



# Department of Defense INSTRUCTION

NUMBER 7700.18

December 15, 2004

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USD(P&R)

SUBJECT: Commissary Surcharge, Nonappropriated Fund (NAF), and Privately Financed Construction Reporting Procedures

- References:
- (a) DoD Instruction 7700.18, "Commissary Surcharge, Nonappropriated Fund (NAF), and Privately Financed Construction Reporting Procedures," July 16, 2003 (hereby canceled)
  - (b) DoD Directive 7700.20, "Commissary Surcharge, Nonappropriated Fund, and Privately Financed Construction Policy," September 3, 2004
  - (c) DoD Instruction 1015.13, "DoD Procedures for Implementing Public-Private Ventures (PPVs) for Morale, Welfare and Recreation (MWR), and Armed Services Exchange Category C Revenue-Generating Activities," March 11, 2004
  - (d) DoD Directive 5124.2, "Under Secretary of Defense for Personnel and Readiness (USD(P&R))," October 31, 1994
  - (e) through (w), see enclosure 1

## 1. REISSUANCE AND PURPOSE

This Instruction reissues reference (a), implements policy, assigns responsibilities, and prescribes reporting procedures under reference (b) for commissary surcharge, nonappropriated fund (NAF), and privately financed construction and reporting of capital investment programs.

## 2. APPLICABILITY AND SCOPE

This Instruction:

- 2.1. Applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Defense

E3.1.4.7. Facilities shall be sited for patron convenience and in conformance with the approved installation master plan. Construction projects proposed on sites within the National Capital Region, as defined in section 71 of 40 U.S.C. (reference (p)), shall be provided for review to the National Capital Planning Commission and when applicable, as defined in section 104 of 40 U.S.C. (reference (q)), to the Commission of Fine Arts.

E3.1.4.8. The installation commander shall notify the local business community of Category C revenue-generating projects proposed for construction in the 50 United States and the District of Columbia. Notification of the planned business activity may be made by public notice or by letter to organizations representing local business (i.e., Chamber of Commerce). Documentation (such as letters to the Chamber of Commerce or replies from the community) is not required for the submission, but should be retained.

E3.1.4.9. The DoD official responsible for the construction program and the Installation Commander shall certify that individual major construction projects conform to the requirements contained herein and as specified in enclosure 5, paragraph E5.2.2.

E3.1.5. The DoD Components shall ensure that resources are planned, programmed, and budgeted to execute construction programs using proper funding sources as specified in DoD Directive 1015.14 (reference (r)).

E3.1.5.1. In accordance with reference (i), and Volume 2B, Chapter 10 of reference (g), NAF and commissary surcharge construction shall be accomplished as an integral component of the capital budgeting process.

E3.1.5.2. PPV contracts shall be considered for NAF Category C projects with cost in excess of \$1,000,000. Notice of intent to award contracts for PPV agreements may be submitted to the USD(P&R) throughout the year for approval and congressional notification. If the Congress does not express views in opposition to the project within 2 weeks, the USD(P&R) may approve the contract for award. Procedures are contained in reference (c).

E3.1.5.3. Construction projects financed from donations are subject to USD(P&R) review and reporting to the Congress. Policy governing the acceptance of donations is contained in Volume 12, Chapter 13 of reference (g).

E3.1.5.4. Construction projects for privately financed banking facilities shall be submitted for USD(P&R) review and reporting to the Congress in accordance with

**E5. ENCLOSURE 5****MAJOR CONSTRUCTION REPORTING REQUIREMENTS****E5.1. INDIVIDUAL PROJECT NARRATIVES**

A one paragraph narrative description for each major construction project shall be provided in the form shown in Attachment E5.A1. Each narrative shall provide the following: a description of the project; the population assigned to the installation and prospective customers documented by the PVA; the commissary surcharge, NAF, and privately financed total investment (to include design, construction, and collateral equipment costs separately identified); associated appropriated fund costs and companion projects (to include site preparation, demolition, sustainment, restoration, and modernization); statement of the PVA performed; and for Category C activities with a construction cost in excess of \$1,000,000, a statement concerning the PPV assessment. Where a PPV is not considered viable, the specific reason shall be stated in accordance with reference (c).

**E5.2. INDIVIDUAL PROJECT DOCUMENTATION REQUIREMENTS**

E5.2.1. The following project documentation shall be submitted for each major construction project, for projects submitted for approval of changes in cost or scope, and for projects financed by donations and for banking facilities.

**E5.2.1.1.** The **Front Page**, DD Form 1390, "Military Construction Program," provides the installation's area cost index, current and projected personnel strength, inventory data, identifies all projects requested in the program year, future projects, installation mission and major functions, outstanding pollution and safety deficiencies, and real property deficiency backlog. Instructions for completing the DD Form 1390 are contained in Volume 2B of reference (g).

