

DoD REVOLVING FUNDS

Justification/Overview



Amended FY 1999 Budget Estimates
March 1998

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WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Summary of Operations

Industrial Fund Functions:

The Pentagon Reservation Maintenance Revolving Fund (PRMRF) was established under the provisions of the FY 1991 Defense Authorization Act (10 USC 2674). The Act transferred responsibility for the maintenance, protection, repair and renovation of the Pentagon Reservation from the General Services Administration (GSA) to the Office of the Secretary of Defense (OSD). The PRMRF finances the activities of Washington Headquarters Services in providing space and a full range of building services for DoD Components, including the Military Departments, and other activities housed within the Pentagon Reservation. The relationship is similar to that of landlord and tenant in the private sector. Day-to-day building services funded through the PRMRF include:

Real Property Operations. Includes cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, administrative support, perimeter protection and law enforcement services within the Reservation. This activity also includes operating expenses for purchased utilities as well as the operation of the Pentagon's Heating and Refrigeration Plant and classified waste incinerator.

Repair. Includes repair projects over \$10,000 and cyclic painting. These projects maintain the facilities within the Reservation at levels adequate to support the assigned missions and to prevent deterioration and damage to Reservation buildings, their support systems and operating equipment. Repair projects are prioritized and accomplished within available revenues. Protection of the government's investment, cost effectiveness, health and safety of workers and the public are among the most important criteria for determining project priorities.

In addition to providing routine building services, the PRMRF also finances the renovation of the Pentagon. The renovation is expected to continue through FY 2009.

The PRMRF has been designed to operate on a break-even basis over the long term. Revenue to the PRMRF may be generated from various sources. However, the Fund is primarily dependent upon funds collected via a basic user charge for space and building services. Basic user charges are paid by DoD Components and other tenants using Pentagon Reservation facilities or land. This basic user charge consists of rates set for six categories of space assigned to tenants within the Reservation, including office, storage, special, joint use, commercial support and outside parking. The basic rates are established to recover the cost of daily operation and maintenance of the Reservation, and essential capital improvements, including all costs associated with the Pentagon Renovation. Costs incurred for alterations, security, heating, air conditioning and other building services above those paid through the basic user charge are recovered on a reimbursable job-order basis from the tenants receiving the premium services. Page 11 (Sources of Revenue) notes the pages of the customers' appropriated fund budget justification material that indicate the level of support requested to finance

Pentagon Revolving Fund costs of operation.

The PRMRF Budget estimate is comprised of an Operating Budget and a Capital Budget. The Capital Budget includes major and minor construction, equipment and other requirements having a unit cost of \$100,000 or more and an expected useful life of two years or more. All other requirements, such as employee compensation, recurring service contracts and expendable supplies, materials and equipment, are included within the Operating Budget.

Budget Highlights

Pentagon Renovation:

The Pentagon Renovation is comprised of the following major cost components that are reflected within both the Capital and Operating budget estimates for the PRMRF:

- (1) Planning, design and construction;
- (2) Rental and build-out of swing space for personnel displaced by renovation construction and other operating costs incidental to Renovation and
- (3) Information Management and Telecommunications (IM&T). These costs encompass a wide range of telecommunications services for not only the Pentagon Building but also swing space.

The following table summarizes obligations for FY 1997 through 1999 for the Pentagon Renovation.

Obligations in Millions*						
(includes prior year recoveries; excludes furniture and other reimbursable above standard services)						
Renovation Cost Component	FY 1997		FY 1998		FY 1999	
	Operating	Capital	Operating	Capital	Operating	Capital
Planning Design & Construction	\$0.0	\$41.9	\$0.0	\$103.7	\$0.0	\$192.8
Swing Space & Other	38.0	0.0	46.2	0.0	42.7	0.0
Information Mgmt. & Telecommunications	20.7	3.7	0.2	21.9	0.0	\$18.0
Total Renovation	\$58.7	\$45.6	\$46.4	\$125.6	\$42.7	\$210.8
	\$104.3		\$172.0		\$253.5	

***This table includes obligations for design and construction of a backup power facility for the Heating and Refrigeration Plant and other requirements that are NOT included within the Congressional limitation of \$1.118 billion for the renovation of the Pentagon Building.**

For construction projects as complex and time sensitive as the Pentagon Renovation, it is neither efficient nor cost effective in the long term to modify contract terms and/or construction schedules to accommodate funding constraints. Consequently the FY 1999 budget estimates for the Renovation Program are requirements based, allowing for lump sum contract awards for logically sequenced and interrelated blocks of work. The program includes funding the remaining portion of the renovation of Wedge 1, expected to be concluded in FY 2000. The Basement will continue under renovation for several years with full funding of requirements for 2 of the 3 remaining areas included in FY 1999. Funding is also included for the construction of a Back-up Power Facility scheduled to come on line in FY 2000 to provide service to the renovated Wedge 1 and portions of the Basement.

