Capital Asset Management: Tools and Strategies for Decision Making: Conference Proceedings

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Capital Asset Management

TOOLS AND STRATEGIES FOR DECISION MAKING
CONFERENCE PROCEEDINGS
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Introduction

BACKGROUND

Federally owned capital assets include some 500,000 buildings and similar facilities worldwide acquired during 200 years of government operations. Government facilities are used to defend the national interest; conduct foreign policy; house historic, cultural and educational artifacts; pursue research; and provide services to the American public. These buildings and structures project an image of American government at home and abroad, contribute to the architectural and socioeconomic fabric of their communities, and support the organizational and individual performance of federal employees conducting the business of government (NRC, 1998).

Federal facilities embody significant investments and resources and therefore constitute a portfolio of public assets. At least 30 separate agencies manage these facilities. As stewards of this public investment, federal facilities program managers face a number of challenges (NRC, 1998):

- extending the useful life of aging facilities
- altering or retrofitting facilities to consolidate space or accommodate new functions and technologies
- meeting evolving facility-related standards for safety, environmental quality, and accessibility
- maintaining or disposing of excess facilities created through military base closures and realignments, downsizing, or changing demographics
- finding innovative ways and technologies to maximize limited resources

In the 1990s Congress and the Executive Branch took a number of initiatives to improve capital asset decision making in the federal government. These include enacting the Government Performance and Results Act of 1993, the Federal Acquisition Streamlining Act of 1994, the Clinger-Cohen Act of 1996 and a series of federal financial accounting standards; developing the Capital Programming Guide (1997); and appointing the President's Commission to Study Capital Budgeting (1997). Senior and mid-level agency officials are now seeking ways to implement these initiatives efficiently and effectively.

PURPOSE OF CONFERENCE

The Federal Facilities Council (FFC) sponsored a conference entitled "Capital Asset Management: Tools and Strategies For Decision Making" to highlight strategies and ideas for capital asset management so that federal and other public agencies can improve decision making for facilities investment. Held at the National Academy of Sciences in Washington, D.C., on September 13, 2000, the conference featured speakers from the public, non-profit, and private sectors. It was attended by some 220 people representing 32 federal agencies, as well as private sector firms, local governments, and professional societies. The FFC is a cooperative association of federal agencies having interests and responsibilities in all aspects of federal facility acquisition, operation and management. The mission of the FFC is to identify and advance technologies, processes and management practices that improve the planning, design, construction, maintenance, management, operation, and evaluation of federal facilities.[1]

RECURRING THEMES

Neither the speakers nor the members of the audience were asked to arrive at a consensus on capital asset management issues or recommendations for resolving them. Over the course of the conference, however, a number of recurring themes and issues emerged:

1. Federal agencies have shifted from managing individual buildings to managing program requirements. Agencies are linking facilities requirements to global strategic planning, missions, and programs. This approach is consistent with research, which has shown that leading organizations integrate organizational goals into capital decision making and focus on results, not inputs. Thus, agencies need to broaden their focus and view their facilities not building by building or installation by installation but as individual holdings in a portfolio of capital assets intended to support government activities. Paraphrasing one of the speakers, federal agencies need to understand their facility conditions, the total ownership costs of those facilities, how to link capital assets to mission performance, and how to communicate the return or value added to the mission that can be expected from investing in facilities. This broader view should allow agencies to achieve important savings and improved operations. It will, however, require new approaches, cultural and organizational changes, and continuing support from leadership.
2. The federal budget process and federal regulations contribute to the suboptimal allocation of capital spending among projects; maintenance in particular is short-changed. The budget process focuses on first costs (design and construction costs) instead of the total costs of facility ownership (i.e., design, construction, operation, maintenance, repair, and disposal). Caps on federal spending can lead to incremental instead of full funding of projects and encourage leasing of facilities when leasing is not the most cost-effective approach. In addition, the Federal Property and Administrative Services Act of 1949 has not been significantly amended in 50 years. Thus, current regulations and processes may not allow federal agencies to use some of the best capital asset management practices that are used by state and local governments and the private sector. Bipartisan legislation has been introduced in Congress that would amend the Property Act to take a total life-cycle approach to property management, including establishment of asset management principles, strategic real property planning, designation of an agency real property officer, and creation of a government-wide strategic real property information base. Another possible approach is to generate capital acquisition funds by assessing programs the cost of using capital assets.

[1] The Federal Facilities Council sponsor agencies are the U.S. Air Force, Air National Guard, U.S. Army, U.S. Department of Energy, U.S. Department of the Interior, U.S. Navy, U.S. Department of State, U.S. Department of Veterans Affairs, Federal Bureau of Prisons, Food and Drug Administration, General Services Administration, Indian Health Service, International Broadcasting Bureau, Internal Revenue Service, National Aeronautics and Space Administration, National Institutes of Health, National Institute of Standards and Technology, National Science Foundation, Office of the Secretary of Defense, Smithsonian Institution, and the U.S. Postal Service.

3. Incentives are also needed to encourage agencies to become more businesslike in managing their capital assets and to reward good management. Current regulations and processes discourage the disposal or sale of underused assets, and other best practices. Authority to use enhanced-use leasing programs (described in Chapter 5) could be extended to a greater number of agencies, allowing agencies that initiate proposals to make better use of their facilities and to retain the proceeds after expenses. Maintenance reserve funds could be established to help alleviate substantial backlogs of deferred maintenance attributable in part to inadequate funding for maintenance and repair and an aging inventory of facilities. Other possible approaches include increased use of public-private partnerships, the subleasing or outleasing of properties, and exchange sales to acquire replacement property.
4. Leading organizations in state and local government and the private sector routinely have 5- and 10-year frameworks in place for capital asset budgeting. A long-term outlook for capital asset management is absent at the federal level. Several speakers advocated creating 5-year strategic plans linked to annual budgets.
5. Leading organizations use extensive performance measurement systems to assess whether major projects have produced expected results. These systems measure such factors as benefits, costs, financial performance, customer satisfaction, and risk. Local government program managers are more exposed to day-to-day pressures from capital markets, shareholders, and voters in bond referenda and are held accountable for their performance.
6. State and local governments and the private sector have instituted practices that could provide valuable lessons for federal agencies. Forums for real property professionals facilitate information exchange that can provide solutions to common issues and problems and improve capital asset

management. In some cases, the sharing of information has led to the cost-effective sharing of facilities and services among federal agencies.

ORGANIZATION OF THIS REPORT

The following chapters summarize the presentations made at the conference. The speakers focused on trends and best practices in capital budgeting; capital asset decision making processes in three federal agencies; building a case for capital reinvestment; and new tools for federal agencies. Online resources referred to by the speakers are listed in Appendix A. Appendix B contains the speakers' biographies.

REFERENCE

NRC (National Research Council). 1998. Stewardship of Federal Facilities: A Proactive Strategy for Managing the Nation's Public Assets. Washington, D.C.: National Academy Press.

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Trends and Best Practices in Capital Budgeting

Trends and best practices in capital budgeting were discussed by three speakers: Carol O'Cleireacain, a visiting fellow at the Brookings Institution and a member of the President's Commission to Study Capital Budgeting; Paul Posner, managing director, federal budget issues, at the U.S. General Accounting Office, and Lauren Uher, from the Office of Federal Procurement Policy, a unit of the White House Office of Management and Budget.

PRESIDENT'S COMMISSION TO STUDY CAPITAL BUDGETING

Summary of a Presentation by Carol O'Cleireacain, Ph.D., Visiting Fellow, Brookings Institution

The 15-member President's Commission to Study Capital Budgeting was created by an Executive Order issued by President Clinton on March 3, 1997, as an outgrowth of Congressional debate over the proposed balanced budget amendment to the Constitution. The fact that the President and many members of Congress came out of state government where capital budgeting and borrowing is the norm also provided an impetus for the creation of the commission. The Executive Order directed the commission to prepare a report on various aspects of capital budgeting, including the budgeting of capital in other countries and in state and local governments; define capital and depreciation for capital budgeting purposes if possible; and determine the broader effects of a possible federal capital budget on budget discipline, public policy choices, and the state of the economy.

In its February 1999 report the commissioners concluded that there are aspects of federal budgeting that contribute to a suboptimal allocation of capital spending among projects. Overall, maintenance is short-changed in this process. The commission, however, declined to recommend that the federal government have a separate capital budget.

The commission found much of value in state and local government practices, for example, state and local governments audit their assets; have good capital reporting and planning; and have effective project management. These governments routinely budget for capital maintenance, and all of those could be goals and practices for the federal government.

In its final report the commission made 11 recommendations aimed at achieving 4 objectives: (1) improved priority setting; (2) improved budget decision making; (3) improved reporting; and (4) evaluation of the results of those decisions.

