

# Strategies to Renew Federal Facilities

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## Strategies to Renew Federal Facilities

National Academies of Sciences, Engineering, and Medicine. 2023.  
*Strategies to Renew Federal Facilities*. Washington, DC:  
The National Academies Press. <https://doi.org/10.17226/26806>.

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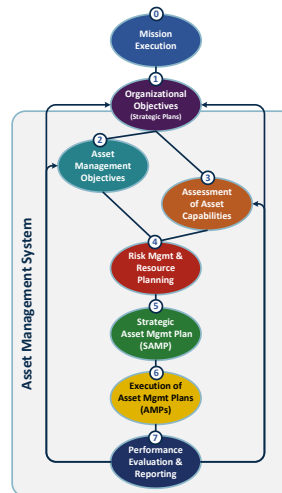
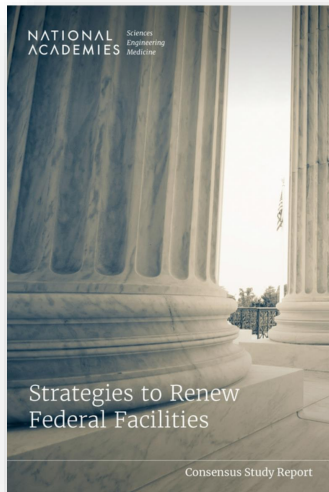
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Managing Partner, Asset Management Partnership LLC

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## Report's Genesis and Authority

- Executed under the charter of the **National Academies of Sciences, Engineering, and Medicine**
  - Provides independent, objective advice to inform policy with evidence, spark progress and innovation, and confront challenging issues for the benefit of society.
- Overseen by the **Board on Infrastructure and the Constructed Environment (BICE)**
  - Advises the US Government's executive and legislative branches, other governmental and private sector organizations, and the general public on questions of technology, science, and public policy.
- Initiated by the **Federal Facilities Council (FFC)**
  - A cooperative association of federal agencies with the mission of identifying and advancing technologies, processes and management practices that improve the management, operations and evaluation of federal facilities throughout life cycle.

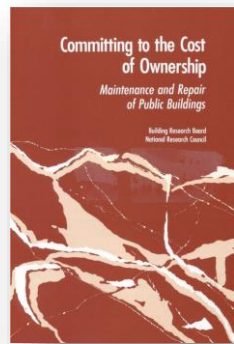
# Long Line of NASEM Studies on Facility Asset Management

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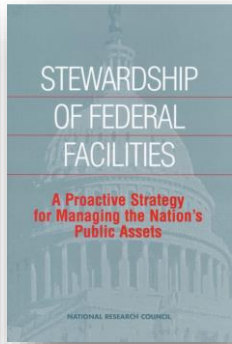


**NASEM studies focus on how to make better investment business cases for facilities.**

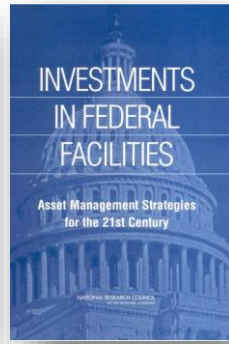
**Each report made major contributions to the body of knowledge...**



