



Capital Planning: Real Property Asset Management and New Construction Projects



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Agenda

Our goal today is to discuss:

- Overview of Administration initiatives to improve asset management
- Key steps in the capital planning process and its application to real property asset management.
- Incorporating sustainability into business cases
- Emerging requirements





Real Property Initiatives

Recent Guidance Impacting Real Property Management

- February 4, 2004: President Bush issues Executive Order 13327 Real Property Asset Management
- Summer 2004: Real Property Asset Management initiative added to the President's Management Agenda.
- June 2006: Office of Management and Budget issues version 2.0 of the Capital Programming Guide as part of Circular A-11
- January 24, 2007: President Bush issues Executive Order 13423 Strengthening Federal Environmental, Energy, and Transportation Management
- March 2007: Council on Environmental Quality issues Implementing Instructions to accompany EO 13423.
- July 2007: Office of Management and Budget issues guidance for agency Sustainable Buildings Implementation Plans.





Real Property Asset Management Initiative

- **Executive Order 13327**
 - Signed February 4, 2004.
 - Requires improved asset management planning, a Government-wide inventory of assets, and the use of performance measures.
 - Establishes the Senior Real Property Officers and Federal Real Property Council. Federal Real Property Council (FRPC) responsibilities include
 - Develop guidance
 - Clearinghouse of best practices
 - Facilitate the efforts of the SRPOs

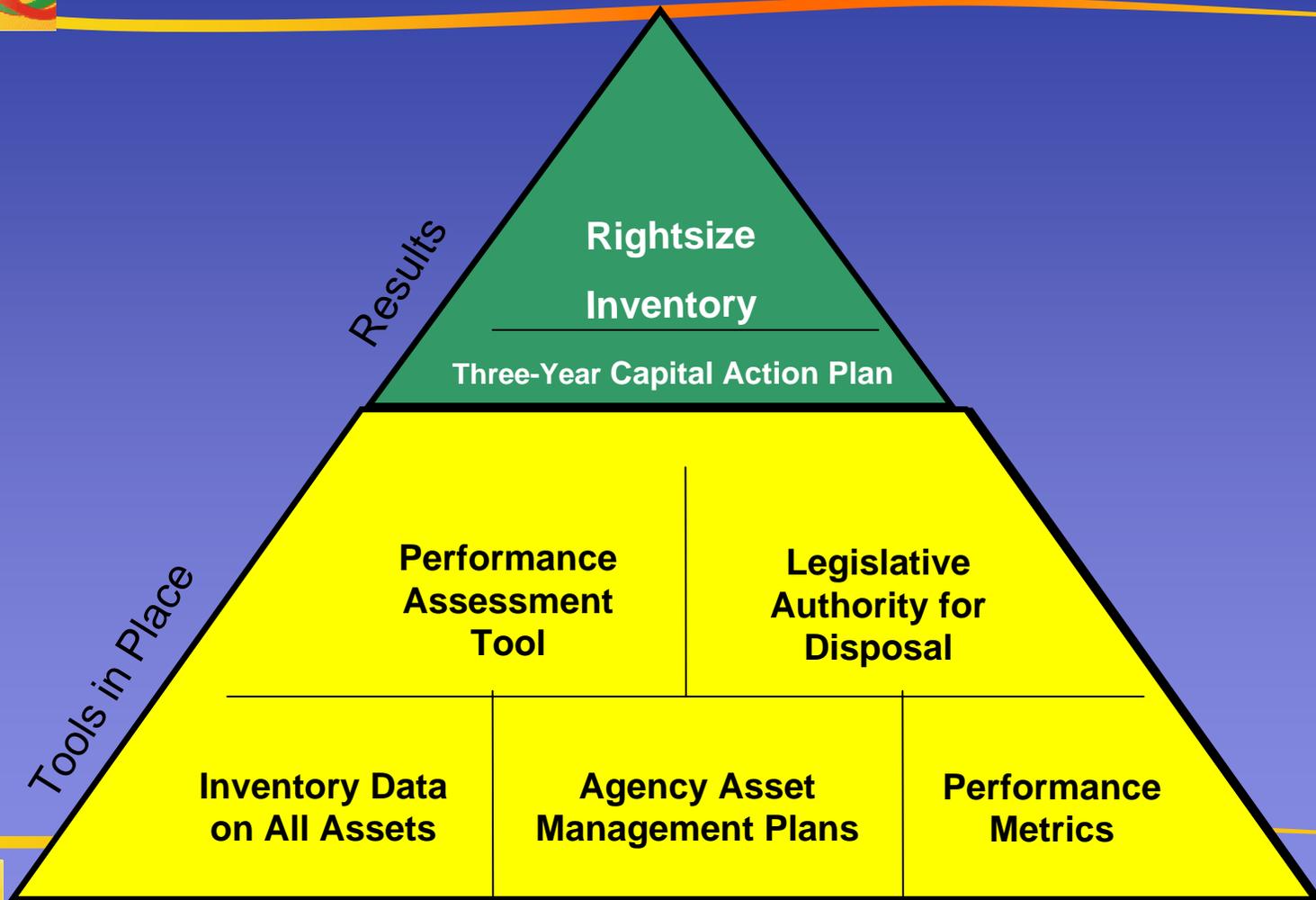


Real Property Asset Management Initiative

FRPC Guidance to Agencies

- Guiding Principles
- Required components in an agency Asset Management Plan and companion “shelf document”
- 24 Data Elements to be reported on all assets
 - 4 Performance Measures
 - Mission Dependency
 - Utilization
 - Condition Index
 - Annual Operating and Maintenance Cost
 - Disposition Data element on assets that have exited the portfolio of assets

Real Property Initiative Framework





President's Management Agenda and the Federal Real Property Initiative

- **President's Management Agenda**
 - Five Government-wide initiatives.
 - Real Property Asset Management is a Program initiative evaluating agency efforts to rightsize their portfolio of assets.
 - www.results.gov
- **Goal of the Real Property initiative:**
 - Ensuring agencies develop and implement the necessary tools (e.g., planning, inventory, performance measures) to improve management decision-making so that property inventories are maintained at the right size, cost, and condition to support agency mission and objectives.





