

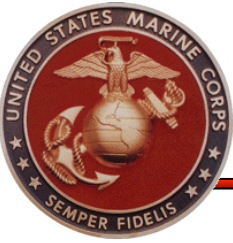


Infrastructure Reset Opportunities for Industry


SAME Pendleton Day

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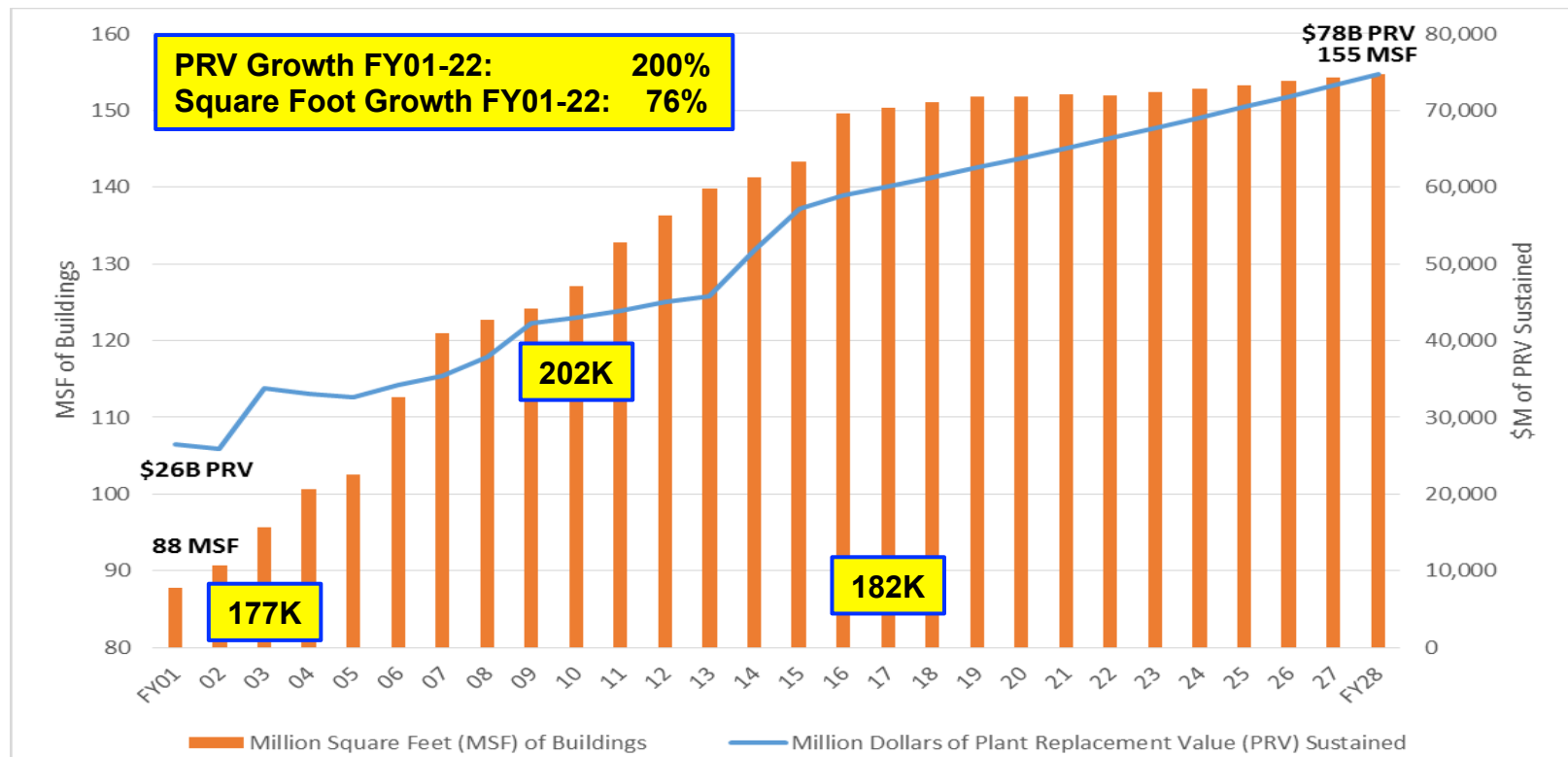
Infrastructure Reset (IR)