The FY 1999 budget estimate incorporates a \$2 million requirement for Commissioning services. As the Renovation Program progresses and significant blocks of newly renovated space are scheduled to come on-line, there will be a need that the Department ensure, prior to acceptance of the facility, that the renovated areas not only meet the original intent of the design, but also the unique operational needs of the Department. The Commissioning process will effectively supplement routine inspections and start up testing that by themselves may not consistently and reliably isolate and define the range of design and operational problems that might occur in a facility as complex as the Pentagon. This Commissioning initiative is intended to supplement existing Corps of Engineers Quality Assurance (QA) measures by introducing more structure into a QA process for the Pentagon Renovation that is more oriented to the operational needs, concerns and priorities of the facilities owner/manager.

Operating Budget:

The Pentagon Reservation Maintenance Revolving Fund (PRMRF) was authorized by the Congress beginning in FY 1991. Operating expenses for FY 1997 through 1999 are 123.9 million, \$137.3 million, and \$121.5 million, respectively. Estimates assume average annual inflationary increases for utilities, fuels, supplies and service contracts of 1.6 percent for FY 1999. Estimates provide for part-year cost of civilian pay raises of 3.1 percent for FY 1999, plus the annualization of prior year increases.

\$.3 million is included in the FY 1999 budget estimate for a comprehensive Energy Conservation Opportunities Audit of the Pentagon Reservation. The objective of this audit will be to identify cost effective energy conservation projects at the Pentagon Reservation that will substantially reduce energy consumption, demand and other related operating costs on the Reservation. The audit will be comprised of a series of preliminary energy audits, engineering and design services with life cycle cost analyses and projected funding requirements and payback for each recommended project.

FY 1999 expenses include \$2.3 million for systems furniture for basement Segments 1 (60,000 sq. ft.) and 2A2 (30,000 sq. ft.) scheduled to come on-line during the fourth quarter of FY 1999. To ensure acquisition and delivery schedules coincide with the phased completion of the Pentagon Renovation, procurement and installation of systems furniture is being coordinated by the Office of the Secretary of Defense, Washington Headquarters Services (OSD/WHS) through the PRMRF, as a reimbursable, above standard, PRMRF service.

The budget estimate includes \$2.8 million in FY 1999 for the operation, administration, replacement and upgrade of the WHS, Facilities Operation and Renovation computer network comprising over six hundred workstations and twenty five servers. Support was previously funded outside the Revolving Fund. The network is dedicated primarily to the management, operation, renovation and protection of the Pentagon Reservation. Therefore, it is appropriately funded through the Revolving Fund and chargeable to tenants. Some applications currently supported by the network include the Standard Procurement System, the Facilities Data Management System, the Defense Incident Based Reporting System and the Defense Messaging System.

Since its inception in FY 1991, PRMRF in-house employment has declined by over 35 percent from 1,278 to 809 authorized FTE work years for FY 1999. Over this period, the distribution of personnel among employment categories (i.e. laborers, mechanics, administrative, etc.) has shifted significantly, reflecting: (1) productivity savings in program administration; (2) a continuing effort to reduce excessive overtime usage particularly by security and crafts personnel; (3) the enhancement of our security surveillance capability in response to a growing threat of domestic terrorism; (4) contracting out of functions where it is feasible and cost effective; and (5) a more prudent and cost effective application of available staffing resources.

Maintenance and repair services within the Reservation will be maintained at commercially equivalent levels. Protection services will be provided consistent with Presidential guidance establishing minimum security standards for the Federal Government .

Capital Budget:

Within the \$1.118 billion cap established for design and construction for the Pentagon Renovation, \$180.5 million will be obligated by the Department within the FY 1999 PRMRF funding availability for the following initiatives:

- (1) Continuation of the design and construction of a portion of Segments 2 and 3 of the basement (\$87.9 million);
- (2) Continuation of the design and construction of a portion of Wedge 1 (\$66.0 million);
- (3) Design and construction of a portion of Wedge 2 (\$9.0 million);
- (4) Design, procurement and installation of initial building-wide items such as elevators, escalators, Venetian blinds, fire alarm system, energy management control system, hardware and interior signs (\$8.6 million);
- (5) Design and construction of a Backup Power Facility for the Pentagon (\$8.1 million);
- (6) Continuation of overall design development and studies (\$.9 million);

In addition, the following related activities that are not included within the \$1.118 billion limitation on project design and construction, will also be undertaken within the FY 1999 PRMRF obligational availability:

- (1) Information Management and Telecommunications planning, studies, design, management, acquisition and implementation activities (\$18.0 million);
- (2) Temporary storage of artifacts, equipment, move planning and move services, miscellaneous studies and other activities (\$2.3 million);
- (3) Design and construction of a Backup Power Facility for the Heating and Refrigeration Plant (\$8.1 million) and
- (4) Commissioning services (\$2.0 million).