Recommendations 1-2 deal with improving priority setting. Recommendation 1 calls for the creation of 5-year strategic plans tied to annual budgets. Recommendation 2 urges benefit cost assessments for both capital and operating items, so that they can be adjusted, refashioned, or eliminated, as appropriate. The commissioners were struck by testimony indicating that many federal agencies still do not know what they own. They have not customarily kept track of their capital assets and they do not tie the life cycle of these assets to their budget proposals.

Witnesses told the commission that, regardless of the level of planning in the Executive Branch, Congress often does not know of or use the information. The point of the first two recommendations was to ask that there be better operational capital plans and to encourage their integration into both the executive and legislative budget processes.

Improved budget decision making is the focus of Recommendations 3-8. Recommendation 3 is for the Congress and the Executive Branch to experiment with capital acquisition funds (CAFs) for one or more agencies. Budget authority would be lodged in the CAFs for federally owned capital assets. These funds would "rent out" their facilities to various programs in each agency, charging them the equivalent of debt service.

Originally suggested by Office of Management and Budget (OMB) staff, the CAFs are intended to help ensure that programs are assessed the cost of using capital assets and to smooth out the peaks and valleys in the appropriations process by spreading out the cost across an entire agency. If the experiment proves successful, the CAF approach should be adopted throughout the federal government.

Recommendation 4 is that all capital projects or usable segments thereof be fully funded before work begins. This recommendation is meant to bring an assessment of the life-cycle commitment into budget decisions at the beginning. In this way, Congress can fully evaluate likely costs and benefits before appropriating funds.

Recommendation 5 is that rules for the scoring of leases be strictly followed by both agencies and the Congress to reinforce an appropriate buy or lease decision. In theory the scoring rules require a net present-value calculation, but the commission heard countless evidence on the gaming of the system and the repeated use of short-term leases even though they were not cost effective over the long term. We really did not have the ability to figure out a new way of doing this, but we made the strongest recommendation that we could to at least go back to the rules you have in place and use them and bring back some long-run perspective into leasing.

Trust fund reform is the subject of Recommendation 6. The commission agreed that trust funds, such as those created for highways and airports, are useful for insulating certain types of infrastructure and other types of capital spending from the budgetary balancing process. But this purpose is fulfilled only if the funds going into them truly represent charges or fees for the use of services they support and the monies raised are actually spent on the dedicated uses. To ensure that this is done the commission recommended that the President's budget disclose the earmarked taxes or fees and spending of these various capital-related trust funds. This would allow policy makers to

make informed decisions about whether to increase spending on the authorized activities or to reduce the assessed charges to finance those activities.

The commission's report also urged that state and local governments receiving federal grants for infrastructure be required to certify that they are maintaining the infrastructure as a condition to receiving additional federal aid. About two-thirds of publicly owned fixed capital is owned by state and local governments. About one-quarter of this has been directly financed by the federal government.

Recommendation 7 is for the Executive Branch and Congress to experiment with giving agencies incentives to manage their assets efficiently. This proposal was an attempt to reward better management and to encourage efficient experimentation at the micro level, even at the level below agencies. It was basically saying if an agency does something well and saves money it should be able to keep some of it rather than sending it back to the treasury.

The next three recommendations deal with improving reporting. Recommendation 8 is that the President's annual budget should contain a breakdown of proposed current and projected federal spending over the budget year and the subsequent four years for investment, operating expenditures, transfers to individuals, and interest. Such a breakdown would inform policy makers, Congress, and the public of the President's long-term vision for federal spending.

The commission felt that it would be helpful to the public debate if, short of a separate capital budget, the President's executive budget were to lay out proposed investment spending for the coming 5 years that would link to the 5-year planning and budget that we proposed in Recommendation 1 and the benefit cost analysis in Recommendation 2. There should be a link in presentation even if we could not call it a capital budget.

Recommendation 9 is that federal financial statement reporting be improved in 3 ways:

1. Federal agencies should be required to issue more detailed information about the composition and condition of federally owned or managed capital assets under their control, and OMB should consolidate these reports and summarize them in the annual budget.
2. There should be enough information in the consolidated reports to provide Congress and the public with accurate benchmarks for making comparisons both in the current year and over time.
3. The calculation of depreciation in various government reports should be standardized.

Private-sector members of the commission were unmovable on the need for improved financial reporting. Just as corporate decision makers have accurate accounting data to help them assess past performance and make decisions about the future, Congress and the public should have accurate accounting on federal assets and investments.

Recommendation 10 is a strong call for agencies and OMB to develop standardized methods for estimating deferred maintenance. The commission was surprised and distressed at the lack of information on the state of the government's existing assets, the inadequate sense of accountability that parts of the federal

government have regarding the past investments that have been made with taxpayer money, and the absence of life-cycle and replacement planning.

The fourth objective is evaluating the impact of past budgetary decisions. Recommendation 11 calls for a "federal report card," a new portion of the President's annual budget in which agencies under OMB guidance assess the extent to which major investment projects have produced expected results. This report is intended to be as quantitative as it can possibly be with projects being measured against an appropriate cost of capital. Where costs and benefits cannot be expressed in monetary terms the evaluations should identify project objectives and assess outcomes qualitatively.

If the recommendations help accomplish what was intended they will help to bring some of the ethos and tools of the private sector and the kinds of evaluations that people in the capital markets make every day to do what has been a fairly closed federal system of accounting and budgeting. As a citizen and an economist, I think that would be a step forward for everyone.

I cannot emphasize strongly enough that the Executive Branch cannot carry out these changes alone. Eventually, effective budgeting will require the Congress also to make changes in the way it does business.

BEST PRACTICES OF LEADING ORGANIZATIONS

Summary of a Presentation by Paul Posner, Ph.D., Managing Director, Federal Budget Issues, U.S. General Accounting Office

Innovative organizations in the private sector and state and local government continue to develop new asset management approaches applicable to federal agencies.

Of the $74.7 billion spent in fiscal year (FY) 1999 by the federal government on direct major physical capital projects, $53.9 billion was spent on defense-related projects and $20.8 billion on civilian projects. The President's budget estimates that $75.7 billion will be spent on direct physical capital projects in FY 2000 and $78.5 billion will be spent in FY 2001.

The General Accounting Office routinely finds that capital projects cost more than planned, fail to meet scheduled milestone dates, fail to meet missions and goals and ultimately contribute to the perception that the federal government does not deliver on the services that people want at an acceptable cost.

We are becoming increasingly aware that really good budgeting for capital rests on good planning and good management. All too often the federal government focuses on replacing existing assets and not performance. We also do not look at capital asset decision making in the broader context of what we are trying to do in federal government.

We need to start thinking about what we are in business to do, just like the businesses of this country did in the 1980s, and fundamentally develop high-quality strategic and performance plans, something that most agencies had not been doing before the 1990s. We have to develop reliable financial information and have that audited. Agencies then have to make sure that their capital decisions become grounded in this new framework.

To help federal agencies implement needed changes GAO surveyed leaders in capital decision making in the private sector and in state and local government who have honed their skills by facing capital markets, shareholders, and voters. They have been doing this for many years. In some sense, the federal government is catching up. The GAO distilled the essence of what the leading organizations were doing and how they were successful into five principles detailed in the report, *Executive Guide: Leading Practices in Capital Decision-Making,* published in December of 1998.

Leading organizations have a number of practices in common.

1. They first establish the goals for the organization and figure out how capital can contribute to achieving these goals. In other words, they integrate organizational goals into the capital decision-making process and focus on outcomes, not inputs. Many states identify facilities they no longer need. Many states and private companies do not look at their asset condition and make plans on that basis. Rather, they begin with the challenge facing their organization and go from there.
2. Leading organizations take an inventory of assets and determine their current capabilities and condition. All the leading organizations had extensive inventories, not just lists but evaluations of the condition of those assets and the performance of those assets. Before new projects were authorized at one leading institution, managers were required to identify their existing asset base and say why current assets could not fill those needs either in their current state or in a modified state. Many communities and entities were calculating deferred maintenance. Some entities instituted a maintenance reserve fund, recognizing the implicit disincentives in dealing with maintenance issues that do not involve elaborate ribbon-cutting ceremonies. They had earmarked a fund for maintenance that was apparently very effective in addressing some of the outstanding backlog.
3. Leading organizations have a strong analytic tradition that is used as the basis for decisions. These organizations are awash in measurements for proposed asset acquisitions and plans. They have elaborate measures for customer satisfaction, various performance calculations, cost measures, life-cycle costs, and risk analysis. They do not stop here. Some have developed elaborate scoring approaches that presented groups of decisions in ways that were very compelling to decision makers. In one state the finance agency ranks all proposed projects on a score from 0 to 700. Projects that were mandatory or critical to life and safety or necessary to fulfill a federal mandate were scored 700. Others were ranked on 7 or 8 factors like risk, public safety, cost savings, and linkage to strategic plans. And in that state the list was available to the public. A project's success in gaining approval could not always be determined by how it was scored, but it meant that if there were a deviation, someone had to explain publicly or possibly face inquisitive reporters.

