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GSA

#SGP17

Building a Strategic Government Portfolio

Strategic and Tactical Approaches to
Manage Complex Portfolios

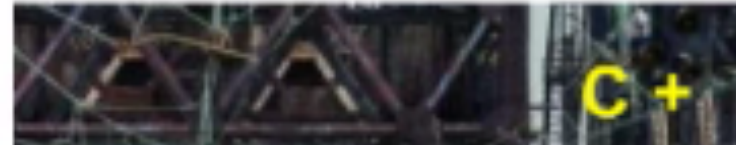
Tell me something we don't already know...

The American Society of Civil Engineers (ASCE) gives the infrastructure of the United States an overall D grade and estimates it will cost \$2.2 trillion to fix.



AMERICA'S
G . P . A . **D+**

ESTIMATED INVESTMENT
NEEDED BY 2020:
\$3.6 TRILLION



Asset Concerns / Issues

- Assets are getting older
 - Average age – over 40 + years – unfit or high cost to provide service
 - Much higher in Govt. – DoD, NASA, etc..
 - Commercial / industry facing similar challenges
 - Difficult to maintain and operate safely
 - Spares – parts are no longer available
 - Equipment designed back in 50's-60's-70's don't meet newer regulations for safer operations
 - Aging workforce (human assets) leaving the job market causing "knowledge" gap to take care of aging equipment
 - Lack of sufficient funding to upgrade – to make them safer and productively operate.

We're all saying the same thing....

Conclusion

- Assets are aging .. Average 40 + years old, passed beyond its design life and their condition continue to deteriorate or obsolescence causing unsafe or very costly to operate and maintain
- Challenges in maintaining “Right Skilled” workforce to work on aging assets
- Develop and implement an Asset Life Extension Plan
 - Use ISO 55000 Standard - Asset Management process
- Ensure we have a good maintenance plan in the interim
- Design new assets with “smart- intelligent” features

We face the same challenges

- Aging infrastructure
- Budget shortfalls
- Evaluating the Federal buildings
- Transparency

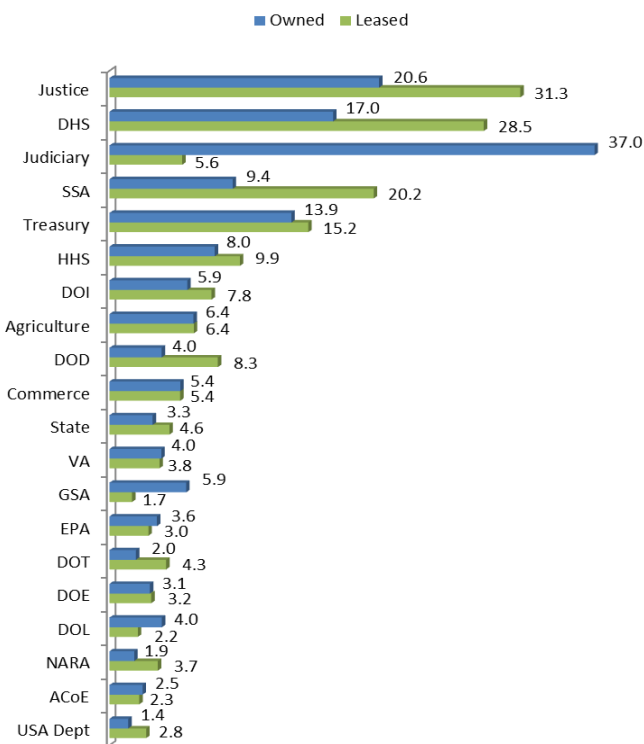
And we're going to tell you about 'em....



