
TOTAL LIABILITIES	70.8	72.0	72.0
GOVERNMENT EQUITY			
Cumulative Results of Operations	<u>2384.1</u>	<u>2177.4</u>	<u>725.1</u>
TOTAL NET POSITION	2384.1	2177.4	725.1
TOTAL LIABILITIES AND EQUITY	2454.9	2249.4	797.1

**Conventional Ammunition Working Capital Fund
Fiscal Year (FY) 2009 Budget Estimates
February 2008**

Effective September 30, 1998, the Conventional Ammunition Working Capital Fund (CAWCF) stopped accepting new orders for the procurement of conventional ammunition. However, the Fund remains open to complete the closeout of all financial records.

Closeout of Financial Records

The CAWCF does not have any unresolved litigation or other contract negotiation concerns at this time. All orders placed in FY 1998 and prior years were closed in accordance with applicable Financial Management Regulations.

CAWCF un-liquidated obligations, inventory and Government Furnished Materiel are at \$0.00 balances. Defense Finance and Accounting Service (DFAS) - Rock Island is responsible for preparing the post-closing transactions as well as the final financial statements to close out the CAWCF appropriation.

**FINANCIAL POSITION
As of 30 September 2007**

The CAWCF has sufficient cash to meet all currently known and estimated requirements and requires no additional funding. As of September 30, 2007 the cash balance was \$3.0M. A CAWCF reprogramming request has been submitted to Congress in the amount of \$2.6M for the Nitrocellulose Production line, Production Base Support, at Radford Army Ammunition Plant. DFAS will finally close out the account and return the remaining cash balance to the Treasury after two consecutive fiscal years with no disbursements against the CAWCF.

<u>Cash Spend-out Plan (\$ Millions)</u>	
Cash Balance as of September 30, 2007	\$3.0
Less: Reprogramming by HQDA	<u>2.6</u>
Estimated Cash Position at Closure	\$0.4

Procurement of Ammunition, Army will fund additional obligations of unforeseen litigation, settlements, and/or problems with disposal of CAWCF-owned supplies and materials that may occur after 30 September 2007.

**Defense Coalition Support Account
Fiscal Year (FY) 2009 Budget Estimates
February 2008**

The FY 2009 budget estimate requests \$22.0 million for the establishment of the Defense Coalition Support Account (DCSA) as a new revolving fund. The Defense Coalition Support Account is a Quadrennial Defense Review endorsed initiative that creates a mechanism to allow DoD to pre-purchase and stock defense articles such as helmets, body armor, and night vision devices for use by coalition partners.

This account provides military equipment that many coalition partners require to deploy with U.S. forces, to participate in stability operations and counterterrorism operations throughout the world. The absence of such a resource has greatly hindered and delayed coalition participation in Operation Iraqi Freedom, Operation Enduring Freedom, and other operations. Pre-procured equipment significantly shortens lead-times to equip coalition partners.

This program directly supports objectives in the Building Partnership Capacity and Authorities roadmap and is critical to implementation of DoD Directive 3000.05, Military Support for Stability, Security, Transition, and Reconstruction (SSTR). Title XV Sec. 1524 of the legislative initiative, requests the establishment of this fund which may not exceed \$200M in property purchased and inventory held "except during a period of active hostilities".

To establish the account, the Department requests a direct appropriation of \$22.0 million in FY 2009. Once the account is established, it should sustain itself (as a revolving account) without further regular appropriations through collections of sales or transfers made from this account.

The creation of a DCSA will allow DoD to purchase and keep on hand those items most needed by our partners. This is vital for partners who deploy with us in military operations and for our ability to effectively train and equip partners to take on common challenges.

In FY 2009, \$22.0 million will allow the DCSA to purchase night vision devices (costing about \$5,500 each), body armor (about \$700 each), battle dress uniforms (about \$70 each) and Kevlar helmets (about \$200 each). The exact breakdown of the items purchased each year will depend on the critical needs

when funds are available. Initial reimbursable sales may occur as early as FY 2009.

Obligation Plan
(Dollars in Millions)

FY 2009 Obligations	\$22.0
FY 2009 Disbursements	\$22.0