- Infrastructure Reset: a long term effort to fundamentally change infrastructure lifecycle management. Key tenets:
 - ❑ Spend every infrastructure dollar on the right long term investment
 - ❑ Make every infrastructure dollar go further
 - ❑ Make better informed infrastructure investment decisions
- Infrastructure Reset Defined: Optimize installation capability within constrained resource availability, while supporting the Operating Forces (OPFOR) and Supporting Establishment (SE).
- Implementation will require:
 - ❑ All Hands Support  Commandant's Infrastructure Reset Strategy (Dec 2016)
 - ❑ Upfront investment and a long term commitment to resourcing stability
 - ❑ Reinvestment of efficiencies mined from installations into infrastructure shortfalls
 - ❑ A **revolutionary approach** with focus on optimization/efficiency across the enterprise.
 - Decision making based on the Business Case
 - Policy/statutory changes to enable better use of existing resources
 - Leveraging industry: Financing and Innovation



Framing the Problem

- Too much “obsolete-costly” Infrastructure
 - ❑ Continued growth in footprint, complexity, and cost of Infrastructure Ownership
- Many Infrastructure Bills (Rebalance-to-the-Pacific, AVPLAN, Training Facilities)
 - ❑ Mitigate future OPFOR Impact by driving down Infrastructure Cost
- Limited resources
 - ❑ Hard choices required to close the gap between resources and requirements