GSA PBS Statistics

- 1,617 owned buildings in entire portfolio
- Approximately 370.6 million rentable square feet of space
- Property types include office, courthouse, warehouse, LPOE, lab, parking, etc.
- Building inventory averages approximately 47 years of age

Top 20 Customers by Total RSF
(in millions)

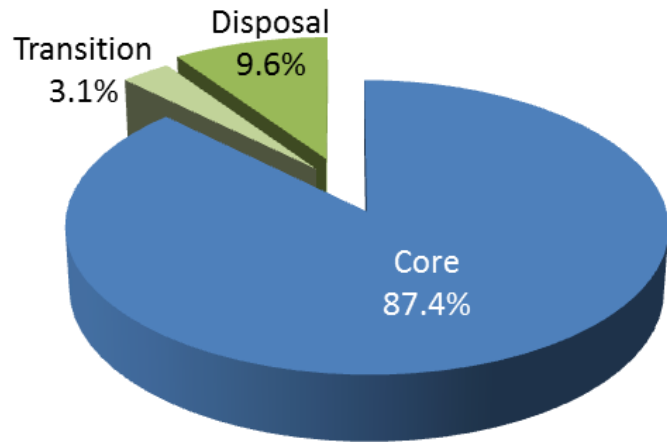


Top 15 Key Markets by Total RSF

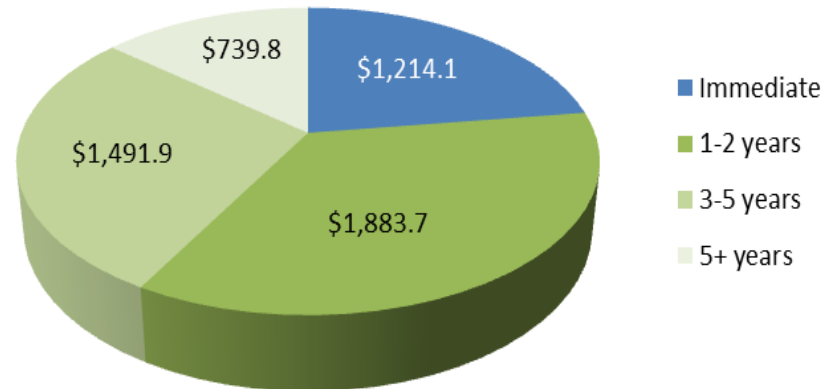
Metropolitan Statistical Areas (MSAs)	RSF (in millions)		# of Assets	
	Owned	Leased	Owned	Leased
	Washington-Arlington-Alexandria, DC-VA-MD-WV	45.65	52.24	213
New York-Newark-Jersey City, NY-NJ-PA	10.19	5.81	22	204
Kansas City, MO-KS	2.60	8.53	7	70
Denver-Aurora-Lakewood, CO	5.57	3.43	46	71
Chicago-Naperville-Elgin, IL-IN-WI	5.77	3.22	23	125
Atlanta-Sandy Springs-Roswell, GA	4.99	3.95	13	90
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	3.60	5.29	11	108
Los Angeles-Long Beach-Anaheim, CA	5.49	3.28	16	148
Baltimore-Columbia-Towson, MD	5.00	3.36	18	73
Dallas-Fort Worth-Arlington, TX	3.63	3.79	28	93
San Francisco-Oakland-Hayward, CA	5.00	1.97	28	83
Seattle-Tacoma-Bellevue, WA	3.21	2.81	27	72
St. Louis, MO-IL	4.22	1.34	29	46
Miami-Fort Lauderdale-West Palm Beach, FL	2.13	2.89	10	120
Boston-Cambridge-Newton, MA-NH	3.61	1.28	10	70
Top 15 Total	110.6	103.2	501.0	1,858.0

What do we need to get done

Inventory Segmentation
(% of Assets)



Reinvestment Needs
(\$ in millions)



GSA PBS is funded below actual reinvestment needs; these come from the Building Assessment Tool (BAT) which is a 38 question survey, capturing building conditions at high levels, and resulted out of a need to report on our federal inventory. Entire GSA PBS portfolio is surveyed every 2 years (1/2 each year).

BAT is used to report externally on overall liabilities to OMB, FASAB, assess inventory FCI, etc.

Executive Order (EO) 13327 is the EO that created the Federal Real Property Council (FRPC) and required all federal property holding agencies/departments to be aware of facility conditions and report annually



What should we be doing

The Building Research Board of the National Research Council (NRC) has recommended an annual expenditure of between 2% and 4% of an inventory's replacement value for capital reinvestment to cover both regular and preventive maintenance, as well as repairs and replacements to building systems and components. This calculation does not take space alterations into account, which are funded by BA54.