4. A long-term perspective in planning and budgeting capital projects is another characteristic shared by leading organizations. We routinely found 5- to 10-year frameworks in place. It is the only way to fully capture what you are doing in the capital arena. And it is one that we at the federal level can learn from.
5. Leading organizations uniformly budget for their acquisitions on a full funding basis. In other words, they want to hold themselves fully accountable for the life-cycle costs and benefits and compare them in the only way they can, which is up front when they make their decision. This approach encourages accountability and development of accurate cost estimates. At the federal level we often do not observe this principle even though OMB has it in their guidance. An ongoing GAO study is finding that Congress is increasingly being asked to fund the acquisition of capital assets with less than full funding. The incremental funding of projects is partially due to budget processes that put caps on spending. In leading federal agencies, state and local governments, and the private sector, managers are breaking projects into useful segments that will stand alone, so that if you stop you will still have something of value. This helps reduce the peaks and valleys of spending in large projects and helps control risk.

Cost and schedule overruns are a constant problem in the capital projects arena. In its study GAO found that high-performing organizations partially solve this problem by publicly available milestones, which if missed trigger the need for a public explanation to a governing body. In these organizations there is a retrospective evaluation of both high-level employees and contractors responsible for managing these assets based on how well they do against their goals and milestones. Managers or projects often pay a price for failing to meet goals.

Also in these leading organizations, most of which have both capital and operating budgets, capital projects are expected to contribute budgetary savings on the operating side of the budget. This often creates pressure by operating components to bring capital projects online so that expected budget savings can be redirected to operations.

How do we encourage a longer-term focus both in the Executive Branch and the Congress so that decisions are grounded in an outlook beyond the current budget year, in which all discretionary appropriations are grounded? How can decision makers be prompted to pay attention to good information? Well-developed performance information often is well received by Congress. One area where performance information is needed is maintenance, which has no constituency in Congress. Federal audits may begin to focus attention on this subject.

GAO is receiving numerous requests from Congress to look at how the Internet can improve federal operations. This will lead to pressure in the new administration and Congress for fundamental change in the way agencies are structured. This means we need to look more boldly at the tradeoffs we face before we even decide what new capital we need. And more importantly, we need to look at the tradeoffs we face as we look at the old capital we have been living with for many years.

Finally, the budgeting process has to reflect these processes. If we do not pay attention to good capital planning in the budget process, it will surely fall by the wayside. And that is going to be a significant issue. Most of us feel that process has to continue to be grounded in the up-front funding principle, but that agencies need to be given more flexibility in how they implement capital decisions in the budget process through revolving funds or the proposed capital acquisition fund that the Office of Management and Budget has put forward, for example.

OMB'S CAPITAL PROGRAMMING GUIDE

Summary of a Presentation by Lauren Uher, Deputy Associate Administrator for Acquisition Implementation, Office of Federal Procurement Policy, Office of Management and Budget

Lauren E. Uher reported on federal agency progress in implementing practices outlined in OMB's Capital Programming Guide, a supplement to OMB Circular A11, Part 3, for planning, budgeting, and acquisition of capital assets. To date, implementation of capital programming is uneven between departments and within departments and agencies.

The steps in capital programming are planning, budgeting, procurement, and management-in-use, which are translatable to the select, control, and evaluate phases often used in the information technology community. The information technology community is leading the way in implementing practices outlined in the Capital Programming Guide.

In the planning stage OMB is asking agencies to link proposed investments to strategic and program performance; analyze current asset performance; identify performance gaps; detail functional requirements; evaluate alternatives; select the best investment; analyze benefits, costs, and return on investment; conduct market research; assess risk; develop risk mitigation and management plans; and develop a sound acquisition strategy.

Agency return on investment or benefit cost analyses are still lacking at this stage. Although it is sometimes difficult to quantify the benefits of a project, this should not be used as an excuse for not attempting to measure or quantify benefits. Agencies are still struggling with the concept of useful segments because it is a new way of thinking and they are unsure how to do it.

Agencies that have adopted cost schedule and performance measure baselines are still having trouble with the concept of managing to cost, schedule and performance parameters. Project rebaselining occurs too frequently. Acquisition planning and procurement are still not fully integrated into capital programming or capital planning investment control processes in most agencies. For example, for capital projects submitted to OMB for FY 2000 some agencies analyzed all of the alternatives as a means of identifying what the performance gap was, completed return on investment and benefit cost analyses on all alternatives, assessed risks, developed risk management mitigation plans, and made a well informed decision about the investment they wanted to undertake; but when I got to the part of their capital asset plan that talked about their acquisition

strategy, I found that what they were contemplating was a non-competitive cost-reimbursement fixed-fee contract. So all of the good work, all of the hard work, all of the good thinking that they had done to identify and to mitigate risk up front was being undone by something as simple as the selection of a procurement instrument or vehicle. After questioning staff in the agency I discovered that the people in contracts or in procurement did not know what the bigger objective was, what the bigger picture was, and therefore had not been consulted in making recommendations as to how to achieve the project's objectives by putting together a sound acquisition and contracting strategy.

One of the best practices we have seen over the past two budget cycles are significant improvements in capital programming and budget decision making in those agencies where, the senior officials—chief information officer, chief financial officer, chief procurement officer, and budget officer—are all participatory members in the agency's investment review board or executive review board and work with each other weekly or biweekly and are aware of each other's limitations and their considerations. I have noticed increasingly over the last couple of years that I am able to engage more and more people of a broader function spectrum in organizations about subjects like integrated project teams, the organization of an executive or investment review committee in their department or agency, and the integration of investment decision making with the budget process. I think that is a very positive sign.

What is next for the capital programming process? I would like to see steps taken to integrate the Capital Programming Guide back into OMB Circular A11, Part 3. The latest revision to OMB circular A130, which pertains to the management of information resources, could serve as a model.

I would also recommend emphasis on individual capital asset plans for projects be shifted to place emphasis on 5-year agency plans that take into consideration the agency's entire investment portfolio. Useful linkages should also be established between agencies' 5-year strategic plans and annual performance plans required by the Government Performance and Results Act of 1993.

I favor revising Part 34 of the Federal Acquisition Regulations dealing with major system acquisitions to address planning, budgeting, and acquisition of capital assets. This would force agency acquisition processes to be integrated into department level capital programming processes. Also, there is a great need to institutionalize a performance-based acquisition management system. Too many agencies are still measuring whether they are achieving their cost goals by measuring how much money they have spent so far, with no indication as to whether they are achieving what they had originally intended.

Finally, there is a federally developed software tool available called the Information Technology Investment Portfolio System. A few agencies have taken the tool and have modified it to manage their entire capital asset portfolio.

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Capital Asset Decision Making in Three Federal Agencies

Representatives from three federal agencies with large capital asset portfolios told conferees how they make far-reaching decisions about capital facilities. They were: Ron Kendall of the General Services Administration; Rear Admiral Ronald F. Silva, U.S. Coast Guard; and Dr. Get Moy, Naval Facilities Engineering Command, U.S. Navy.

GENERAL SERVICES ADMINISTRATION

Summary of a Presentation by Ron Kendall, Director of Policy and Analysis, Office of Portfolio Management, Public Buildings Service, General Services Administration

The Public Buildings Service of the General Services Administration (GSA) has constructed only 4 million square feet of new space in the last 35 years for its own inventory. In the same period it has tripled the amount of space under lease, bringing the total to about 150 million square feet.

The agency is now developing asset business plans for the 1,700 properties it owns. In the plans the agency assesses the physical condition of each property using software developed by Vanderweil Facility Advisors. It also maintains information that puts that assessment in context, such as: What is the plan for the asset? Is there a disposition strategy? Is there a hold strategy? What is happening in the marketplace?

For internal purposes GSA measures the performance of its assets in terms of funds from operations (FFO)—the same financial metric used by real estate investment trusts in the private sector. FFO is different from corporate "earnings" because, historically, commercial real estate has maintained residual value to a much greater extent than machinery, computers, or other personal property. FFO is defined as net income excluding gains or losses from sale of property or debt restructuring plus depreciation of real estate.

GSA has routinely performed life-cycle cost analyses of properties under its management for many years. These analyses show that it is better to construct than lease if there is a 10-year holding period, because the federal government can borrow capital at a lower interest rate than the private sector.

