

Department of Veterans Affairs



Plan for Completion of the Denver Replacement Medical Center

June 5, 2015

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Department of Veterans Affairs

Plan for Completion of the Denver Replacement Medical Center

Introduction

The main priority of the Department of Veterans Affairs (VA) regarding the Denver Replacement Medical Center is to complete the facility without further delay and to do that while delivering the best possible value to taxpayers given the difficult circumstances that have occurred. Following the Civilian Board of Contract Appeals decision on December 9, 2014, VA moved quickly to establish a dialogue with the contractor for the project; to include a greater role for the U.S. Army Corps of Engineers (USACE); and to develop a plan to restore trust and complete the project responsibly so that VA can deliver care for Veterans in the new facility.

On March 17, 2015, VA notified Congress that the total estimated cost for the Denver Replacement Medical Center project would be \$1.73 billion. VA developed this cost estimate with input from the USACE. Details on the USACE cost estimate are provided in Table 6 on page 15.

VA had a need for \$830 million to complete the Denver Replacement Medical Center project. VA reduced the total need by \$55 million by removing the Community Living Center (CLC) and the Posttraumatic Stress Residential Rehabilitation Program (PSRRP) facility from the project. As a result, the remaining need is \$775 million. VA identified offsets totaling \$150 million that will be funded by repurposing and reallocating funding from fiscal year (FY) 2015 Administrative Accounts. This leaves VA with an unfunded need of \$625 million.

Funding options for the \$775 million needed to complete the Denver Replacement Medical Center are presented below for Congress's consideration. Of the options presented, VA believes that incremental funding over two years, using VA's existing funds in FY 2015; an additional appropriation for completion of the Denver project in FY 2016 to the Major Construction account; and an across-the-board percentage reduction to all VA discretionary accounts to offset the additional appropriation in FY 2016, is the only option that meets all criteria laid out by Congress. However, VA remains open to working with Congress on alternative funding plans. To date, VA has already reprogrammed approximately \$100 million from its own capital resources for the Denver project.

It is important to note that VA could finance the Denver project if given greater flexibility to deploy its budgetary resources to best meet Veteran needs. Currently, funding silos prevent VA from using its funding in the most efficient, effective manner. Greater funding flexibility would allow the Secretary to manage resources and address emerging funding needs in a fiscally responsible, budget-neutral manner.

Funding Options

VA has identified several options to fund completion of the Denver Replacement Medical Center over the next 2 years. All of these options would reprogram \$150 million in FY 2015. Funding estimates for the remainder of the project are preliminary at this time because a final contract has not been executed with the USACE.

Table 1 provides detail for the funding sources within VA's existing FY 2015 resources that would be reallocated to provide bridge funding in the amount of \$150 million to allow work to continue on the project. Table 2 provides project-level detail for the Green Program funding reductions in FY 2015. Table 3 identifies a number of options for meeting the remaining funding needs, including an option involving across-the-board reductions. VA believes that Option 2 is the only option that meets all criteria laid out by Congress.

**Table 1
FY 2015 FUNDING SOURCES
FOR DENVER PROJECT**

(\$ in thousands)	<i>\$150 M Reduction</i>
Human Capital Investment Plan	10,000
Green Energy	56,000
Minor Construction - Staff Offices	3,000
Franchise Fund	30,000
Supply Fund	15,000
Contracting Staff	1,000
Filipino Compensation Fund	35,000
Total, Denver Funding Sources	150,000