Real Property Asset Management Initiative

- **Measuring Success under the Initiative**
 - Excess and Surplus assets - eliminated
 - Mission critical assets – better condition, fully utilized, lower cost
- **Real Property Initiative Accomplishments**
 - Since 2004, disposal of more than \$4.2 billion in unneeded assets through transfer, demolition, or sale.
 - December 2005 inventory reporting captured 1.2 million assets valued at more than \$1.26 trillion.



E.O. 13423

Sec. 2.(f) requires:

- new construction and major renovations must comply with the *Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings Memorandum of Understanding (2006)*
- 15% of existing buildings must incorporate the sustainable practices in the *Guiding Principles* as of FY 2015





Scorecard Standards for Success

- Reduce energy use 3% annually/30% by 2015
- Reduce water consumption 2% annually compared to 2007
- Ensure 15% of building inventory is sustainable by 2015
- Purchase 3% renewable energy annually/1/2 new
- Ensure new building design is 30% more energy efficient
- Implement metering plan by 2012
- Include E.O. goals in SO performance plans and evaluations





Capital Planning

OMB Capital Programming Guide assists agencies with the planning, budgeting, managing, and disposal of capital assets.

– A-11 Supplement to Part 7 (2006) and

Section 300 business case development



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Capital Planning

Key Steps in the Capital Planning & Budgeting Process

1. Convene an Integrated Project Team
2. Define expected results
3. Evaluate alternatives for achieving results
4. Request resources for desired alternative





Planning & Budgeting for Capital Assets

Step 1 – Establish Integrated Project Team

- Lead by a qualified program manager, the team should include personnel from the user community, budget, accounting, procurement, value management, and other functions as appropriate.
- What is the purpose of the team?
 1. establish a baseline inventory of existing capital assets;
 2. analyze and recommend alternative solutions;
 3. manage the acquisition if approved; and
 4. manage the asset once in use.



Planning & Budgeting for Capital Assets

Step 2 – Define Expected Results

- Results related to mission
 - Availability of asset to meet mission need
- Results related to efficient asset management
 - \$ per gross square foot
 - Condition index, utilization rate
- Results related to external requirements
 - Energy efficiency/other “green” goals
 - Progress toward meeting EO 13423 goal of 15% capital building sustainable by 2015.



Planning & Budgeting for Capital Assets

Step 3 – Evaluate Alternatives for Achieving Results
(meeting the mission need)

Facility Alternatives:

- New Construction
- Major Renovation of an existing assets
- Lease from the Private Sector
- Status Quo

Funding Alternatives:

- Appropriated Funds
- ESPCs or UESCs for meeting EO goals
- Retention of Sales proceeds (dependent upon agency specific authorities)
- EUL (dependent on agency specific authority)



Planning & Budgeting for Capital Assets

Step 4 – Request Resources for Desired Alternative

- Budget justifications for real property assets
 - Incorporate available performance data
 - Agency data captured consistent with Government-wide inventory guidance
 - » Portfolio condition, utilization and progress toward agency goals under EO 13327
 - » Progress toward EO 13423 goals
 - Agency specific performance measure data
- Development of a 300 Business Case



Capital Planning: A-11 Section 300 Question 12

12. Has the agency developed and/or promoted cost effective, energy-efficient and environmentally sustainable techniques or practices for this project? Yes No
- a. Will this investment include electronic assets (including computers)? Yes No
- b. Is this investment for new construction or major retrofit of a Federal building or facility? (answer applicable to non-IT assets only) Yes No
1. If "yes," is an ESPC or UESC being used to help fund this investment? Yes No
2. If "yes," will this investment meet sustainable design principles? Yes No
3. If "yes," is it designed to be 30% more energy efficient than relevant code? Yes No

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Sustainable Buildings Implementation Plan Guidance

- Guiding Principles
 - Employment of integrated design principles
 - Optimization on energy efficiency and use of renewable energy
 - Protection and conservation of water
 - Enhancement of indoor environmental quality
 - Reduction of environmental impacts of materials



Sustainable Buildings Implementation Plan Guidance

- Implementation plan required components
 - 11 required components
 - Summary of agency owned and leased building inventory
 - Number of buildings and the GSF
 - Number of buildings above and below the capital asset threshold and the GSF
 - Identification of cross functional teams
 - Identification of key, results oriented action with major milestones achievable in 6 month increments)
 - Compliance with A-11 part 7 and 300s.



Emerging Issues in Asset Management

Strategic Direction to Manage the Right number and type of Assets, at the Right Cost, and in the Right Condition.

- OMB Scorecards
- Improved coordination between Senior Real Property Officers and EO 13423 Senior Officials

Legislative Reform Efforts

- President's FY 08 Budget proposal allows agencies to recover disposal costs and retain 20% of the net proceeds.
 - Agency specific authorities have been enacted providing additional management and disposition authorities.



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