

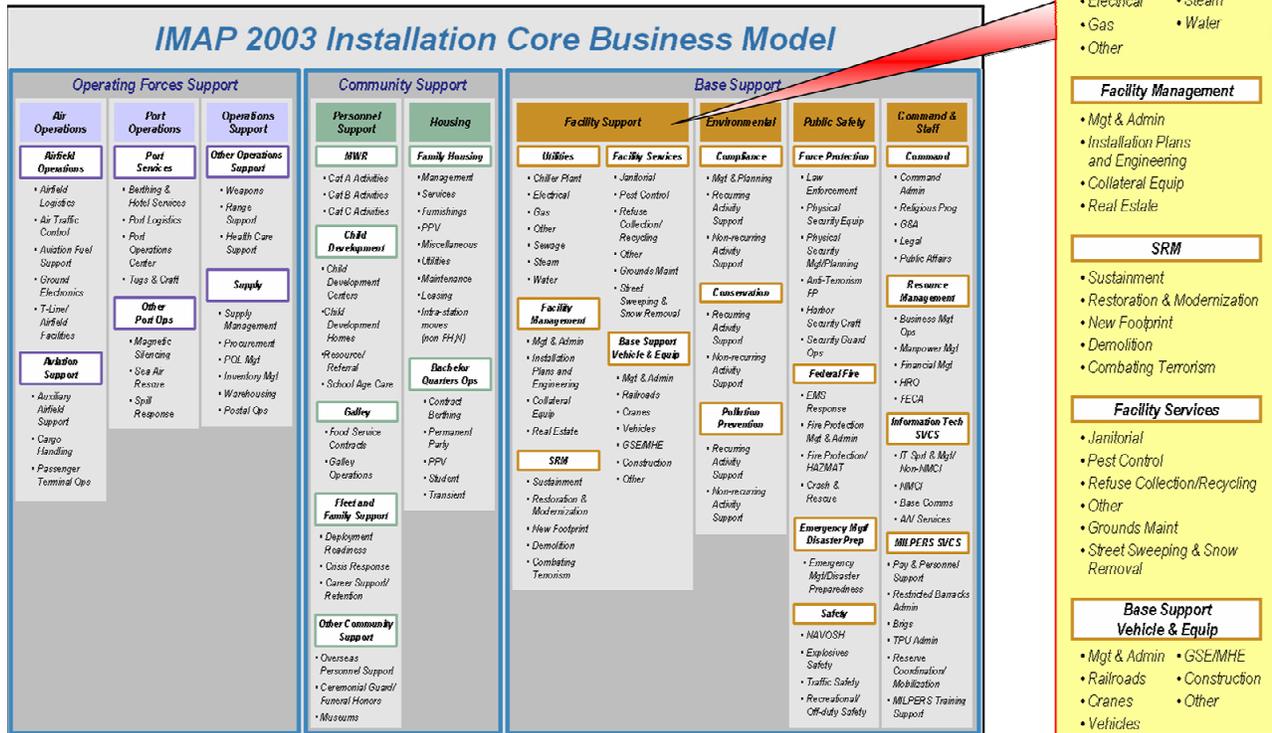
Chapter 6 – Facility Support

Overview

Within IMAP 2003, the Facility Support Core Business Area provides the largest percentage of the overall SIM support to the Navy. Functions and activities under the Facility Support Core Business Area are addressed separately within this report, but they truly complete the full picture of costs for other Core Business Areas that are dependent on facilities and utilities by providing direct or indirect support to the Navy operating forces. For example, the Port Operations Core Business Area requires sufficient piers and wharves to support the Fleet, but the planning, construction, and facility maintenance requisite to provide these facilities are not resident in the Port Operations Core Business Area, but rather in the Facility Support Core Business Area.



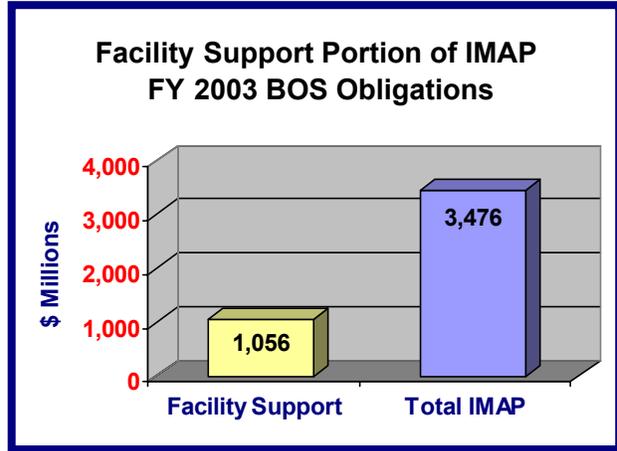
Facility Support covers a very broad scope of functions and activities as a part of overall Base Support to the Navy. These activities are present in all of the Navy's Regions and cut across everything from facilities planning to transportation. MILCON execution data is not captured in IMAP. Facility Support includes the five basic functions of Utilities, Facility Services, Facility Management, Base Support Vehicle and Equipment, and Sustainment, Restoration & Modernization (SRM) Facility Investment.



SIM Stockholders' Report FY 2003

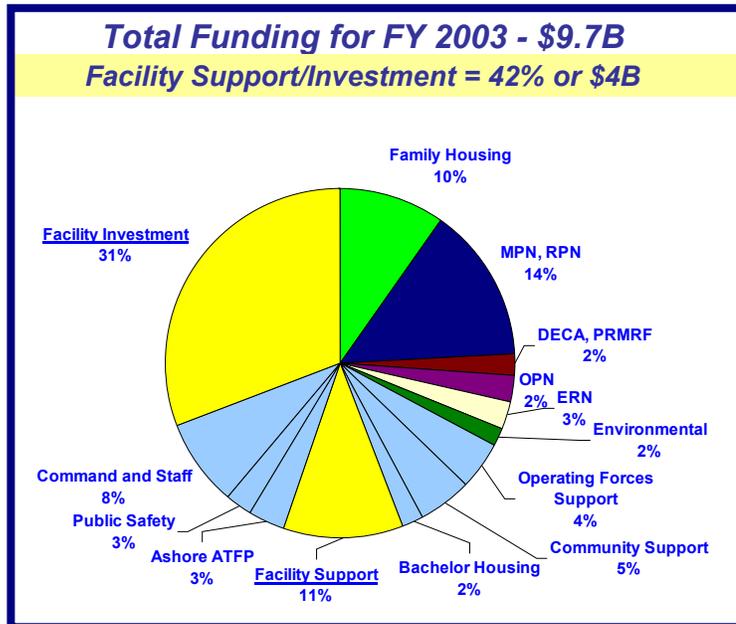
In last year's report, the Facility Investment aspects of Facility Support were covered in a separate chapter. In this year's report these important activities are more appropriately placed here in the Facility Support Core Business Area.

The overall contribution provided by the Facility Support Core Business Area is significant when compared to the rest of the SIM funding depicted within IMAP. The accompanying chart shows the Facility Support portion of the total direct IMAP BOS obligations for FY 2003. This chart is used to compare Facility Support funding with the other Core Business Areas addressed in the other Chapters 1 through 9. These obligations represent some 30% of the total IMAP FY 2003 BOS obligations. This total is \$1,045M in BOS funding, but does not include FHN, MILCON, or SRM funding also covered in IMAP.



The accompanying pie chart addresses the total impact of the Facility Support funding across the full spectrum of the SIM business in FY 2003. In examining the complete \$9.7B in total SIM funding for FY 2003, the Facility Support portion is a remarkable 42% or roughly \$4B of that total. This 42% includes the Facility Support IMAP BOS funding, the SRM funding and the Navy's MILCON funding for FY 2003. Clearly, these major contributions dwarf any other portion of the SIM funding pie chart including Family Housing and MPN/RPN funding.

During the course of FY 2003, significant progress was made in refining the standards and metrics for many of the functions within the Facility Support Core Business Area. These improvements have allowed for the development of more detailed requirements associated with specific Capability Levels commencing with the PR-05 Capabilities Plan submission in January 2003 for FY 2005 and beyond. Further, Navy leadership has approved the Capability Levels, standards and metrics for the Facility Support functions. In FY 2003, separate Special Interest Item (SII) codes were approved for each of the functions within the Facility Support Core Business Area. These new SII codes will help to highlight each of these functions during the programming, budgeting and execution stages of the SIM process, allowing for better management of the Navy's funds across the broad scope of Facility Support functions and activities.



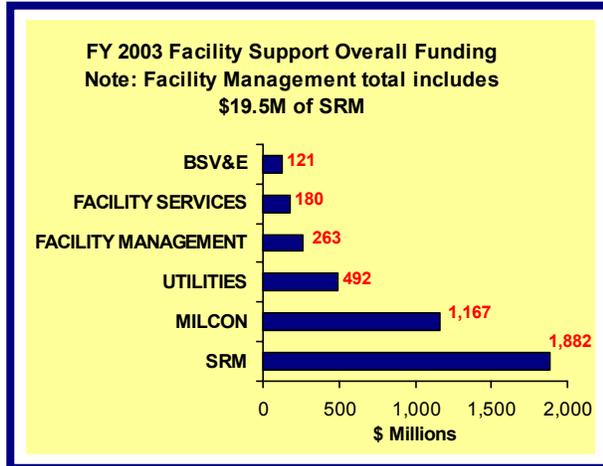
The majority of the Facility Support funding in FY 2003 went for SRM and MILCON. The SRM program saw a significant increase in funding at the end of FY 2003 by the divesting Claimants to ensure a successful turnover of the installations to CNI. This resulted in an increase in SRM funding in FY 2003 to \$1,882M, up from the \$1,292M in FY 2002. The MILCON funding saw a sizeable Congressional addition to the DoD budget request for MILCON funding in FY 2003. In sum, the SRM and MILCON programs accounted for

nearly 75% of the overall Facility Support and Facility Investment program in FY 2003, with the Utilities program the next largest at 12% of the total and the other functions at much smaller percentages.

The Navy's Program Managers within the Facility Support Core Business Area conducted a series of performance data calls in FY 2003 to cover the basic facility functions across the Navy for SIM. The Utilities function scored a very high Capability Level 1 and saw an overall increase in funding from \$442.8M in FY 2002 to a total of \$491.6M in FY 2003. This performance was above the Navy's target of Capability Level 2, but represents the realities of funding to pay the utilities bills. The other functions of Facility Services, Facility Management and Base Support Vehicle and Equipment, all performed at Capability Level 3, with Facility Services very close to Capability Level 2. Total obligations for these three functions saw an increase in funding by over \$36M in FY 2003.

Sustainment was programmed by the Navy at 84% in FY 2003. Navy programmed for a 116-year recapitalization rate and attained a recapitalization rate of 75 years through congressional additions. The SRM funding was again not efficiently spread across the year with 46% of funding in 4th quarter. The SRM obligations exceeded the plan by over \$180M with a total increase of over \$560M over FY 2002.

The FY 2003 MILCON program had a total funding line of \$1,167M, with Congressional adds of \$205M and \$195M in DERF. This MILCON funding covered 95 MCON projects for the active Navy and 13 MCNR projects for the Navy Reserves.



Product of the Plan

Facility Support Summary

Utilities:

- Funded at C-2 readiness rating.
- Performed at Capability Level 1 in FY 2003.
- Obligations increased by over \$48M.
- \$38M migrated to pay utility costs.

Facility Services:

- Funded at C-3 readiness rating.
- Performed at a high Capability Level 3.
- Obligations increased by nearly \$20M.
- \$47.5M migrated to Facility Services.

Facility Management:

- Funded at C-3 readiness rating.
- Performed at a Capability Level 3 in FY 2003.
- Obligations increased by over \$11M.

BSV&E:

- Funded at C-3 readiness rating.
- Performed at a high Capability Level 3.
- High Capability Level 3 achieved with only 82% of the stated requirement in funding.

SRM:

- Programmed for a 84% sustainment rate.
- Programmed for a 116-year recap rate in FY 2003, achieved 75-year recap rate (includes funding from MILCON, NWCF, and MPN).
- SRM funding remained inefficient with 46% of the funding in the 4th quarter.
- FY 2003 funding increased by over \$560M.

MILCON:

- Program execution at \$1,167M (with DERF and Congressional adds), \$331M more than FY 2002.
- BRAC:
- FY 2003 obligations total \$314.44M for Navy BRAC.

Utilities

Scope of Program

Within the Facility Support Core Business Area of the IMAP, the Utilities function consists of sub-functions and activities that provide installation utilities, to include, where applicable, the operation of water, steam, electrical and other utility distribution systems. Both maintenance and operations occur in providing these sub-functions (commodities) and activities to the other Core Business Areas. The maintenance portion is covered under SRM for non-NWCF funded activities, while the operations portion is covered under this Utilities function itself and the appropriate sub-functions (electric, sewage, etc.). The operations portion provides for the purchase, production, and distribution of utilities to the other sub-functions of the installation.

Utilities	
➤	Chiller Plant
➤	Electrical
➤	Gas
➤	Other
➤	Sewage
➤	Steam
➤	Water

When the installation does not provide its own utility services, the Utilities sub-functions act as cost centers for resources expended to provide utilities.