**National Research Council
Recommended R&A Capital Investment**

Inventory Replacement Value	\$83.5b
2% of Replacement Value	\$1.67b
4% of Replacement Value	\$3.34b
GSA's 10 Year Average Funding (FY06-16 BA54+BA55 R&A)	\$625m



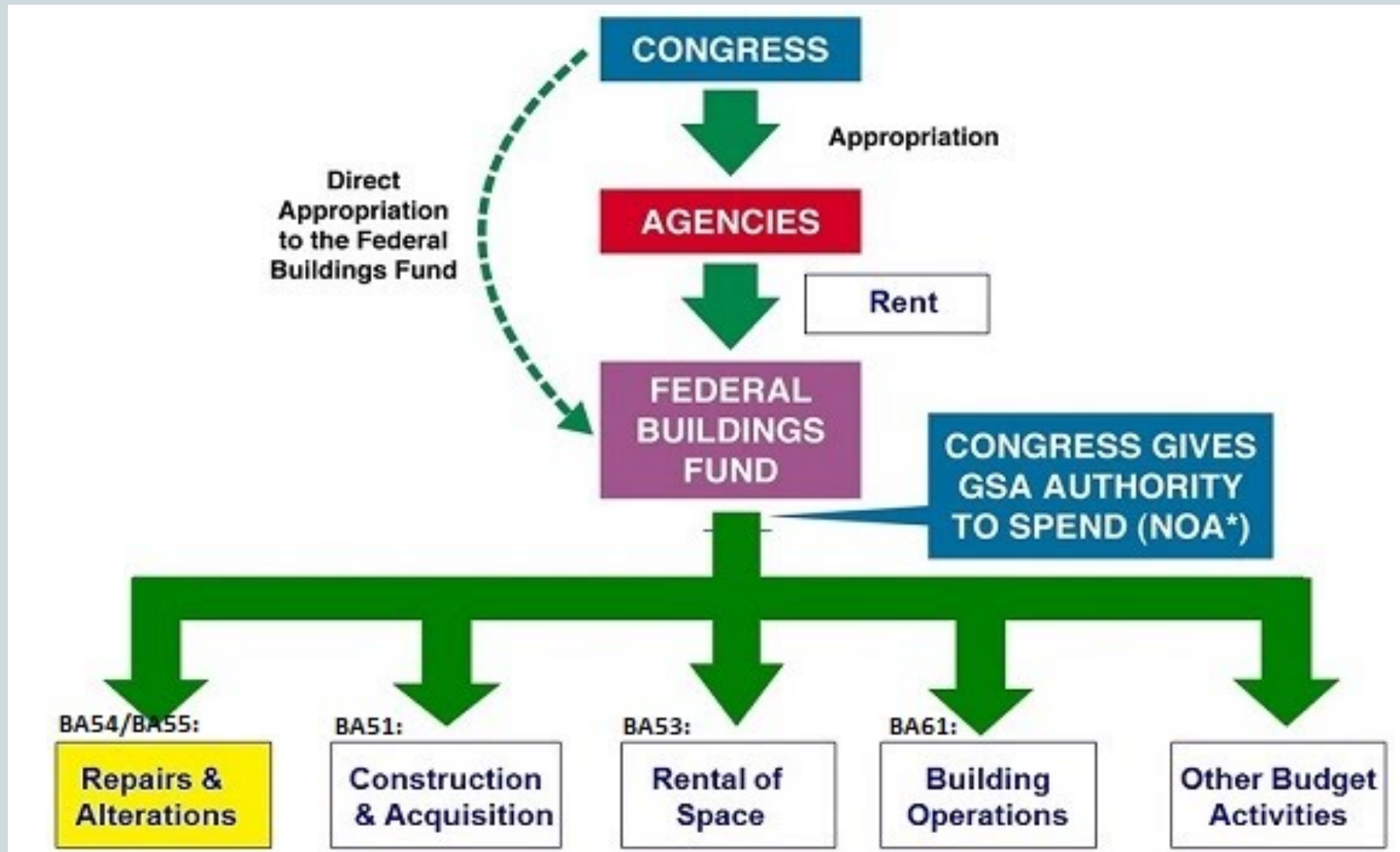
What we budget for & how do we figure it out

