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CNICINST 11014.1
N4
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CNIC INSTRUCTION 11014.1

From: Commander, Navy Installations Command

Subj: DETERMINATION OF PREPONDERANT USER OF NAVY REAL PROPERTY

Ref: (a) DoD 7000.14-R, Department of Defense Financial Management Regulations (FMRs), Volume 4, Chapter 6, Jan 01
(b) NAVSO P-1000, Department of the Navy Financial Management Policy Manual
(c) DoD Directive 4140.25, DoD Management Policy for Energy Commodities and Related Services, 12 Apr 04
(d) DoD 4140.25-M, DoD Management of Bulk Petroleum Products, Natural Gas, and Coal, 22 Jun 94
(e) DoD Instruction 4165.14, Real Property Inventory and Forecasting, 31 Mar 06
(f) CNICINST 4000.1, Support Agreement (SA) Program

Encl: (1) Guidance Specific to DLA Fuels Facilities
(2) Examples of Multi-Tenant Facilities

1. Purpose.

a. Promulgate the assignment and responsibilities of the preponderant user for Commander, Navy Installations Command (CNIC) facilities as reported in the Internet Navy Facilities Assets Data Store (iNFADS).

b. Assure that all capital costs for real property are accurately reported and associated with the correct preponderant user.

c. Ensure that all real property is maintained to support Department of Navy (DON) and tenant missions through the real property life cycle.

2. Scope and Applicability. This instruction applies to all facilities for which CNIC is listed in iNFADS as Installation Management Claimant (IMC) and to CNIC regions and installations.

3. Financial Implications.

a. This instruction does not provide guidance as to financial reporting or budgetary obligations. However, accurate identification of the preponderant user is important for ensuring that Department of Defense (DoD) financial records are auditable. Current DoD policy requires the preponderant user of an asset to report the asset and associated costs in financial records.

b. Financial reporting policy is currently being revised to more closely comply with new federal standards. Accurate reporting of the preponderant user in iNFADS will allow the financial community to more accurately report facility assets and associated costs under current financial rules and to better identify the financial impact of future changes.

c. CNIC retains various "host" responsibilities as the Maintenance Reporting Claimant (MRC) or "owner" of all properties at CNIC installations, including those for which another entity is preponderant user and/or has been designated as Maintenance UIC (MUIC) holder. Reference (a) provides guidance concerning financial reporting for Property, Plant and Equipment (PPE). Reference (b), section 075121 provides guidance concerning budget policy including responsibility "...for costs incurred for preservation of facilities in the real property inventory of the host so as to protect the value of the plant account." The installation, as host, always retains responsibility for the environmental permitting process. For example, if a tenant's emergency generator requires an air permit the Commanding Officer (CO) of the Installation is responsible for requesting and holding the permit, not the MUIC or preponderant user. The land and buildings or other structures remain the property of the installation. The tenant does not have any authority to assign or sub-lease space for enhanced use lease (EUL) or other commercial actions, even if the tenant is MUIC and/or preponderant user.

d. See reference (c), section 5.5 for special host responsibilities concerning petroleum facilities. Designation of a tenant as preponderant user and MUIC holder does not relieve CNIC of the Military Department host responsibilities for petroleum facilities in reference (c). Further detail is provided in reference (d).

4. Preponderant User Definition and Identification.

Preponderant user is the concept used by references (a) and (b) to determine which DoD Military Department or Defense Agency will report a facility on its financial statements. [Reference (a) also uses the word "predominant" as a synonym for preponderant.]