Chiller Plant: The Chiller Plant sub-function includes activities that provide Chiller Plant and Air Conditioning services. It includes:

- air conditioning plants or equipment with a capacity of 5 to over 100 tons and related distribution systems, either as a plant serving one building or several buildings;
- the cost of operating air conditioning plants and external air conditioning distribution systems for plants of 25 to 100 ton and over capacity;
- cost of air conditioning purchased from commercial sources or another naval activity.



Electrical: The Electrical sub-function consists of activities that provide electricity. It includes:

- all buildings, installed generating equipment, and switching stations used in producing and controlling electric current at the source. This includes the cost of operating all equipment in the steam electric generating plant which is used to generate and control electric current, including the operation of turbine generators, switchboards, circulating water, and condensate pumps. The cost of operating all equipment used in the generation of electricity at internal combustion electricity plants, including the cost of operation of both diesel generator and gas turbine generators and all auxiliaries;
- all operating costs incidental to the exterior distribution of electricity, including transmission lines, sub-stations and switching operations, up to and including the users' meter or similar point of count;
- all operating costs of Energy Monitoring and Control Systems incidental to electricity savings;
- cost of electricity purchased from commercial sources, including municipalities, or from another naval activity.



Gas: The Gas sub-function addresses activities that provide gas for heating or as a fuel for a central power plant. It includes:

- buildings and installed generating equipment, storage tanks, and connected fuel

storage for generation and storage of gas for direct heating or as a fuel for a central plant;

- the cost of operating gas plants to be used as fuel for heating purposes and the cost of operating gas distribution and transmission systems including gas pipes, mains, and other appurtenances;
- cost of gas purchased from commercial sources or another naval activity to be used as fuel.

Other: The “Other” sub-function consists of activities that provide other utility services not otherwise addressed in the Core Business Model. It includes:

- the operation of miscellaneous central plants, systems, and buildings including: maintenance of acetylene and oxygen generating plants; operation of installed ice manufacturing equipment which, for inventory purposes, is a part of the maintenance and production building in which it is housed; operation of installed cooling or refrigeration equipment which, for inventory purposes, is a part of the cold storage building in which housed; and the cost of gas, fuel, oil, and solid fuels consumed for heating including cooking and hot water;
- the costs of operating all other utility distribution systems;
- the costs for operation and distribution of pneumatic power systems;
- costs of utility privatization studies;
- costs of financed energy conservation projects.

Sewage: This sub-function includes activities that provide sewage services. It includes:

- buildings and facilities for the treatment and disposal of sewage and industrial waste including treatment plants, septic tanks, drain fields, outfall sewers and storm drainage systems;
- operating costs of sewage and liquid waste treatment pumping plants and equipment, treatment and purification facilities and disposal;
- operating costs incidental to the exterior distribution system including sewers, lift stations, and other appurtenances for domestic

waste and for combined storm water and sanitary systems up to the 5-foot building lines and other appurtenances;

- cost of sewage treatment purchased from commercial sources, including municipalities, or from another naval activity.

Steam: The Steam sub-function consists of activities that provide steam for power and heating and hot water for heating. It includes:

- buildings, installed generating and boiler equipment with a capacity from .75 to over 3.5 MBTU/HR, and connected fuel storage used in producing and controlling hot water and low and high pressure steam at the source for heat and processing. This includes the cost of operation (including fuel costs) of equipment used to generate steam and hot water, including plants providing steam for both power and heat as well as for power only;
- all operating costs incidental to the exterior distribution (transmission and distribution lines and mains) of steam or hot water plants up to and including the users' meter or similar point of count. Includes operating costs of Energy Monitoring and Control Systems incidental to steam and hot water savings;
- cost of steam and hot water purchased from commercial sources or from another naval activity.

Water: The Water sub-function includes activities that provide water. It includes:

- buildings and facilities used in the supply, storage (including storage tanks, wells and



reservoirs), treatment and distribution (including pumping stations, valve sheds and distribution lines) of potable and non-potable water. It also includes filtration plants and pretreatment supply mains but excludes nuclear reactor water treatment facilities;

- facilities for the desalinization of water and the cost of operating all equipment in the desalinization process;
- the operating costs of potable and non-potable supply sources, collection facilities, pumping and purification, plant equipment, and incidentals to the exterior water distribution systems including laterals and pipes, up to and including the users' meter or similar points of count;
- cost of potable water purchased from commercial sources and municipalities or from another naval activity.

Progress in FY 2003

During the course of FY 2003, progress was continued toward Utilities Privatization. This mandated program directed the Navy (and other Services) to develop plans for privatizing utility systems. Utilities Privatization (UP) continues to receive significant Navy and DoD attention. DoN has 654 systems available to privatize with the requirement to reach Source Selection Authority (SSA) decisions on all by September 2005. Systems include Electrical (190), Waste Water (183), Water (190), Gas (78), and Other (13). At the end of FY 2003, 554 systems (85%) had closed Requests For Proposals and were under SSA processing and 56 systems (8%) had SSA decisions (41 received exemptions). Funding SSA processes remains a considerable challenge. Program Budget Decision 721 provided funding through FY 2003. Requirements beyond FY 2003 are programmed under the Utilities function in the Other sub-function.

The Shore Energy Program continues to progress towards achieving its goals. DoN energy consumption per square foot (SF) was reduced by 26% in FY 2003. The Department's goal for FY03 was a 27% reduction relative to the 1985 baseline. The primary reason for missing the target was the

elimination of higher than average efficiency BRAC installations from the database. The Energy Program is still on track to meet Executive Order 13123's energy reduction goals of reducing energy consumption/SF by 35% by 2010 as compared to a FY 1985 baseline. Also, \$215.1M in energy projects were awarded (includes investments in the Energy Conservation Investment Program, Utility Energy Savings Contracts, and Energy Savings Performance Contracts) and are expected to provide an annual savings of 1.54MBtu in energy with a cost avoidance of over \$28M. However, this cost avoidance cannot be considered Navy money as the savings are already taken into account and used elsewhere in the PPBS cycle.

CNI and the Regional Commanders are faced with the prospects of increased energy costs over the next several years. These cost increases are largely regionally dependent, with some regions facing significant steam rate increases, while others have massive water and sewage increases. In the Northeast Region for example, gas rates increased by some 30% as the local power companies converted to domestic natural gas from foreign sources.



A separate Special Interest Item code (SII) for the Utilities function (UT) was approved in FY 2003 for use commencing on 1 October 2003. This new SII will assist to highlight these important Utilities activities throughout the budget process and on into their execution under CNI. OPNAV N46 already increased the visibility of the Utilities function during the development of both the POM-04 and PR-05 inputs with detailed requirements submissions covering all of the Utilities sub-functions.

Assessment and Performance

Utilities BOS Direct Funding Obligations from IMAP		
	FY 2002 Obligations	FY 2003 Obligations
Chiller Plant	\$3.560M	\$4.081M
Electrical	\$229.162M	\$246.787M
Gas	\$31.957M	\$34.675M
Other	\$57.716M	\$66.073M
Sewage	\$34.723M	\$36.713M
Steam	\$54.765M	\$67.184M
Water	\$30.946M	\$36.068M
TOTAL Utilities	\$442.83M	\$491.582M

The Utilities program was included as one line item in the PR-03 BAM submission. The details on the seven sub-functions within the Utilities function were not addressed. For the POM-04 BAM and the PR-05 Capabilities Plan, the OPNAV N46 submissions included well articulated details on each of these seven sub-functions. The overall requirements submitted for FY 2003 for the Utilities function were set at \$460.509M. This represented a C-2 readiness rating and was 95% of the total requirement from the IMCs. For FY 2003, the total direct IMAP BOS obligations recorded for the Utilities function were \$491.582M or over \$31M more than the submitted requirement. The FY 2003 obligations for Utilities were also over \$48M more than the obligations in FY 2002. Of note, the POM-04 total requirements submitted in early 2002 for FY 2004 for the Utilities function were at \$489.155M. The improved submission in January 2003 for the PR-05 Capabilities plan had the total requirements for the Utilities function at \$506.53M for Capability Level 1 and at \$485.013M for Capability Level 2.

In FY 2003, the performance in the Utilities function was reported at a Capability Level 1 with an overall score of 9.66 out of 10. This performance exceeded the expectations for FY 2003 of a Capability Level 2. Significantly, Navy leadership determined during FY 2003 that the correct Capability Level for the Utilities function for programming and execution purposes is at a Capability Level 2.

Chiller Plant: The Chiller Plant sub-function was not detailed in PR-03. It was included as part of the Utilities function. The approved macro metric is Cost per MBTU (Millions of British Thermal Units)

times the MBTU required. The total direct IMAP obligations in FY 2003 for the Chiller Plant sub-function were \$4.081M. This total was slightly more than the obligations in FY 2002 at \$3.360M. In the detailed requirements submitted in the POM-04 BAM and the PR-05 Capabilities Plan submission, the Chiller Plant requirements for FY 2004 were \$5.517M and for FY 2005 at Capability Level 2 the requirements were \$6.563M (Capability Level 1 = \$6.8M). The overall performance for the Chiller Plant sub-function in FY 2003 was at Capability Level 1 with a score of 9.48 out of 10.

Electrical: The Electrical sub-function was not detailed in PR-03. It was included as part of the Utilities function. The approved macro metric is Cost per MWH (Mega Watt Hours) times the MWH required. The FY 2003 total direct IMAP BOS obligations for the Electrical sub-function were recorded at \$246.787M or over \$17.5M more than in FY 2002. The detailed Electrical sub-function requirements submitted in POM-04 for FY 2004 were at \$272.348M. However, the requirements submitted in January 2003 as part of PR-05 showed the Electrical sub-function at \$242.061M for Capability Level 1 and \$230.053M for Capability Level 2. The overall performance for the Electrical sub-function in FY 2003 was at Capability Level 1 with a score of 9.72 out of 10, an improvement over the Capability Level 2 reported in FY 2002.

Gas: The Gas sub-function was not detailed in PR-03. It was included as part of the Utilities function. The approved macro metric is Cost per MBTU (Millions of British Thermal Units) times the MBTU required. The total direct IMAP BOS obligations in FY 2003 for the Gas sub-function were reported at \$34.675M as compared to \$31.957M in FY 2002. With the improved metrics in place for



SIM Stockholders' Report FY 2003

POM-04, the FY 2004 requirements for the Gas sub-function were submitted at \$30.097M. However, the requirements submitted in January 2003 as part of PR-05 showed the Gas sub-function at \$26.414M for Capability Level 1 and \$24.852M for Capability Level 2. The overall performance for the Gas sub-function in FY 2003 was at Capability Level 1 with a score of 9.64 out of 10, an improvement over the Capability Level 2 reported in FY 2002.

Other: The “Other” sub-function was not detailed in PR-03 but was included as part of the Utilities function. The total direct IMAP BOS obligations in FY 2003 for the “Other” sub-function were reported at \$66.073M as compared to \$57.716M in FY 2002, an overall increase of over \$8M. With the improved metrics in place for POM-04, the FY 2004 requirements for the “Other” sub-function were submitted at \$22.887M. The requirements submitted in January 2003 as part of PR-05 showed the “Other” sub-function at \$66.194M for Capability Level 1 and \$264.787M for Capability Level 2. The overall performance for the “Other” sub-function in FY 2003 was at Capability Level 1 with a score of 9.48 out of 10.

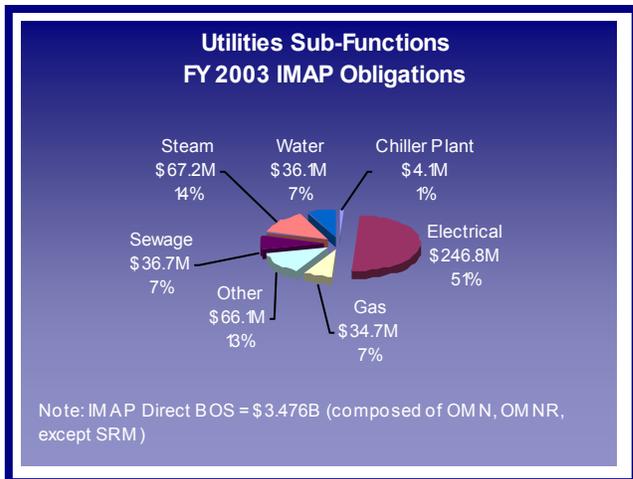
Sewage: The Sewage sub-function was not detailed in PR-03. It was included as part of the Utilities function. The approved macro metric is Cost per Kgal (Thousands of Gallons) times the Kgal required. The total direct IMAP obligations in FY 2003 for the Sewage sub-function were \$36.713M. This total was nearly \$2M more than the obligations in FY 2002 at \$34.724M. With the improved metrics in place for POM-04, the FY 2004 requirements for the Sewage sub-function were submitted at \$35.494M. The requirements submitted in January 2003 for the Sewage sub-function as a part of PR-05 for FY 2005 showed the Capability Level 1 requirements at \$39.002M. For the Sewage sub-function there is only one Capability Level. The overall performance for the Sewage sub-function in FY 2003 was at Capability Level 1 with a score of 9.71 out of 10.

