

ACHIEVING GREEN IN FEDERAL REAL PROPERTY ASSET MANAGEMENT

President's Management Agenda

Federal Real Property Asset Management Initiative

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Achieving Green in Federal Real Property Asset Management

Introduction

This document is a reference guide on meeting the Green standards of success for the Federal Real Property Asset Management initiative under the President's Management Agenda (PMA). The document is designed to help agencies understand the Green standards of success, to prepare for discussions with the Office of Management and Budget (OMB), and to demonstrate and discuss how the criteria are being met. OMB will work with each agency to incorporate its unique benchmarks and requirements into its materials.

Background

The PMA is focused on ensuring that the resources entrusted to the Federal government are well managed, used wisely, and used to achieve the desired results. One of the guiding principles for the President's vision for government reform is for the government to be results-driven. To achieve that end, five government-wide initiatives have been undertaken as part of the PMA, with an additional three added for select agencies, including the Federal Real Property Asset Management initiative. The objective of the Federal Real Property Asset Management initiative, commonly referred to as the Real Property initiative, is for agencies to accurately account, maintain, and manage their real property assets, in order to appropriately and cost effectively meet Agency mission goals and objectives.

The Real Property scorecard was established in the third quarter of fiscal year 2004 in response to Executive Order (EO) 13327, Federal Real Property Asset Management, signed by the President on February 4, 2004. The Real Property initiative initially applied to the 14 largest landholding agencies. One additional agency maintaining a substantial real property inventory was added during the fourth quarter of Fiscal Year 2005 bringing the current number of agencies scored to 15¹.

The goal of the Real Property initiative is to ensure that property inventories are maintained at the right size, cost, and condition to support agency missions and objectives. While simple in construct, this task requires dedicated resources, effective coordination, and agency commitment to make tough decisions when needed. Agencies were therefore charged with developing and implementing the necessary tools (e.g., planning documents, consistent recording of inventory and utilization of government-wide performance measures) to improve management decision-making, as outlined within the scorecard standards described in further detail below.

¹ Agriculture, Army Corps of Engineers, Defense, Energy, General Services Administration, Health and Human Services, Homeland Security, Interior, Justice, Labor, National Aeronautics and Space Administration, State, Transportation, Veterans Affairs, United States Agency for International Development

Federal Real Property Asset Management Initiative Framework

The Real Property initiative can be thought of as a layered pyramid, where each successful layer builds upon the developed tools and measures to create a rightsized Federal inventory.

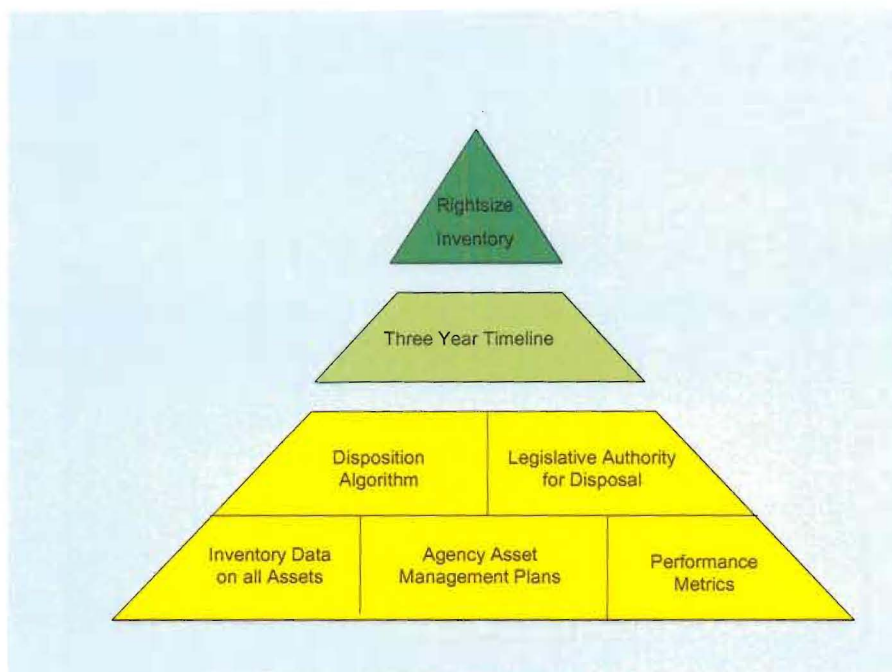


Figure 1, Federal Real Property Asset Management Initiative Framework

Pictorially, as noted in Figure 1 above, the yellow foundation of the pyramid represents the basic tools needed to make decisions on asset management. (Not coincidentally, they correspond to the Yellow standards of the initiative which will be discussed further below.) These tools are a complete and accurate inventory of all constructed assets; agency asset management plans which systematize agency procedures and actions related to asset management; and performance metrics against which agencies can measure and evaluate asset management performance.