a. Definition. The preponderant user is normally the primary user of a real property asset based upon the largest quantity of usage for a specific activity or function. The DoD Component that reports the General Plant, Property & Equipment (PP&E) asset must be able to obtain the benefit and control access to the benefit inherent in the asset. This criterion, control over the benefit, refers to an entity's ability to direct who derives the benefit, the timing of when the benefit is derived and under what condition it is derived. When there is more than one user of an asset, the user that has the greater percentage of usage based on the unit of measure shown in iNFADS (e.g., square footage for real property) normally will be the preponderant user, provided they also meet the criteria of reference (a) as described below in section 3.b. Special circumstances can allow designation of a different activity when all parties agree and so indicate in the user agreement. Five Foot Rule: the facility includes the building exterior and all utilities/support structures/awnings within five feet of the building perimeter as corrosion or other damage within that area is usually related to the facility served. The maintenance UIC for a building is also responsible for funding maintenance to parking areas which are clearly designated for users of (and visitors to) that building only. It does not include sidewalks around the building or exterior grounds maintenance (even if within five feet of the building exterior) nor maintenance of common use roads and parking areas.

b. Identification. The preponderant user should be reported as such in iNFADS. Volume 4, Chapter 6, of reference (a) provides four criteria for determining a facility's predominant/preponderant user in cases when the preponderant user is not the owner or DoD Component that acquired the asset. (Annex 1 of the same chapter provides examples of financial reporting under different scenarios.) In summary:

(1) The general PP&E asset reported must embody a probable future benefit that will contribute to the DoD Component's operations. (A DoD Component is a Military Department or Defense Agency.)

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(2) The DoD Component that reports the asset must be able to obtain the benefit inherent in the asset.

(3) The transaction or event giving a DoD Component the right to, and control over, the benefit of a general PP&E asset must already occurred.

(4) The DoD Component shall only report assets owned by other DoD Components when the cost of those assets, taken as a whole, are material to the preponderant user component's financial statements.

(a) Military Departments (i.e., Army/Navy/Air Force) - General Fund Activities. Assets are reported by the host installation, even when the preponderant user is under a different Military Department.

(b) Defense Agencies (i.e., Defense Logistics Agency (DLA), Defense Advanced Research Projects Agency (DARPA), Defense Intelligence Agency (DIA), etc.) - General Fund Activities. Assets are reported by the Defense Agency which is the preponderant user of that asset. Determinations are made on a case by case basis using the criteria in reference (a) after close coordination between the host installation and the defense agency to ensure completeness and avoid duplicate reporting.

(c) Working Capital Fund (WCF) Activities. When a WCF activity is the preponderant user of a General PP&E Asset, that WCF activity shall report and depreciate that asset on its financial statements. This requirement exists without regard to whether the WCF activity belongs to a Military Department or a Defense Agency. WCF activities funding capital improvements shall report and depreciate such improvements on their financial statements, whether or not the WCF activity is the preponderant user of the facility improved. This is further explained by the examples shown in appendix (1) of reference (a). Determinations are made on a case by case basis using the criteria provided after close coordination between the host installation and the WCF activity to ensure completeness and avoid duplicate reporting.

c. The Navy's real property inventory system, iNFADS, is operated by the Naval Facilities Engineering Command (NAVFAC). The iNFADS system makes a tentative designation of the preponderant user based on automated rules. However, that designation must be reviewed (and corrected as necessary) through the validation process.

d. Navy Financial Policy for Designation of MUIC.

Designation of an activity as preponderant user does not necessarily mean that it should also be designated as a MUIC, but it does imply that the maintenance funding responsibility UIC (MUIC) must be within the same Defense Component. Section 075121 of reference (b) specifies that:

(1) The host activity is responsible for costs incurred for the preservation of facilities in the real property inventory of the host so as to protect the value of the plant account. Although a tenant may be a sole occupant of a facility in the real property inventory of the host, structural maintenance of a cyclical nature (also classified as preventive and corrective maintenance) and repair to ensure the continued physical integrity of the facility, including installed equipment, is a host budgeting responsibility, unless the tenant is identified as the "Maintenance UIC".

(2) Reference (b) also states that NWCF activities will be the Maintenance UIC in the NFADB [now known as iNFADS] for all NWCF mission-related facilities, and all facilities occupied entirely by NWCF personnel. The Bureau of Medicine and Surgery (BUMED) will be the Maintenance UIC only for medical/dental facilities. With the exception of mission-related Strategic Systems Program facilities, global antenna systems, and Government-owned, contractor-operated facilities, all other navy facilities fall under the complete responsibility of the host activity.