Program Area		Identification	Selection Criteria
New Construction LPOE		Customs and Border Protection (CBP) Five Year Plan	CBP Priority, On-going project, Next phase
New Construction Judiciary		Judiciary Five Year Plan	Judiciary Priority, On-going project, Next phase
New Construction Other		Customer, Directive, Remediation, Acquisition	Priority, MOA's, Lease Cost Avoidance, Administration, Consolidation
Minor R&A		Historical Funding Levels	Decision Lens
Special Emphasis			
	Energy and Water	Energy Conservation Measures	Positive ROIs, Paybacks, Carbon saved per Investment
	Consolidation	Customer, Regions	Vacant space recapture, lease cost avoidance, CPPs
	Fire and Life Safety	Regions, Studies	Risk reduction, Compliance orders
	Judicial Court Security	Courts, Studies	Risk reduction, security improvements
Major R&A	Design Construction	LPPs, Regions, Studies, Customer, Inventory Evaluation	Decision Lens, HQ Quality Control

Capital Investment Program Statistics

- Considered 66 projects that were vetted down to 37
- Over \$4.2B in needs
- Project Types
 - New Construction
 - LPOE NC - 1
 - Courts NC - 0
 - NC Other - 2
 - Purchase - 2
 - Phased Construction - 1
 - Remediation – 1
 - Repair and Alteration
 - Space Renovation/Consolidation – 3
 - Systems Upgrades – 12
 - Phased Construction – 3
 - Exterior/Structural Repairs – 10
 - Design – 2
 - Communities Affected - 26