Steam: The Steam sub-function was not detailed in PR-03. It was included as part of the Utilities function. The approved macro metric is Cost per MBTU (Millions of British Thermal Units) times the MBTU required. The FY 2003 total direct IMAP BOS obligations for the Steam sub-function were recorded at \$67.184M or over \$12M more than the

obligations reported for FY 2002 at \$54.766M. The POM-04 BAM submission for FY 2004 had the requirements for the Steam sub-function at \$80.299M. The improved submission for FY 2005 in the PR-05 Capabilities Plan showed the Steam sub-function requirements at \$84.513M for Capability Level 1 and \$79.916M for Capability Level 2. The overall performance for the Steam sub-function in FY 2003 was at Capability Level 1 with a score of 9.43 out of 10, an improvement over the Capability Level 2 reported in FY 2002.

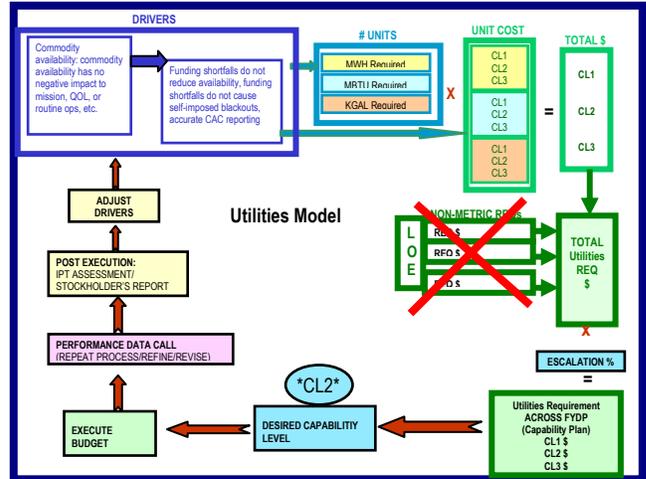
Water: The Water sub-function was not detailed in PR-03. It was included as part of the Utilities function. The approved macro metric is Cost per Kgal (Thousands of Gallons) times the Kgal required. The total direct IMAP obligations in FY 2003 for the Water sub-function were \$36.068M. This total was over \$5M more than the obligations in FY 2002 at \$30.946M. In the detailed requirements submitted in the POM-04 BAM and the PR-05 Capabilities Plan submission, the Water requirements for FY 2004 were \$42.52M and for FY 2005 at Capability Level 2 the requirements were \$39.84M (Capability Level 1 = \$41.546M). The overall performance for the Water sub-function in FY 2003 was at Capability Level 1 with a score of 9.85 out of 10, an improvement over the Capability Level 2 performance reported in FY 2002.

Utilities Funding			
FY 2003	FY 2003	FY 2003	FY 2003
Full Mission Requirement from IMCs	OPNAV N46 BAM Requirement	Special Interest Item for “OB” (For FY 2004, SII = “UT”)	IMAP Obligations
\$484.746M	\$460.509M		\$491.582M



Utilities Overall Performance By Region		
Region	FY 2003 Performance: Score	FY 2003 Performance: Capability Level
Northeast	9.8	CL 1
NDW	9.5	CL 1
Mid-Atlantic	10	CL 1
Southeast	9.8	CL 1
Northwest	9.5	CL 1
Southwest	9.7	CL 1
Midwest	9.9	CL 1
Gulf Coast	10	CL 1
South	9.3	CL 1
Hawaii	9.3	CL 1
Japan	9.7	CL 1
Korea	8.7	CL 2
Guam	9.5	CL 1
Europe	9.6	CL 1
Southwest Asia	9.9	CL 1
Overall Performance	9.66	CL 1

During FY 2003, the OPNAV N46 staff completed the initial Verification and Validation Process submission to OPNAV N8 on the Base Operating Support Performance and Pricing Models. The overview of the model for the Utilities function is below.



Utilities Overall Performance By Sub-Function			
Sub-Function	FY 2002 Performance: Capability Level	FY 2003 Performance: Score	FY 2003 Performance: Capability Level
Chiller Plant	CL 1	9.48	CL 1
Electrical	CL 2	9.72	CL 1
Gas	CL 2	9.64	CL 1
Other	CL 1	9.48	CL 1
Sewage	CL 1	9.71	CL 1
Steam	CL 2	9.43	CL 1
Water	CL 2	9.85	CL 1
Overall Performance	CL 2	9.66	CL 1

- Utilities:**
- Funded at C-2 readiness rating.
 - Performed at Capability Level 1 in FY 2003, exceeding expectations; all sub-functions at Capability Level 1.
 - Obligations increased by over \$48M.
 - Based on the requirements submitted for FY 2003, over \$38M migrated to this function to pay utility costs.

Facility Services

Scope of Program

The Facility Services function includes sub-functions and activities that provide building services and other miscellaneous services for the installation, exclusive of family housing areas. It includes refuse collection, recycling, janitorial, pest control, grounds maintenance, and other miscellaneous installation services.

Facility Services
➤ Janitorial
➤ Pest Control
➤ Refuse Collection/Recycling
➤ Other
➤ Grounds Maintenance
➤ Street Sweeping/Snow Removal

When the installation does not provide its own services, the building services sub-functions act as cost centers for resources expended to provide these services.

Janitorial: The Janitorial sub-function consists of activities that provide janitorial services. It includes the costs of labor and material or contract services for general cleaning.

Pest Control: This sub-function includes activities that provide pest/weed control services. It includes the cost of labor and material or contract services for the control or elimination of insects and rodents or other pests; also includes the cost of weed control.

Refuse Collection/Recycling: The Refuse Collection/Recycling sub-function consists of activities that provide refuse collection and recycling services, including the transfer of marketable items to the servicing Defense Reutilization Management Office (DRMO).



Other: The “Other” Sub-function includes those activities that provide other Facility Support-related services not otherwise defined under this function. These activities include items under Cost Account Codes (CACs) for the following:

- Emergency Service Work (non RPM)
- Facility Services Intra-station Moves
- Other Maintenance and Service
- Maintenance and Repair of Dehumidification Equipment
- Maintenance and Repair of Refrigeration and Water-Cooling Equipment Over Five Tons
- Elevator Operation
- Maintenance and Repair of Fleet Moorings

Grounds Maintenance: The Grounds Maintenance sub-function consists of activities that landscape and maintain the installation grounds. Maintenance and repair of drainage structures is also included. This sub-function was previously a part of the old RPM function within the Facility Support Core Business Area.

Street Sweeping/Snow Removal: This sub-function addresses activities that include removal, hauling, and disposing of snow, ice, and sand; street sweeping; grounds cleanup; and erecting/removing snow fences.

Progress in FY 2003

A separate Special Interest Item code (SII) for the Facility Services function (FX) was approved in FY 2003 for use commencing on 1 October 2003. This new SII will assist to highlight these Facility Services activities throughout the budget process and on into the execution under CNI. OPNAV N46 already increased the visibility of the Facility Services function during the development of both the POM-04 and PR-05 inputs with detailed requirements submissions covering all of the Facility Services activities.

Assessment and Performance

Facility Services		
BOS Direct Funding Obligations from IMAP		
	FY 2002 Obligations	FY 2003 Obligations
Janitorial	\$55.863M	\$58.967M
Pest Control	\$8.268M	\$6.865M
Refuse Collection/ Recycling	\$27.463M	\$30.476M
Other	\$20.695M	\$26.294M
Grounds Maintenance	\$43.473M	\$47.269M
Street Sweeping/ Snow Removal	\$4.772M	\$10.486M
TOTAL Facility Services	\$160.534M	\$180.357M

The sub-functions within the Facility Services program were included under the functions of “Building Services” and “Grounds Maintenance” in the PR-03 BAM submission. For the POM-04 BAM and the PR-05 Capabilities Plan, the OPNAV N46 submissions included well articulated details on each of these six sub-functions. The overall requirements submitted for FY 2003 for the Facility Services function were set at \$132.809M. This represented a C-3 readiness rating and was 90% of the total requirement from the IMCs. For FY 2003, the total direct IMAP BOS obligations recorded for the Facilities Services function were \$180.357M or over \$47M more than the submitted requirement. The FY 2003 obligations for Facility Services were over \$19M more than the obligations in FY 2002. Of note, the POM-04 total requirements submitted in

early 2002 for FY 2004 for the Facility Services function were at \$295.05M. The improved submission in January 2003 for the PR-05 Capabilities plan had the total requirements for the Facility Services function at \$241.26M for Capability Level 1, at \$210.99M for Capability Level 2, and at \$186.752M for Capability Level 3 in FY 2005.

In FY 2003, the performance in the Facility Services function was reported at a high Capability Level 3 with an overall score of 6.9 out of 10. This performance was in line with the expectations for FY 2003. However, to achieve this high Capability Level 3 performance a total of over \$47.5M migrated into the Facility Services program. This amount was considerably less than the total migration in FY 2002 of some \$85M.

Janitorial: The Janitorial sub-function was addressed as a separate sub-function in the PR-03 BAM submission. The approved macro metric is Cost per Square Foot Cleaned times the Square Feet required to be cleaned. The total requirements for FY 2003 for the Janitorial sub-function were set at \$68.954M or 90% of the full requirement submitted by the IMCs. The FY 2003 total direct IMAP BOS obligations for the Janitorial sub-function were recorded at \$58.967M or over \$3M more than in FY 2002 (\$55.863M). Significant here is the overall obligations in FY 2003 were some 85% of the submitted requirements. Without further information, it would appear that some \$10M was migrated out of the Janitorial sub-function to cover other requirements. The POM-04 BAM submission for FY 2004 had the requirements for the Janitorial sub-function at \$130.231M. The improved submission for FY 2005 in the PR-05 Capabilities Plan showed the Janitorial sub-function requirements at \$94.687M for Capability Level 1 and \$74.909M for Capability Level 2. The overall performance for the Janitorial sub-function in FY 2003 was at a high Capability Level 3 with a score of 6.88 out of 10.

Pest Control: The Pest Control sub-function was also covered as a separate sub-function in the PR-03 BAM submission. The approved macro metric is Cost per Square Foot times the Square Feet required to be controlled. The submitted requirements for FY 2003 for the Pest Control sub-function were set at \$10.958M. The overall total direct IMAP BOS obligations in FY 2003 for the Pest Control sub-

function were reported as \$6.865M or nearly \$1.4M less than the recorded obligations for FY 2002 (\$8.268M). The FY 2003 executed obligations were over \$4M less than the submitted requirements for Pest Control. With the improved metrics in place for POM-04, the FY 2004 requirements for the Pest Control sub-function were submitted at \$9.919M. The requirements submitted in January 2003 as part of PR-05 showed the Pest Control sub-function at \$9.951M for Capability Level 1. The overall performance for the Pest Control sub-function in FY 2003 was at Capability Level 2 with a score of 7.98 out of 10.

Refuse Collection/Recycling: The Refuse Collection/Recycling sub-function was likewise included as a separate sub-function in the PR-03 BAM submission. The approved macro metric is Cost per Gross Square Foot times the Gross Square Feet required. The FY 2003 requirement submitted for this sub-function was set at \$36.536M. The FY 2003 total direct IMAP BOS obligations for the Refuse Collection/Recycling sub-function were recorded at \$30.476M or slightly more than \$3M greater than the FY 2002 obligations of \$27.463M. The continued development of the metrics for this sub-function resulted in the POM-04 submission of requirements at \$30.064M. The January 2003 PR-05 Capabilities Plan submission for the Refuse Collection/Recycling sub-function was \$36.134 for Capability Level 1. The reported overall performance in FY 2003 for the Refuse Collection/Recycling sub-function was at a solid Capability Level 2 with a score of 8.79 out of 10.



Other: This sub-function within the Facility Services function was not shown as a separate line item in the PR-03 BAM submission. There is also no approved macro metric for the "Other" sub-function. For FY 2003, the total direct IMAP BOS obligations for the "Other" sub-function were \$26.294M. This total was over \$5.5M more than the recorded obligations for FY 2002. The POM-04 BAM submission for FY 2004 had the requirements for the "Other"

SIM Stockholders' Report FY 2003

sub-function at \$31.749M. The improved submission in January 2003 for FY 2005 in the PR-05 Capabilities Plan showed the "Other" sub-function requirements at \$19.267M for Capability Level 1. The overall performance for the "Other" sub-function within the Facility Services function in FY 2003 was not measured.

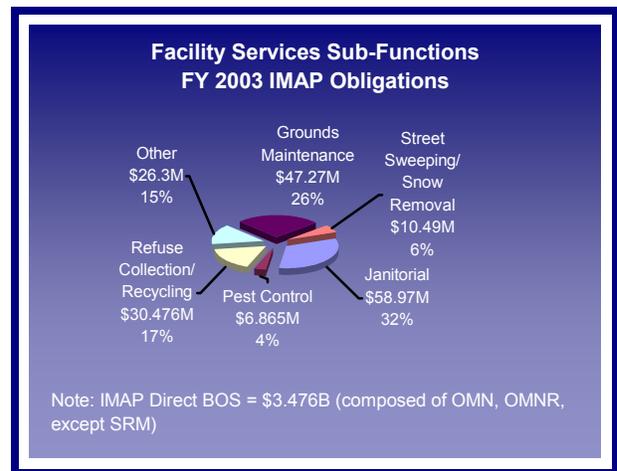
Grounds Maintenance: The Grounds Maintenance sub-function was included in the PR-03 BAM submission. The approved macro metric is the Cost per Acre maintained times the Acres to be maintained. The FY 2003 requirement submitted for the Grounds Maintenance sub-function was set at \$8.809M. The FY 2003 total direct IMAP BOS obligations for the Grounds Maintenance sub-function were \$47.269M or nearly \$3.8M more than the FY 2002 obligations. This sub-function has seen considerable improvements in the development of the requirements for Grounds Maintenance activities. With the improved metrics in place for POM-04, the FY 2004 requirements for the Grounds Maintenance sub-function were submitted at \$83.904M. The requirements submitted in January 2003 for the Grounds Maintenance sub-function as a part of PR-05 for FY 2005 showed the Capability Level 1 requirements at \$66.512M and the Capability Level 2 requirements were at \$58.961M. The overall performance for the Grounds Maintenance sub-function in FY 2003 was at Capability Level 2 with a score of 7.25 out of 10.