The second level of the yellow foundation of the pyramid represents the activities and tools needed for the government and agencies to enhance Federal asset management. They are not dependent upon the foundation layer for execution, but would streamline government-wide asset management once implemented. The disposition algorithm segment provides for the creation of a government-wide analytical formula to assist agencies in better identifying and ranking agency assets for possible disposal or rehabilitation. The legislative proposal segment, once enacted, will help provide relief from barriers and process inefficiencies that agencies currently encounter when disposing, transferring, constructing or renovating assets in the modern real estate market.

Once many of the tools are established, agencies are well- equipped to develop a plan that addresses the specific actions that need to be taken in order to meet the goals and objectives of the real property asset management program. This is a necessary step for demonstrating results toward rightsizing the agency asset portfolio.

With these tools and activities in place, and as the agency begins to implement the identified plan for meeting the goals and objectives, the final step is to move to the top, darker green portion, of the pyramid and produce measurable results. The top of the pyramid highlights three targets for agencies to achieve in rightsizing its portfolio:

- 1) Agencies must eliminate non-mission dependent inventory;
- 2) Agencies must improve condition of its mission critical and mission dependent inventory; and
- 3) Agencies must manage their inventory at the right cost.

With these targets in mind, agencies will make sound asset management decisions leading to a rightsized Federal inventory.

The Real Property Asset Management Scorecard

The Real Property scorecard requires that agencies meet thirteen standards of success within three broad categories (Asset Management Plan, Accurate and Current Inventory, and Real Property Performance Measures) to receive a Green Status rating. Eight of the Status standards are Yellow standards, and agencies are eligible for the Yellow Status rating after meeting all of them. The Yellow Status standards are also referred to as ‘compliance’ standards, since each standard is a proxy on the accuracy, reliability, and timeliness of data and reports or planning/strategic documents produced under the initiative. The Yellow Status standards within the three categories are as follows:

Asset Management Plan

1. Agencies must develop and put in place an Asset Management Plan (AMP);
2. The AMP must be revised to be consistent with Federal Real Property Council (FRPC) standards; and
3. OMB must approve the plan before final implementation.

Accurate and Current Inventory

1. Agencies must develop a methodology for capturing and maintaining an accurate inventory of their real property portfolio;
2. The methodology must be consistent with Federal Real Property Council (FRPC) standards; and
3. Agencies must provide requested data and performance metrics to the government-wide real property database.

Real Property Performance Measures

1. Agencies must develop and put in place real property performance measures; and
2. Those measures must be consistent with Federal Real Property Council (FRPC) standards.

An agency is eligible for a Green status rating once it meets all the Yellow standards and satisfies five Green or 'results' standards. Agencies achieve Green status when they provide evidence of improved real property management through their active use of the developed Asset Management Plan, three-year timeline for implementation of the goals and objectives in the AMP, and when their real property inventory data and performance measures are used in the daily decision-making process. The decision-making process and tools developed to enhance it must be consistent with the Agency's strategic plan and help the agency achieve its mission and objectives. The Green standards and brief descriptions are as follows:

1. The Agency has developed an approved three-year timeline for meeting the goals/objectives identified within the Asset Management Plan;

Plain Language Description: The Agency has a plan, projected for three years, that leads toward an inventory maintained at the right cost, condition, utilization and proper size to meet the agency's mission.

Explanation: The Three-year Timeline is a dynamic document that will be routinely revised as capital projects mature and new projects are added. A good timeline brings the AMP's vision of rightsizing the real property inventory to life through the specific action steps, milestones and associated strategies identified. Key elements of the plan include: the identification of the goals and objectives contained in the agency Asset Management Plan (AMP); a concrete and measurable set of specific, prioritized capital asset projects/initiatives action steps with identified key steps/milestones necessary to meet the goals and objectives of the AMP²; and the ability to measure agency progress on the identified projects/initiatives through the application of FRPC and other performance measures which will result in measurable changes to the asset management program and therefore agency inventory. The three-year timeline is a living document that agencies will expand annually to ensure that the plan always looks forward three years.