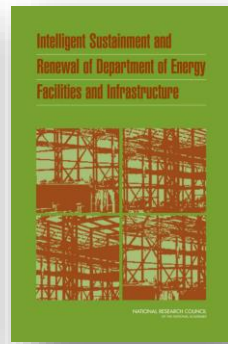
1990



1998



2004



2008



2008



2012



2019



2023



2023

1990 – 2-4% PRV Maintenance Target

2004 – EO 13327 and Federal Real Property Council

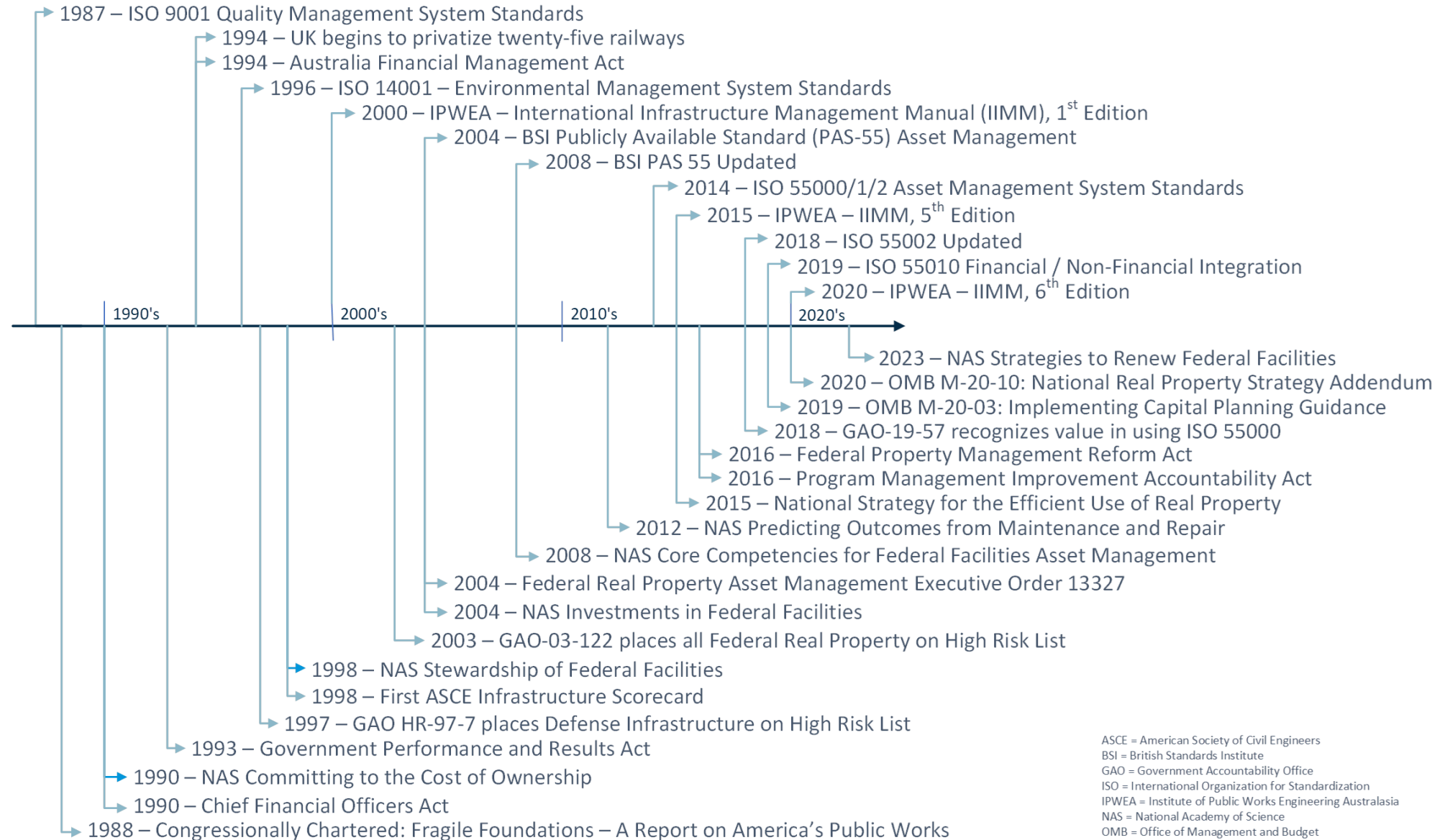
2008 – Weibel Analysis for Degradation Models

2013 – DoD/OSD BUILDER Policy Memo

***Strategies to Renew Federal Facilities*** recommended the most ambitious level of change. The other reports made recommendations to improve policy, strategy, and business processes. ***Strategies*** made recommendations on how-to improved the management system used to manage assets.