GSA estimates its current backlog of needed work at $4 billion–the same as in 1993. It currently budgets between $600 million and $700 million per year for capital reinvestment. This includes not only base building improvements but also tenant work

and security improvements, which have absorbed an increasingly large portion of the funding since the bombing of the Alfred P. Murrah federal building in Oklahoma City.

There are two levels of capital reinvestment projects for the 1,700 buildings GSA owns. The first are those that must be approved by OMB and Congress, so-called prospectus-level projects. The second level is repair and alteration projects. Because funding is constrained, GSA uses a group meta decision support software called Expert Choice to help it rank prospectus-level projects. GSA recommends the software to anyone who has to deal with a complex array of criteria.

Expert Choice allows important subjective factors to be taken into account through a series of paired comparisons. GSA uses broad criteria in the evaluations, such as economics, project urgency, customer impacts, and community plan. In these broad categories are some 10 subsets, such as safety and historic factors.

The process for allocating funds for non-prospectus level projects begins by dividing funds on the basis of functional replacement value of buildings in each region. The individual regions then make allocation choices using Expert Choice or something akin to it.

GSA does not have the funding to reinvest in its entire inventory and, therefore, must reinvest strategically. Thus, most capital is reinvested in highly visible and historic properties and large capital assets that produce large returns. GSA has to keep up the assets that are really important and the others it will have to relinquish. The current system does not provide incentives for GSA to dispose of assets that are classified as underperforming assets or marginal performers.

U.S. COAST GUARD

Summary of a Presentation by Rear Admiral Ronald F. Silva, Assistant Commandant for Systems and Chief Engineer, U.S. Coast Guard

The U.S. Coast Guard began looking at the concept of capital asset management about four years ago. In 1999, it began transitioning its civil engineering program from traditional facilities engineering, a “build it, fix it focus,” to true capital asset management where the agency looks at its portfolio of assets over its life cycle.

The Coast Guard's capital asset portfolio includes 21,000 buildings and structures on 66,000 acres of land with a replacement value of $7.4 billion, exclusive of land value. The buildings, which typically were designed for a 50-year economic life, have an average age of 38 years. Many of the facilities were originally built for other agencies and are ill-suited for today's multi-mission Coast Guard.

Based on current funding levels a major rehabilitation or facility replacement would occur on average every 150 years, which is inadequate for maintaining facilities in their current condition, much less replacing them with more flexible, less maintenance-intensive facilities. Clearly, we need a new game plan. We need to understand our facility conditions, total ownership cost of those facilities, how to link the asset to Coast Guard mission performance, and how to communicate what return or value added to the Coast Guard mission accomplishment we expect from investing in our shore facilities.

To that end the Coast Guard has launched a new program called Shore Facilities Capital Asset Management (SFCAM), a top-down strategic initiative to better match facilities with mission requirements and to make them consistent with budget realities. To paraphrase the Coast Guard's logistics doctrine, SFCAM is all about delivering the right facility at the right place for the right costs at the right time. This plan was developed consistent with OMB's Capital Programming Guide. The overarching strategy is to transition shore support from a facility engineering focus to a capital asset management focus.

Allowing federal agencies to manage their portfolio of assets in line with how businesses do it is seen as the next logical succession in agency accountability. The commandant has designated me the shore-facility capital asset manager to insure that we have an enterprise-wide approach to managing the Coast Guard's shore assets.

The concept of SFCAM is focused on all phases of facility life cycles: planning, investing, using, and divesting. The Coast Guard has developed three strategies to put SFCAM in place throughout the agency:

1. Develop SFCAM to ensure that shore infrastructure is aligned with Coast Guard-wide strategic outcomes. To implement this strategy the agency must gather accurate system requirements, develop a facility assessment methodology, develop total ownership cost policies for asset portfolio decision making and procedures, and develop and implement asset performance measures.
2. Implement SFCAM system, which involves developing and implementing a transition plan; aligning the current civil engineering organization and training personnel to support the SFCAM strategies; determining information technology support requirements; and identifying the means and time frames to put the SFCAM management system in place. As with any organizational change this will be one of the greatest challenges. Training will be a key element.
3. Evaluate SFCAM system performance, which will require developing and implementing measures for customer satisfaction, organizational assessment, innovation and learning, and financial performance.

Initially the Coast Guard will put SFCAM to work in managing its 5,100 housing units. It will conduct facility condition assessments, housing market surveys, and define total ownership costs at 30 Coast Guard-owned housing sites over the next two years. The effort is aimed at developing the right mix of owned, leased, and market-supported housing at its primary locations.

Meanwhile, SFCAM is being used to help the Coast Guard match its shore facilities with its 20-year, $7 billion to $15 billion Deep Water Project aimed at upgrading its other capital assets-cutters, aircraft, logistics, and communications. The Coast Guard is developing an integrated management framework run by a shore infrastructure management board (SIM board) and integrated planning teams. SIM board members are senior-level stakeholders. Integrated planning teams (IPTs) consisting of

members from various parts of the agency will be chartered as needed to provide the SIM board with fact-based recommendations.

In each level of the civil engineering organization the SFCAM division will manage Coast Guard-wide shore infrastructure processes and initiatives. It will be independently staffed to reduce resource conflicts and still enable the division to draw upon organization-wide expertise as required. The Coast Guard has drawn heavily on GAO's information technology capital planning guide in its SFCAM effort. The SIM board, which is similar to the Department of Defense's installation policy board, will manage the shore capital asset portfolio. The IPTs are similar to the integrated process teams in the GAO guide.

Business process improvements will be done incrementally as opposed to a radical reengineering approach. We anticipate using activity-based costing and functional economic analysis to develop risk-adjusted best-business recommendations using commercial off-the-shelf software applications.

NAVAL FACILITIES ENGINEERING COMMAND

Summary of a Presentation by Get W. Moy, Ph.D., Chief Engineer and Director of Engineering and Base Development, Naval Facilities Engineering Command, U.S. Navy

Until recently Navy asset management has basically been an inventory exercise. It meant counting how many buildings we had, how many roads we had, how many ships we had, and so forth. Next came an effort at managing assets through material types such as roofing across the department and then determining what the best practices were for managing these assets. Now the Navy really wants to move asset management to the next stage and that is basically focused on managing through requirements instead of managing only the assets.

This objective has been initiated in a planning exercise called “Global Shore Planning for the 21st Century,” or GAP21, which has been underway for two years. A primary aspect—a key one in terms of capital asset management—of GAP21 is planning where Navy facilities should be located to maximize their support for the fleet. Subsequently, a follow-on benefit is for the Navy to evaluate assets outside the military base fence lines in communities in fleet concentration areas, such as San Diego, Norfolk, Jacksonville, Pearl Harbor, Yokosuka, and the Pacific Northwest, where possible. The intent is not to depend solely on the Navy's assets but to evaluate the use of facilities in surrounding communities outside the base perimeter to work in an integrated setting.

The Navy's assets are substantial. For example, its facilities worldwide have twice the floor area of office buildings in lower Manhattan. The acreage it owns, about 3 million worldwide, is equal to about two small states.

The Navy has always focused on its planes, ships, and sailors. We have done a lot of rigorous analysis about the type, the mix, the size of the ships that we need, the planes that we need, the type of sailors. But it has been quite some time since we have gone through the strategic rigor on type, mix, and location of the bases. Shore facility studies have been done before, but have focused on specific regions homeporting or base closure.

What sets GAP21 apart is that it tried to answer for the 21st century through the warfighter. It is the operational requirements which are going to set the stage, which are going to make the decisions, and how we are going to focus on making those decisions. The study is also unique in its focus on all types of shore facilities around the world.

The basic tool in the effort was the use of scenario planning to determine the direction Navy leadership wanted to take 10, 20, and 30 years from now. One key parameter used to frame the scenarios was how concentrated or dispersed should the fleet be. A second important set of parameters turned on quality-of-life facilities. How much did we want the Navy to own or how much did we want private industry to own and just provide services to the Navy?

Through scenario planning the study leaders were trying to determine which direction Navy leadership wanted to steer toward and project what the potential implications were. Did we want to steer more toward greater concentration or more toward dispersal? Did we want to steer toward more government-owned facilities, quality-of-life facilities, or more contractor-owned facilities? In addition, by using extreme boundary conditions, we could define other important issues for the leadership. It took us months to convince people we were focusing on some strategic directions, not a point solution.

By the time the study was completed 50 flag officers representing a cross-section of the Navy had been involved in an effort to make sure every perspective was brought into the process. To make sure enlisted sailors' views were represented focus groups were organized in six fleet concentration areas to determine their perspective on the facilities they were living and working in and how facilities might affect their reenlistment.