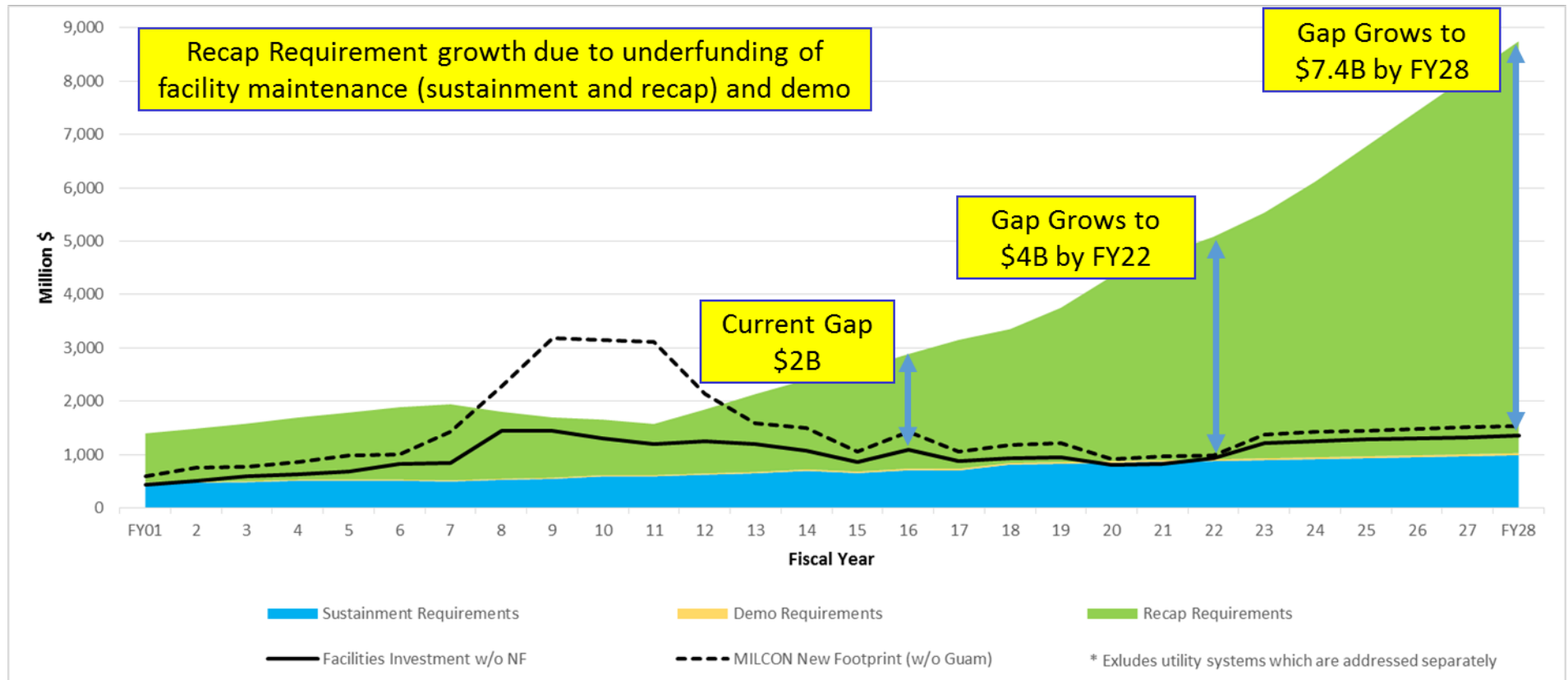


To reduce infrastructure cost, we must reduce footprint.



Facility Investment Gap

- Facility Investment Imbalance – Total \$32B funded or programmed FY01-22
 - ❑ Sustainment is 42% of total Facility Investment, average \$634M/yr or 86% of sustainment reqmt
 - ❑ New Footprint is 35.4% of total Facility Investment, average \$542M/yr
 - ❑ Recap is 22% of total Facility Investment, average \$342M/yr or 19% of recap requirement
 - ❑ Demolition is 0.6% of total Facility Investment, average \$9M/yr, or 38% of demo requirement