## Significant Milestones in the Evolution of Facility Asset Management in the US Federal Sector

### International Milestones



ASCE = American Society of Civil Engineers  
 BSI = British Standards Institute  
 GAO = Government Accountability Office  
 ISO = International Organization for Standardization  
 IPWEA = Institute of Public Works Engineering Australasia  
 NAS = National Academy of Science  
 OMB = Office of Management and Budget  
 UK = United Kingdom

### US Milestones



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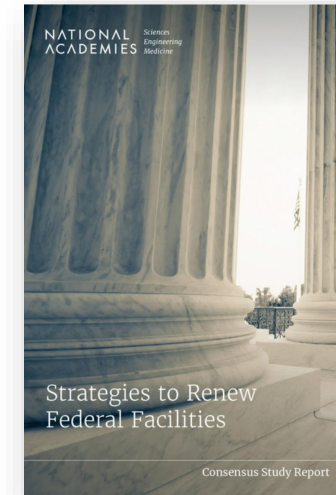


## Problem to be solved:

- Persistence of problems detailed in earlier NASEM studies
- Continued chronic underfunding of facility requirements
- Large and growing deferred maintenance backlogs
- Estimated 1/3<sup>rd</sup> of Federal Facility portfolio is excess or poorly aligned with mission needs

## Federal Facilities Council – Statement of Task:

- Develop broad-based, practical strategies to renew Federal facilities
- Define “how-to” renew facility portfolios and not “what to do”
- Solution to include feedback and communication strategies
- Ultimate objective, define how to present a mission-driven strategy to reinvest in Federally owned facility portfolio
- Fit solution into current policy and legislative context



**“The problem with [deferred maintenance] is that it is a lagging performance indicator that does not fully account for an agency’s real property renewal requirements.”**

# Putting Strategies' Recommendations in Context



## Strategies moved the Facilities Asset Management Goal Post.

To understand how Strategies moved the Goal Post, you need to understand the difference between “Asset Management” and “Managing Assets” perspectives.

### Asset Management

- Manages value generated by and through assets
- Focuses on risk-informed decision making
- Cost-Benefit Analysis (e.g. why you do something, ROI)
- Apex performance metric - Sustaining Mission Achievement
- Primary stakeholders – Executives, Stakeholders & Operators

### Managing Assets

- Manages asset across life cycle phases
- Focuses on work execution
- Cost-Effectiveness Analysis (e.g. how well you do something)
- Apex performance metrics – Asset and cost performance
- Primary stakeholders – Occupants & A/E/C/FM Professionals



More info at ISO Technical Committee 251 article:

*“Managing Assets in the Context of Asset Management”*

Free download at:

<https://committee.iso.org/sites/tc251/home/news/content-left-area/news-and-updates/new-article-managing-assets-in-t.html>

Both perspectives are needed, but current policy and practice is dominated by the “Managing Assets” perspective.

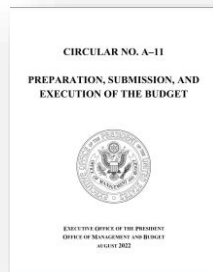
Therefore, *Strategies'* recommendations focused on introducing and improving Federal agency “Asset Management” capabilities to better achieve mission and organizational objectives.

# Strategies to Renew Federal Facilities

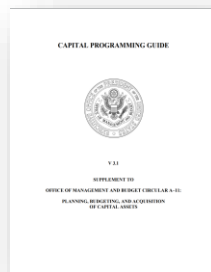


## The Committee's basic realization – US Federal policy has limitations...

- **Finding 3-2:** OMB policy, notably OMB Circulars A-11 and A-123, do not provide sufficient guidance on how to implement and exercise facility asset management systems capable of generating federal facility renewal strategies detailed in this report



**Circular A-11**  
Preparation,  
Submission, and  
Execution of the Budget



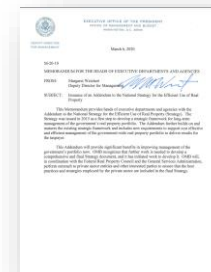
**Circular A-11**  
Supplement, Capital  
Programming Guide