Enlisted sailors consistently said they needed better housing. For other facility types, the sailors were generally satisfied with the quality, but did express concern about the functionality of facilities, such as medical and training facilities. A major finding was the concern about the quality of the workplace environment. One of the outcomes of this exercise was the identification of other issues, not necessarily related to facilities that were important to the workforce. Identifying the type of workforce that the Navy wants to have in the future, the incentives needed to attract and retain that workforce, the training they will need is an important part of this type of analysis.

As the study winds down, the need to translate it into regional and local requirements and integrate it into the planning, programming, and budgeting system becomes apparent. Also, it became clear that there is not enough money to do everything that needs to be done. Study leaders therefore developed an investment matrix that considers how the Navy could investigate other sources of funding in communities and regions of Navy concentration. Organizationally we now look for a sustainment of this process. Basing strategies is fundamental in determining what the Navy's requirements are and where the Navy makes its facilities investments to optimize support to the fleet.

4

Building a Case for Capital Reinvestment

Ronald Woody of the Office of the Architect of the Capitol, and Lucia Garsys, from Hillsborough County, Florida, described two very different strategies for making the case for capital reinvestment.

OFFICE OF THE ARCHITECT OF THE CAPITOL

Summary of a Presentation by Ronald Woody, Program Manager for Computer Aided Facilities Management and Technology, Office of the Architect of the Capitol

The mission of the Office of the Architect of the Capitol (AOC) is to support Congress and its facilities environment. To that end it manages the Capitol building, all House of Representatives and Senate office buildings, the Library of Congress, the Supreme Court, and the U.S. Botanic Gardens which together total 14 million square feet of space.

In 1998 the AOC began a 5-year plan to implement a computer-aided facilities management system (CAFM) after the architect made a top-down decision that a standardized process was needed to improve management, reporting, and operations. The decision was made to hire a consultant, Graphic Systems Inc., to assist in system and procedural development efforts. The goal is to create an enterprise-wide solution using a software package that allows the AOC to implement modules when time, momentum, and money become available. The AOC is using Peregrine Span 6.3a in an SQL server environment, but the AOC will soon migrate to the most current version called Facility Center and will run in an Oracle environment. Microstation CAD integrator is used for space management, designing, and floor plans. Brio One will become the standard reporting and executive information package to analyze data to make business process decisions.

The AOC established three priorities for automation: (1) the demand work order process; (2) preventive maintenance; and (3) facility projects. To date, the demand work order system has been implemented throughout Capitol Hill. The 420 users span a wide spectrum from superintendents to shop workers and foremen. In addition to installing hardware, a major challenge has been the installation of cabling and paying for the costs of providing network service to employees in all of the AOC's shops. Also, many shop workers had never used automated systems and others resisted putting standardized

processes in place. Thus, the effort has presented cultural as well as infrastructure challenges.

To date, 109 "smart floor plans" are available over a secure intranet and more than 15,600 rooms have been loaded into CAFM and are being used to help design office floor plans for members of Congress and their staffs. More than 110,400 pieces of Senate furniture have been bar coded and tracked via the assets tracking module of the AOC's CAFM system.

Automating these systems allows the AOC to capture information from management reports and to build a case for more resources for facility management and capital reinvestment. This business case is based on documenting program efficiencies that result in cost avoidance benefits and savings as shown on Figure 1.

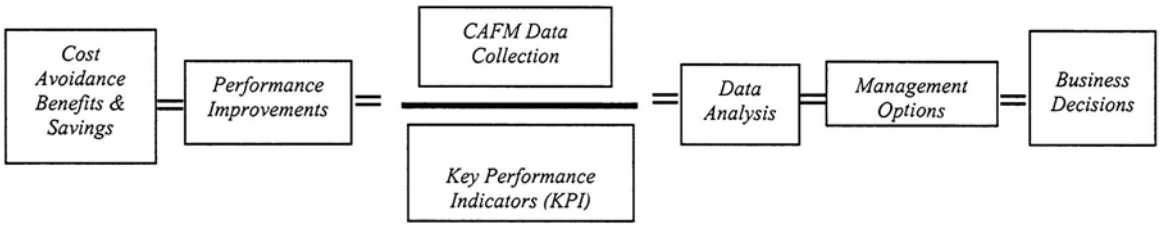

FIGURE 1 Documenting program efficiencies.

Source: Architect of the Capitol and Graphics Systems, Inc.

The AOC also looks at performance improvement by analyzing data for a set of key performance indicators (shown in Figure 2) and then uses the various reports and charts to develop a set of management options.

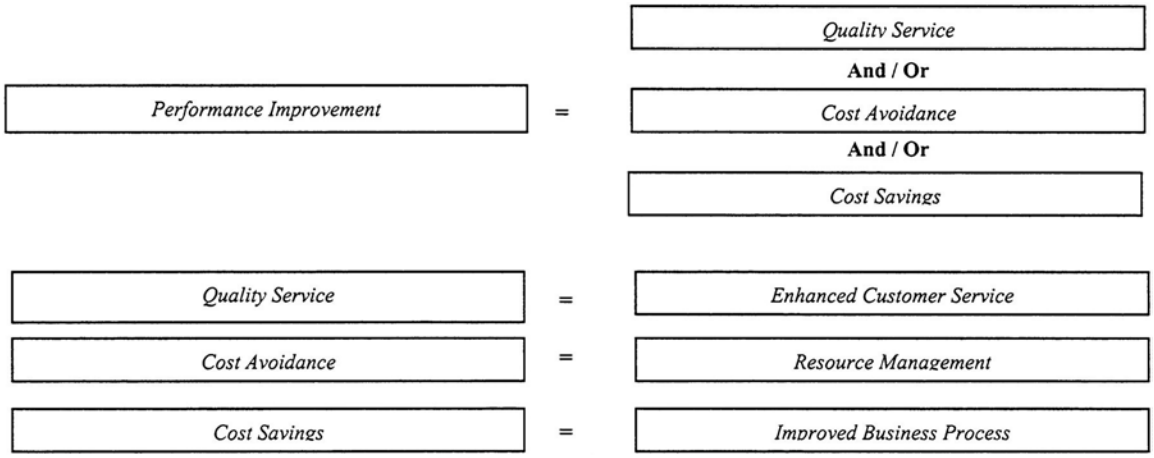

FIGURE 2 Performance improvement indicators.

Source: Architect of the Capitol and Graphics Systems, Inc.

This process allows management to make a business decision about the most beneficial and efficient ways to operate. An example showing how this process works is summarized in Figure 3.

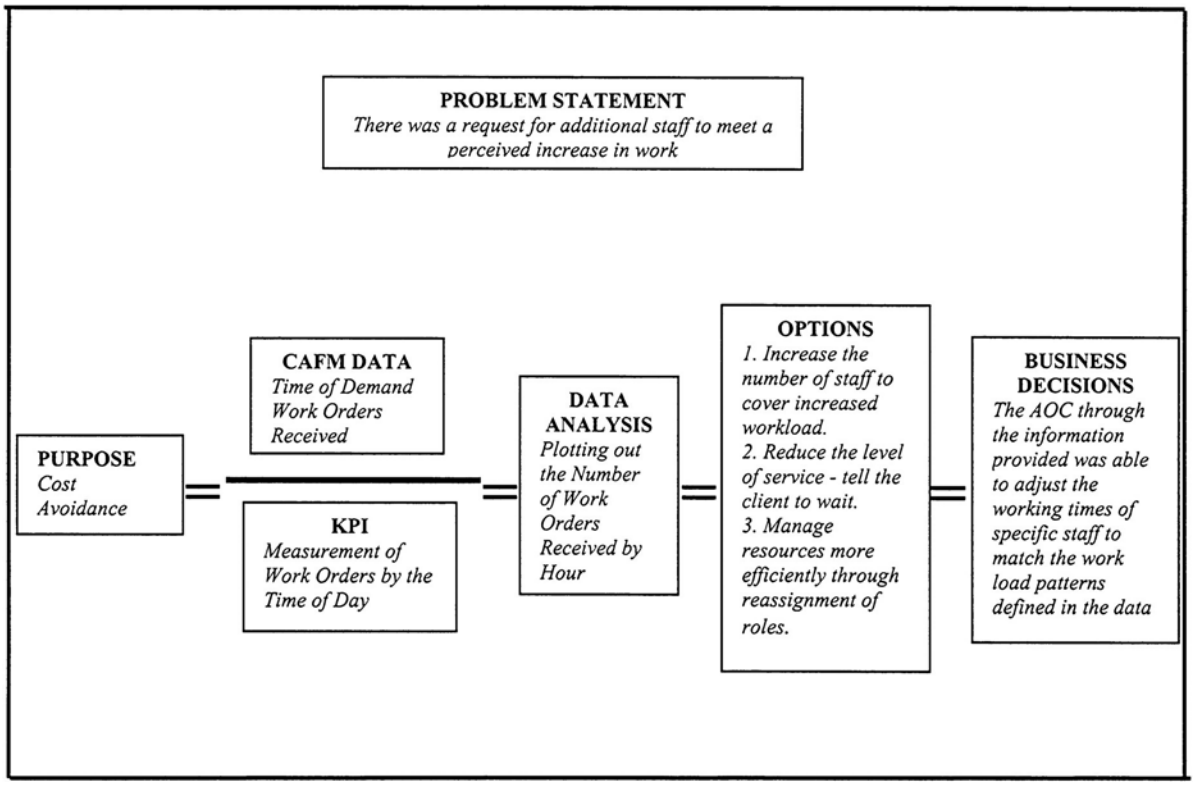

FIGURE 3 Process for making a business decision.