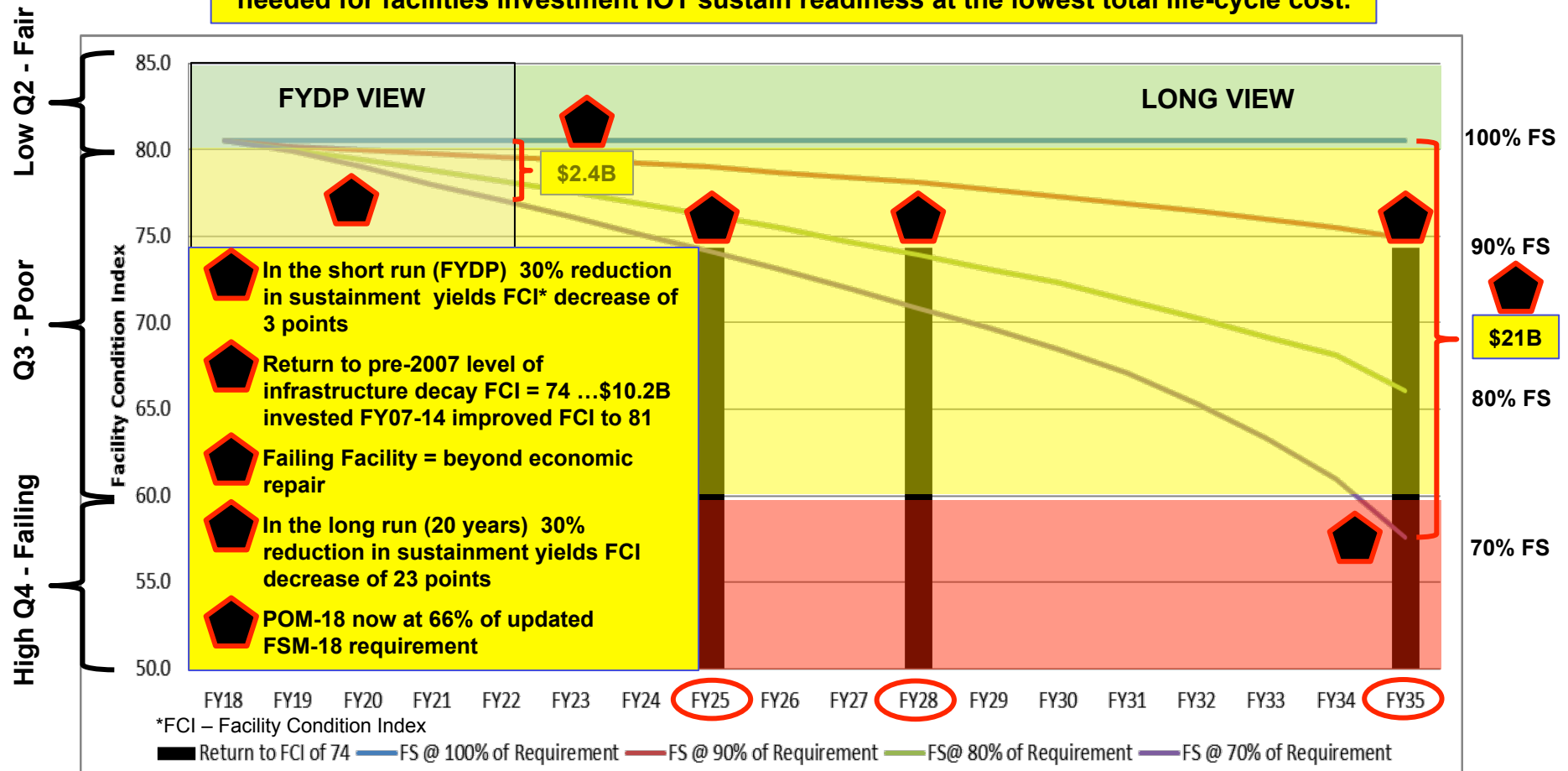


IR Strategy closes the gap from top & bottom by reducing footprint & reinvesting mined savings. ⁴

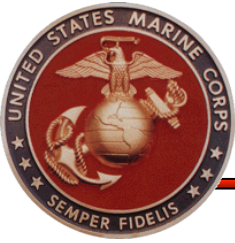


The Long View

The impact of under-investment is not noticeable in the short term. The long view is needed for facilities investment IOT sustain readiness at the lowest total life-cycle cost.



Funding Sustainment at 100% of the FSM requirement maintains current condition. Restoration & Modernization (Recap) funding is required to improve condition.



Four IR Lines of Effort (LOEs)

LOE #1: Reduce and optimize infrastructure footprint – Million Square Feet (MSF)

- ❑ Standardized Facility Requirements Across the Force
- ❑ Reduce excess - demolish 25% of enterprise footprint (31MSF ~\$250M/yr)
- ❑ Space Management – Increase utilization through building consolidations



LOE #2: Facilities investment at the lowest total lifecycle cost

- ❑ Targeted MILCON/FSRM investments...capabilities, cost, footprint
- ❑ Remove funding stove pipes (MILCON/FSRM) and policy/statutory barriers
- ❑ Re-look at what we buy: Cadillac vs. Corolla...UFC
- ❑ Leverage key enablers...like Industrial Controls



LOE #3: Consistent implementation of best practices and process efficiencies

- ❑ Contract toolboxes – right tools for the job at the right prices
- ❑ Pre-and post award innovation in contracting...more than just Value Engineering!
- ❑ Alternative financing models...ESPC, UESC, UP, IGSA