Example initiatives: Agency X identifies the need to improve their Facility Condition Index (FCI) and establishes the goal of improving their FCI to 0.95. To meet this goal, the agency reviews their baseline inventory data and establishes appropriate targets to meet the goal. They identify key milestones that illustrate specific actions (including capital projects) that

² Not all capital project activities need to be listed in the timeline. A discussion and implementation plan of significant capital/asset management projects such as a widespread roof replacement project, demolition of a site, major construction or rehabilitation or regular inspection of assets or any other major activity agencies deem necessary to evidence making real change within its portfolio with specific timeframes for accomplishment will suffice. OMB is not requesting a detailed list of all capital project and maintenance plans for every component or sub-component of an agency, but summary information sufficient to illustrate the intended action and result is necessary.

will lead to results to meet the specified targets (e.g., improve FCI for all office buildings within Region 1 in year one and all remaining buildings in that region in year two).

2. The Agency provides evidence that the AMP is being implemented to achieve improved real property management;

Plain Language Description: Evidence that the agency is meeting critical milestones/deliverables on the Three-year Timeline.

Explanation: Whereas the proof of meeting Green Standard 1 was the development and implementation of the Three-year Timeline, Green Standard 2 requires agencies provide evidence that demonstrates that the agency is meeting the critical milestones/deliverables identified in the timeline. Under this standard, agencies should be able to explain and provide evidence of what actions they took to meet the critical milestone/deliverables of various initiatives identified in the Timeline that support the goals and objectives of the AMP.

As part of the evidence that the agency is meeting the standard, the agencies should be able to provide a snapshot of their baseline and provide evidence that the initial targets as identified in the milestones/deliverable are met. The evidence should demonstrate that the agency is on time and target and meeting the specified interim “goal” of completion of the milestone/deliverable.

Example: Agency X provides evidence that the agency has replaced the roof on 154 buildings. Evidence is demonstrated by identifying the buildings where the actions was to undertaken and supporting that the work has been completed accurately and completely, within the time specified in the Three Year Timeline.

3. The Agency provides evidence that the inventory information is accurately maintained and used in daily decision-making;

Plain Language Description: Accurate and timely inventory data is used to make daily decisions and drive smarter decisions at all levels in the organization, that identify opportunities for best use and cost effectiveness, as well as take the necessary steps to implement the three-year timeline.

Explanation: The frequent and routine use of current and accurate asset inventory information is part of the critical path to rightsizing. Key elements of usage of this information are: evidence that inventory data is timely and accurately updated to the Federal Real Property Profile (FRPP) and internal agency database(s); that inventory information is part of routine and ad hoc management reports (both horizontally and vertically) and the reports are being used by managers at all levels to assess progress on the three-year timeline; evidence that reports and data are presented in a manager-friendly format and built into the decision-making process; evidence that reports are used to evaluate manager’s performance and hold the manager accountable; and that agencies are able to provide specific examples

evidencing where data/reports were used in the decision-making process to produce tangible improvements.

Example: Agency X utilizes inventory predominant use code data as part of the decision making process for evaluating the effectiveness of the agency's co-location strategy. The agency provides evidence of how inventory data played a role in identifying opportunities to co-locate similar functions and therefore identified the opportunity to build an agency campus centrally located in a metropolitan area as opposed to constructing multiple assets in the same metropolitan area.

4. *The Agency provides evidence that the real property performance measures are used in daily decision-making; and*

Plain Language Description: Accurate and timely performance measure data is used to make daily decisions; drive smarter decisions that identify opportunities; and, monitor progress in meeting the goals and objectives of the three-year timeline.

Explanation: Under Green Standard 3 as outlined above, agencies are using a variety of detailed inventory information to make decisions about their real property portfolio. In Green Standard 4, agencies are taking the inventory data from Green Standard 3, adding relevant performance measure information, consistent with the FRPC established performance measures and other agency specific performance measures and using the information as part of their routine management reports (both horizontally and vertically) to make daily decisions. Agencies also use this performance measure information to identify opportunities that result in smarter short- and long-term decisions. It is important to mention, however, that data for data's sake is not an effective use of limited resources. Too much data or specious data can overload the manager and lead the individual to choose a path inconsistent with the agency roadmap or miss a milestone within the three-year timeline and the larger agency strategic plan.

Example: Agency X determined their FCI needed to improve by .02 to meet the target identified in their timeline for Region 1 office buildings. Senior management used this information to determine fiscal resource allocations for year one within the Region and the Regional site manager then sub-allocated and prioritized work for the field personnel responsible for the condition of the impacted assets to meet the goal. Agency X in their review of FCI and prioritization of improvements to raise the FCI, also determined that the condition of some buildings was so poor that disposition was more cost-effective than improvement.

5. *The Agency provides evidence that real property management is consistent with the agency strategic plan, AMP, and performance measures.*

Plain Language Description: Measurable change in the portfolio is consistent with the Real Property initiative and agency plans.