Source: Architect of the Capitol and Graphics Systems, Inc.

HILLSBOROUGH COUNTY, FLORIDA

Summary of a Presentation by Lucia Garsys, Capital Program Administrator, Hillsborough County, Florida

Hillsborough County, Florida, has a population of approximately one million people and an area of about 1,000 square miles. There are three municipalities within the county including the city of Tampa. The County has an annual budget of $2.4 billion that includes a capital budget of $160 million. In recent years, one percent of the ad valorem taxes has been earmarked for the capital maintenance of the County's 350 buildings supporting the courts, libraries, parks, and other governmental functions. The current budget for this activity is $4.8 million per year. An additional $27.7 million was allocated from a Community Investment Tax over six-year period. A series of events and actions enabled Hillsborough County to recognize the need for capital maintenance and dedicate funding for it.

A shift in focus from building new facilities to fixing existing ones. Until the mid-1990s, the county's capital construction program responded to the pressures of growth from the previous twenty-year period. Generally, once constructed and operational, facilities were forgotten unless they required emergency repairs. The replacement of a chiller in an existing facility could not compete for budget dollars against new libraries or parks. New facilities would generally win the budget battles. Around the mid-1990s the lack of maintenance began to take its toll. A large number of the facilities constructed in the previous 20 years needed immediate attention. Roofs had deteriorated to the point that books were damaged by water and equipment was rusting. Potholes in roadways were prevalent. The users of the facilities, the constituents, began to call for repairs.

Recognizing certain benefits of funding capital maintenance. The county was facing a dual challenge – repairing existing facilities while building new facilities to accommodate growth. As the issue developed, reoccurring operating costs of new facilities became an important component of the discussion. This was helpful to gain support for investment in existing facilities. It did not necessarily lead to an 'either/or' conclusion, but it provided a helpful framework.

Other events provide synergy to obtain funding. Other events energized the movement to fund capital maintenance. A change in administration provided new perspectives and leadership. In addition, the community was facing a controversial question: "Should local tax dollars fund a new stadium for the Tampa Bay Buccaneers football team?" A voter referendum was scheduled to determine the outcome. The package of projects prepared for the referendum included not only a new stadium, but also maintenance improvements for libraries, fire stations, parks, and court buildings. Local community leaders worked with the newspapers and other community groups to inform voters about the issues. The referendum passed by a narrow margin, but nonetheless, a 30-year revenue was secured to fund many capital maintenance projects in the initial years.

Components to consider. These events and circumstances identified the minimum components needed to make a strong case for capital reinvestment. The components were:

- Leadership: a person or group of people willing to shepherd the program along, speak for it, and provide vision.
- Sponsors: newspapers, other media, and key organizations, such as chambers of commerce.
- Users: the people who use the facilities. In local government, they are easy to identify. Users of federal facilities are more difficult to identify, but it is important in developing any strategies that federal agencies use to seek funding for capital reinvestment.
- Voters: the people who let elected officials know there is an issue or a need. They could be users and sponsors as well.
- Opportunity: it can be made or it can occur.

Lessons learned. Several lessons were learned from the effort to build support for capital reinvestment. The application of these depends on the legal and political framework of individual governments, agencies, or other community institutions.

1. Target information. Identify the message, determine how to deliver it, and what you want to say to the audience.
2. Target language. Take the information and translate it into terms that are understood by the audience being targeted. For instance, when addressing residents or voters, discuss the need for capital investment in terms of home ownership, such as the need for repairs. When talking to business or church leaders, talk about the need for community reinvestment.
3. Use anecdotal stories and pictures to communicate the need. In Hillsborough county officials and citizens were taken on field trips and shown leaky roofs and the damage that can result from lack of maintenance.
4. Highlight mandates and requirements. Statutory mandates of the Americans with Disabilities Act, environmental laws, and union demands were detailed as part of the rationale for capital reinvestment.
5. Include constituents. They can be voters, sponsors, and users. Communicate with them and include them in the process.
6. Get the right spokesperson. Determine who is going to hear the message and from whom. Do not send a person with a social services background to talk to an investment banker. Their reference points are different and they consequently "speak different languages." Parents of little leaguers make a good case to public officials about the need for lighting in ball fields.
7. Advertise achievements. Thank those groups who supported the effort because they will be important in continuing the program over the long term.

One thing leads to another. The capital maintenance discussion brought to light the need for funding. In addition to the capital maintenance dollars included in the referendum, the local elected officials committed one percent of the ad valorem taxes to capital maintenance. This amount may vary depending on the property taxes collected, but at present it is $4.8 million per year. It is used for re-roofings, new chillers, and other improvements that extend the useful life of a facility.

Capital maintenance institutionalized. The county has now institutionalized capital maintenance to address the backlog of maintenance needs. Capital maintenance falls under a new program known as R3M (Repairs/ Renovation/Replacement and Maintenance). A dedicated funding source is provided through the ad valorem taxes and the Community Investment Tax. It is unclear if the funding sources will cover the needs, since the full gamut of needs was not articulated in the past. It is a solid beginning for a task that never ends.

5

New Tools for Federal Agencies

Several speakers at the conference mentioned the relative absence of incentives to reward effective capital asset management in the federal government. In the final session, Robert Neary, Jr., of the Department of Veterans Affairs, outlined his agency's nine-year experience with a program that allows his department to convert its underperforming assets into productive assets by leasing its properties and/or facilities for up to 75 years to private or other public entities. David Bibb, of the General Services Administration (GSA), discussed proposed legislation that would give federal agencies important new tools for managing capital assets. Stanley Langfeld, also at GSA, described the government-wide real property information sharing program.

ENHANCED-USE LEASING PROGRAM

Summary of a Presentation by Robert Neary, Jr., Associate Chief Strategic Management Officer, Office of Strategic Management, Department of Veterans Affairs

The Department of Veterans Affairs (VA) has reengineered its operations during the last five or six years. Much of the physical infrastructure used by its health care system was designed for in-patient hospital care, not the out-patient care that is such a large part of the care it delivers today. Some of its physical infrastructure is located in areas where the veteran population is less than projected. For these reasons the VA has closed some 50,000 hospital beds since 1995. During the same period the number of veterans throughout the nation using the VA for their health care has increased by 25 percent.

VA hospitals are often located in the vicinity of medical schools and large medical complexes in relatively affluent locations. Partly because of the shift of its service model from in-patient to out-patient service, some of its properties and facilities are partially vacant or underused. In 1991 Congress approved a three-year pilot program designed to make more productive those underperforming assets that the VA is not prepared to dispose of. The enhanced-use leasing program gave the VA authority to lease underused property and facilities to private or other public entities for up to 35 years in return for cash or in-kind consideration, such as services, goods, equipment, or facilities. The VA has used this authority to enter into 16 lease agreements. About 60 proposals are being considered.