Street Sweeping/Snow Removal: This sub-function within the Facility Services function was included as a separate line item in the PR-03 BAM submission by OPNAV N46. The approved macro metric is the Cost per Square Yard time the Square Yardage required to be swept or cleared. The PR-03 requirement submitted for FY 2003 for this sub-function was set at 7.552M. For FY 2003, the overall reported direct IMAP BOS obligations for the Street Sweeping/Snow Removal sub-function came to \$10.486M or over double the obligations in FY 2002 of \$4.772M. The source of these increased obligations in FY 2003 was in the regions along the East Coast of the U.S., and in Europe at NAS

Keflavik. The largest increases were in the Mid-Atlantic Region (increase of over \$3.1M) and in the Northeast Region (increase of over \$1M). The performance data call reported two separate scores for this sub-function overall. The Street Sweeping activity has an overall performance at a Capability Level 3 with a score of 6.07 out of 10, while the Snow Removal activity was at a high Capability Level 3 at 6.94 out of 10.

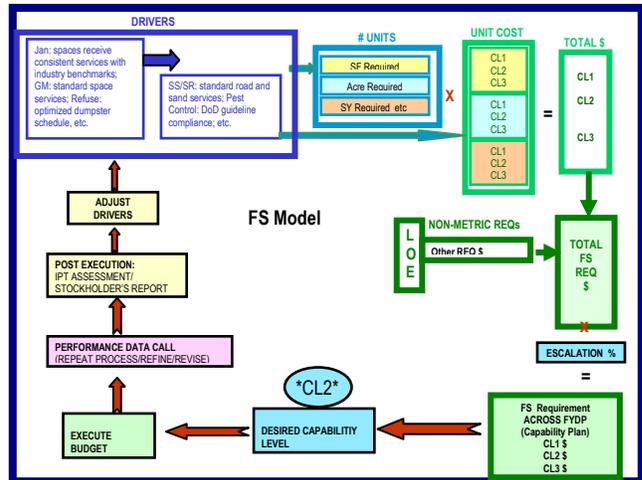
Facility Services Funding			
FY 2003	FY 2003	FY 2003	FY 2003
Full Mission Requirement from IMCs	OPNAV N46 BAM Requirement	Special Interest Item for "OB" (For FY 2004, SII = "FX")	IMAP Obligations
\$147.56M	\$132.809M		\$180.357M



Facility Services Overall Performance By Region		
Region	FY 2003 Performance: Score	FY 2003 Performance: Capability Level
Northeast	7.1	CL 2
NDW	7.4	CL 2
Mid-Atlantic	6	CL 3
Southeast	6.6	CL 3
Northwest	7.2	CL 2
Southwest	7.2	CL 2
Midwest	7.5	CL 2
Gulf Coast	7.0	CL 2
South	6.9	CL 3
Hawaii	6.7	CL 3
Japan	6.6	CL 3
Korea	6.5	CL 3
Guam	7.7	CL 2
Europe	7.0	CL 2
Southwest Asia	7.7	CL 2
Overall Performance	6.9	CL 3

Facility Services Overall Performance By Sub-Function		
Sub-Function	FY 2003 Performance: Score	FY 2003 Performance: Capability Level
Janitorial	6.88	CL 3
Pest Control	7.98	CL 2
Refuse Collection/Recycling	8.79	CL 2
Other	N/A	N/A
Grounds Maintenance	7.25	CL 2
Street Sweeping	6.07	CL 3
Snow Removal	6.94	CL 3
Overall Performance	6.9	CL 3

During FY 2003, the OPNAV N46 staff completed the initial Verification and Validation Process submission to OPNAV N8 on the Base Operating Support Performance and Pricing Models. The overview of the model for the Facility Services function is shown in the top right.



- Facility Services:**
- Funded at C-3 readiness rating.
 - Performed at a high Capability Level 3 in FY 2003.
 - Obligations increased by nearly \$20M.
 - \$47.5M migrated to Facility Services to achieve the Capability Level 3 performance.
 - Improved metrics resulted in better articulated requirements for FY 2004 and beyond.

Facility Management

Scope of Program

The Facility Management function within the Facility Support Core Business Area of the IMAP includes sub-functions and activities that provide facilities planning and engineering, public works administrative and management services, and fund real-estate leases and collateral equipment for MILCON projects.

Facility Management
➤ Management and Administration
➤ Installation Plans and Engineering
➤ Collateral Equipment
➤ Real Estate

Management and Administration: This sub-function includes activities that provide overall management and administrative support for the entire

Facility Support Business area, except transportation. It provides:

- office services and administrative support,
- technical and sensitive information control,
- tracking of capital assets,
- resource tracking and preparation of PW budgets,
- management of human resources,
- current technical reference materials,
- development of inspections standards,
- inspection of facilities,
- management studies,
- validation of capital asset records through physical inventories.

Installation Plans and Engineering: The Installation and Plans sub-function consists of activities that provide current and long-range planning for the use and layout of the installation's land, facilities, and other capital assets. It also includes activities that provide engineering design and planning for the

acquisition, maintenance, repair, and disposal of facilities and equipment. This includes utilities systems, housing units, buildings and structures, airfields, roads, grounds, waterfront structures, and equipment.

Collateral Equipment: This sub-function addresses the costs identified with equipment and minor property to initially outfit a new facility financed by the Military Construction, Navy Program.

Real Estate: The Real Estate sub-function includes the costs of rentals, leases, and easements of Class 1 and Class 2 Real Property.

Progress in FY 2003

A separate Special Interest Item code (SII) for the Facility Management function (FP) was approved in FY 2003 for use commencing on 1 October 2003. This new SII will assist to highlight these management activities throughout the budget process and on into their execution under CNI. OPNAV N46 already increased the visibility of the Facility Management function during the development of both the POM-04 and PR-05 inputs with detailed requirements submissions covering all of the Facility Management activities.

Assessment and Performance

Facility Management BOS Direct Funding Obligations from IMAP		
	FY 2002 Obligations	FY 2003 Obligations
Management and Administration	\$124.547M (includes \$50.746M SRM)	\$93.452M (includes \$3.350M SRM)
Installation Plans and Engineering	\$64.424M (includes \$2.638M SRM)	\$90.452M (includes \$16.198M SRM)
Collateral Equipment	\$26.039M	\$32.272M
Real Estate	\$36.943M	\$46.801M
TOTAL Facility Management	\$251.953M (includes \$53.383M SRM)	\$263.347M (includes \$19.548M SRM)

The sub-functions within the Facility Management function were included under the "PW Management" function in the PR-03 BAM submission, although the Collateral Equipment sub-function was not detailed. For the POM-04 BAM and the PR-05

Capabilities Plan, the OPNAV N46 submissions included well articulated details on each of these four sub-functions. The overall requirements submitted for FY 2003 for the Facility Management function were set at \$261.793M. This represented a C-3 readiness rating and was 90% of the total requirement from the IMCs. For FY 2003, the total direct IMAP BOS obligations recorded for the Facilities Management function were \$263.347M (Note: this total includes \$19.548M of IMAP SRM obligations that were migrated to the Facility Management function). The FY 2003 obligations for Facility Management were over \$11M more than the obligations in FY 2002. Of note, the POM-04 total requirements submitted in early 2002 for FY 2004 for the Facility Management function were at \$260.158M. The improved submission in January 2003 for the PR-05 Capabilities plan had the total requirements for the Facility Management function at \$301.35M for Capability Level 1, at \$264.71M for Capability Level 2, and at \$239.646M for Capability Level 3 for FY 2005.

In FY 2003, the performance in the Facility Management function was reported at a Capability Level 3 with an overall score of 6.5 out of 10. This performance was in line with the expectations for FY 2003. The Capability Level 3 performance was achieved with the full (over 100%) submitted as the FY 2003 requirement for the Facility Management function.

Management and Administration: The Management and Administration sub-function within the Facility Management function is the largest in terms of overall obligations. In the PR-03 BAM submission for FY 2003, this sub-function was shown as a separate line item with requirements of \$115.29M. The FY 2003 total direct IMAP BOS obligations for the Management and Administration sub-function were at \$93.821M (Note: this total includes \$3.350M of IMAP SRM obligations that were migrated to this sub-function). The reported FY 2003 performance for the Management and Administration sub-function was at Capability Level 2 with a score of 7.28 out of 10. This is consistent with the large increase in funding for this sub-function in FY 2003.

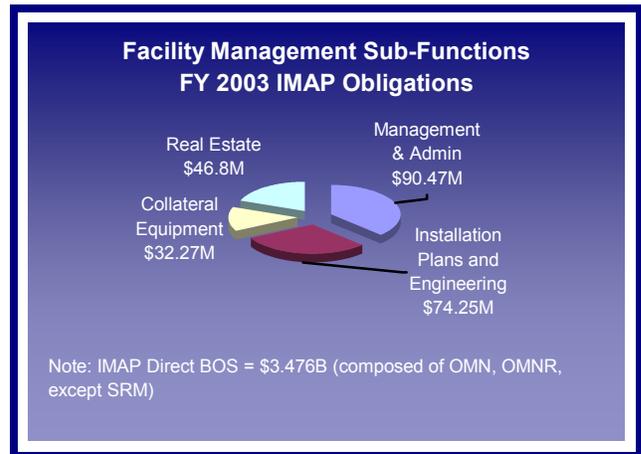


Installation Plans and Engineering: The Installation Plans and Engineering is the second largest sub-function within the Facility Management function. The PR-03 BAM submission for FY 2003 included requirements of \$82.847M for this sub-function. The recorded FY2003 direct IMAP BOS obligations for the Installation Plans and Engineering sub-function were \$90.452 (Note: this total includes \$16.198M of IMAP SRM obligations that were migrated to this sub-function). These FY 2003 obligations were over \$26M more than the reported FY 2002 obligations. The primary locations for these increases were at NDW (up over \$5.7M) and in the Gulf Coast Region (up over \$2.5M). The PR-05 Capabilities Plan submission in January 2003 for FY 2005 showed a major step forward in articulating the requirements for this sub-function. The FY 2003 performance reported for the Installation Plans and Engineering sub-function was at Capability Level 3 with a score of 6.15 out of 10. This performance met the FY 2003 expectations.

Collateral Equipment: The Collateral Equipment sub-function was not detailed as a separate line item in the PR-03 BAM submission. The reported direct IMAP BOS obligations in FY 2003 were \$32.272M for the Collateral Equipment sub-function, an increase of \$6M over the FY 2002 obligations of \$26.039M. With the establishment of CNI, the decision has been made to manage these funds for the Collateral Equipment sub-function centrally at CNI to ensure they are in concert with the MILCON funding process. The FY 2003 performance in this sub-function was not measured.

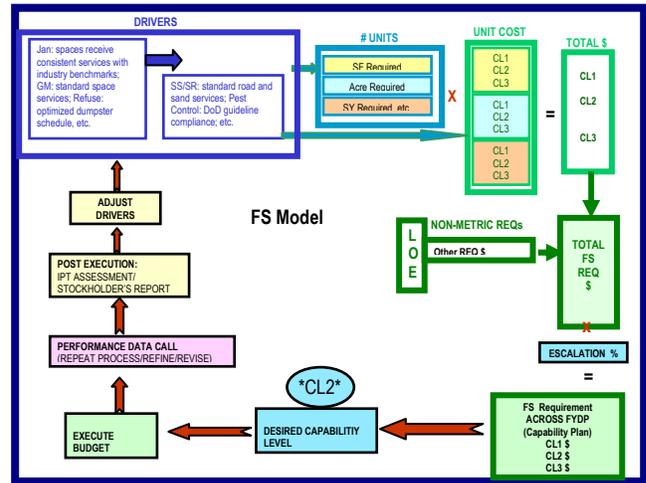
Real Estate: The Real Estate sub-function was also detailed in the PR-03 BAM submission with FY 2003 requirements at \$63.656M, representing 90% of the overall requirement from the IMCs. The FY 2003 recorded direct IMAP BOS obligations for the Real Estate sub-function were \$46.801M or less than 74% of the submitted requirement. By comparison, the FY 2002 obligations were more than \$9.8M less at \$36.943M. The PR-05 Capabilities Plan submission in January 2003 provided for adjustments in real estate leases and a Capability Level 1 requirement for FY 2005 of \$47.6M. The FY 2003 performance in this sub-function was not measured.