Our Inventory Sustains Our Operations

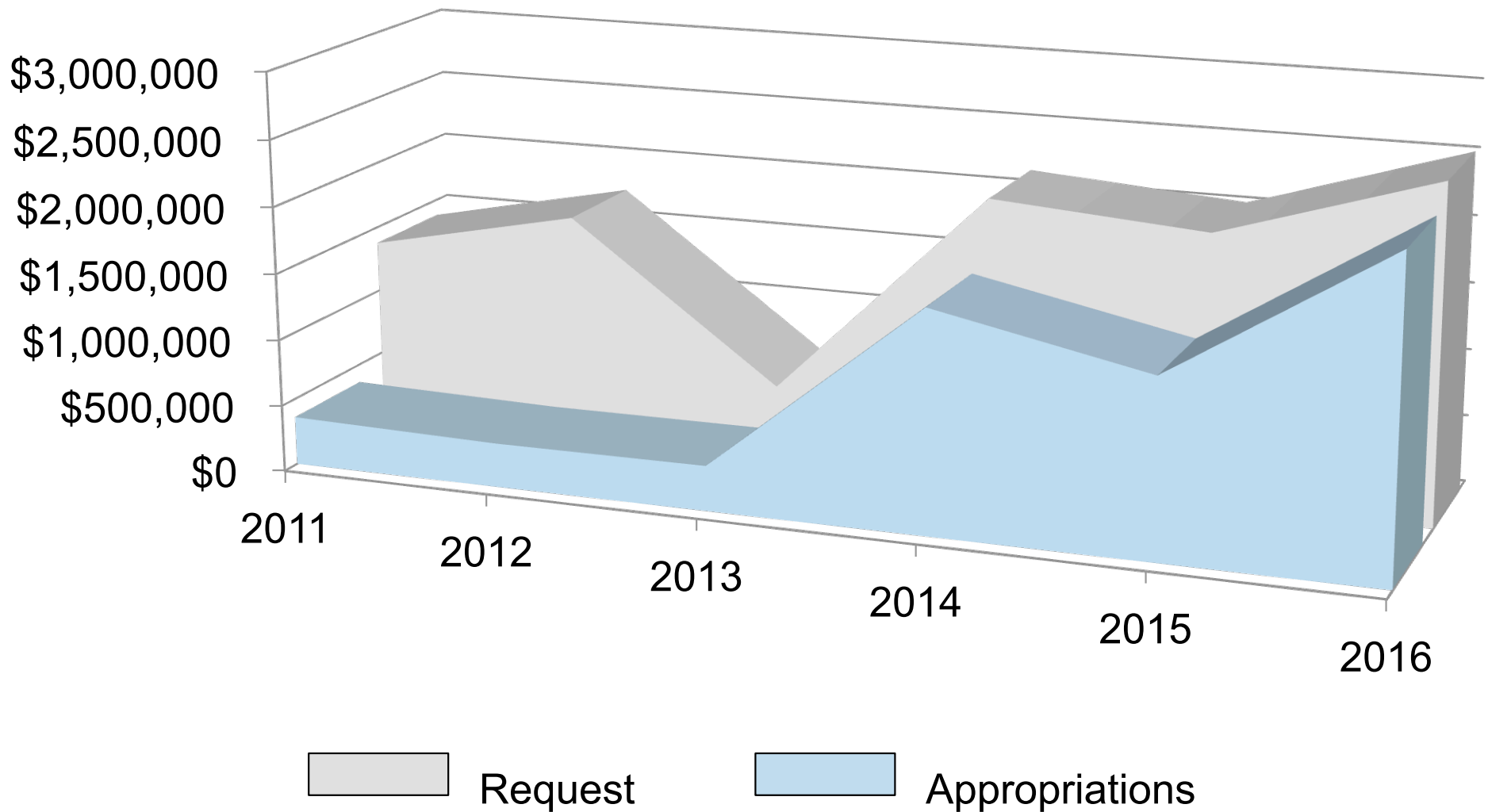


More budget activities at <https://insite.cfo.gsa.gov/4240/ba/budgetact192.htm>



You can't always get what you want...

Request vs. Appropriation





What our Stakeholders are saying....

The Government Accountability Office has recommended that GSA takes the following two actions:

- Document in its annual budget request to OMB how GSA uses its ranking and prioritization criteria to generate its annual and 5 year lists of prioritized projects to ensure that Congress understands the rationale behind prioritized project lists and that GSA is maximizing return on FBF investments.
- Develop and publish a comprehensive five-year capital plan and include a summary of it annually in its budget request to OMB and Congress to help ensure that long-term goals are fully considered when making decisions and to document how GSA would spend needed FBF funds.

Decision Lens enabled PBS to

- establish a common set of criteria for evaluating their project portfolio,
- collaborate towards a better allocation of organizational resources in support of business objectives.

The outcome is a prioritization tool that provides an

- improved, repeatable, reliable process for visualizing investment priorities and trade-offs at a national, regional, and lifecycle level.



What do we need to consider

- Origin of Project
- Timing of Submission
- Alternatives Considered
- Tier/Inventory Segment
- Vacancy – Current/Proposed
- UR – Current/Proposed
- Alternative Work Arrangements
- FMV/FRV
- Customer Needs/Plans
- Scope/Targets for Improvement
- Source of Scope
- Impacts of Outside Stakeholders
- Project Drivers/Benefits
- LCA
- Market Information
- Payback
- What happens if not funded
- Schedule
- Procurement Strategy
- Delivery Method
- Staffing
- Compliance Issues
- Compliance Issues
- Environmental/Hazardous
- Accessibility
- Risks
- Mitigations
- Climate Change/Sustainability
- Urban Planning
- O&M Considerations
- Required Swing
- Tie in with other projects



Criteria Developed

FY2018 Capital Investment Plan - Major R&A			FY2018 Capital Investment Plan - New Construction		
Asset Condition	Project Timeframe Urgency		Project Drivers	Agency priority	
	Facility Condition Index			Legislative direction	
	Length of Time in System			Existing Master Plan	
Building Code and Special Considerations	Code Compliance		Project urgency	Length of time project has been planned	
	Fire and Life Safety Improvement			Condition of facility(s) replacing	
	Seismic Standard Improvement			Building security deficiencies	
	Hazardous Materials Abatement			Building system deficiencies	
	ABAAS Improvement			Building space deficiencies	
	Historic Status			Condition of existing housing status	
Asset Performance	Sustainability Improvements		Existing Housing Status		
	Asset Tier		Re-use of existing facilities		
	Holding Period		Funds Received to Date		
Portfolio Strategy	Utilization Rate		Program Initiatives	Sustainability Goals	
	Space Recapture			Community Planning/Investments	
				Improve utilization	
Customer Considerations	Consolidation		Economic Considerations	Lease cost avoidance	
	Customer Priority			Payback	
Building/Project Financials	Lease cost avoidance		Return on Investment (ROI)		
	Payback Period				
	Return on Investment (ROI)				
	Market factors				
	Project Phase				