Signed lease agreements include:

1. A regional office building and mixed-use development constructed on 20 acres on the grounds of a VA complex in Houston, Texas. The developer constructed the 140,000-square-foot building, and space was leased to the VA at heavily discounted rates. The developer was also allowed to build a small retail and services project and a second medical office that are leased to private sector tenants. In return the VA receives a share of the developer's lease revenue. The VA estimates a net savings of $17.7 million in construction costs and reduced operation and maintenance costs, and the VA receives revenues.
2. A 22-acre surplus property in Indianapolis, Indiana, leased to the state of Indiana for use as a mental health facility. The project allowed the VA to consolidate two facilities into one while meeting current out-patient health care needs and reducing operating costs. The VA estimates it obtained $15.7 million in financial benefits and $5 million per year in operational savings, while providing better service to veterans.
3. A 35-year ground lease at a VA hospital in Indianapolis, where Beverly Enterprises, Inc., is to open a 94-bed skilled nursing facility serving both the VA and the local community. The VA closed a nursing home in this area. The beds at the Beverly facility will be available to VA patients when construction is completed. The VA estimates more than $40 million in net present-value savings over the term of the lease in discounted rates for VA patients.
4. A 124-unit single-room-occupancy center built in Vancouver, Washington. The VA leased two acres of land to a local housing agency, which financed, designed, built, and operates the center. The VA obtains priority placement for up to 62 homeless veterans at no cost. Projected net-present-value savings in construction and reduced operation and maintenance costs are more than $20 million.
5. A 188,000-square-foot office building built by a redevelopment authority on 6 acres owned by the VA in Atlanta, Georgia. The arrangement allows the Veterans Benefit Administration to lease space at half the market rate for comparable space.
6. A cogeneration plant on VA property in Johnson City, Tennessee, that offers significantly discounted energy rates to the agency. The developer also provides energy to an adjacent state university, and other customers. The developer will complete $3 million in energy-related improvements throughout the VA campus. The VA will realize net-present-value savings of more than $36 million in construction and reduced operation and maintenance costs.

The enhanced-use leasing authority has been extended four times. In 1999, the VA's enhanced-use leasing authority was extended for 10 years. The VA is now allowed to lease properties for the sole purpose of generating revenues to improve services to veterans. The lease term was increased to as much as 75 years, and the VA was authorized to make capital contributions to joint ventures on agency properties.

The enhanced-use leasing process begins with the identification of a requirement by VA officials when local market conditions will support a public-private partnership. Local VA officials develop a business plan. To provide incentives for VA managers to make better use of their facilities, the organization that initiates the proposal can retain proceeds, after expenses, from enhanced-use lease arrangements.

The business plan, often developed with support from outside consultants, identifies the proposed use, possible business terms, and other financial considerations. Public hearings are then held to give veterans' organizations and the public the opportunity to comment on the plan.

The proposal next goes to VA headquarters for approval. Projects that would cost more than $4 million if done by the VA must be approved by OMB. *Federal Register* notices are published to notify the public that the agency plans to negotiate an enhanced-use lease. The VA must wait 90 days after formal written notification to the Congress before proceeding to issue a request for proposals.

In selecting leases the VA's principal criteria are the experience of the developer, the quality of the team members, and financial considerations. Once the proposal is negotiated, Congress must be notified and the VA must wait 30 days before entering into a lease.

To date it has taken 16 to 17 months to work enhanced-use lease arrangements through the process, and some proposals have taken considerably longer. New procedures being put in place should allow the VA to decrease that time to 10 to 11 months, although complex projects may take longer.

From the VA's perspective the program works for several reasons. The business plan clearly and thoroughly outlines what is planned. It can be used as a document to obtain “buy-in” from and communicate what is planned to veterans, the local community, interest groups, and Congress. The selection procedures ensure process integrity. And the program provides incentives for local VA staff to operate more efficiently.

From the private sector perspective the program works because it provides developers security they can leverage when they seek financing. A long-term lease is often more financially favorable to the private sector than outright purchase of property. Because VA facilities sometimes have as many as 2,000 employees, developers gain access to this market and the market generated by community demand. Projects are governed by local building codes and requirements. And, developers can participate in the VA's sharing program, which authorizes the VA to enter into agreements to share medical services with outside entities.

HOUSTON ENHANCED-USE

VANCOUVER, WA ENHANCED-USE

FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT REFORM

Summary of a Presentation by David Bibb, Deputy Associate Administrator, Office of Government-wide Policy, General Services Administration

Federal asset managers share common problems. There is not enough money for capital investment. Lacking the cash, we have to create new tools to help reverse the trend. Incentives, such as enhanced-use leasing, are not widely available in the federal government. Everywhere I turn, agency facility managers tell me, “we would love to do something with our property but we cannot tap the equity, we cannot keep the proceeds if we do so”. So what is the incentive if you have a hundred other things to do? There is none.

This lack of incentives leads to fixing things with Band-Aids. Sometimes this leads to leasing when it is not the most economical thing to do, not consolidating activities because capital funding is lacking, or holding properties that should be disposed of. Many of these problems can be traced to the Federal Property and Administrative Services Act of 1949, which has not been significantly amended in 50 years. It neglects property management and focuses on disposal. It does not allow federal agencies to use some of the best practices that have been identified in other governments and in the private sector.

More than two years ago GSA began an effort to seek the overhaul of the Property Act. GSA's proposal has been circulated to agencies twice for comments and has been cleared by OMB. The bill, the Federal Property Asset Management Reform Act of 2000 (S2805), was introduced in the Senate in June 2000 by Senators Fred Thompson and Joseph Lieberman, the chairman and ranking member of the Senate Governmental Affairs Committee, respectively. In the House of Representatives Congressman Pete Sessions has introduced HR3285, which authorizes public-private partnerships with unlimited lease terms.

The Senate bill would give agencies much needed flexibility to optimize real and personal property asset performance. All land-holding agencies covered by the Federal Property and Administrative Services Act could potentially have authority to sublease and outlease, including limited public-private partnership authority and exchange sales, as a means of acquiring replacement property. The bill also calls for a total life-cycle approach to property management (i.e., asset management principles, strategic real property planning, an agency real property officer, and a government-wide strategic real property database). It provides incentives for improvement by allowing agency use of property proceeds and streamlines and enhances processes. For example, an agency might own a building that is valuable because of its location but larger than the agency needs. Under S2805 the agency would not have to declare the building excess if it wanted to trade the building for a new building at a less valuable location nearby that still serves program needs. The bill does not affect any agency's existing authorities.

The bill would also give agencies some limited public-private partnership authority. Unlike HR3285, OMB explicitly directed that the Administration bill limit lease terms to 20 or 35 years and that the authority not be used primarily as a means of providing space for federal agencies. The authority could only be used to redevelop

property and generate income from property that might be marginal for federal use. Some agencies, such as the Naval Facilities Engineering Command and the Coast Guard, have officials responsible for asset management, but some agencies do not. The bill would call for each property-holding agency to have a chief real property officer and asset planning linked to strategic planning. The bill provides some incentives for disposal or sale of assets. Agencies after taking assets through the public benefit discount process could put money generated into an agency account that would be available for capital expenditures without further congressional authorization.

In summary, the potential benefits of this bill, if enacted, are more efficient property management; more critical repairs undertaken; reduction in federal asset holdings; more property on local tax rolls; savings from cost avoidances; and better facilities.

GOVERNMENT-WIDE REAL PROPERTY INFORMATION SHARING

Summary of a Presentation by Stanley Langfeld, Director, Real Property Policy Division, Office of Government-wide Policy, General Services Administration

Twenty-one agencies are participating in the Government-wide Real Property Information Sharing (GRPIS) program, which seeks to foster collaboration, cooperation, and informal networking among federal real property professionals within given communities in the U.S. GSA's Office of Government-wide Policy has helped to catalyze the creation of regional inter-agency real property councils in several areas, including Seattle, New England, South Florida, and Arizona. Councils will soon be forming in Kansas City and Las Vegas. A council in Minneapolis is under study. The councils provide a forum for real property professionals to exchange solutions to common issues and problems and to improve real property asset management decisions. The underlying premise of GRPIS is that good information leads to good decisions.

A GRPIS Web page has been created with links to all regional councils. It includes GRPIS community studies with community profiles; local, federal, and real property agency contacts; and a list of facilities. The Web page also includes best practices, minutes of GRPIS council meetings, and follow-on initiatives.

The GRPIS process has acted as a catalyst for federal real property professionals to discover opportunities for partnering on projects. Some examples are:

1. The Coast Guard and the Job Corps were partners on a project to renovate the Miami Air Station and provided job training for students on how to do repairs and alterations. The Coast Guard saved over $150,000.
2. The U.S. Postal Service leased vacant space from the General Services Administration in Seattle. The USPS saved $300,000 over the life of the lease and GSA realized income for the federal buildings fund.

3. In Natick, Massachusetts, GSA will be using part of the Army's military base for fleet management. In exchange, GSA will renovate a building on site to be used by the Army Soldier Systems Command and GSA.

The various GRPIS councils meet on a regular basis and are individually chartered to meet the federal community's needs and objectives. The councils are starting to come together, and GSA is optimistic that within the next 18 months a national network of councils will be formed.