Table 2
FY 2015 FUNDING FOR GREEN PROJECTS
TO BE REALLOCATED TO DENVER PROJECT

Project Description	Location	<i>Estimate (\$ in thousands)</i>
Solar PV Carports	Houston (VISN 16)	25,222
Retro Commissioning	VISN 21	1,590
Combined Heat and Power Plant Construction	Albany (VISN 2)	2,564
Augusta CHP	Augusta (VISN 7)	96
Combined Heat and Power Plant Design Option	Dublin (VISN 7)	279
Combined Heat and Power Plant Construction	Augusta (VISN 07)	5,200
Combined Heat and Power Plant Design Option	Augusta (VISN 7)	321
Combined Heat and Power Plant Construction	Dublin (VISN 7)	15,900
Bronx CHP (SOW)	Bronx (VISN 3)	442
Solar PV Phase II	Biloxi (VISN 16)	4,400
Total		56,013

Funding Options

To identify potential funding sources to provide the needed \$625 million to complete construction of the Denver campus, VA conducted an exhaustive review of its existing budgetary resources. This review did not identify surplus funding that could be used for the Denver project. Any reallocation of existing funding would have negative consequences for Veterans or VA's ability to carry out its mission.

Assumption: \$150 million from FY 2015 VA internal funding sources. All options listed below assume that \$150 million in funds for staffing, training, and headquarters construction would be reallocated for the Denver project in FY 2015, as shown in Table 1. It would not provide for sufficient funding to complete the project. Below are summaries of two potential funding options that VA considered in developing its funding plan for the remaining need of \$625 million. They are the following:

Option 1: Unobligated balances for the Major and Minor Construction, and Non-Recurring Maintenance (NRM) programs. Within this option there are several alternatives, as follows:

- Option 1a: Utilize design funds from six Major Construction projects that are not expected to receive construction funds until FY 2018 and beyond and five Major Construction projects with prior year construction funds that will not be awarded till FY 2016 or later. The remaining need would be funded by delaying/deferring 15 Minor Construction and 38 NRM projects.
- Option 1b: Utilize design funds from six Major Construction projects that are not expected to receive construction funds until FY 2018 and beyond. The remaining need will be funded by delaying/deferring 38 Minor Construction and 65 NRM projects.

Table 4 provides project-level detail for these options. VA would need restoration of these funds for Major Construction, Minor Construction, and NRM in a future year in order to continue these projects.

Option 2: Across-the-Board Reductions to Discretionary Accounts. Under this option, VA would request that the Congress appropriate an additional amount for completion of the Denver project in FY 2016 to the Major Construction account. This increased appropriation would be offset by an across-the-board percentage reduction to all VA discretionary accounts.

Table 5 estimates the account-specific reductions that would result from an across-the-board reduction if the remaining \$625 million to complete the Denver project is provided in FY 2016.

Note: The transfer of non-recurring maintenance and minor construction dollars out of the \$5 billion in Choice Act funding was previously proposed and rejected.

Table 3
Funding Options for Denver Replacement Medical Center
 As of June 5, 2015

	Option	Additional Detail	Pros	Cons
Assumption (all funding options below assume \$150 million in FY 2015 reprogramming)	\$150 million from enacted VA appropriations	Use administrative, HQ, training, and unobligated balances in FY 2015	--Uses VA funding sources rather than new funding -- Limited direct impact to Veterans	-- Does not provide full funding -- Immediately impacts VA -- Could increase staff turnover
1 (1a and 1b)	Major Construction and/or Minor Construction/NRM unobligated balances	Use balances from projects slated to begin in future years; would need to backfill with future appropriations in order to continue these projects	-- Fully funds project in FY 2015 using existing resources -- Use of Major balances requires no legislation	--Is unappealing to advocates of affected projects --Would delay some projects
2	FY 2016 across-the-board reduction to discretionary accounts	% would depend on amount needed for Denver	--Fully funds project using VA resources	-- Relies on a blunt tool to indiscriminately identify resources

NOTES:

1. Total need is \$775 million (this includes \$150 million that will be funded by repurposing and reallocating funding from selected accounts in FY 2015).
2. Project authorization must be increased to \$1.675 billion.