BA55 Decision Lens Criteria & Weights Summary

Decision Goal: Allocation of Resources for the FY 2017 Capital Investment Program - Major Repairs and Alterations		
Criterion	Weight	Definition
Asset Condition	25.3%	This criterion is used to capture the importance of the asset's condition using project timeframe urgency, length of time planned and FCI when determining a project's ranking in GSA's annual Capital Plan.
Building/Project Financials	18.7%	This criterion is used to capture the importance of project specific factors including project phase, Return on Investment, Lease Cost Avoidance, payback period and market factors when determining a project's ranking in GSA's annual Capital Plan.
Portfolio Strategy	17.7%	This criterion is used to capture the importance and role that portfolio strategy, including space recapture and utilization rate improvement has when determining a project's importance or ranking in GSA's annual Capital Plan.
Building Code and Special Considerations	15.9%	This criterion is used to capture the importance of laws and regulations, including fire and life-safety, seismic, ABAAS, Historic Preservation and Sustainability when determining a project's ranking in GSA's annual Capital Plan.
Asset Performance	12.8%	This criterion is used to capture the importance of the asset's performance including Holding Period and Tiering when determining a project's ranking in GSA's annual Capital Plan.
Customer Considerations	9.6%	This criterion is used to capture the importance of customer consolidations and identified priorities when determining a project's ranking in GSA's annual Capital Plan.



FY 2017 Capital Investment and Leasing Program New Construction Decision Lens Criterion

Decision Lens New Construction Criterion/Weights Summary

Decision Goal: Allocation of Resources for the FY 2017 Capital Investment Program - New Construction		
Criterion	Weight	Definition
Project Urgency	33.7%	This criterion is used to assess the urgency of the proposed project's schedule. Does the project require immediate funding as part of this proposed budget cycle?
Project Drivers	33.5%	This criterion is used to assess the primary driver of the proposed new construction alternative.
Economic Considerations	20.4%	This criterion is used to assess the financial/economic indicators of the proposed new construction project.
Program Initiatives	12.3%	This criterion is used to capture the contribution the proposed new construction project has on PBS's goals for savings and efficiency.

- \$'s hard to come by....need DL to help us accurately prioritize for scarce appropriations:
 - Five Year Capital Investment Plan
 - Asset Repositioning Tool (ART)

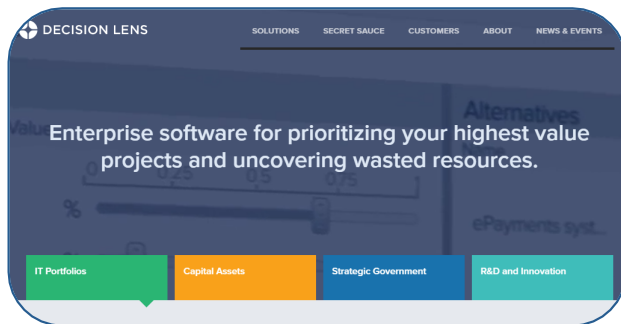


We're almost there.....

Promotes	What's working and what's not so much.....
Transparency	<ul style="list-style-type: none">+ Ability to review how we voted and drive discussion on the differences in how we understood the definitions of each subject.+ Objective, transparent, corporate approach+ Repeatable process- Working with budget and last minute changes outside of the tool- Explaining the process to outside stakeholders- Art vs Science
Prioritization	<ul style="list-style-type: none">+ Drove broader conversation with leadership+ Provided a baseline map of decisions- Many alternatives to analyze- Incomplete alternative definitions
Partnering	<ul style="list-style-type: none">+ Facilitates communication amongst business lines+ All concerns identified and voted on- Labor intensive- Needed more engagement/education on tool/process

Thank You!

For More Information on Portfolio Prioritization



Engage with Decision Lens
decisionlens.com



Check Out the Demo
Videos on YouTube
youtube.com/DecisionLens