Facility Management Funding			
FY 2003	FY 2003	FY 2003	FY 2003
Full Mission Requirement from IMCs	OPNAV N46 BAM Requirement	Special Interest Item for "OB" (For FY 2004, SII = "FP")	IMAP Obligations* (includes \$19.5M of SRM IMAP obligations for Facility Management)
\$290.881M	\$261.793M		\$263.347M*



Facility Management Overall Performance By Region		
Region	FY 2003 Performance: Score	FY 2003 Performance: Capability Level
Northeast	7.1	CL 2
NDW	6.4	CL 3
Mid-Atlantic	6.3	CL 3
Southeast	6.8	CL 3
Northwest	8.0	CL 2
Southwest	6.3	CL 3
Midwest	6.5	CL 3
Gulf Coast	7.3	CL 2
South	6.2	CL 3
Hawaii	6.8	CL 3
Japan	6.2	CL 3
Korea	5.6	CL 3
Guam	6.9	CL 3
Europe	5.9	CL 3
Southwest Asia	6.4	CL 3
Overall Performance	6.5	CL 3

During FY 2003, the OPNAV N46 staff completed the initial Verification and Validation Process submission to OPNAV N8 on the Base Operating Support Performance and Pricing Models. The overview of the model for the Facility Management function is shown below. Note that Service Levels were changed to Capability Levels effective FY 2004.



Facility Management Overall Performance By Sub-Function		
Sub-Function	FY 2003 Performance: Score	FY 2003 Performance: Capability Level
Management & Admin	7.28	CL 2
Installation Plans & Engineering	6.15	CL 3
Collateral Equipment	N/A	N/A
Real Estate	N/A	N/A
Overall Performance	6.5	CL 3

- Facility Management:**
- Funded at C-3 readiness rating.
 - Performed at a Capability Level 3 in FY 2003.
 - Obligations increased by over \$45M.

Base Support Vehicle and Equipment

Scope of Program

The Base Support Vehicle and Equipment function, commonly referred to as the Transportation function, includes sub-functions and activities that provide transportation services for the installation. It includes vehicle, crane, GSE/MHE, railroad, and other installation centrally managed transportation services.

Base Support Vehicle and Equipment
➤ Management and Administration
➤ Railroads
➤ Cranes
➤ Vehicles
➤ GSE/MHE
➤ Construction
➤ Other

When the installation does not provide its own transportation services, the Transportation sub-functions act as cost centers for resources expended to provide transportation services.

Management and Administration: This sub-function consists of activities that provide management and administrative support for the entire Base Support Vehicle & Equipment function.

Railroads: The Railroads sub-function includes activities involved with operation and maintenance of railroads in support of installation railroad services.

Cranes: This sub-function includes activities involved with operation and maintenance of cranes in support of installation crane services.

Vehicles: The Vehicles sub-function consists of activities involved with operation and maintenance of vehicles for the installation; including cars, buses, and trucks plus towing service for the entire transportation fleet. Within this sub-function there are 57 Cost Account Codes (CACs) to cover in detail the large number of vehicles and activities in the overall transportation fleet.

GSE/MHE: The GSE/MHE (Ground Handling Equipment/Materiel Handling Equipment) sub-function addresses activities involved with operation and maintenance of ground support equipment and material handling equipment in support of installation services.

Construction: The Construction sub-function covers activities involved with operation and maintenance of construction equipment for installation provided construction support services.

Other: The "Other" sub-function consists of activities involved with other transportation equipment support services. It includes Cost Account Codes (CACs) for all of the following:

- Fire Fighting Equipment (FFE) – Maintenance, Direct Labor/Material
- Miscellaneous Equipment – Maintenance, Direct Labor/Material
- Non Activity-owned (customer-owned) Equipment – Maintenance, Labor/Material
- Vehicle Accidents (ALPHA Codes O-Z only) – Maintenance, Direct Labor/Material
- Trailers – Maintenance, Direct Labor/Material

- Grounds Maintenance Equipment – Maintenance, Direct Labor/Material
- Fire Fighting Equipment – Fuel, Oils, and Lubricants
- Miscellaneous Equipment – Fuel, Oils, and Lubricants
- Non Activity-owned (customer-owned) Equipment – Fuel, Oils, & Lubricants
- Grounds Maintenance Equipment – Fuel, Oils, and Lubricants
- Equipment Operators/Riggers – Direct Labor

Progress in FY 2003

A separate Special Interest Item code (SII) for the Base Support Vehicle and Equipment function (TR) was approved in FY 2003 for use commencing on 1 October 2003. This new SII will assist to highlight the transportation activities throughout the budget process and on into their execution under CNL. OPNAV N46 already increased the visibility of the Base Support Vehicle and Equipment area during the development of both the POM-04 and PR-05 inputs with detailed requirements submissions covering all of the transportation activities.

Assessment and Performance

Base Support Vehicle and Equipment BOS Direct Funding Obligations from IMAP		
	FY 2002 Obligations	FY 2003 Obligations
Management and Administration	\$20.397M	\$23.194M
Railroads	\$0.937M	\$0.601M
Cranes	\$3.994M	\$4.562M
Vehicles	\$76.448M	\$80.439M
GSE/MHE	\$3.147M	\$2.987M
Construction	\$1.367M	\$1.501M
Other	\$8.628M	\$8.010M
TOTAL Base Support Vehicle and Equipment	\$114.918M	\$121.294M

The Base Support Vehicle and Equipment program was included in the PR-03 BAM submission as the Transportation function. The details on the seven sub-functions were addressed. For the POM-04 BAM and the PR-05 Capabilities Plan, the OPNAV N46 submissions included well articulated details on each

SIM Stockholders' Report FY 2003

of these seven sub-functions. The overall requirements submitted for FY 2003 for this function were set at \$148.681M. This represented a C-3 readiness rating and was 90% of the total requirement from the IMCs. For FY 2003, the total direct IMAP BOS obligations recorded for the Base Support Vehicle and Equipment function were \$121.294M or less than 82% of the submitted requirement. The FY 2003 obligations for this function were over \$6M more than the obligations in FY 2002. Of note, the POM-04 total requirements submitted in early 2002 for FY 2004 for the Base Support Vehicle and Equipment function were at \$186.138M. The improved submission in January 2003 for the PR-05 Capabilities plan had the total requirements for this function at \$128.563M for Capability Level 1, at \$119.05M for Capability Level 2, and at \$117.209M for Capability Level 3. It should be noted here that there were also additional OPN requirements submitted in PR-05 with \$100.012M for Capability Level 1, \$63.681M for Capability Level 2, and \$37.008M for Capability Level 3.

In FY 2003, the performance in the Base Support Vehicle and Equipment function was reported as high Capability Level 3 with an overall score of 6.9 out of 10. This performance met the expectations for FY 2003 of a Capability Level 3. The high Capability Level 3 performance was achieved with 82% of the funding submitted as the FY 2003 requirement for the Base Support Vehicle and equipment function. CNI must, however, address the overall OPN requirements for this function as an urgent action. The OPN requirements have been stated, but they need to go forward to FMB for consideration.

Management and Administration: The Management and Administration sub-function was addressed specifically in the PR-03 BAM submission. The FY 2003 requirement submitted was set at \$14.109M. For FY 2003, the total direct IMAP BOS obligations for the Management and Administration sub-function were recorded at \$23.194M or some \$9M more than the stated requirement and nearly \$3M more than the FY 2002 obligations. The POM-04 requirements submitted for FY 2004 for this sub-function were at \$21.843M. The January 2003 PR-05 Capabilities Plan submission for the Management and Administration sub-function was \$20.183M for Capability Level 1. The overall

performance in FY 2003 was not reported for the Management and Administration sub-function.

Railroads: The Railroads sub-function was also detailed in the PR-03 BAM submission with the FY 2003 requirement at \$390K. The total direct IMAP BOS obligations for the Railroads sub-function in FY 2003 were \$601K or over \$300K less than in FY 2002. Of note, two-thirds of the FY 2003 obligations were recorded at SUBASE Kings Bay at SWFLANT as an SSP Claimant. CNI will want to ensure these activities are included as BOS functions for transfer to CNI and not held as Mission funding. The overall performance in FY 2003 for the Railroads sub-function was at a low Capability Level 3 with a score of 5.05 out of 10.

Cranes: The Cranes sub-function was included in PR-03 with a requirement for FY 2003 at \$14.841M. The total direct IMAP BOS obligations for FY 2003 for the Cranes sub-function were \$4.562M or just 30% of the requirement. The FY 2002 obligations for the Crane sub-function were \$3.994M. Improved metrics resulted in a POM-04 requirements submission of \$7.499M for the Cranes sub-function in FY 2004 and in PR-05 the requirements were \$6.769M for FY 2005. The overall performance in FY 2003 recorded for the Cranes sub-function was at Capability Level 3 with a score of 5.29 out of 10.

Vehicles: The Vehicles sub-function addresses the majority of the requirements within the Base Support Vehicle and Equipment function. It was detailed in the PR-03 BAM submission with FY 2003 requirements at \$87.092M. The total direct IMAP obligations for FY 2003 were \$80.439M or some \$6.5M less than the stated requirement and nearly \$4M more than the FY 2002 obligations (\$76.448M). These obligations in FY 2003 represent 66% of the total obligations in the Base Support Vehicle and Equipment function. A major improvement during FY 2003 was in the PR-05 Capabilities Plan submission with the detailed Capability Level requirements for Vehicles (A-N), Aircraft Refuelers, and Fire Fighting Equipment (FFE). This January 2003 submission also detailed the OPN requirements (which are significant) for Vehicles (A-N), Aircraft Refuelers, and for FFE – each at Capability Levels 1, 2, and 3.

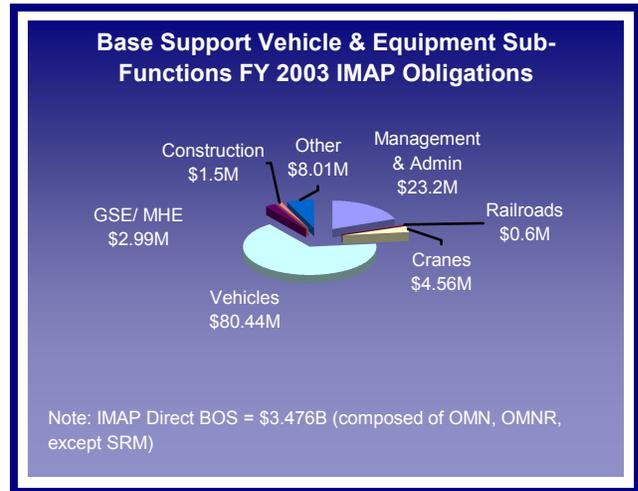


obligations (\$8.628M). For FY 2003, the recorded performance for the “Other” sub-function was at Capability Level 3 with a score of 5.74 out of 10.

Base Support Vehicle and Equipment Funding			
FY 2003	FY 2003	FY 2003	FY 2003
Full Mission Requirement from IMCs	OPNAV N46 BAM Requirement	Special Interest Item for “OB” (For FY 2004, SH = “TR”)	IMAP Obligations
\$165.2M	\$148.681M		\$121.294M

The reported FY 2003 performance was at Capability Level 2 with a score of 8.26 out of 10. Separate performance reporting for FY 2003 for Fire Fighting Equipment at Capability Level 2 performance (7.42 out of 10) and for Aircraft Refuelers at Capability Level 2 (7.52 out of 10).

GSE/MHE: The GSE/MHE sub-function was addressed as a separate sub-function in the PR-03 BAM submission and included \$7.613M in requirements. The recorded FY 2003 total direct IMAP BOS obligations for the GSE/MHE sub-function were \$2.987M or slightly less than the FY 2002 obligations at \$3.147M. The reported performance for FY 2003 was at Capability Level 3 with a score of 5.53 out of 10.

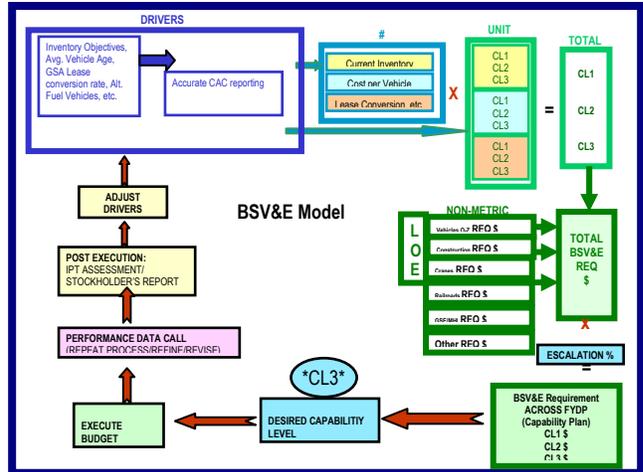


Construction: The Construction sub-function was also included in the PR-03 submission. The Construction sub-function had FY 2003 requirements at \$5.28M. The FY 2003 total direct IMAP BOS obligations for the Construction sub-function were 1.501M or less than 30% of the stated requirements. These obligations were similar to the FY 2002 obligations at \$1.367M. The overall reported FY 2003 performance for the Construction sub-function was at Capability Level 3 with a score of 6.1 out of 10.