5. Methodology to Identify and Validate Preponderant User.

Each host installation has access to the iNFADS system and is responsible for reviewing and validating the accuracy of iNFADS information (including designation of preponderant user) on a regular basis. At a minimum, inventories will be reviewed and updated every five years as required by reference (e). The following paragraphs provide a methodology for host activities (in consultation with tenant activities) to validate the preponderant user and make the appropriate changes to the iNFADS real property records. Reference (e) provides specific requirements for real property inventory, including detailed definitions of data elements.

a. Coordination. The coordination process includes management and oversight by DON along with the appropriate DoD component. Management and oversight at this level is intended to ensure that all Navy records are maintained in a consistent manner and will

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yield consistent results. The validation methodology outlined below in paragraph 5.b includes some details for looking at individual assets and discusses how to work with an entire agency. The important point is that iNFADS will need to be overwritten with the appropriate preponderant user UIC to ensure that the iNFADS records correctly define the DoD preponderant user where the verified user is not the program-generated user. In the case of multiple-user facilities, the largest user will need to be verified, existing user agreements reviewed, and the appropriate DoD preponderant user identified; this information shall then be manually entered in iNFADS. Reference (d) provides specialized guidance concerning facilities for management of bulk petroleum products, natural gas, and coal. During the validation process, Inter-Service (and Intra-Service) Support Agreements (ISSAs) should be examined for variations from iNFADS. If the ISSA designates a MUIC, that designation should be entered into iNFADS rather than the automated iNFADS entry. In this case, the ISSA should be referenced within iNFADS, and a copy of the ISSA should be uploaded to the real property asset in iNFADS. Reference (f) provides more information on ISSAs.

b. Validation Process by Asset. The following provides guidance for identifying the preponderant user for an individual asset or facility:

(1) Determine the user (tenant), use (Category Code Number - CCN) and area (Special Area Code - SA) for all Navy assets in question for preponderant user by a DoD component or Navy Working Capital Fund tenant.

(2) Determine the content of existing user agreements and how they impact the use and sustainment of the asset.

(3) Compare the sustainment defined by the existing user agreement with the outgrantee code, MUIC and Maintenance Fund Source Code on the real property record in iNFADS.

(4) Reconcile any differences in maintenance responsibility between iNFADS and the DoD component or Navy Working Capital Fund tenant.

(5) Determine preponderant user and update real property records.

(a) Single-User Facility. For a single-user facility, the DoD preponderant user should be the DoD component or Navy Working Capital Fund activity tenants. There are some

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possible exceptions to the single user facility guidance concerning Defense Logistics Agency (DLA) fuel facilities as identified in enclosure (1).

(b) Multiple-User Facilities. Reference (a) states that when there is more than one user of an asset, the user that has the greater percentage of usage (e.g., square footage for real property) normally will be the preponderant user providing they meet the criteria identified in 060105.B.1-4. This is sometimes referred to as "the 50% rule." The preponderant user is first determined at the Service or Defense Agency level rather than at the level of a single UIC. If one DLA UIC has 35% of the area and 65% is held by various Navy activities then Navy is preponderant user, and Navy will to determine which UIC to designate as such in INFADS. The Navy has a number of facilities that house combinations of Defense Agencies, Navy General Fund activities, Defense Working Capital Fund activities and Navy Working Capital Fund activities. In some cases, ISSAs can assign the responsibility to transfer funds for both recurring and non-recurring costs so as to charge each user. In this case, tenant activities (from Military Departments other than the host, as well as working capital activities and Defense Agencies) will be responsible for budgeting for the funds that they will provide as reimbursement. The preponderant user then applies these funds to operation and maintenance of the facility. Paragraph 4.2 of reference (c) requires the Secretary of the Navy (and the other Military Department Secretaries) to provide an annual report of real property used. The CO of the Installation's annual certification of the accuracy of the installation Real Property Inventory implicitly includes a certification that the installation is not "double dipping" by requesting both reimbursement and Facilities Sustainment Model-generated sustainment funds for the same asset (square footage). While ISSAs can be used to assign costs and responsibilities, they shall have no bearing on determination of who is the preponderant user.