**Circular A-123**  
Management's Responsibilities  
for Enterprise Risk Management  
and Internal Control



**Memo M-20-03**  
Implementation of Real  
Property Capital  
Planning



**Memo M-20-10**  
Issuance of an Addendum to  
the National Strategy for the  
Efficient Use of Real Property



**Memo M-22-14 – FY 2024**  
Agency-wide Capital Planning  
to Support the Future of Work

**Federal agencies know how to effectively and efficiently manage investments in facilities but current policy limits their ability to do so.**

# Strategies to Renew Federal Facilities



## Recommendations – “how to” implement an asset management approach:

### 1. Implement a Federal Facility Asset Management System

- Comprehensive, principle-based asset management iaw ISO 55000 Asset Management System standards
- Clarify SRPO responsibilities for risk-based decision making in Circular A-136 – Financial Reporting Requirements
- Fix OMB Circular A-11, Section 83 – Object Classification (i.e. to support asset-based financial accounting)

### 2. Implement a Real Property Capital Plan (iaw OMB M-20-03 & M-22-14)

- Require the Agency’s Real Property Capital Plan be used to justify the Budget iaw OMB A-11 Capital Programming Guide
- Use the Real Property Capital Plan to reconcile and risk-inform agency objectives, budget, and facility programs

### 3. Update the National Strategy for Efficient Use of Real Property (iaw OMB M-20-10)

- Link and coordinate agency Real Property Capital Plans with National Strategy for the Efficient Use of Real Property

### 4. Improve Federal Facility Models, Data, and Measures

- Improve renewal cost estimates and reporting through better forecast models and analysis

### 5. Implement Federal Facility Renewal Budgeting Strategies

- Improve budget authorities to include working capital funds, revolving funds, and public-private ventures to accelerate value generation through execution of Real Property Capital Plans

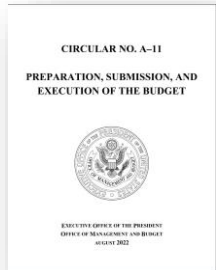


# Strategies to Renew Federal Facilities

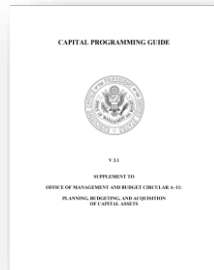


## The Committee's decision – A bold, new approach is needed

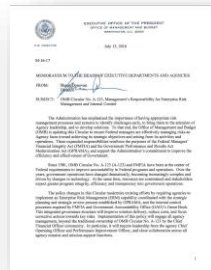
- Channeling Albert Einstein – *Sometimes we cannot solve our problems with the same thinking we used when we created them.*
- Influential sources to this new approach:



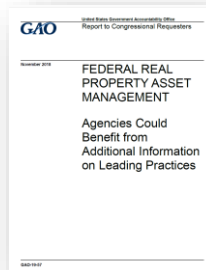
**Circular A-11**  
Preparation,  
Submission, and  
Execution of the Budget



**Circular A-11**  
Supplement, Capital  
Programming Guide



**Circular A-123**  
Management's Responsibilities  
for Enterprise Risk Management  
and Internal Control



**GAO-19-57**  
Federal Real Property  
Asset Management



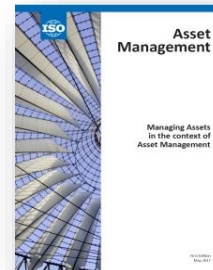
**GAO-14-704G**  
**Green Book**  
Internal Control  
in the Federal Government



**ISO 55000**  
Asset Management System  
Standards



**ISO 31000**  
Risk Management  
Guidelines



**ISO TC 251**  
Managing Assets  
in the Context of  
Asset Management

**On the tactical level what is needed is in current policies.  
The bold and new approach applies to governance and the strategic level.**