Operating Expenses - Explanation of Changes

A net decrease of \$15.8 million in the cost of building operation and repair is expected:

- A. An increase of \$1.2 million (1.6 percent) for normal inflationary cost escalations for supplies, materials and service contracts.
- B. An increase of \$.3 million (1.6 percent) for utility rate and fuel cost escalations. Price increases for utilities and fuels have been moderate, paralleling average rates of inflation for other supplies and services. This trend is expected to continue through FY 1999.
- C. An increase of \$1.1 million for civilian pay and step increases. This includes the annualization of the FY 1998 pay increase and the part-year cost of a 3.1 percent increase for FY 1999.
- D. A decrease of \$.1 million for savings from energy conservation initiatives.
- E. A decrease of \$11.5 million for requirements in support of the Pentagon Building Renovation Program. This includes a reduction of \$7.5 million in requirements for rental, operation and build-out of swing space and an decrease of \$4 million for the installation of systems furniture for newly renovated space scheduled to come on-line during FY 1999.
- F. A decrease of \$1.3 million for critical building repairs correcting deficiencies jeopardizing the safety and health of building occupants.
- G. A net decrease of \$.3 million reflecting the annualization of changes to the inventory of operated space due to renovation during FY 1998 and the part-year cost of changes that will be occurring during FY 1999:
 - (1) Wedge One (-610,000 sq. ft.) off-line FY 1998 (-\$.8 million);
 - (2) Basement Segment 2A1 (-180,000 sq.ft.) off-line FY 1998 (-\$.5 million);
 - (3) Basement Segment 3A1 (-40,000 sq.ft.) off-line FY 1998 (-\$.1 million);
 - (4) Basement Tri-Care Clinic and OSD Swing Space (+70,000 sq. ft.) on-line FY 1998 (+\$.4 million);
 - (5) Basement Segment 1 (+180,000 sq. ft.) on-line FY 1998 (+\$.6 million);
 - (6) Basement Segment 2A1 (-60,000 sq. ft.) off line FY 1999 (-\$.1 million);

(7) Basement Segment 1 (+60,000 sq. ft.) on-line FY 1999 (+\$.1 million);

(8) Basement Segment 2A2 (+30,000 sq. ft.) on-line FY 1999 (+\$.1 million).

H. An increase of \$.3 million for an Energy Conservation Opportunities Audit of the Pentagon Reservation to identify energy conservation projects to reduce energy consumption and facility operating costs.

I. An increase of \$2.8 million for operation, administration, replacement and upgrade of the WHS computer network for facilities operations and renovation .

J. An decrease of \$8.3 million for space adjustments and other above standard services.

WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
PROGRAM AND FINANCING SUMMARY
(Dollars in Millions)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Fund Balance (Unobligated Balance Available) Start of Year:	15.4	32.6	39.0
User Charges			
Federal Funds	212.2	274.1	373.9
Non Federal Funds	1.1	1.2	1.2
Total User Charges:	213.3	275.3	375.1
Obligations:			
Real Property Operations:			
Cleaning	16.1	13.8	14.2
Maintenance	12.6	11.3	11.4
Utilities and Fuels	4.1	3.7	3.6
Protection	5.6	5.5	5.6
Other Building Services	0.9	0.9	0.9
Administrative	15.5	7.4	10.9
Repairs (over \$10,000)	3.8	6.6	5.3
Pentagon Renovation	108.7	172.0	253.5
Reimbursable Services (Above Std.):			
Renovation Furniture	2.5	3.1	18.0
All Other			
Cleaning	0.03	0.03	0.03
Maintenance	0.6	0.6	0.7
Utilities and Fuels	7.1	7.3	7.4
Protection	11.1	11.3	11.6
Space Adjustments and Other	13.7	23.3	18.4
Administrative	2.0	2.0	2.1
Total Obligations:	204.4	268.9	363.6
Recovery of Prior Year Obligations	8.3	0.0	0.0
Transfer from Other Accounts	0.0	0.0	0.0
Fund Balance (Unobligated Balance Available) End of Year:	32.6	39.0	50.5

WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
REVENUE AND EXPENSES
(Dollars in Millions)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Revenue:	107.4	147.5	137.0
Operating Expenses:			
Real Property Operations:			
Cleaning	15.4	13.8	14.2
Maintenance	12.1	11.3	11.4
Utilities and Fuels	3.9	3.7	3.6
Protection	5.4	5.5	5.6
Other Building Services	0.9	0.9	0.9
Administrative	14.9	7.4	10.9
Repairs (over \$10,000)	3.3	5.2	3.9
Pentagon Renovation - Swing Space Opns	30.2	45.6	30.3
Reimbursable Services (Above Std.):			
Renovation Furniture	2.1	6.3	2.3
All Other:			
Cleaning	0.03	0.03	0.03
Maintenance	0.6	0.6	0.7
Utilities and Fuels	7.1	7.3	7.4
Protection	11.1	11.3	11.6
Space Adjustments and Other	10.9	11.1	11.3
Administrative	2.0	2.0	2.1
Depreciation	4.0	5.2	5.2
Total Operating Expenses:	123.9	137.3	121.5
Cost of Services:	123.9	137.3	121.5
Net Operating Results	-16.5	10.2	15.5
Accumulated Operating Results:	-25.7	-15.5	0.0

Note: Revenue and expenses for the PRMRF are recognized on an accrual basis. Expenses and revenue exclude Renovation and other capital expenses. This exhibit reflects only "Operating" costs.

WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
CHANGES IN COST OF OPERATION
(Dollars in Millions)

**OPERATING
EXPENSES**

FY 1997 Estimate: \$123.9

Pricing Adjustments:	
FY 1996 Pay Raise	
Civilian Personnel	0.7
Military Personnel	0.0
Annualization of Prior Year Pay Raises	0.2
Other:	
Inflation - Supplies & Svc. Contracts	1.3
Utility Rate and Fuel Cost Escalations	0.2
Program Changes:	
Energy Conservation and Other Savings	-8.3
Building Renovation Project	9.5
- Swing Space Opns & Other	5.3
- Renovation Furniture	4.2
O&M Workload - Net Change	7.3
-Wedge One Off-Line FY '96 (610,000 sq. ft.)	-1.7
-Barrt Segment 2A1 Off-Line FY '96 (-180,000 sq. ft.)	-6.4
-Barrt Segment 3a1 Off-Line FY '96 (-40,000 sq. ft.)	-6.1
-Barrt Tri Care & OSD S/Space On-Line FY '96 (+70,000 sq. ft.)	8.0
-Barrt Segment 1 On-Line FY '96 (+180,000 sq. ft.)	8.5
Building Repairs - Fire and Lifesafety (Per Attached Project Listing)	1.8
Other Changes (specify):	
-New H&RP On-Line	-0.5
-Space Adjustments and Other Reimb. Adv. Std. Workload	2.1
-Less VSIP and Severance Included in FY'97 Base	-0.9

FY 1998 Estimate: \$137.3

Pricing Adjustments:	
FY 1999 Pay Raise	
Civilian Personnel	0.8
Military Personnel	0.0
Annualization of Prior Year Pay Raises	0.3
Other:	
Inflation - Supplies & Svc. Contracts	1.2
Utility Rate and Fuel Cost Escalations	0.3
Program Changes:	
Energy Conservation	-0.1
Other Program Changes (Specify):	
-Information Technology - System Opns, Maint, Admin. and Equip.	2.8
-Energy Conservation Opportunities Audit	0.3
Building Renovation Project	-11.5
- Swing Space Opns & Other	-7.5
- Renovation Furniture	-4.0
O&M Workload - Net Change	-0.3
Annualize Prior Year Changes:	
-Wedge One Off-Line FY '96 (610,000 sq. ft.)	-8.8
-Barrt Segment 2A1 Off-Line FY '96 (-180,000 sq. ft.)	-6.5
-Barrt Segment 3a1 Off-Line FY '96 (-40,000 sq. ft.)	-6.1
-Barrt Tri Care & OSD S/Space On-Line FY '96 (+70,000 sq. ft.)	8.4
-Barrt Segment 1 On-Line FY '96 (+180,000 sq. ft.)	8.8
-Barrt Segment 2A1 Off-Line FY '96 (-60,000 sq. ft.)	-0.1
-Barrt Segment 1 On-Line FY '96 (+60,000 sq. ft.)	0.1
-Barrt Segment 2A2 ON-Line FY '96 (+30,000 sq. ft.)	0.1
Building Repairs - (Per Attached Prioritized Project Listing)	-1.3
Space Adjustments and Other Reimb. Adv. Std. Workload	-8.3

FY 1999 Estimate: \$121.5

WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
SOURCES OF REVENUE
(Dollars in Millions)

	<u>FY 1997</u>	<u>FY 1998*</u>	<u>FY 1999*</u>
1. Orders from DoD Components:			
Rent:			
USAF	7.8	10.9	62.9
ARMY	5.9	7.7	115.7
NAVY	0.0	0.0	50.1
DISA	3.9	4.3	6.7
DIA	7.8	8.6	13.4
NIMA	0.1	0.2	0.3
NSA	0.1	0.1	0.2
JCS	18.4	20.9	32.3
WHS (Central Services)	97.8	160.2	49.8
BMDO	2.9	3.3	5.2
AFIS	0.1	0.2	0.3
DOHA	0.2	0.2	0.3
Other Charges:			
- Building Services and Space Adjustments	46.2	51.5	36.7
- Renovation Furniture	21.0	6.0	0.0
2. Total Orders from DoD Components:	212.2	274.1	373.9
3. Other Orders:			
DoD Concessions Committee (Rent)	1.1	1.2	1.2
4. Total Gross Orders:	213.3	275.3	375.1

WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
PERSONNEL RESOURCES

	END STRENGTH			WORKYEARS		
	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Civilian Personnel End Strength:						
Laborers	30	30	30	30	30	30
Mechanics / Crafts	262	295	295	249	295	295
Police	232	247	247	220	247	247
Administrative	234	237	237	234	237	237
Sub Total	758	809	809	733	809	809
Military Personnel End Strength:						
Officer	0	0	0	0	0	0
Enlisted	0	0	0	0	0	0

WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
STATEMENT OF FINANCIAL CONDITION
(Dollars in Millions)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Assets:			
Selected Assets:			
Fund Balance with Treasury	184.7	222.3	391.2
Accounts Receivable	30.0	31.2	32.4
Inventories	1.3	1.3	1.4
Capital Inventory (Net)	252.1	292.0	324.2
Total Assets:	468.0	546.8	749.3
Liabilities:			
Selected Liabilities:			
Accounts Payable	0.5	0.5	0.5
Accrued Liabilities	5.3	5.5	5.7
Total Liabilities:	5.8	6.0	6.2
Government Equity:			
Paid-in-Capital (Assets Capitalized Less Liabilities Assumed)	462.2	540.9	743.1
Unexpended Appropriations	0.0	0.0	0.0
Total Government Equity:	462.2	540.9	743.1
Total Liabilities and Equity:	468.0	546.8	749.3

WASHINGTON HEADQUARTERS SERVICES
 PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
 Cost of Basic Services

PROGRAM	FY 1997		FY 1998		FY 1999	
	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	4,731,821	\$3.25	4,484,184	\$3.09	4,358,646	\$3.25
Maintenance	4,731,821	\$2.56	4,484,184	\$2.51	4,358,646	\$2.63
Utilities & Fuels	4,731,821	\$0.82	4,484,184	\$0.83	4,358,646	\$0.84
Protection	4,863,821	\$1.11	4,863,821	\$1.13	4,863,821	\$1.15
Administrative	4,863,821	\$3.06	4,863,821	\$1.52	4,863,821	\$2.24
Other Building Services	4,731,821	\$0.19	4,484,184	\$0.20	4,358,646	\$0.21
Administrative Cost as Percent of Total Program Cost		6.9%		3.1%		5.3%

* Operated space excludes outside parking areas. Operated space has been adjusted to reflect reduction in O&M service levels within areas under renovation.

** Excludes Reimbursable Above Standard Services

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
 Summary Statement
 (Dollars in Millions)

	Oba.	Orders	Revenue	Cost	DISBURSEMENTS BY FISCAL YEAR												
					91	92	93	94	95	96	97	98	99	00	01	02	03
Pentagon Bldg. Renovation:																	
FY 1991	8.8	6.8			1.9	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1992	21.7	21.7				7.2	14.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1993	13.3	13.3					3.9	5.3	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1994	100.4	100.4						11.2	8.6	80.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0
FY 1995	109.4	109.4							23.1	38.3	21.2	26.9	0.0	0.0	0.0	0.0	0.0
FY 1996	110.2	110.2								6.6	38.6	29.1	22.8	13.2	0.0	0.0	0.0
FY 1997	41.9	41.9									12.5	29.4	(0.0)	0.0	0.0	0.0	0.0
FY 1998	125.6	125.6										10.0	41.4	40.2	33.9	(0.0)	0.0
FY 1999	202.7	202.7											16.2	86.9	64.9	24.3	14.2
Heating and Refrigeration Plant:																	
FY 1991	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1992	69.0	69.0			0.0	3.1	22.8	18.0	11.2	14.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1993	3.6	3.6			0.0	0.6	1.2	1.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1994	20.8	20.8					6.5	14.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1995	0.0	0.0						0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1996	11.5	11.5							0.7	4.0	3.7	3.1	0.0	0.0	0.0	0.0	0.0
FY 1997	3.7	3.7								0.2	1.3	1.2	0.4	0.6	0.0	0.0	0.0
FY 1998	0.0	0.0									0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1999	8.1	8.1										0.6	2.7	2.6	1.0	0.6	0.6
Incinerator:																	
FY 1991	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1992	7.3	7.3			0.0	2.4	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Capital Budget:																	
FY 1991	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1992	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1993	2.5	2.5			0.0	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1994	8.8	8.8				3.0	3.1	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1995	0.0	0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1996	0.0	0.0						0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1997	0.0	0.0							0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1998	0.0	0.0								0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1999	0.0	0.0									0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Budget:																	
FY 1991	46.8	94.9	6.6	6.6	6.6	40.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1992	86.1	71.7	93.4	93.4		53.3	32.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1993	86.0	53.8	77.7	77.7			44.8	41.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1994	80.7	82.9	97.8	97.8				56.6	24.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1995	138.6	144.0	97.6	97.6					73.6	53.8	11.3	0.0	0.0	0.0	0.0	0.0	0.0
FY 1996	120.1	120.4	113.0	122.2						68.4	49.8	1.9	0.0	0.0	0.0	0.0	0.0
FY 1997	150.5	167.7	107.4	123.9							62.8	74.0	13.7	0.0	0.0	0.0	0.0
FY 1998	143.3	149.7	147.5	137.3								61.5	49.8	0.0	32.0	0.0	0.0
FY 1999	152.8	164.3	137.0	121.5									58.0	76.4	(0.0)	18.4	0.0
Total:																	
FY 1991	53.6	101.7	6.6	6.6	8.5	45.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1992	184.1	169.7	93.4	93.4		60.4	52.9	27.7	18.0	11.2	14.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1993	105.4	73.2	77.7	77.7			49.4	50.2	5.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 1994	210.7	212.9	97.8	97.8				77.2	50.0	83.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0
FY 1995	248.0	253.3	97.6	97.6					96.6	92.1	32.5	26.9	0.0	0.0	0.0	0.0	0.0
FY 1996	241.8	242.1	113.0	122.2						75.7	92.4	34.7	25.9	13.2	0.0	0.0	0.0
FY 1997	204.4	213.3	107.4	123.9							75.5	104.7	14.8	0.5	0.6	0.0	0.0
FY 1998	268.9	275.3	147.5	137.3								71.5	91.2	40.2	65.9	(0.0)	0.0
FY 1999	363.6	375.1	137.0	121.5									74.2	143.3	64.8	42.7	14.2