(c) Validation Process by DoD Component. The accomplishment of this process requires a review and validation of all assets by each of the DoD components. Identify supporting facilities such as vehicle parking, playing fields, fencing and lighting directly supporting the prime use Facility Analysis Category (FAC) for the mission of the DoD component. The reconciliation should be performed through cooperation between the installation and the applicable DoD component with coordination and oversight by the Region. Once this review and

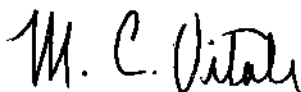
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validation are completed at the local level, applicable changes should be coordinated with the responsible INFADS administrator, who will modify the record.

(d) Validation Process by Navy Working Capital Fund (NWCF) Activity. Reports from INFADS should be the basis for Navy Working Capital Fund activity financial reporting. Any differences in facility/asset reporting can be validated with the same procedures identified above for DoD component assets.

c. Resolution of Disagreements. Any conflicts or disagreements shall be resolved by the Region Commander based on advice by the Regional Engineer.

6. Action. All CNIC Region Commanders and Commanding Officers of an Installation shall ensure the accuracy of their INFADS real property inventory reporting as specified in this instruction, reference (a) and reference (b).



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Guidance Specific to DLA Fuels Facilities

1. Storage facilities wherein DLA-owned fuel is stocked for distribution to authorized DLA customers (e.g., aircraft, vehicles, ships or storage tanks, for which fuel is purchased through multiple O&M accounts) are designated as Defense Fuel Support Points (DFSPs). DFSPs range in size and scope from a single tank to a pipeline system with a network of multiple terminals. DFSPs are also referred to as "capitalized" sites. Becoming a capitalized DFSP is a formal process and not all fuel facilities are capitalized/DFSPs. The preponderant user of a capitalized fuel facility is the owner of the fuel. The following examples of Navy and DLA capitalized fuel facilities were developed based on joint site visits by CNIC, NAVFAC, DLA, the Defense Energy Support Center (DESC) and the Naval Operational Logistics Support Center (NOLSC). Reference (d) provides guidance concerning sustainment funding for fuel facilities required for the support of DESC capitalized fuel inventories. The examples are intended to be used at the working level to reconcile the assets and to form a baseline of the joint CNIC/DLA interpretation of DLA/DESC-supported fuel facilities for designation of preponderant user.

2. Scenario 1: Remote or distinct locations which are operated and funded by the Navy but are not within a larger installation. An example is a facility at Guam. The Navy entity operating the facility is the preponderant user.

3. Scenario 2: Remote and dedicated DLA capitalized fuel function operated by DLA funding and/or contract: The site is remote from all other Navy sites and represents a dedicated use for fuels, such as the Craney Island Fuel Terminal in Portsmouth, Virginia and the Yorktown Fuel Depot. In cases such as these, DESC will be preponderant user for all facilities on the site, except for those facilities that are used by the Navy for installation operations other than fuel. Possible exceptions include fire stations and security facilities. Each Region holds responsibility for fire safety functions, to include operations, training, equipment and personnel; thus it logically follows for CNIC to be designated as the preponderant user for these facilities. The physical security function is a similar situation, but the existing conditions and operations may vary, as they do in Jacksonville, Norfolk and Puget Sound, where the local Fleet Industrial and Supply Center (FISC) is responsible for physical security. DLA and DESC are preponderant users of the fencing, related lighting and similar functions because those are used exclusively for a remote and

Enclosure (1)

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dedicated DLA fuel function. If there are any antenna towers or other non-DLA assets the appropriate user should be shown as preponderant user. The property record for fencing and other linear assets should reflect the preponderant user of the whole asset.