Table 4
Capital Funding Options for Denver Replacement
Medical Center

As of May 15, 2015

Funding Account	Option 1a	Option 1b
	Funding (\$000)	Funding (\$000)
Major Construction¹	148,420	148,420
	242,846	-
Minor Construction²	114,570	282,583
Non-Recurring Maintenance (NRM)²	120,361	199,120
Total:	626,197	630,123

¹ Design funds for projects where construction is scheduled for outyear; construction funds for projects that will not be awarded until after 2016.

² Projects planned for award but would not be obligated; lowest priority based on year approved.

Major Construction Projects:

City	ST	Project Description	Potentially Available	Cumulative
Included in Option 1a & Option 1b: Projects with Design Funds - Construction funds not expected until outyear				
Brockton	MA	Long-Term Care Spinal Cord Injury (SCI)	24,040,000	24,040,000
Bronx	NY	Spinal Cord Injury Center (SCI)	7,000,000	31,040,000
Dallas	TX	Clinical Expansion for Mental Health	10,000,000	41,040,000
Omaha	NE	Omaha- Replacement Facility	56,000,000	97,040,000
Reno	NV	Correct Seismic Deficiencies and Expand Clinical Services Building	21,380,000	118,420,000
Saint Louis (JC)	MO	New Bed Tower, Research Building, Parking Garage	30,000,000	148,420,000
		Total	148,420,000	
Included in Option 1a Only: Projects with prior year funds, with phases that won't be awarded until 2016 or later				
Bay Pines	FL	Inpatient/Outpatient Improvements	31,400,000	179,820,000
Dallas	TX	Spinal Cord Injury (SCI)	12,000,000	191,820,000
Pittsburgh	PA	Medical Center Consolidation	11,000,000	202,820,000
Tampa	FL	Polytrauma Expansion/Bed Tower	146,000,000	348,820,000
Walla Walla	WA	Multi-Specialty Care	40,277,000	389,097,000
Working Reserve Balance - VHA			2,168,618	391,265,618
		Total	242,845,618	

Minor Construction Projects:

VISN	City	State	Project Description*	FY15 Planned Obligation (\$000)	Cumulative (\$000)
20	Boise	ID	Medical Imaging Building	2,452	2,452
3	Brooklyn	NY	Patient Improvement - Rehab/Audiology	8,263	10,715
7	Tuscaloosa	AL	The Cottages, Phase II	9,104	19,819
17	Temple	TX	Surgery Suite Replacement	8,983	28,802
11	Ann Arbor	MI	Expand East Parking Structure	5,400	34,202
8	Bay Pines	FL	Construct Cancer Infusion Therapy Center	6,917	41,119
16	Fayetteville	AR	Renovate Former Army Reserve Center	5,629	46,748
15	Columbia	MO	Construct Parking Structure	8,549	55,297
8	West Palm Beach	FL	Mental Health Domiciliary	8,949	64,246
5	Perry Point	MD	36-Bed PR RTP Replacement, Phase 2	7,116	71,362
21	Palo Alto	CA	Public Health Translational Research Center Seismic Corrections	9,170	80,532
16	Jackson	MS	Provide 3rd Floor for CLC Expansion, Phase 1	8,832	89,364
18	Albuquerque	NM	MICU and SICU Consolidation	8,312	97,676
18	Phoenix	AZ	Building 5 & 6 Replacement for Dental Clinic	8,558	106,234
21	San Francisco	CA	Welcome Center, Access and Security Improvements	8,336	114,570
Subtotal of Minors not funded in Option 1a				114,570	
18	Albuquerque	NM	Operating Room Expansion	8,695	123,265
10	Cleveland	OH	Emergency Department and Specialty Care Clinic Addition	8,413	131,678
15	Kansas City	MO	Transitional Nursing Home Care Unit	7,702	139,380
1	Providence	RI	Replace/Relocate Deficient Intensive Care Unit	9,057	148,437
15	Kansas City	MO	Purchase Radiation Therapy Facility	841	149,278
17	Temple	TX	Research Addition Bldg 205 - Research	9,001	158,279
21	San Francisco	CA	Clinic Expansion for Mental Health and Sleep Lab	7,600	165,879
10	Chillicothe	OH	Building Addition to Building 31 for Supply Processing and Distribution	8,501	174,380
15	Kansas City	MO	Expand Lab Services, Radiology & Acute Rehabilitation	8,813	183,193