Cash:	EOY	Collections	Disbursements	EOY
FY 1995	201.8	239.7	189.9	280.9
FY 1996	280.9	192.5	262.6	210.8
FY 1997	210.8	188.6	214.7	184.7
FY 1998	184.7	275.3	237.7	222.3
FY 1999	222.3	375.1	206.2	391.2

WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND

Capital Budget
(Dollars in Millions)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Authority:			
Equipment	0.0	0.0	0.0
Major Construction	45.6	125.6	210.8
Minor Construction	0.0	0.0	0.0
Obligations (Total)	45.6	125.6	210.8
Outlays (Total)	90.8	100.3	84.7

CAPITAL AREA CAPITAL INVESTMENT JUSTIFICATION
(Dollars in thousands)

A. BUDGET SUBMISSION

D. Activity Identification

C. Line No. & Item Description

B. Component/Business Area/Date
WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND

Pentagon Renovation

FY 1997

FY 1998

FY 1999

ELEMENT OF COST

807 - Major Construction

Quantity	Unit Cost	Total Obligations
		\$45,600

Quantity	Unit Cost	Total Obligations
		\$125,600

Quantity	Unit Cost	Total Obligations
		\$210,800

Narrative Justification:

-Provides for Renovation Initiatives to be undertaken by the Department within the FY 1999 PRMRF funding availability (NOA) including: (1) continuation of the design and construction of a portion of Basement Segments 2 and 3 (\$87.9 million) and a portion of Wedge One (\$66.0 million); (2) Design and construction of a portion of Wedge Two (\$9 million); (3) Continuation of overall design development and studies (\$9 million); (4) Information Management and Telecommunications planning, studies, design, management, acquisition and implementation activities (\$18 million); (5) Design, procurement and installation of initial building-wide items such as elevators, escalators, Venetian blinds, fire alarm system, energy management control system, hardware and interior signs (\$8.6 million); (6) Design and construction of backup power facility for the Pentagon (\$8.1 million); Design and construction of a backup Power Facility for the H&RP (\$8.1 million); (7) Temporary storage of artifacts, commissioning, miscellaneous studies and other activities (\$4.3 million);

WASHINGTON HEADQUARTERS SERVICES
Department of Defense Buildings Maintenance Fund
Summary of Operations

Industrial Fund Functions:

The Buildings Maintenance Fund (BMF) is a revolving fund that operates under authority of Section 2208 of Title 10, United States Code. The BMF finances the operation, maintenance, protection and repair of government-owned and leased facilities (exclusive of the Pentagon Reservation) that are controlled by the Washington Headquarters Services (WHS) and are occupied by Department of Defense (DoD) military and/or civilian personnel. Such facilities include, but are not limited to those operated by WHS under delegations of authority from the General Services Administration (GSA). Services provided by the BMF include:

Real Property Operations. Includes cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, administrative support, perimeter protection and law enforcement services.

Repair. Includes repair projects over \$10,000 and cyclic painting. These projects maintain the facilities at levels adequate to support the assigned missions and to prevent deterioration and damage to buildings, their support systems and operating equipment. Repair projects are prioritized and accomplished within available revenues. Protection of the Government's investment, cost effectiveness, health and safety of workers and the public are among the most important criteria for determining project priorities.

The BMF has been designed to operate on a break-even basis over the long term. Revenue to the BMF is generated from various sources. However, the BMF is primarily dependent upon funds appropriated to DoD Components as GSA rent for the operation, maintenance and repair of 30 federally-owned and leased facilities that are managed by WHS under GSA/DoD interagency agreements. In addition, costs incurred for alterations, security, heating, air-conditioning and other building services above those levels supported by GSA are recovered on a reimbursable job-order basis from the DoD tenants receiving the premium services.

Budget Highlights:

Obligations for real property operations and repairs for FY 1997 through FY 1999 are \$29.3 million, \$26.8 million, and \$29.6 million, respectively. Estimates for FY 1999 assume average annual inflationary increases for utilities, fuels, supplies and service contracts of 1.6 percent. FY 1999 estimates provide for FY 1999 civilian pay raises of 3.1 percent for General Schedule and Wage Grade personnel and the annualization of FY 1998 increases. Contingent upon funding levels authorized by GSA for its delegated facilities, maintenance and repair services will be maintained at commercially equivalent levels. Protection services will be maintained at an enhanced level consistent with the June 29, 1995 Presidential Directive to upgrade security at Federal Facilities nationwide, in accordance with the results of the Department of Justice study entitled "Vulnerability Assessment of Federal Facilities". The FY 1999 estimate anticipates that

costs for acquisition, installation and operation of security upgrades as prescribed by the Study, will be funded by GSA through rental fees charged to its tenant agencies.