Generally, utilities service will be provided by the NAVFAC Facilities Engineering Command (FEC) on a reimbursable basis under the Navy Working Capital Fund and the FEC is the preponderant user of the facilities used to provide those utilities. If the asset supports the fuel operations 100% of the time then DLA/DESC is the preponderant user of everything else on the site (except for any antenna towers or other non-DLA assets which may be located on the site).

With the exception of installation-provided services, such as the fire station, gate facilities and other situations mentioned above, iNFADS fields will be as follows:

Category	Definition	Code
Installation Management Claimant UIC	Designated owner of the real property	Navy Claimant UIC
Activity Identifier/ Facility User	The UIC of a Navy or Marine Corps activity or outgrantee who is a user of a facility (or part of a facility).	D33 (DLA) or other preponderant user
Activity Identifier Maintenance UIC	The UIC of the activity responsible for funding maintenance and repair of the facility. (For fuel facilities, operations and organizational maintenance are military service responsibilities and costs as per reference (d).)	D33 (DLA)
Maintenance Fund Source Code	Identifies the type of funds provided to the responsible installation for maintenance and repair of a particular facility. (For fuel facilities, operations and organizational maintenance are military service	F (Other DOD) - only if DLA/DESC use is 100%

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	responsibilities and costs as per reference (d).)	
Preponderant User UIC	Indicates the user occupying the greatest portion of the total area in a facility, or other criteria as determined by the CO of the Installation.	D33 (DLA)

4. Scenario 3: Dedicated DLA capitalized fuel function within larger Installation/fuel site operated by DLA Funding: A capitalized fuel farm within a Navy site dedicated to fuel operations and operated by the Navy using a DLA/DESC alongside refueling contract, such as the Chambers Field Fuel Terminal at Naval Station Norfolk. This site is normally surrounded by a fence which separates it from the larger installation, and everything within the fence (including the fence), would show DLA as preponderant user of the facilities within the fence. This scenario also applies to FISC fuel terminals located on or within Navy installations, such as FISC Pearl Harbor and FISC San Diego (Point Loma), which are **solely** dedicated to fuel operations and operated by the Navy or under DLA/DESC contract with Navy.

The iNFADS fields will be classified as follows:

Category	Definition	Code
Installation Management Claimant UIC	Designated owner of the real property	Navy Claimant UIC
Activity Identifier/Facility User	The UIC of a Navy or Marine Corps activity or outgrantee who is a user of a facility (or part of a facility).	D33 (DLA)
Activity Identifier Maintenance UIC	The UIC of the activity responsible for funding maintenance and repair of the facility. (For fuel facilities, operations and organizational maintenance are military service responsibilities and costs per reference (d).)	D33 (DLA)
Maintenance Fund Source Code	Identifies the type of funds provided to the responsible	F (Other DOD)

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	installation for maintenance and repair of a particular facility. (For fuel facilities, operations and organizational maintenance are military services responsibilities and costs per reference (d).)	
Preponderant User UIC	Indicates the user occupying the greatest portion of the total area in a facility, or other criteria as determined by the CO of the Installation.	D33 (DLA)

5. Scenario 4: Dedicated DLA capitalized fuel function within larger Installation/site operated by Navy funding: A capitalized fuel terminal within a Navy site, dedicated to fuel operations and operated by Navy with operations funded by Navy, such as the fuel terminal at Naval Air Station Oceana. The sites are surrounded by a fence, and DLA is preponderant user of everything within the fence (including the fence). For example, this site is at an air station and includes hydrant fueling systems in the air operations area (parking apron and taxiways). DLA is the preponderant user of the pipelines, fuel hydrants, fuel pits and any oil/water separators associated with the fuel functions. INFADS fields will be as follows:

Category	Definition	Code
Installation Management Claimant UIC	Designated owner of the real property	Navy Claimant UIC
Activity Identifier/ Facility User	The UIC of a Navy or Marine Corps activity or outgrantee who is a user of a facility (or part of a facility).	CNIC Installation UIC
Activity Identifier Maintenance UIC	The UIC of the activity responsible for funding maintenance and repair of the facility. (For fuel facilities, operations and organizational maintenance are military services responsibilities and costs per reference (d).)	D33 (DLA)
Maintenance	Identifies the type of funds	F (Other