Other: The “Other” sub-function was included as a separate line item under the Transportation function in PR-03. The stated requirements for FY 2003 for the “Other” sub-function were \$19.356M. The FY 2003 reported direct IMAP BOS obligations for the “Other” sub-function were \$8.01M or less than 42% of the stated requirements. The FY 2003 obligations were \$600K less than the FY 2002

Base Support Vehicle and Equipment Overall Performance By Region		
Region	FY 2003 Performance: Scores	FY 2003 Performance: Capability Level
Northeast	7.6	CL 2
NDW	7.7	CL 2
Mid-Atlantic	5.9	CL 3
Southeast	6.7	CL 3
Northwest	5.9	CL 3
Southwest	7.2	CL 2
Midwest	8.7	CL 2
Gulf Coast	6.4	CL 3
South	7.1	CL 2
Hawaii	8.2	CL 2
Japan	7.4	CL 2
Korea	8.7	CL 2
Guam	5.6	CL 3
Europe	6.8	CL 3
Southwest Asia	8.0	CL 2
Overall Performance	6.9	CL 3

Base Support Vehicle and Equipment Performance By Sub-Function		
Sub-Function	FY 2003 Performance: Score	FY 2003 Performance: Capability Level
Management & Administration	N/A	N/A
Railroads	5.05	CL 3
Cranes	5.29	CL 3
Vehicles	8.26	CL 2
FFE	7.42	CL 2
Refuelers	7.52	CL 2
GSE/MHE	5.53	CL 3
Construction	6.1	CL 3
Other	5.74	CL 3
Overall Performance	6.9	CL 3



During FY 2003, the OPNAV N46 staff completed the initial Verification and Validation Process submission to OPNAV N8 on the Base Operating Support Performance and Pricing Models. The overview of the model for the Base Support Vehicle and Equipment function is shown below.

Base Support Vehicle and Equipment:

- Funded at C-3 readiness rating.
- Performed at a high Capability Level 3 in FY 2003.
- Obligations increased by \$6M.
- High Capability Level 3 performance achieved with only 82% of the stated requirement in funding.

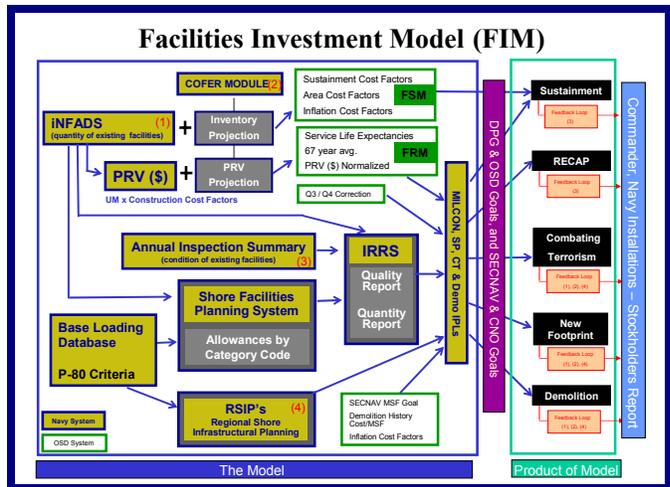
SRM

Scope of Program

Within the Core Business Area of Facility Support, the SRM function consists of sub-functions and activities that provide facility sustainment, restoration and modernization, new footprint, demolition, and combating terrorism for all Class 1 and Class 2 real property assets. To ensure total cost collection, all funding retained and managed by either the echelon II Commander or Regional Commander (e.g. Special Project funding) is also reflected in the IMAP reports.

SRM
➤ Sustainment
➤ Restoration and Modernization
➤ New Footprint
➤ Demolition
➤ Combating Terrorism

The following chart represents the Facility Investment Model.



The SRM sub-functions (special interest items) act as cost centers for resources expended to provide these services.

Sustainment (ST): The Sustainment sub-function provides resources for maintenance and repair activities necessary to keep an inventory of facilities in good working order. It includes regularly scheduled adjustments and inspections (not facility condition assessment program (FCAP) or annual condition assessments (AIS)), preventive maintenance tasks, and emergency response and service calls for minor repairs. The Sustainment sub-function also includes major repairs or replacement of facility components (usually accomplished by contract) that are expected to occur periodically throughout the life cycle of facilities. This work includes regular roof replacement, refinishing of wall surfaces, repairing and replacement of heating and cooling systems, replacing tile and carpeting, and similar types of work. It does not include certain restoration, modernization, and environmental compliance costs that are funded elsewhere. Other tasks associated with facilities operations (such as custodial services, grass cutting, landscaping, waste disposal, and the provision of central utilities) are also not included. The 40+ Cost Account Codes (CACs) within this sub-function allow for greater visibility as to the true total costs of other functional areas. For example, there is a CAC for Port Operational Facilities Sustainment and another for Maintenance Dredging Sustainment.

Restoration & Modernization (RM): Restoration includes repair and replacement work to restore damaged facilities due to failure attributable to inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization includes alteration of facilities to implement new or higher standards (including regulatory changes), to accommodate new functions, or to replace building components that typically last more than 50 years (such as foundations and structural members). This sub-function does not include recurring sustainment tasks or certain environmental measures (such as removal of asbestos and lead paint) which are funded elsewhere. Restoration and Modernization is also referred to as Recapitalization (RECAP). Other tasks associated with facilities operations (services) such as custodial services and grass cutting and the provision of central utilities are also not included. Cost collection under this sub-function includes non-MILCON funds only. As with Sustainment, the 40+ Cost Account Codes (CACs) within this

sub-function allow for greater visibility as to the true total costs of other functional areas. For example, there is a CAC for Air Operational Facilities Restoration and Modernization and another for Aviation Maintenance Facilities Restoration and Modernization.

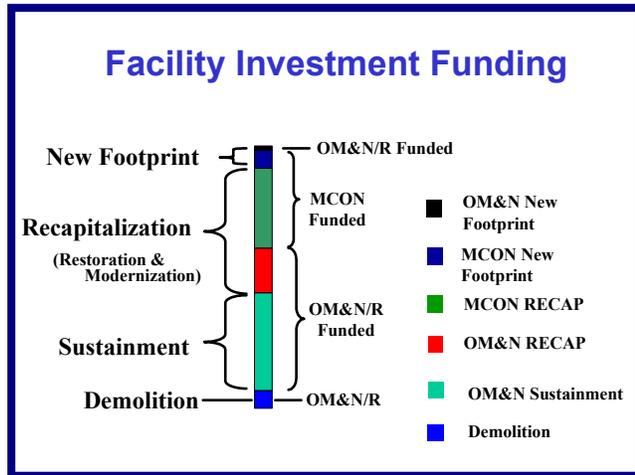
New Footprint (NF): The New Footprint sub-function includes the erection, installation, or assembly of a new real property facility or the addition, expansion, or extension of an existing real property facility. New footprint construction does not restore or modernize the existing facilities inventory – it adds to the inventory. Cost collection under this sub-function includes non-MILCON funds only. The 14 Cost Account Codes (CACs) within this sub-function allow for greater visibility as to the true total costs of other functional areas. For example, there is a CAC for Communication Facilities New Footprint and another for Training Facilities New Footprint.

Demolition (DE): The Demolition sub-function covers the dismantling and removal of a real property facility and associated costs to close openings and secure utilities. Cost collection under this sub-function includes non-MILCON funds only. The 14 Cost Account Codes (CACs) within this sub-function allow for greater visibility as to the true total costs of other functional areas. For example, there is a CAC for Supply Facilities Demolition and another for BQ Facilities Demolition.

Combating Terrorism (CT): This sub-function includes the cost of any facility Restoration and Modernization or New Footprint work that is for the purpose of the physical protection of assets, personnel or information, to include walls, fences, barricades or other fabricated or natural impediments to restrict, limit, delay or deny entry into a Defense installation or facility. It includes: special structural improvements to walls, doors, windows, ceilings, interior barriers, etc., and any land acquisition for stand-off distances. This sub-function also includes the costs of facility modification/features such as site improvements in fencing, perimeter/area lighting, blast mitigation barriers, vehicle barriers, and special landscaping. It also includes safe havens, evacuation facilities and surveillance platforms.

Assessment and Performance

The overall Facility Investment funding program for the Navy cuts across a number of programs and appropriations as shown on the accompanying slide.



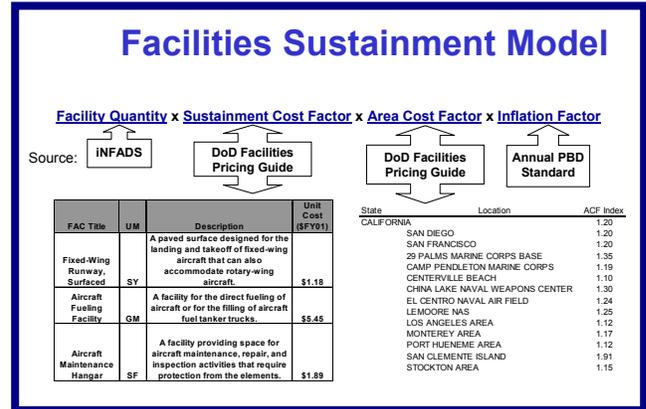
Sustainment: The Sustainment sub-function provides for the maintenance and repair activities to keep a typical facilities inventory in good working order over a 50-year life cycle. The DPG stated goal is to fund 100% of the benchmarks defined by the Facilities Sustainment Model. The approved Special Interest Item (SII) code for Sustainment is "ST". All sustainment is O&M,N/O&M, NR funded.

The Sustainment sub-function funds activities to keep facilities in good condition and to allow those facilities to realize their intended useful life. Sustainment includes:

- Regularly scheduled adjustments and inspections (PM inspections, not Facilities Condition Assessment Program (FCAP)/Annual Inspection Summary (AIS)), preventative maintenance, or minor repairs
- Major repair or replacement of facility components expected to occur periodically throughout the facility life cycle
 - Roof skin replacement; refinishing of wall surfaces; repairing and replacing electrical, heating and cooling systems; replacing tile and carpeting.

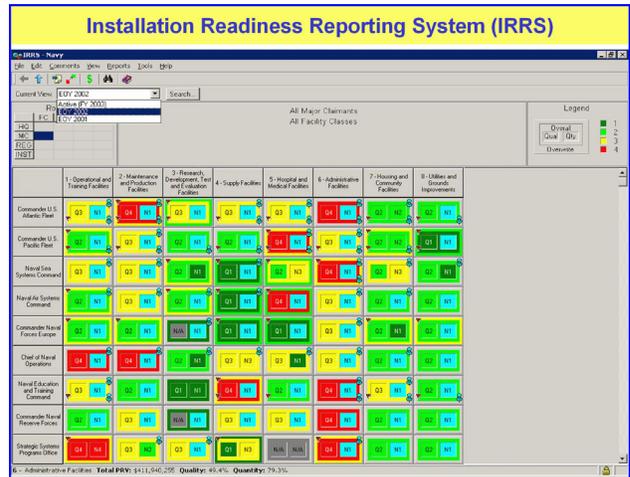
Sustainment funding will not correct Q3 and Q4 conditions. Failure to adequately sustain will allow facility condition to degrade more quickly.

OSD has an approved Facility Sustainment Model (FSM). Navy subject matter experts participate on an OSD Working Group for the FSM. DoD published the most recent DoD Facilities Pricing Guide in March 2003 and anticipates the FY 2004 edition in March 2004.



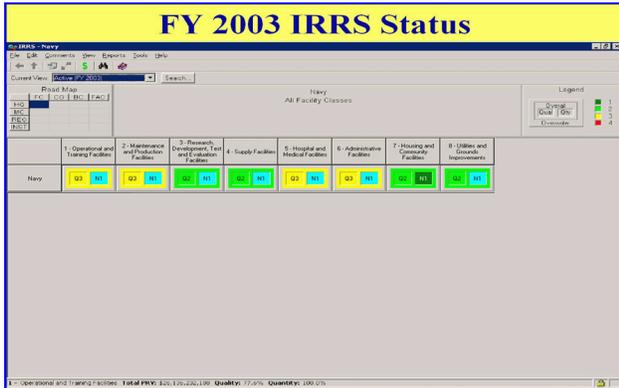
The Navy programmed for an overall sustainment rate of 84% in FY 2003 .

The Installation Readiness Reporting System (IRRS) provides a rational, auditable methodology for quantifying the quality deficiencies (Q-ratings) and quantity deficiencies (N-ratings). The goal of IRRS is to provide a standardized methodology across the Navy for tracking these deficiencies.



The IRRS reporting will shift from the IMCs to the Regions in FY 2004. Also in FY 2004, the name will change from IRRS to Facility Readiness Evaluation System (FRES).

The internal total Navy IRRS status was as shown below. The final IRRS reporting remains in staffing.

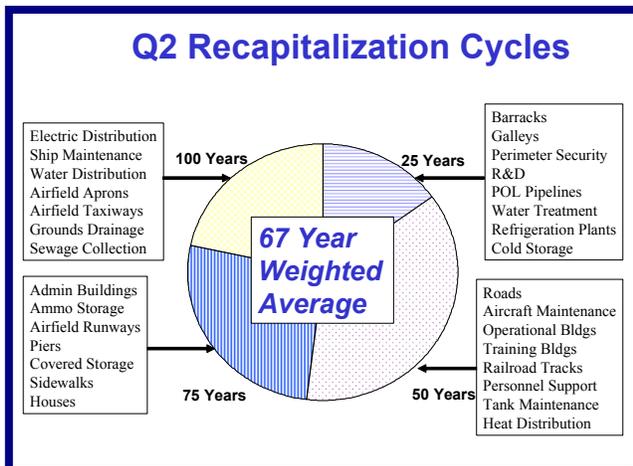


Restoration & Modernization: The Restoration and Modernization sub-function provides the major renovation and/or reconstruction activities (including facility replacements) needed to keep existing facilities modern and relevant in an environment of changing standards and missions. This is the Recapitalization piece of the Facility Investment Funding total program.