WASHINGTON HEADQUARTERS SERVICES
BUILDINGS MAINTENANCE FUND
PROGRAM AND FINANCING SUMMARY
(Dollars in Millions)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Fund Balance (Unobligated Balance Available) Start of Year:	\$9.4	\$9.7	\$9.7
User Charges			
Federal Funds	27.8	26.8	30.0
Non Federal Funds	0.0	0.0	0.0
Total User Charges:	27.8	26.8	30.0
Obligations:			
Real Property Operations:			
Cleaning	0.9	0.9	0.9
Maintenance	0.9	0.9	0.9
Utilities and Fuels	2.0	3.8	3.8
Protection	0.5	0.0	2.4
Other Building Services	0.6	0.0	0.0
Administrative	5.0	4.8	4.8
Repairs (over \$10,000)	0.2	0.4	0.4
Reimbursable Services (Above Std.)	19.2	16.0	16.3
Total Obligations:	29.3	26.8	29.6
Recovery of Prior Year Obligations	1.7	0.0	0.0
Transfer from Other Accounts	0.0	0.0	0.0
Fund Balance (Unobligated Balance Available) End of Year:	9.7	9.7	10.0

WASHINGTON HEADQUARTERS SERVICES
BUILDINGS MAINTENANCE FUND
REVENUE AND EXPENSES
(Dollars in Millions)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Revenue:	\$27.1	\$26.6	\$28.8
Expenses:			
Real Property Operations:			
Cleaning	0.9	0.8	0.8
Maintenance	0.9	0.8	0.8
Utilities and Fuels	1.8	1.8	1.8
Protection	0.5	0.5	2.9
Other Building Services	0.5	0.5	0.6
Administrative	5.5	4.6	4.4
Repairs (over \$10,000)	0.1	0.2	0.2
Reimbursable Services (Above Std.)	17.3	17.4	16.9
Total Expenses:	27.5	26.6	28.4
Cost of Services:	27.5	26.6	28.4
Net Operating Results	-0.4	0.0	0.4
Accumulated Operating Results:	-0.4	-0.4	0.0

Note: Revenue and expenses for the BMF are recognized on an accrual basis.

Defense Logistics Agency
Defense National Stockpile Center

The National Stockpile operates under authority of the Strategic and Critical Materials Stockpiling Act (50 U.S.C. 98-h-2(a)). This act provides that strategic and critical materials be 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 Nation's inventory of strategic and critical materials essential to the military and industrial requirements of the United States in times of national emergency.

DNSC is continuing their aggressive disposal program to meet inventory requirements. The type and quantity of each commodity chosen for sale in a fiscal year is based on statutory sales authority and on the Annual Material Plan (AMP), approved by the Market Impact Committee and submitted to Congress in accordance with section 11(b) of the Strategic and Critical Materials Stockpiling Act (50 U.S.C. 98h-2(b)). The revenue, however, is based on commodity market conditions. Volatility of the market can result in significant fluctuation of commodity prices and revenue to DNSC.

The FY 1997 Defense Authorization Act, P.L. 104-201, provides for the sale of commodities. The sales will result in receipts to the United States in amounts equal to \$81 million during FY 1997 and \$612 million during the ten fiscal year period ending September 30, 2006. This budget includes the transfer of \$400M in FY 1998 to finance the Military Departments' Aircraft Procurement Accounts for the purposes of modernization. This budget also assumes passage of legislation proposed in PBD 412, Defense Reutilization and Marketing Service (DRMS) allowing DRMS to retain all sales proceeds and authorizing DNSC to sell certain commodities and transfer proceeds to the US Treasury to offset losses experienced from DRMS action. Transfer amounts in both FY 1998 and FY 1999 are \$41.8M with a cumulative total of \$250.8M through FY 2003.

Increasing concern over environmental liability caused by DNSC's aggressive sale of inventory initiated action to set aside \$13.8M in FY 1999 for the long-range disposal and cleanup of hazardous materials.

DEFENSE LOGISTICS AGENCY
DEFENSE NATIONAL STOCKPILE CENTER
OBJECT CLASSIFICATION
(Dollars in Thousands)
Date: February 1998

	FY 1997	FY 1998	FY 1999
Personnel Compensation	14,986.0	15,886.1	15,923.7
Travel	796.0	1,306.0	1,351.3
Transportation	1,287.0	580.0	592.2
Rent GSA	10,141.6	10,293.1	8,977.8
Rental Payments to Others	10,056.3	9,684.2	10,511.8
Communications & Utilities	1,134.8	1,158.7	1,183.0
Printing & Reproduction	8.0	11.0	11.2
Other Services	22,785.3	31,122.0	42,093.0
Equipment	72,279.0	78,531.3	106,803.0
Total Obligations	133,474.0	148,572.4	187,447.0

