CAPITAL IMPROVEMENTS

NAVFAC Naval Facilities Engineering Command

ENGINEERING & CONSTRUCTION Bulletin

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Subject: Military Construction Program Execution

1. NAVFAC experienced some difficulty in awarding fiscal year 2006 military construction projects due in part to escalating material and labor costs well in excess of cost guidance issued by the Department of Defense. Attempts by NAVFACHQ to obtain short term budget relief for this phenomenon have been unsuccessful. Although you have provided realistic budget cost estimates based on actual conditions, the budget for future year projects continues to be reduced without a commensurate reduction in project scope. Therefore, as we move into fiscal year 2007 execution, it is important to reiterate and expand on guidance provided by email in April.

2. With the establishment of the new congressional website that provides the contract data and financial history on all military construction projects, it may be necessary to cite the specific sources of funds for any cost escalations. Depending on final negotiation between OSD and Congress it may no longer be acceptable to indicate that funds are available from the MILCON appropriation at large. Therefore, Echelon IIIs must institute a practice of designating a fund source for each dollar above the appropriated amount obligated against each project.

3. Recent congressional language instituted a few additional administrative requirements:

(a) Scope reduction has been redefined to include costs, so any time we plan to expend less than 75% of the funds available for a project we must provide a scope variation notification to Congress.

(b) Forcing a project cost to within the appropriated amount may require (physical) scope reductions in excess of 25%. This action will require a congressional notification prior to award.

Please avoid these scenarios, and advise Echelon III OPS if that becomes impossible.

4. Customer requested changes (CREQ) continue to be a challenge for those managing the MILCON Programs at the FEC and PWD. CREQs can quickly consume any available contingency funds if not properly managed. HQMC still has in place a policy that requires any CREQ greater than $25,000 be submitted to them for approval. These requests should be forwarded via the appropriate NAVFAC Echelon III CIBL. CNIC does not have this as a formal policy at this time. However, approval for all CREQs over $25,000 should be managed at Echelon III.

5. On 4 August 2006 the Honorable B.J. Penn, Assistant Secretary of the Navy (Installations & Environment), signed out a memorandum establishing new standards for energy and sustainability in MCON projects. The two major policy changes are:

(a) Comply with Energy Policy Act of 2005 for all projects.

(b) Achieve at least Silver level LEED rating requirements on all projects.

Detailed guidance on complying with this policy will be forthcoming in a separate ECB. Compliance with the Energy Policy Act of 2005 is statutory and just as important as square footage and scope. This should be the highest focus in attaining the LEED silver rating.

6. Bachelor Housing (BH) projects present their own set of challenges. The Deputy Assistant Secretary of the Navy for Installations and Facilities (DASN (I&F)), Mr. Wayne Arny, has determined that all Navy BH (excluding Marine Corps) shall be constructed to local market standards vice Unified Facilities Criteria 4-721-10. This is true regardless of funding source (MCON, BRAC, Katrina) unless specifically exempted by Mr. Arny. DASN (I&F) is responsible for obtaining written waivers from the OSD standard. NAVFAC (MCN) can assist you in determining the status of this waiver on each project. This standard does not apply to Marine Corps BH which still has an exemption from the 1+1E standard and will be constructed as military construction projects at a 2+0 configuration.

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