**Facility resource and investment decision making needs to expand  
to include asset management-based approaches.**

# Strategies to Renew Federal Facilities



## Key Takeaways – Policy Improvements & Principles for Implementation

### Policy improvement opportunities:

- OMB A-11 – Budget & Execution
  - Fix Federal accounting structure in Section 83 – Object Classification – needs to support asset-based accounting
  - Integrate requirements of OMB A-123 and Objective-based performance analysis and reporting, as part of RPCP
  - **Capital Programming Guide needs to be updated to cover facility asset portfolio management & renewal strategies**
- OMB A-123 – Enterprise Risk Management
  - Establish working methods and strategies to clarify enterprise risk management of agency's entire real property portfolio through integration of life cycle management activities.
- OMB A-136 – Financial Statements
  - Strengthen role of Real Property Capital Plan, iaw Strategies' recommendations, as a part of CFO reporting, i.e. inventory requirements and budget justification.

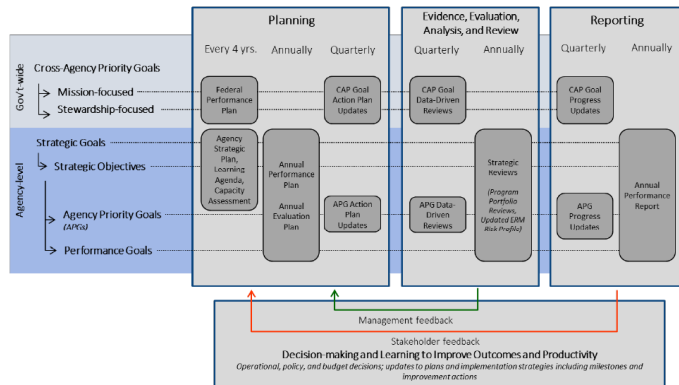
### *Strategies'* 11 Facility Asset Management Principles

- Data Integrity
- Whole Life-Cycle Cost Analysis
- Portfolio Management
- Accounting Transparency
- Mission Alignment
- Facility Performance
- Decision-Making Alignment & Accountability
- Operational Readiness
- Performance-Budget Integration
- Balance Sheet Analysis
- Facility Asset Management System Maturity

# Strategies to Renew Federal Facilities

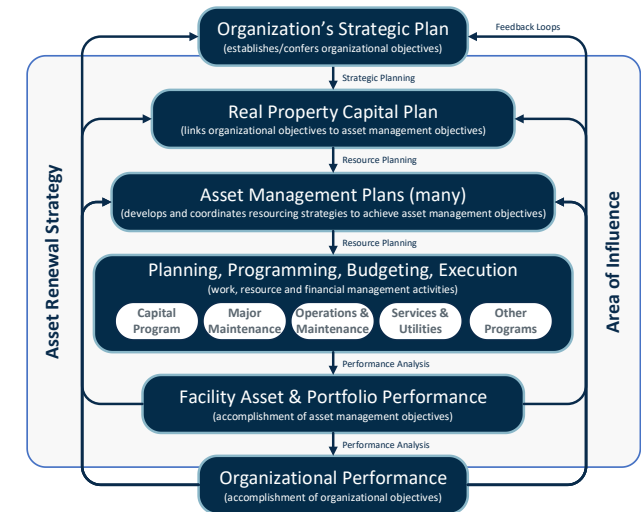


## Key Takeaways – Strategies defines a policy to achieve objectives...



**OMB Circular A-11's Performance Management Cycle** contains governance and guidance on the use of objectives for performance management that is implemented through OMB Circular A-123 – Enterprise Risk Mgmt

**Strategies'**  
**Facility Asset Management System Framework** provides a universal framework for making resource and investment decisions through mission-oriented objectives.