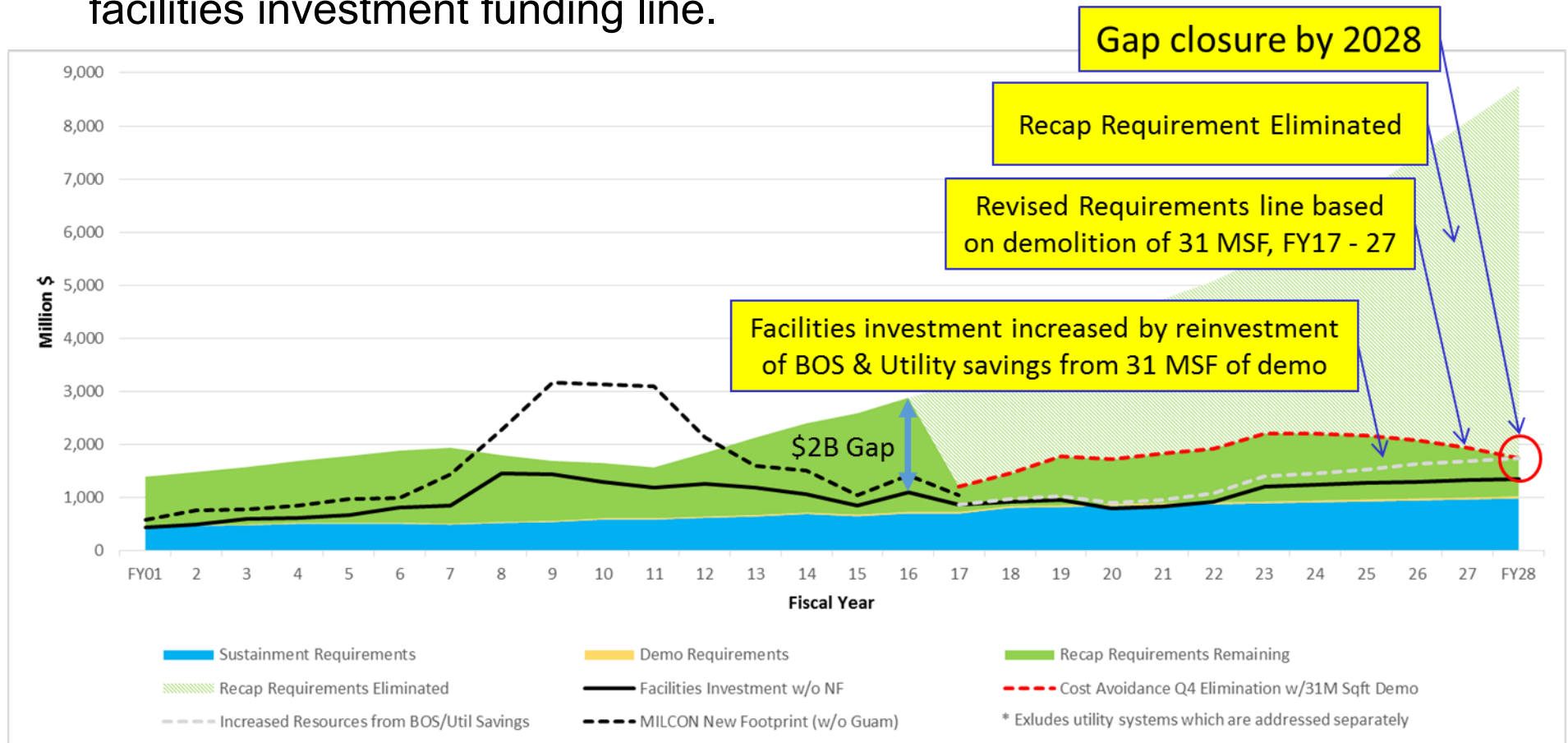
LOE #4: Aligned installation management and enterprise governance.

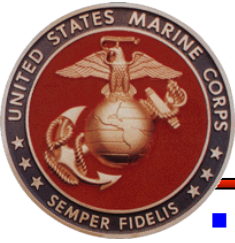
- ❑ Benchmark: CNIC Shore Mission Integration and Regional Mission Integration Groups



Closing The Gap

- Implementation of the Infrastructure Reset Strategy results in closing the investment gap by 2028, through comprehensive footprint reduction, Q3/Q4 facilities elimination, and reinvestment of savings to increase the facilities investment funding line.





Potential Opportunities (Pre-decisional!)

■ Planning

- Professional services: planners, GIS techs, engineers, scope writers
- Standardized BFR Development
- Master Plan updates, “MUD” plans and Regional Optimization Plans

■ Contract Optimization

- Demolition...Regional? Base-specific?
- Facilities Consolidation...do we have the right tools (like DB)?
- MACs and JOCs...are they optimized for best price/value?

■ Alternative Financing Opportunities

- 3rd party owned/operated microgrids (EUL; PPA; ESPC; UESC)
- Utilities Privatization
- 3rd party owned/operated Industrial Controls (EUL; ESPC, UESC)
- Intergovernmental Support Agreements

■ Authorities

- FY17 NDAA: new rules on work classification (conversion=repair)
- Expanded use of leases, ESPC and UESC to enable demo and consolidation

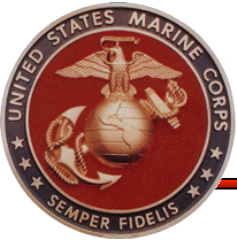
■ Innovation

- Post Award: “Innovation” spec in contracts (NASA BOS model)
- Pre-award: “Shark Tank” – turning unsolicited proposals into contracts...legally. ⁸



Thoughts Going Forward...

- Ways to improve collaboration with industry, earlier in the process.
 - Shaping government/industry conversations vice “sales pitches” we can’t do anything with
- Contract toolbox: ways to improve speed, pricing and value.
- Barriers to success: policy, law, processes...and any solutions in mind.
- How to harness the innovation capacity of industry within the framework of the FAR and acquisition law.



Discussion/Questions