



DEPARTMENT OF THE ARMY
ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT
600 ARMY PENTAGON
WASHINGTON DC 20310-0600

REPLY TO
ATTENTION OF

DAIM-FD/CEMP-MA

JAN 20 2000

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Revised Guidance for Procedures and Approval of Changes to MILCON Projects Funded by MCA, UMMCA, and AFH Appropriations

1. References:

a. AR 415-15, Army Military Construction Program Development and Execution, dated 4 Sep 98.

b. DAIM-FD memorandum dated 24 Aug 99, subject as above.

2. The purpose of this memorandum is to provide revised guidance for procedures and approval of changes to MILCON projects funded by MCA, UMMCA, and AFH appropriations. This memorandum supersedes reference *1b*.

3. The following conditions require revision to the current policy:

a. Based, in part, on a perception that contingencies were being used to upgrade projects, Congress made a general reduction to the FY 00 MCA program in the amount of \$47.5 million.

b. The Office of Secretary of Defense (OSD) has eliminated the entire 5-percent contingency for MILCON projects, FY 01 and beyond.

c. The deficit in the MCA account through FY 99 is \$30 million. This does not include the above Congressional and OSD directed cuts. The AFHC program is at a break-even point with virtually no prior year savings upon which to draw.

4. These conditions will seriously impact our ability to award critically needed MILCON projects and fund mandatory changes. In response, the following measures will be implemented immediately:

a. For all projects regardless of FY--

(1) The design current working estimate will not include contingency.

(2) Projects will be designed at full scope. The design current working estimate (CWE) target is 95 percent of the approved program amount (PA).

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(3) All projects will be aggressively value engineered to provide the approved scope at the lowest reasonable cost – even if the full scope CWE is below 95-percent of the PA. All value engineering (VE) studies will be reviewed by the USACE MSCs in coordination with the MACOMs. If the full scope CWE remains above 95-percent of the PA, VE reports will be forwarded to HQUSACE with the rationale for proposed actions. If a proposed award CWE cannot be reduced below the approved PA, the project will be considered for deferral and a source of funds for mandatory changes on other projects.

(4) After construction award, all discretionary (user requested) changes must be approved by HQDA (DAIM-FD).

(5) Increased use of the design-build procurement is strongly encouraged.

b. For all FY 00 and prior year projects, the field construction contingency will be funded at 1-percent of the unplaced balance of construction or \$100,000, whichever is less.

c. For future year projects, it is highly recommended that installations and MACOMs fund USACE districts to conduct planning charrettes. More precise definition of project scope and cost during planning will minimize project changes during design and construction.

5. The enclosed AR 415-15, Revised Appendix M (dated 7 Jan 00) reflects the newest guidance on approval of changes.

6. We enlist your cooperative support on this issue. We must continue to be judicious in our use of increasingly scarce MILCON resources to maximize mission effectiveness and to provide quality facilities for our soldiers, their families, and Army civilians.

7. OACSIM POC is Mr. Pete Tamin, DAIM-FDC, (703) 692-9207. HQUSACE POC is Mr. Howard Stickley, CEMP-MA, (202) 761-1995.



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CF:

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