VISN	City	State	Project Description*	FY15 Planned Obligation (\$000)	Cumulative (\$000)
16	Oklahoma City	OK	Expand Lawton Outpatient Clinic	2,409	185,602
18	Phoenix	AZ	Expand Building 1 for Clinical Services	8,950	194,552
4	Philadelphia	PA	Expand Main Entrance Building 1	3,301	197,853
19	Sheridan	WY	Expand Domiciliary	8,195	206,048
22	Loma Linda	CA	Expand Emergency Department	8,633	214,681
19	Salt Lake City	UT	Build Rehab/Prosthetics & Ortho/Neuro/Holistic Medicine Addition (B.01)	8,968	223,649
1	Brockton	MA	Build Addition for MRI/CT Radiology	6,202	229,851
21	Sacramento	CA	Purchase Land for VAMC Expansion and Parking	8,549	238,400
1	Brockton	MA	Improve Life Safety Deficiencies	6,255	244,655
23	Sioux Falls	SD	Expand Emergency Department/Relocate Oncology Services	3,390	248,045
19	Salt Lake City	UT	Build Specialty Clinics Building (B.51)	8,907	256,952
18	Amarillo	TX	Expand Rehabilitation and Prosthetics Wing	7,883	264,835
1	Providence	RI	Expand Supply Processing & Distribution	8,986	273,821
21	Fresno	CA	Expand Community Living Center	8,762	282,583
					282,583

Subtotal of Minors not funded in Option 1b (cumulative 1a and 1b)

*List does not include projects which have already obligated, Enhanced Use Lease (EUL) Obligations or E-85 Fueling Station Projects
- Data as of May 25, 2015

Non-Recurring Maintenance Projects:

VISN	City	State	Project Description	FY15 Planned Obligation (\$000)	Cumulative (\$000)
4	Philadelphia	PA	Correct Building Facade Deficiencies	2,415	2,415
11	Danville	IL	Demolish Buildings 12, 26, 40	1,161	3,576
18	Phoenix	AZ	Upgrade Secondary Power Phase II	4,736	8,312
4	Erie	PA	Renovate 3rd Floor	2,120	10,432
1	White River Junction	VT	FCA - Renovate Clinical Lab	2,838	13,270
1	Boston HCS - Brockton	MA	Replace Damaged Doors and Upgrade Card Access System	2,050	15,320
1	Boston HCS - Boston	MA	Emergency Preparedness Water Storage JP	1,500	16,820
1	Boston HCS - Boston	MA	FCA Upgrade Elevators JP	1,000	17,820
1	Boston HCS - W. Roxbury	MA	PET CT Scan Site Prep WR	2,750	20,570
1	Boston HCS - W. Roxbury	MA	Ward Renovation Patient Privacy WR	4,400	24,970
1	Boston HCS - W. Roxbury	MA	FCA Fire Alarm Replacement PH II	1,818	26,788
1	Boston HCS - Brockton	MA	Ward Renovation Patient Privacy BK	4,000	30,788
22	Long Beach	CA	Install Emergency Management Generator, Phase 2	5,000	35,788
2	Western NY HCS - Buffalo	NY	Renovate Ward 9C	6,900	42,688
1	Boston HCS - Brockton	MA	Bldg 60 Veterans Transition Housing BK	500	43,188
8	Bay Pines	FL	Renovate Patient Wards B100, 3C & 4A	7,511	50,699
3	New York Harbor HCS - Brooklyn	NY	Correct Infection Control Deficiencies - GI	2,700	53,399
22	Long Beach	CA	Replace AHU and DDC Controls, Bldg. 126 & Bldg. 126 OP, Phase I	2,970	56,369
8	San Juan	PR	Provide New Environmental Integrated Waste Center FCA-D	3,310	59,679
8	San Juan	PR	Expand Emergency Department & Observation Unit	8,500	68,179
3	New York Harbor HCS - Brooklyn	NY	Renovate Patient Wards	6,481	74,660
6	Richmond	VA	Expand GI Suite	2,420	77,080
3	New York Harbor HCS - Brooklyn	NY	Correct Facility Envelope Structural & Seismic Deficiencies	8,662	85,742