DEFENSE LOGISTICS AGENCY
DEFENSE NATIONAL STOCKPILE CENTER
REVENUE AND EXPENSES
 (Dollars in Thousands)
 Date: February 1998

	FY 1997	FY 1998	FY 1999
Revenue:			
Gross Sales	515,844.0	466,100.0	357,600.0
Expenses:			
Operating Expenses	131,274.0	146,372.4	185,247.0
Mobilization Studies	2,000.0	2,000.0	2,000.0
Transaction Fund Direct Undistributed	200.0	200.0	200.0
Total Expenses	133,474.0	148,572.4	187,447.0
 Net Operating Result	 382,370.0	 317,527.6	 170,153.0

DEFENSE NATIONAL STOCKPILE CENTER
STATEMENT OF FINANCIAL CONDITION
(Dollars in Millions)
Date: February 1998

	FY 1997	FY 1998	FY 1999
Assets:			
Selected Assets:			
Cash	519,767.7	464,000.0	531,300.0
Accounts Receivable	278,574.0	355,500.5	309,800.0
Inventories	3,578,225.0	2,663,000.0	2,538,000.0
Other Assets (Silver in U.S. Mint's Possession)	1,184.0	12,000.0	12,000.0
Total Assets	4,377,750.7	3,494,500.5	3,391,100.0
Liabilities:			
Selected Liabilities:			
Accounts Payable	62,755.0	76,000.0	63,000.0
Accrued Liabilities	549.0	0	0
Advances Received	56,597.0	34,000.0	23,000.0
Other Liabilities (undelivered orders)	6.0	5,000.0	5,000.0
Total Liabilities	119,907.0	115,000.0	91,000.0
Government Equity:			
Revolving Fund Balance	937,756.7	378,000.0	456,300.0
Invested Capital	3,320,087.0	3,001,500.5	2,843,800.0
Total Government Equity	4,257,843.7	3,379,500.5	3,300,100.0
Total Liabilities and Equity	4,377,750.7	3,494,500.5	3,391,100.0

DEFENSE LOGISTICS AGENCY
 DEFENSE NATIONAL STOCKPILE CENTER
 PROGRAM AND FINANCING
 (DOLLARS IN THOUSANDS)

Date: February 1998

	FY 1997	FY 1998	FY 1999
Operating Expenses	52,474.0	72,572.4	82,647.0
Payment to Receipt Account	81,000.0	76,000.0	104,800.0
Financing:			
Federal Orders	(26,302.0)	(29,400.0)	(29,400.0)
Non-Federal Orders	(489,542.0)	(436,700.0)	(328,200.0)
Recovery of Prior Year Obligations	26,986.0		
Unobligated balance available, Start of year	(526,430.5)	(785,786.0)	(953,314.0)
Unobligated to Other-FB			350,000.0
Unobligated balance available, End of year	785,786.0	953,314.0	623,467.0
Total Budget Authority	(150,000.0)	(150,000.0)	(150,000.0)
Budget Authority	(150,000.0)	(150,000.0)	(150,000.0)
Transfers	(150,000.0)	(150,000.0)	(150,000.0)

THE CONVENTIONAL AMMUNITION WORKING CAPITAL
FUND (CAWCF)
FY 1999 President's Budget

The CAWCF is a revolving fund established for managing, controlling, accounting, and reporting the procurement and assembly of conventional ammunition. It was established under the authority of Title 10 U.S.C. 2208.

CAWCF was the financing mechanism used by the Secretary of the Army to discharge responsibilities as the Department of Defense (DoD) Single Manager for Ammunition (SMCA). It was used to consolidate ammunition procurement and production schedules and to provide DoD users with standard prices for budgeting and executing their ammunition program. The Executive Director for Conventional Ammunition is the executive agent for establishing joint service CAWCF policy and procedures.

The CAWCF, as a revolving fund, operated on a reimbursable basis. In FY 1999, the CAWCF will be eliminated as a separate fund. Existing financial systems will be used to accomplish the functions previously done by the CAWCF.

**Army Conventional Ammunition Working Capital Fund
Program and Financing
(Dollars in Thousands)**

Identification Code 21-4528-0-4-051	1997	1998	1999
Program by activities:			
Load, assemble and pack	671,452	620,200	46,245
Components	115,509	106,900	61,697
Quality assurance, proof and acceptance testing	76,222	71,600	-
Rework Cost	<u>15,446</u>	<u>14,300</u>	<u>4,897</u>
Total Program	878,629	813,000	112,839
Total Obligations	878,629	813,000	112,839
Financing:			
Offsetting collections from:			
Federal funds(-)	-739,766	-769,000	-
Non-Federal Funds	-1,878	-1,000	-
Prior year Recoveries	-63,327	-	-
Unobligated balance, SOY: Fund balance	-362,497	-288,839	-245,839
Unobligated balance transferred to other accounts	-	-	+133,000
Unobligated balance, EOY: Fund balance	<u>288,839</u>	<u>245,839</u>	<u>-</u>
Budget Authority	-	-	-