Appendix A

Online Resources

Executive Guide: Leading Practices in Capital Decision-Making, published in December 1998. Document No. GAO/AIMD-99-32, available online at <www.gao.gov>

Federal Asset Management Improvement Act of 1999 (HR3245) available online at <thomas.loc.gov>

Federal Property Asset Management Reform Act of 2000 (S2805) available online at <thomas.loc.gov>

Government-wide Real Property Information Sharing Program available online at <www.policyworks.gov/grpis>

OMB Circular A11, Part 3, Planning, Budgeting and Acquisition of Capital Assets available online at <www.whitehouse.gov/omb/circulars/a11/cpgtoc.html>

Stewardship of Federal Facilities: A Proactive Strategy for Managing the Nation's Public Assets can be ordered online at <books.nap.edu/catalog/6266.html>

APPENDIX B

Speakers' Biographies

David L. Bibb is the managing executive of the Office of Government-wide Policy's Office of Real Property at the General Services Administration. His responsibilities include overseeing the development, coordination, and issuance of government-wide real property principles, guidelines, best practices, standards, policies, and asset management principles; evaluating and assessing the effectiveness of policy implementation; and developing and evaluating new real estate tools and techniques. Mr. Bibb has held many other key positions at all levels of government, including deputy commissioner and assistant commissioner for planning in the Public Buildings Service. He is the recipient of the President's Meritorious Executive Award and the President's Distinguished Executive Award. Mr. Bibb is an active member of the International Development Research Council, an association of real estate executives, where he serves on the Global Learning Board and is co-chair of the World Congress Program Delivery Committee.

Lucia E. Garsys is the Capital Program Administrator for Hillsborough county in Florida. She coordinates the county's Capital Improvement Program, which includes establishing cross-organizational policies and procedures for implementing the program and negotiating with developers for construction of public facilities. She also oversees the management of Hillsborough county's Impact Fee Program. Ms. Garsys has 18 years of public sector service and private consulting experience in the areas of planning, development, and capital programming. She holds a bachelor's degree in city and regional planning from the Illinois Institute of Technology and a master's degree in urban planning from the University of Illinois Urbana-Champaign.

Stanley C. Langfeld serves as director, Real Property Policy Division, Office of Real Property in the General Services Administration's Office of Government-wide Policy. He is responsible for managing the development of real property policies, regulations, and special analytical studies, including such issues as disposal, inventory, workplace, and information management. Mr. Langfeld has held management positions with the Public Buildings Service relating to real property development and real property management and safety. He has also held management positions in the private sector with the Urban Land Institute and the Rouse Company. Mr. Langfeld holds a masters of science degree in real estate and urban planning with honors from American University and a bachelor of arts degree in history and english from the University of Maryland.

Get W. Moy, P.E., is the chief engineer and director of engineering and base development at the Naval Facilities Engineering Command. As chief engineer Dr. Moy is the final technical authority for the Navy on shore facilities. As director of base development, he provides leadership in the development, planning, and shaping of Navy shore facilities infrastructure. A major duty has been program management of the Global Ashore Plan for the 21st Century Navy. Dr. Moy is the FY00 chairman of the Board of Directors of the CADD/GIS Technology Center for Facilities, Infrastructure, and Environment. This team received the Hammer Award in 1999 for developing and promoting CADD/GIS standards, facilitating government and private sector cooperation, and centralizing CADD/GIS acquisitions. Dr. Moy has extensive experience in the military services, including the Office of the Secretary of Defense (Installations) and in the Office of the Deputy Under Secretary of Defense (Environmental Security). Dr. Moy is a fellow of the American Society of Civil Engineers and a member of the United States Naval Institute and the Tau Beta Pi Engineering Honor Society. He received a bachelor of civil engineering degree from Catholic University of America and master and doctor of science degrees in engineering administration from George Washington University. He is also a graduate of the Naval War College.

Robert L. Neary, Jr., serves as the associate chief strategic management officer, Office of Strategic Management at the Department of Veterans Affairs (VA). This office develops policies and guidance to promote quality facilities that bring the greatest value in fulfilling VA's mission and is charged with promoting the development and use of capital asset management principles, including VA's public-private partnership program for enhanced-use leasing. Prior to his present appointment Mr. Neary was the deputy facilities management officer and served as the principal advisor to the chief facilities management officer and directed the day-to-day operations of the Office of Facilities Management. He has also served as the associate deputy assistant secretary for facilities and the deputy director of the Office of Facilities. Mr. Neary has received the Presidential Rank Award of Meritorious Executive and is a member of the Senior Executives Association and Treasurer of the Association's VA chapter. He holds a bachelor of arts degree in political science from the University of Iowa and has done graduate work at George Washington University.

Carol Ó'Cléireacáin was a member of the President's Commission to Study Capital Budgeting. She is an independent economic and management consultant and adjunct associate professor at New York University's Robert F. Wagner Graduate School of Public Services. Recently, as a visiting fellow in economic studies at the Brookings Institution, she authored *The Orphaned Capital: Adopting the Right Revenues for the District of Columbia.* She was finance commissioner, then budget director, of the City of New York under Mayor Dinkins. Dr. Ó'C1éireacáin was the chief economist for the American Federation of State, County, and Municipal Employees District Council 37 in New York. She holds a Ph.D. degree in economics from the London School of Economics and M.A. and B.A. degrees in Economics from the University of Michigan.

Paul L. Posner is managing director for federal budget issues for the U.S. General Accounting Office, where he leads studies on the long-term outlook for the federal

budget and alternatives for reforming budget structures and processes. He periodically testifies before congressional committees on such issues as the long-term budget outlook, financing of Medicare and other federal commitments, performance budgeting and intergovernmental fiscal relationships. He received GAO's Distinguished Service Award in 2000. Dr. Posner is also adjunct professor in the Graduate Public Policy Program at both Johns Hopkins and Georgetown universities and teaches courses on public policy formulation and implementation. He has published articles on public budgeting, federalism, and tax policy issues in various academic journals and books and is the author of *The Politics of Unfunded Mandates,* published by Georgetown University Press in 1998. He received his Ph.D. degree in political science at Columbia University and was elected a fellow of the National Academy of Public Administration. He is also the chair of the Association for Budgeting and Financial Management, a section of the American Society for Public Administration.

Ronald F. Silva, P.E., assumed his current position as assistant commandant for systems at Coast Guard Headquarters in August 1999. He is responsible for all engineering (civil, naval, aeronautical, electronics); logistics; research and development; and command, control, communications, and computers for the $19-billion capital plant in the Coast Guard. He served in engineering afloat duty on Coast Guard Cutters Escanaba, Mendota, and Sherman, and his staff assignments include headquarters (civil engineering; engineering, logistics and development; and resource directorate) and the fifth and fourteenth districts (civil engineering). Rear Admiral Silva's command cadre assignments included executive officer of Support Center Seattle; supervisor of Shore Maintenance Detachment Honolulu; commanding officer of Facilities Design and Construction Center, Atlantic; commanding officer of Support Center New York; and deputy commander, Maintenance and Logistics Command Atlantic. He has served in several leadership positions in the Society of American Military Engineers and was elected as a society fellow in 1996. He is a registered professional engineer in the Commonwealth of Virginia. Rear Admiral Silva is a graduate of the U.S. Coast Guard Academy and holds a master of science degree in civil engineering from the University of Illinois and a master of engineering administration degree from George Washington University.

Lauren E. Uher is the deputy associate administrator for acquisition implementation for the Office of Federal Procurement Policy. Working in the Acquisition Implementation Branch, she serves as the staff procurement advisor to the Departments of Agriculture, Education, Health and Human Services, Housing and Urban Development; Federal Aviation Administration; Internal Revenue Service; the Office of Personnel Management; D.C. government; and the Executive Office of the President. Ms. Uher's additional responsibilities include capital programming; major systems and services acquisition, including information technology; performance-based acquisition management; and information technology accessibility. Prior to her arrival at the Office of Management and Budget, Ms. Uher spent 17 years with the Department of Defense as a procurement officer, contract specialist, and contracting officer, supporting a spectrum of agency acquisition and program requirements from recruiting and advertising services to non-tactical automated data processing systems (now known as information technology) to cruise missile and unmanned aerial vehicle weapon systems development

and production to base-level support services and supplies. Ms. Uher received her bachelor of arts and master of public administration degrees from Texas Tech University. She is a member of the Department of the Navy Acquisition Corps and is a Level III-Certified Acquisition Professional.

Ronald Woody serves the Architect of the Capitol as the Program Manager for Computer Aided Facilities Management and Technology. During his 12-month tenure on Capitol Hill, Mr. Woody has managed the Computer-Aided Facility Management effort, including work management, asset accountability, space management and benchmarking. The CAFM effort is the office's first enterprisewide undertaking, already encompassing more than 400 staff members ranging from maintenance and operations to property management. Previously, Mr. Woody managed numerous information technology projects within the Department of Navy ranging from general supply and asset accountability systems to strategic command and control world-wide ordnance information systems.