VISN	City	State	Project Description	FY15 Planned Obligation (\$000)	Cumulative (\$000)
4	Erie	PA	Renovate Fourth Floor (Design)	4,500	90,242
3	New York Harbor HCS - Brooklyn	NY	Induction Units/Controls Replacement	1,800	92,042
3	New York Harbor HCS - Brooklyn	NY	Laundry Heat Recovery SA	1,800	93,842
11	Saginaw	MI	Expand Energy Center 3rd Story Addition	1,500	95,342
4	Coatesville	PA	Replace/renovate and install new elevator Bldg #59	900	96,242
2	Albany	NY	Upgrade Electrical Systems, Wings B and C	1,200	97,442
4	Coatesville	PA	Replace (3) Elevators, B-9	1,500	98,942
4	Coatesville	PA	Replace (3) Elevators, B-9	1,500	100,442
16	Jackson	MS	Replace Air Handling Unit 12L	1,240	101,682
21	San Francisco	CA	Repair/Replace Elevators Campus Wide	8,500	110,182
1	Providence	RI	Renovate Warehouse Building 8	1,575	111,757
1	Boston HCS - Brockton	MA	Mental Health Safety Improvements Ph 4	2,660	114,417
4	Pittsburgh (University Drive)	PA	Renovate Building 51 - Ground Floor Kitchen	1,395	115,812
1	Boston HCS - W. Roxbury	MA	Building 5 Fire and Safety Improvements	2,400	118,212
1	Boston HCS - Boston	MA	Boston MA FCA Upgrade Water distribution Ph 3 JP	2,149	120,361
Subtotal of NRM projects not funded in Option 1a					120,361
6	Fayetteville	AR	Replace Air Handlings Units for Lab, Radiology and Pharmacy	2,000	122,361
4	Wilkes-Barre	PA	Renovate 8 East for Nursing Administration	3,455	125,816
1	Providence	RI	Renovate Space for Relocation of Inpatient Pharmacy	2,013	127,829
1	Boston HCS - Boston	MA	FCA Upgrade Elevators Ph. 2 JP	4,200	132,029
1	Boston HCS - Boston	MA	Boston MA Replace Exterior Panels Phase 3	8,820	140,849
4	Philadelphia	PA	Renovate Primary Care Clinic - Patient Aligned Care Team	1,752	142,601
1	Boston HCS - Brockton	MA	Install Sprinkler System	1,800	144,401
12	Madison	WI	Expand ED/Admissions	400	144,801