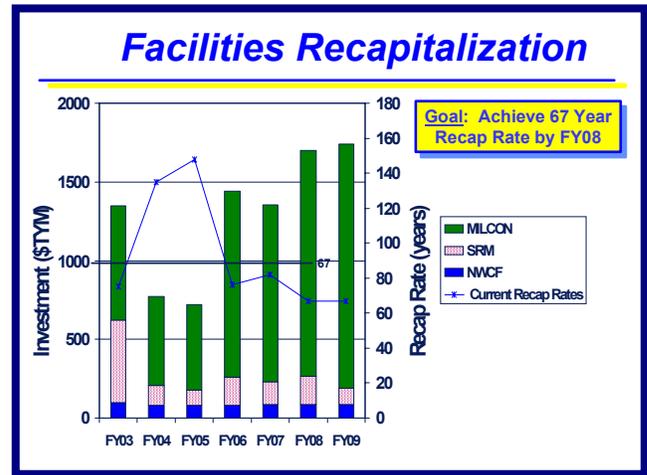
Recapitalization = Restoration & Modernization

- Restoration = Activities necessary to return facilities to good condition
- Modernization = Activities necessary to improve facilities beyond original conditions or capabilities

The approved Special Interest Item (SII) code for Restoration and Modernization is “RM”. The overall Recapitalization cycles are different for various types of facilities as shown and average out at a 67-year weighted average.



The OSD goal for Recapitalization is a 67-year Recapitalization rate by FY 2008. The Restoration and Modernization (Recapitalization) funding line includes both O&M,N/O&M,NR and MCON/MCN funding. For FY 2003, the Navy was at a 75-year Recapitalization rate, programmed to improve to meet the OSD goal by FY 2008. The determination of the Facility Recapitalization rate is as shown in the accompanying chart.



Facility Recap Metric

$$\text{RECAP RATE (yrs)} = \frac{\text{PLANT REPLACEMENT VALUE \$ (PRV)}}{\text{Restoration \& Modernization \$ (a.k.a. RECAP or RM)}}$$

	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Recap rate (yrs)	75	135	148	76	82	67	67

New Footprint: The New Footprint sub-function here records non-MILCON funding. As recorded in IMAP, the FY 2003 direct SRM IMAP obligations for New Footprint were reported at \$25.87M. This total compared to the FY 2002 SRM obligations for New Footprint of \$15.029M. The approved Special Interest Item (SII) code for New Footprint is “NF”.

Demolition: The Navy’s Centralized Demolition Program remains a success story. Eliminating excess infrastructure avoids recurring annual costs for

SIM Stockholders' Report FY 2003

operations and maintenance as well as one-time costs of eliminating maintenance backlogs.

The final FY 2003 Centralized Demolition Program statistics are as follows:

- FY 2003 Appropriation: \$41.7M
- FY 2003 Execution: \$38M
(\$3.7M taken through congressional cuts)
- Projects: 56
- SF Demolished: 2.38M SF
- O&M,N/NR Savings: \$7.8M
- Payback: 4.8 years

The Centralized Demolition Program remains an important element in the Navy's effort to drive down infrastructure costs. Funding remains healthy in the out years and may increase as requirement definition improves.

Combating Terrorism: The Combating Terrorism sub-function was a major growth area in FY 2003. As recorded in IMAP, the FY 2003 direct SRM IMAP obligations for Combating Terrorism were reported at \$311.432M. This total compared to the FY 2002 SRM obligations for Combating Terrorism of \$11.721M. Additionally, the IMAP web-site also showed another \$433.6K of direct BOS funding under Combating Terrorism as compared to \$1.568M in FY 2002.

SRM Funding: The transfer of SRM funds to other programs during execution continued as a major concern. As noted in last year's report, the SRM funds (and their controls) are transferred to other functional areas to make up for deficiencies and funding shortfalls during the budget year and then sometimes return to SRM in the final weeks of the fiscal year. As was true in FY 2002, the FY 2003 phasing of SRM funding by quarter indicates inefficiencies. These inefficiencies are such that the phasing of the funds forces a "backloading" of execution vice executing in accordance with the original plan for SRM projects. Indicative of this "backloading" is the following table of SRM quarterly obligations from IMAP FY 2003 for SRM direct obligations:

SRM Quarterly FY 2003 IMAP Obligations			
1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
\$245M	\$288M	\$477M	\$870M

This common practice of funds migration has continued to negatively affect the SRM program.

The overall IMAP obligations reporting within the SRM function lacks the consistency across the activities that are seen in most of the other Core Business Areas. This is in part due to centralized funding in some activities. The establishment of CNI should provide a major improvement to this overall reporting.

The IMAP reporting does show considerable improvement in the FY 2003 reporting over that of FY 2002. For FY 2003, 99.6% of the SRM obligations are recorded properly in the Facility Support Core Business Area compared to 98% in FY 2002. This SRM total is further diluted as some of the SRM obligations have been recorded in functions other than SRM under Facility Support. For FY 2003, 98.7% of the SRM obligations are recorded properly in the SRM function as compared to 92% in FY 2002.

SRM Funding (SRM)			
FY 2003	FY 2003	FY 2003	FY 2003
Full Capability (BAM)	OPNAV N46 PR 03 Program	Special Interest Item for "OB" (For FY 2004, SII = "RM, ST, DE, and NF")	IMAP Obligations
\$1,900M	\$1,700M		\$1,882M

SRM:

- Programmed for a 84% sustainment rate.
- Programmed for a 116-year recap rate in FY 2003, achieved 75-year recap rate.
- SRM funding remained inefficient with 46% of the funding in the 4th quarter.
- FY 2003 SRM funding increased by over \$560M compared to FY 2002.
- SRM reported funding exceeded the BAM requirement by over \$180M.
- CNI oversight will improve reporting within the SRM function.

MILCON

Scope of Program

The Military Construction (MILCON) program provides facility investment funding for construction projects in excess of \$750K for active (MCON) and reserve (MCNR) installations. Planning and Design (P&D) and Unspecified Minor Construction (UMC – urgent projects between \$750K and \$1.5M) are also funded by MILCON. It does not include requirements for Family Housing projects.

The MILCON program performs two basic functions:

- The replacement or modernization of existing facilities that are inadequate, unable to appropriately perform their function and/or inefficient and uneconomical to operate and maintain.
- The construction of new capital investment for installations that have insufficient quantity to meet existing mission, require facilities for new missions, or require new/upgraded facilities to meet new regulations or legal requirements.

Both the MCON and the MCNR appropriations have three elements:

- Funding for individual projects;
- Funding for project design;
- Funding for Unspecified Minor Construction (UMC)

For FY 2003, the PR-03 BAM submission supported an overall validated MILCON project requirement of \$8.3B across the FY 2003 – FY 2007 FYDP. The specific MCON/MCNR PR-03 BAM requirement for FY 2003 was set at \$1,595M. Of that total, \$1,530M was MCON. This MILCON requirement supported the following CNO priorities:

- Current Readiness: The entire MILCON requirement was to improve C3/C4 BASEREP mission categories to at least C2 condition.

- Quality of Service: The program also provided improvement to workplaces or living conditions.

The MILCON PR-03 BAM submission also supported the following programmatic objectives:

- Waterfront and Airfield Revitalization
- New Mission Support
- Compliance
- Bachelor Quarters
- Other Replacement and Modernization
- Existing Mission Support
- Single Sailor/Family Support Facilities
- Special Initiatives

For the FY 2003 – FY 2007 FYDP, the \$8.3B total validated requirement was spread across these objectives as follows:

	\$Millions	Percentage
Waterfront and Airfield Revitalization	1,438	17
New Mission Support	49	1
Compliance	242	3
Bachelor Quarters	2,006	24
Replacement/Modernization	2,005	24
Existing Mission Support	1,343	16
Single Sailor/Family Support Facilities	438	5
RTC Great Lakes	286	3
NAS Lemoore	93	1
Design/UMC	422	5

As this MILCON program progressed through the budget cycle, numerous changes were implemented to reflect funding constraints and leadership initiatives. The specifics of the FY 2003 MILCON program and its development are summarized as follows:

CNO Budget: The PR-03 BAM submission in February 2001 identified a \$1,595M requirement for FY 2003. The CNO's budget was submitted to SECNAV in July 2001 at a reduced amount of \$835M for FY 2003. Defense Emergency Response Funding (DERF) was not included in this amount.



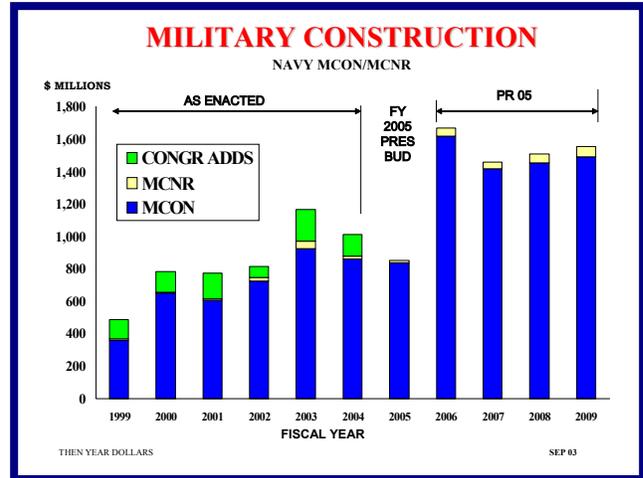
SECNAV Budget: The SECNAV budget submitted to OSD in September 2001 included a MILCON program of \$834M. Changes to the CNO budget included addition of several ATRP projects. A number of other projects were deleted, including RDTE facilities and aviation support facilities.

OSD Budget: The OSD budget for FY 2003 submitted to the Congress in February 2002 included 43 MCON projects for the active Navy and 6 MCNR projects for the Navy Reserves totaling \$743M (this total does not include DERF funding). This program emphasized the following projects:

- ATRP projects
- Aircraft hangar recapitalization
- Pier replacements
- Dredging
- New enlisted barracks at RTC Great Lakes;
- BQs to bring sailors ashore;
- Quality of service facilities

Congressionally Enacted Budget: Congress appropriated the FY 2003 budget in November 2002 and authorized the MILCON projects in December 2002 for a total of \$1,167M. Of that total, the MCON amount was \$1,105M, and the MCNR amount was \$56M. These totals include Congressional additions at \$205M and \$195M in DERF.

Program Outcome: The final enacted Congressional program for MILCON was 70% (58% without DERF funding) of the PR-03 BAM requirement submitted, but considerably more (40%) than the OSD budget submit.



Specific accomplishments in the final MILCON program for FY 2003 included the following:

Waterfront:

- Replace Pier at NALF San Clemente Island
- Ammunition Wharf Improvements at NAVMAG Indian Island
- Waterfront Revitalization at NAVSTA Bremerton
- Recapitalize Bravo Docks at NAVSTA Pearl Harbor
- Pier 2 Electrical Upgrade at NAVSTA San Diego
- Waterfront Ops Support Facility at NAVSUPFAC Diego Garcia
- Construct New Navy Channel at NS Pascagoula

Airfields:

- RATC Facility/Tower at NAS Brunswick
- Runway/Taxiway Extension at NAS JRB New Orleans
- Upgrade Airfield Lighting/Controls at NAS Kingsville
- Aircraft Parking Apron at NAS Lemoore
- Control Tower & Beacon Tower at NAS Meridian
- Airfield Approach Lighting at NAS Oceana
- Runway Approach Lights at NAS Pensacola
- Aircraft Direct Refueling Facility at NAS Whidbey Island

SIM Stockholders' Report FY 2003

- Extend Aircraft Parking Apron at NAVAIRWARCENWPNDIV Pt Mugu
- Airfield Recapitalization at NAVSTA Norfolk
- Aircraft Maintenance Facilities at NAVSTA Norfolk
- Upgrade Electrical Distribution at NAVSTA Norfolk

Barracks:

- Bachelor Enlisted Quarters at NAS Atlanta
- Bachelor Enlisted Quarters Homeport Ashore Inc I at NAVSTA Norfolk
- Bachelor Enlisted Quarters - Homeport Ashore at NAVSTA Bremerton
- Bachelor Enlisted Quarters - Homeport Ashore at NS Pascagoula
- BEQ And Support Facilities at NAVSPTACTJNTHQCMD Scentral
- Bachelor Enlisted Quarters Replacement at LANTORDCOM Yorktown
- Bachelor Enlisted Quarters Replacement at COMNAVMARIANAS Guam
- Bachelor Enlisted Quarters Replacement at NAF Washington
- Recruit Barracks at NSTC Great Lakes
- Recruit Barracks at NSTC Great Lakes

Other items of interest:

Congress provided \$195M in additional funds to improve the Navy's force protection posture. 38 projects (33 MCON and 5 MCNR) were added under DERF with a focus on perimeter and operational area security. Specifically:

- 32 were improvements to access control points, perimeter security, waterfront/airfield security or security facilities.
- 3 projects added ATFP features to facilities under construction
- 2 projects provided additional ATFP related training facilities
- 1 project provided an Information Assurance Operations Center:

21 Congressional additions to the program (19 MCON and 2 MCNR) included the following projects:

- Combined Structural/Aircraft Fire Station at NAES Lakehurst

- RATC Facility/Tower at NAS Brunswick
- Public Safety Facility at NAS Corpus Christi
- Aviation Support Equipment Maintenance Training Facility at NAS Jacksonville
- AIMD Power Plant Shop at as NAS JRB Ft Worth
- AFRC (Phase III) at NAS JRB New Orleans
- Control Tower & Beacon Tower at NAS Meridian
- Propellant/Explosives Lab at NAVAIRWARCENWPNDIV China Lake
- Academic Facility at Naval Postgraduate School
- Fire/Police & Security Consolidation at Naval Station Newport
- Child Development Center at Naval Station Newport
- Seabee Training Facility at NAVBASE Ventura County Pt Mugu
- Bravo Pier Waterfront at NAVSHIPYD Pearl Harbor
- Mine Warfare Training Center Addition at NAVSTA Ingleside
- Electrical System Upgrade at NAVSTA Pearl Harbor
- Technology Info Center at NAVSURFWARCEN Carderock
- Special Operations Facility at NAVSURFWARCEN COASTSYSTA FL
- Electrochemistry Engineering Facility at NAVSURFWARCENDIV Crane
- Bachelor Enlisted Quarters – Homeport Ashore at NS Pascagoula
- Ship Components Service Facility at NSY Norfolk
- Mitscher Hall Expansion at USNA Annapolis

Execution status: 96 % of the Navy MCON/MCNR program was awarded in FY 2003. One of the 2 remaining projects from the FY 2002 MILCON program was also awarded in FY 2003; the second was awarded in NOV 2003. Unlike O&M funding,

SIM Stockholders' Report FY 2003

Military Construction Data Table (\$ in M's)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Rqmnt*	963	1,020	1,595	1,665	1,725	1,784	1,844
POM*	709	448	835**	819	893	1,733	2,111
PresBud	617	746	743**				
Approp	798	828	971**				

* Requirement and CNO POM for FY 2002 is PB-02, FY 2003 is PB-03, and FY 2004–2007 is POM-04.

** Does not include DERF.

the MCON/MCNR funds do not expire annually. The funds are authorized for three years (project must be initiated) and appropriated for five years (funds must be obligated).

Congress recently approved the FY 2004 budget and the FY 2005 budget is under review by OSD. Major issues for the FY 2004/2005 timeframe for the MILCON program include the following:

Homeport Ashore: There was a major BQ project at San Diego (P-501) that was approved in FY 2004. San Diego is being looked at as a location for the use of Public Private Venture (PPV) for Bachelor Quarters. P-501 is on hold pending this study. The second increment of appropriations for P-293 BQ Norfolk was approved (\$46.7M). This project is also on hold pending PPV studies. FY 2005 includes the request for full authorization for P-305 NS Bremerton BQ (\$74.1M) and the first increment of appropriations (\$34.1M). The final increment for P-305 will be requested in FY 2006.

Recruit Training Center Great Lakes Recapitalization: Two additional Recruit Barracks (\$65.7M) and the first increment of the Battlestations project (\$71.4M authorized and \$13.2M appropriated) were approved in FY 2004. The FY 2005 request includes two more RTC Barracks projects (\$78.4M) and the final increment of the Battle Stations appropriations.

Joint Strike Fighter Support: A major test and support project for the development of the Joint Strike Fighter at NATC Patuxent River was approved in FY 2004 (\$24.4M).

Pier Replacements: NWS Earle New Jersey: A project to replace two ammunition piers was authorized in FY 2004 (\$123.7M). The first

increment of appropriations (\$26.7M) was approved. At NAVSTA Norfolk a project to replace Pier 11 was authorized in FY 2004 (\$145.8M). The increment of appropriations (\$27.6M) was approved. Follow-on increments of appropriations will be requested for both projects in FY 2005 and FY 2006.



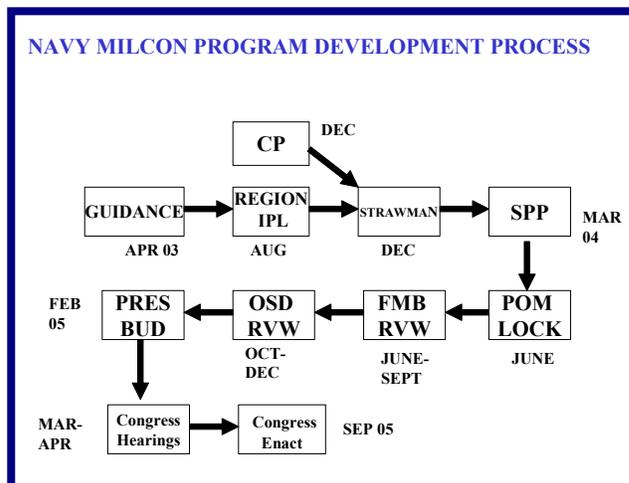
Outlying Field Washington County NC: The first of two large projects for the procurement of property and the construction on a new outlying landing field was approved in FY 2004 (P-689: \$56.4M authorized and \$27.6M appropriated for the first increment). The FY 2005 request includes the final increment of P-689 and the request for full authorization (\$133.9M) and the first increment of appropriations for the second project (P-691).

Navy encountered significant challenges with the PR05 MILCON program, but has met directed recapitalization goals and major initiatives such as Great Lakes Recapitalization, Homeport Ashore and elimination of inadequate bachelor housing. Navy will have to significantly increase its annual MILCON investment compared to historical enacted levels to achieve the directed recap rate of 67 years by FY 2008. The facilities requirements driven by the deployment of new platforms and weapons systems will also present additional challenges in the future.

The CNI staff has already commenced work on the MILCON program for the POM-06 Capabilities Plan submission. The staff is working with the Regional Program Managers and using the process depicted at the right:

MILCON:

- Enacted program at 73% of the BAM requirement, much higher than the CNO submission which was 52% of the BAM.
- 96% of program awarded in FY 2003 with the remaining 8 projects scheduled for FY 2004 award.
- Program execution at \$1,167M (with DERF), \$330M more than FY 2002.



Base Realignment and Closure (BRAC)

The Navy's BRAC efforts are resourced from multiple Budget Activities, but the program has been generating significant savings through reductions in domestic base infrastructure. Future operational readiness is enhanced through savings generated by eliminating unnecessary infrastructure.

In FY 2003, the Navy's BRAC funding efforts were primarily designed to address environmental costs (cleanup and closure related compliance), and real estate and caretaker functions prior to property disposal. The key aspects to the Navy's BRAC program in FY 2003 included the following:

- Comply with Defense Environmental Restoration Program (DERP) management guidance.
- Accelerate property disposals wherever possible thereby avoiding additional costs to Navy.
- Comply with the legal requirements of controlling statutes and regulations.

The BRAC account provides funding for management, environmental cleanup, and disposal actions where appropriate at 135 former U.S. Navy and Marine Corps activities identified for closure by the 1988, 1991, 1993, and 1995 BRAC Reports. BRAC closures were directed for 91 U.S. Navy and Marine Corps activities with one base (SRF Guam)

subsequently being retained by Navy. Overall, Navy will invest some \$10B to implement the four rounds of BRAC closures that are projected to yield continuing savings of about \$2.5B per year.

The overall funding requirements addressed by OPNAV N4 in the BAM submission for PR-03 included requirements by Budget Activity (BA) as follows:

- **Operations and Maintenance (BA05):** Provides funding for program management, real estate services, utilities, and minimum maintenance. These costs are tied to Navy ownership of BRAC installations.
- **Environmental Planning (BA07):** Includes funding for implementing actions associated with the provisions of NEPA.
- **Cleanup/Compliance (BA08):** Provides funding required to cleanup recently contaminated BRAC properties and remove hazardous materials to comply with Public Law. This cleanup is accomplished primarily through contracts.
- **Environmental Restoration (BA10):** Provides funding required to cleanup BRAC properties contaminated in the past and to remove hazardous materials to comply with Public Law. This Environmental cleanup is also accomplished through contracts.

SIM Stockholders' Report FY 2003

The requirement for the Navy's BRAC program is to reach regulatory closure on the environmental cleanup of the remaining 113 parcels with 278 cleanup sites by FY 2005 and to facilitate the transfer of the remaining 28 BRAC Navy bases to local communities. In FY 2003, the total Navy BRAC requirements included in PR-03 were \$155.8M detailed by BA as follows: BA05 = \$12.8M; BA07 = None; BA08 = \$30.0M; and BA10 = \$113.0M. The Congressionally approved FY03 Total Budget Authority was \$270.415M detailed by BA as follows: BA05 = \$12.269M; BA07 = None; BA08 = \$12.725M; BA10 = \$245.421M.

In addition to the appropriated dollars, the Department of the Navy received two increments of funding from the sale of Marine Corps Air Station (MCAS) Tustin. The first increment was \$45.9M received in June 2003 and the second increment was \$150.796M received in late August 2003.

The Navy has obligated \$314.44M in FY 2003 BRAC funds (appropriations and first increment of Tustin land sales revenues). The second increment of the Tustin land sales revenues is being used to accelerate clean up at selected activities in FY 2004.

At the start of FY 2003, Navy had 28 bases remaining to be disposed, most with sizable portions of the property previously disposed. During FY 2003, the Navy made the following progress toward meeting the FY 2005 OSD goal:

Completed:

- During FY 2003, the Navy conveyed over 5,000-acres at 18 bases.
- Final parcels at five bases were disposed during FY 2003, completing disposal actions at:
 - NSWC Annapolis, MD
 - NUSC New London, CT
 - FISC Charleston, SC
 - NS Charleston, SC
 - NAS Glenview, IL

Notable FY 2003 Disposal Accomplishments:

- On 24 June 2003, 150 acres of the former Naval Station Charleston were transferred to the U.S. Border Patrol under an initiative sponsored by Senator Fritz Hollins.

Future issues that must be addressed for FY 2004 and beyond include:

- Realizing revenues from the land sales to support BRAC requirements;
- Retaining the realized revenues for DON BRAC requirements;
- Meeting DERP management guidance of achieving RIP/RC by 2005 with present budget;
- Taking advantage of future acceleration opportunities without additional funds;
- Obtaining timely regulatory approvals to expedite disposals;
- Developing innovative strategies for accelerating disposals of "long term hold" bases.

BRAC 05

The CNI staff has commenced its work in preparation for Base Realignment and Closure 2005 – BRAC 05. The Secretary of Defense has noted that at a minimum, BRAC 05 must eliminate excess physical capacity. It can also make an even more profound contribution by rationalizing the infrastructure with defense strategy. A primary objective is to examine and implement opportunities for greater joint activity.

Several key deadlines over the next two years will form the BRAC 05 timeline as follows:

- 31 December 2003: DoD publishes new selection criteria.
- February 2004: DoD submits 20-year force structure plan, worldwide infrastructure inventory, and report of infrastructure requirements and excess capacity. SECDEF certifies need for BRAC round.
- March 2005: President nominates Commissioners
- 15 May 2005: SECDEF recommendations due to Commission and Congress.
- 8 September 2005: Commission report due to President.
- 7 November 2005: Last date President may send recommendations to Congress.

SIM Stockholders' Report FY 2003

The CNI and OPNAV N46 staff will focus on the following functions in support of BRAC 05 efforts:

- Data call processing/BRAC analysis
- BRAC enabling (IEC, ISG and IEG)
- Information Dissemination (to mission claimants/regional commander)
- Global Basing
- Congressional interaction
- GIS (IVT) coordination
- BRAC 05 execution/POM Processing

BRAC:

- The Navy's obligations for FY 2003 came to a total of \$314.44M for Navy BRAC.
- Continued progress toward meeting the FY 2005 goal for remaining cleanup and base transfers to local communities.
- Established CNI organization for oversight of BRAC 05 activities.



Navy Region Northwest Oil Spill Response Program Reduces Costs

The amount of oil spilled during the past year is at a 5 year low resulting in thousands of dollars in savings over previous years in both response costs and regulatory cleanup fees.

NAVSTA Mayport BH Protects Endangered Sea Turtles

The sun is setting and the lights are going down at Naval Station Mayport, Florida, where conservation efforts are underway to protect sea turtles nesting on the beaches. The entire base is involved in the effort.



Florida beaches account for one third of the world's total population of loggerheads, a threatened species. It nests on the shore and is easily frightened away by lights, movement and loud noises. Only three out of 1,000 hatchlings survive to adulthood.

NASWI has twice captured the award for Pollution Prevention

Aircraft Intermediate Maintenance Detachment has reduced the hazardous waste stream by 24,000 gallons and has saved NRNW \$76,000 in hazardous waste disposal costs.

Recycling, Reuse and Solid Waste Reduction

NASWI recycled 65 percent of the station's solid waste, diverting 13,096 tons of recycled materials from landfill disposal in FY03, generating revenue of over \$153,000.

NAVSTA EVERETT SAVES \$720K PER YEAR

According to the initial NFESC study, the total cost of treating the compensating water through the plant including labor, power, and treatment chemicals, is \$0.26/Gallon. The cost of treatment with the new barge-mounted system is \$0.02/Gallon.