Explanation: Green Standard 5 represents the summit of the real property pyramid introduced earlier in this document. Simply stated, this is the results standard. Agencies need to articulate how they are achieving the right-sizing goals stated in their strategic and asset management plans by demonstrating their efforts in:

- Reducing the number of non-mission dependent assets;
- Increasing the utilization of assets;
- Improving the condition of assets; and,
- Reducing the operating costs of assets or at least maintaining them consistent with industry standards.

In addition, agencies must show substantial, measurable progress toward the implementation of the goals identified in the Asset Management Plan (AMP) through the progress made on the specific projects/initiatives identified in the three-year timeline and evidence that an agency is using an approved disposition algorithm to supplement their inventory risk assessment and to make informed and effective management decisions to either dispose, transfer, repair, improve or construct assets to meet agency mission and objectives.

Articulation of timely and accurate completion of deliverables that produce measurable results consistent with Agency goals and objectives is critical for meeting this objective. This is where the agency can take stock of its accomplishments and demonstrate how those accomplishments furthered the Agency's mission and objectives through rightsizing its Federal real property portfolio. Not all projects/initiatives have to be completed prior to meeting this standard; however, clear results must be demonstrated.

Example: Agency X provides evidence that the portfolio condition has improved consistent with the targets and goals outlined in the AMP, three-year timeline and other agency plans. The improvement is the direct result of improved daily decision making at all levels within the organization based upon utilization of appropriate inventory and performance measure data.

Maintaining Green (Monitoring Progress and Results)

Once OMB agrees that an agency has met all of the green standards, OMB will continue to monitor agency progress and results through the PMA (e.g., deliverables identified in the Three-year Timeline, Proud-to-Be milestones, quarterly scorecards, etc.). OMB will use an agency's measure(s) of success as the primary indicator(s) that efforts are progressing according to plan. Agencies will periodically report how well they are performing relative to the objectives in their AMP and Three-year timeline. OMB will monitor any actions and milestones needed to put the green initiatives into effect (e.g., implementing a new system) as well as periodic reporting of results against targets and goals (i.e., results are being achieved). OMB will also work with agencies on any qualitative assessment needed to gauge progress. For example, if an agency fails to meet a quantitative goal, it may be able to demonstrate, to the satisfaction of OMB, how it used the real property performance information to identify a problem so that performance can improve in subsequent periods. In summary, progress and success are measured by the results an agency achieves in improving performance in key areas of operations.

Once agencies have steadily progressed to the point of making real change to their inventories, the potential for loss of momentum is great without clear direction to move forward. This is, therefore, a good time for reviewing the overall asset management process and determining strategies for improving future applications.

The next steps for agencies to maintain Green in the Federal Real Property Asset Management initiative are to continually review and update their Asset Management Plans, Three-year Rolling Timelines, Performance Measures and metrics, and analyses and reports for agency leadership; to continue to search for new and innovative, cost-saving methods to improve real property management; to review the associated needs through frequent customer interaction and employee feedback to design a cost efficient inventory; to review the costs of portfolio management and implement cost-saving initiatives to aid in reducing costs or maximizing asset performance; and to assist the Federal real property initiative by sharing agency successes (and failures) within the Federal real property community, to learn from each other and avoid potential duplication of errors that other agencies may have already experienced.

This process includes taking hard looks at resource needs, forecasting future needs to meet evolving program requirements and/or customer feedback, and analyzing financial benefits and expenditures to determine the return on investment for the Agency's asset management program. With the provision of detailed and accurate information outlined above to get to Green, agency leadership should be able to make well-informed decisions about resource needs and fully understand the financial implications involved with real property management.

Agency leadership may need to review what needs are pressing for the future and/or what projects may have to be delayed or completed incrementally due to fiscal constraints. They may need to analyze customer feedback to ensure their utilization of resources is meeting customer needs. They may need to review new requirements and update policies and procedures to meet new compliance standards. Results will then need to be correlated back to the asset management process to recalibrate, as necessary, to meet the Agency's mission and objectives. Of course this is an evolving process, but an important one for ensuring that real property is rightsized and rightmanaged. The identification and implementation of strategies to reach the goals in addressing these needs will be an integral part of revisions/expansions to the AMP and the Three-year timeline.

Conclusion

Cost effective management of Federal resources such as real property is one of the prime elements of good Government stewardship. Every part is integral to the whole, and each asset combines to make up the Federal Real Property portfolio. Agencies' combined individual efforts will conclude with a rightsized and rightmanaged Federal real property inventory. Continual education, sharing of best practices and coordinated communication are, therefore, necessary for ensuring future success. This is the charge set before the Federal community.