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Fund Source Code	provided to the responsible installation for maintenance and repair of a particular facility. (For fuel facilities, operations and organizational maintenance are military services responsibilities and costs per reference (d).)	DOD)
Preponderant User UIC	Indicates the user occupying the greatest portion of the total area in a facility, or other criteria as determined by the CO of the Installation.	D33 (DLA)

The following table provides some specific examples of the various types of Government-Owned, Government-Operated (GOGO) and Contractor-Operated (GOCO) fuel facilities. Each type of facility refers to one of the paragraphs above.

	Remote/Distinct Installations		Within Installation	
	Navy-Funded (Scenario 1)	DESC-Funded (Scenario 2)	Navy-Funded (Scenario 3)	DESC-Funded (Scenario 4)
GOGO	Joint Region Marianas (Guam);	FISC Puget Sound (Manchester Terminal); FISC Yokosuka (Hachinohe, Hakozaiki, Yokose, Iorozaki, and Tsurumi terminals); FISC Jacksonville (Northside Terminal); FISC Pearl Harbor (Red Hill Complex)	NAS Oceana; PW Gas Stations in San Diego	FISC San Diego (Point Loma); FISC Pearl Harbor
GOCO		FISC Norfolk (Craney Island; Yorktown)	NAS North Island, NAS Pensacola, and most NAS locations	FISC Norfolk (Sewells Point)

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Examples of Multi-Tenant Facilities

Building **Area in Sq Ft** **Preponderant User**
NFA100001072466 **263,654** **NAVAIRWARCETRASYSDIV**
Space Assignments:

Building	Area in Sq Ft	Preponderant User
NAVAIRWARCETRASYSDIV		
Orlando	226,521	85.92%
Army Admin	27,761	10.53%
NSA Orlando	7,081	2.69%
Cost Guard	1,175	0.45%
Small Business Admin	406	0.15%
NARU Atlanta & JAX	400	0.15%
SATO Office	270	0.10%
Credit Union	40	0.02%
"Fifty Percent Rule" applies. Single UIC occupies over half of the total area.		

Building **Area in Sq Ft** **Preponderant User**
NFA100001156710 **282,439** **SPAWARSYSCEN ATLANTIC**

Building	Area in Sq Ft	Preponderant User
SPAWARSYSCEN ATLANTIC	103,918	36.79%
NAVOPLOGSUPCEN	56,413	19.97%
CNIC	52,673	18.65%
NAVMINEASWCOM DET	19,376	6.86%
NAVFAC MIDLANT	19,244	6.81%
JIOC MARYLAND	9,800	3.47%
NAVICP MECHANICSBURG	9,289	3.29%
Bank of America	3,284	1.16%
NAVCRUITDIST RICHMOND	2,478	0.88%
NAVSISA MECHANICSBURG	2,464	0.87%
COMNAVREG MIDLANT	1,900	0.67%
NAVSTA NORFOLK	1,600	0.57%
Navy is Preponderant; within Navy SPAWARSYSCEN ATLANTIC is largest single user.		

Building **Area in Sq Ft** **Preponderant User**
Hypothetical **163,137** **CNIC**

Building	Area in Sq Ft	Preponderant User
Defense Logistics Agency (DLA)	73,023	44.76%
CDR, Navy Installations Cmd. (CNIC)	50,003	30.65%
NAVMINEASWCOM DET	11,200	6.87%
NAVFAC MIDLANT	11,115	6.81%
JIOC MARYLAND	5,660	3.47%
NAVICP MECHANICSBURG	5,365	3.29%
CREDIT UNION	1,896	1.16%
NAVCRUITDIST RICHMOND	1,431	0.88%
NAVSISA MECHANICSBURG	1,423	0.87%
COMNAVREG MIDLANT	1,097	0.67%
NAVSTA NORFOLK	924	0.57%
Navy is Preponderant and CNIC is largest single user within Navy.		