VISN	City	State	Project Description	FY15 Planned Obligation (\$000)	Cumulative (\$000)
1	Boston HCS - Brockton	MA	FCA Replace Damaged Doors and Upgrade Card Access System Phase 2	2,050	146,851
12	Jesse Brown VAMC	IL	Relocate Pain Clinic Suite 5th Flr	2,000	148,851
8	Miami	FL	Perform Arc flash analysis phase V	1,450	150,300
3	Bronx	NY	Renovate for New Learning Center	4,850	155,150
19	Grand Junction	CO	CAMPUS LIGHTING UPGRADES, Phase 1	840	155,990
12	Jesse Brown VAMC	IL	Upgrade Emergency Power Distribution System for Bldg 11A, 11B & 30	3,700	159,690
12	Tomah	WI	Replace Roofing on Buildings: 400, 402, 403, 406, 407, and 408	1,800	161,490
8	NF/SG HCS - Gainesville	FL	Replace Boilers (Facility Condition Assessment D, Energy)	8,035	169,525
3	New York Harbor HCS - New York	NY	Replace OPC Roofs	1,575	171,100
1	Providence	RI	Repair Steam System Campus-Wide, Phase 3	2,250	173,350
1	Connecticut HCS - Newington	CT	Replace Boiler plant and Modernize heating Distribution system	8,780	182,130
4	Pittsburgh (University Drive)	PA	Upgrade Direct Digital Controls (DDC) System at HZ	3,000	185,130
3	Hudson Valley HCS - Montrose	NY	Building 29 Fire Sprinkler Construction	1,710	186,840
12	Tomah	WI	Renovate Primary Care Clinic Building 400	1,800	188,640
1	Providence	RI	Security System Upgrades	987	189,627
3	Bronx	NY	Replace/Install Parking Lot/Street Lights Ph 2	2,600	192,227
16	Oklahoma City	OK	Upgrade Interior Finishes	3,375	195,602
1	Providence	RI	FCA Pavement Repairs	2,507	198,110
11	Battle Creek	MI	Install Energy Efficient Exterior Lighting	1,010	199,120
Subtotal of NRM projects not funded in Option 1b (cumulative 1a and 1b)					199,120

* Data as of May 22, 2015

Table 5
ESTIMATED ACROSS-THE-BOARD REDUCTION TO FULLY
FUND
DENVER PROJECT IN FY 2016
(FY 2016 IMPACTS)

(\$ in thousands)	<i>\$625M Reduction (0.89% from 2016 President's Budget)</i>
Medical Services	434,427
Medical Support & Compliance	55,400
Medical Facilities (Includes NRM)	44,757
Medical Care Appropriations	534,584
Medical Research	5,544
Veterans Benefits Administration	24,052
General Administration	3,091
Board of Veterans' Appeals	962
National Cemetery Administration	2,373
Construction-Major	10,197
Construction - Minor	3,621
Grants for State Extended Care Facilities	713
Grants for Veterans Cemeteries	401
Information Technology	36,851
Inspector General	1,130
Loan Administration Funds	1,481
Total	625,000

**Table 6:
U.S. Army Corps of Engineers Cost Estimate
Denver Replacement Hospital
Reprogramming Worksheet**

Current Authorization	\$ 900,000,000	
Appropriated Amount		\$ 800,000,000
Reprogramming		\$ 25,000,000
Reprogramming		\$ 31,600,000
Reprogramming		\$ 43,200,000
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Total Funds		\$ 899,800,000
Current Obligations		
Land		\$ 60,400,000
Design		\$ 49,500,000
CM Support		\$ 24,200,000
Original Construction contract		\$ 622,500,000
Interim Contract		\$ 143,200,000
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Total Current Obligations		\$ 899,800,000
New Contract between USACE and K-T		
Initial Contract to include both the CLC and the PR RTP, contingencies, Construction Management Cost (USACE, JVT, Jacobs and CMx)		\$ 700,000,000
Reduction of CLC and PTSD Center Construction		\$ (45,000,000)
VA Cost		
Management reserve		\$ 57,000,000
Reduction of Management Reserve based on deleting CLC and PTSD Center		\$ (10,000,000)
Program Management Support		\$ 8,000,000
Sub settlements		\$ 30,000,000
Additional Construction to continue interim contract		\$ 33,000,000
Unfunded		\$ 775,000,000
Proposed VA internal funding		\$ 150,000,000
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Net unfunded		\$ 625,000,000
Total Project Cost		\$ 1,674,800,000
Rounded		\$ 1,675,000,000

The additional \$20 million and the Authorization Limit (\$900 million) will carry us through mid to late June 2015
Data as of June 4, 2015.