**E5.2.1.2.** The DD Form 1391, "Military Construction Project Data," provides the cost estimates for the primary and supporting facilities and contingency. The instructions for completing the DD Form 1391 are contained in Volume 2B of reference (g) and shall be followed, except as modified in the subparagraphs below.

**E5.2.1.2.1.** The project cost in Block 8 includes the commissary surcharge, nonappropriated fund, or privately funded construction cost, to include the associated contingency, SIOH, and PCAS costs. **In the case of Design-Build contracts, the cost of the design portion of the construction contract is also included.**

E5.2.1.3.7.2.2. A rate determined by the funding of alternative capital investments, such as information technology systems or military exchange credit program.

E5.2.1.3.7.2.3. A rate determined by the DoD Component's Board of Directors that can be quantified based upon past projects, the requirement to sustain the value of the funds invested, etc.

E5.2.1.3.7.3. Payback Calculations. For payback calculations, the recovery period must occur within the project's estimated useful life.

E5.2.1.3.7.4. Qualitative Analysis. In the event an individual project does not meet the hurdle rate defined by the DoD Component, an executive summary of the qualitative analysis shall be included. Alternatives utilized in justifying the project may include market research, customer survey data, facility deficiency data, and mission or quality of life considerations.

E5.2.2. MWR, Armed Service Exchanges, DeCA Headquarters Directors, and the Installation or Regional Commanders shall certify that individual construction projects conform to the requirements contained on the Project Certification Form. (See Attachment E5.A2.) The certification form may not be modified. For Items 5, 10, and 11, strike-through the statement that is not applicable.

### E5.3. MAJOR CONSTRUCTION PROGRAM SUMMARY DATA

The major construction projects, with a construction cost of more than \$750,000, shall be summarized by program, showing State/country, installation, project title, Service, total investment cost, construction cost, design cost, collateral equipment cost, design stage, net present value, internal rate of return, payback period, scope, estimated contract award date, and funding source. (See Attachment E5.A3.)

#### Attachments - 3

E5.A1. Individual Project Narrative Format

E5.A2. Commissary Surcharge and NAF Construction Project Certification Format

E5.A3. Major Construction Program Summary Data

E5.A2. ATTACHMENT 2 TO ENCLOSURE 5

COMMISSARY SURCHARGE AND NAF CONSTRUCTION PROJECT  
CERTIFICATION FORMAT

**DEPARTMENT OF DEFENSE**  
**COMMISSARY SURCHARGE AND NONAPPROPRIATED FUND**  
**CONSTRUCTION PROJECT CERTIFICATION**

INSTALLATION: \_\_\_\_\_

PROJECT TITLE: \_\_\_\_\_

**THE UNDERSIGNED ACCEPT FIDUCIARY RESPONSIBILITY FOR THIS PROJECT; CERTIFYING  
THAT THE PROJECT COMPLIES WITH APPLICABLE POLICIES AND DIRECTIVES.**

1. The project scope is based on actual need and not solely on authorized space criteria.
2. All known requirements have been identified in the project and there is no incremental construction or "project splitting."
3. The site selected is the most appropriate location.
4. Analysis forecasts a Net Present Value of \_\_, Internal Rate of Return of \_\_%, and payback of \_\_ years compared to a benchmark of \_\_% and estimated useful life of \_\_ years.
5. The correct funding source is being used/Accompanying project documentation provides rationale for waiver to funding policy.
6. Quality standards are consistent with the base exterior and architectural plan for building systems, finishes, collateral equipment, and are neither overstated nor understated.
7. Where the project combines more than one funding source, separate contracts will be awarded or if a single contract is awarded, separate cost accounting schedules will be used.
8. The work proposed is properly classified as new construction, restoration or modernization.
9. The project documentation identifies all design, construction, collateral equipment, restoration and modernization projects being accomplished in conjunction with this project, regardless of funding source.
10. A commercial project validation has been performed/An independent project validation has been performed.
11. An assessment of a Public-Private Venture (PPV) alternative has been performed as prescribed in DoD Instruction 1015.13/A PPV assessment is not required by DoD Instruction 1015.13.
12. For Category C projects in the United States and its Territories - The local business community has been notified.

\_\_\_\_\_  
MWR, Exchange or Commissary Headquarters Director

\_\_\_\_\_  
Date of Certification

\_\_\_\_\_  
Signature/Rank/Title

\_\_\_\_\_  
Installation / Regional Commander

\_\_\_\_\_  
Date of Certification

\_\_\_\_\_  
Signature/Rank/Title