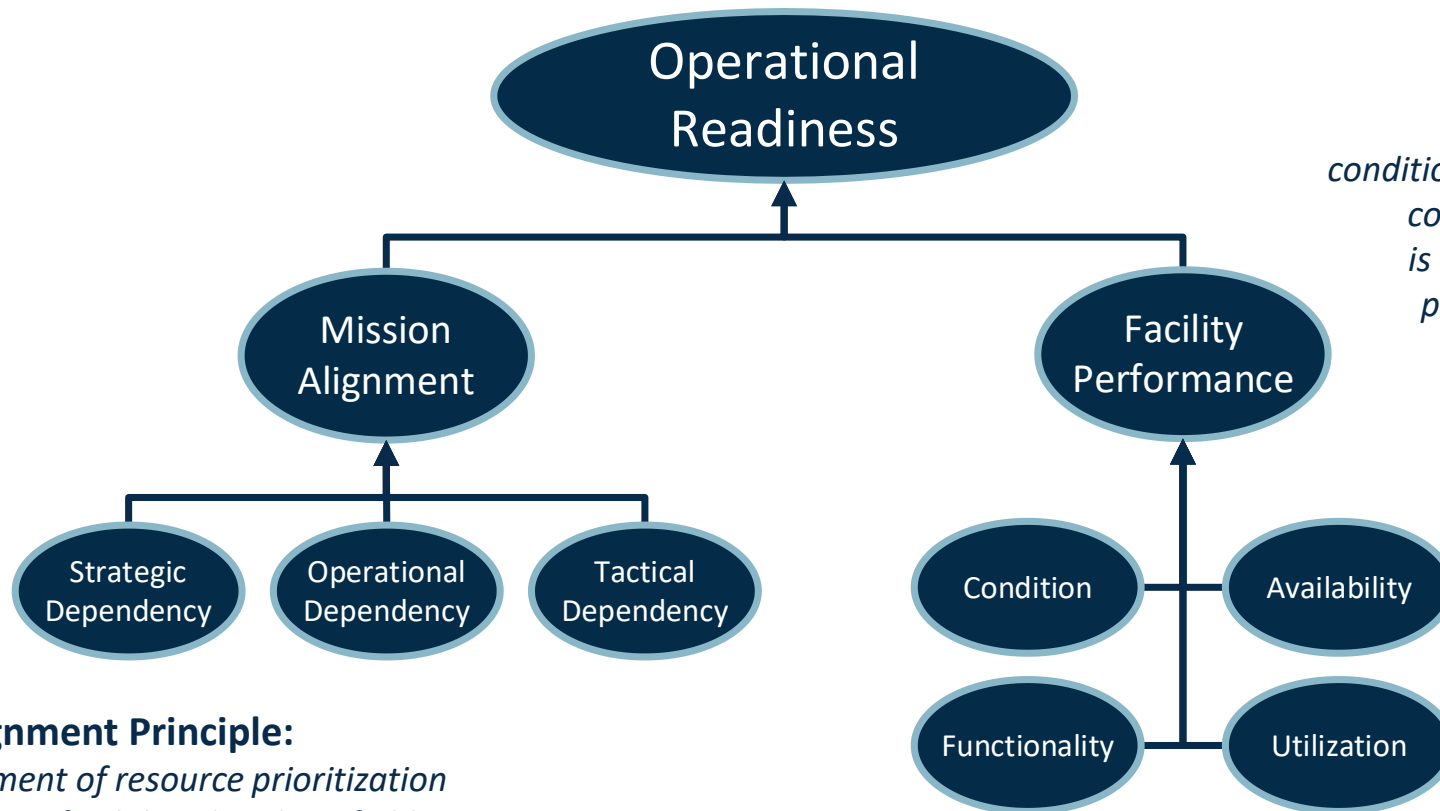
**Strategies'**  
**Facility Asset Management System Line-of-Sight** integrates Facility Asset Management System resource and investment decision making across the Agency.

“The committee’s definition of a *federal facility renewal strategy* is a policy, not simply a vision, that embraces a plan of action for an agency’s real property.”

# Asset Management Implementation Principles



**Operational Readiness Principle:** *The relationship between agency operational readiness and the levels of facility operational readiness delivered by federal facility renewal strategies must be balanced across a range of relevant investment horizons and resourcing strategies.*



**Facility Performance Principle:**  
*Knowledge of each facility asset's condition, functionality, availability, and utilization compared with agency-established standards is required to understand the capabilities and performance of facility assets and portfolios.*

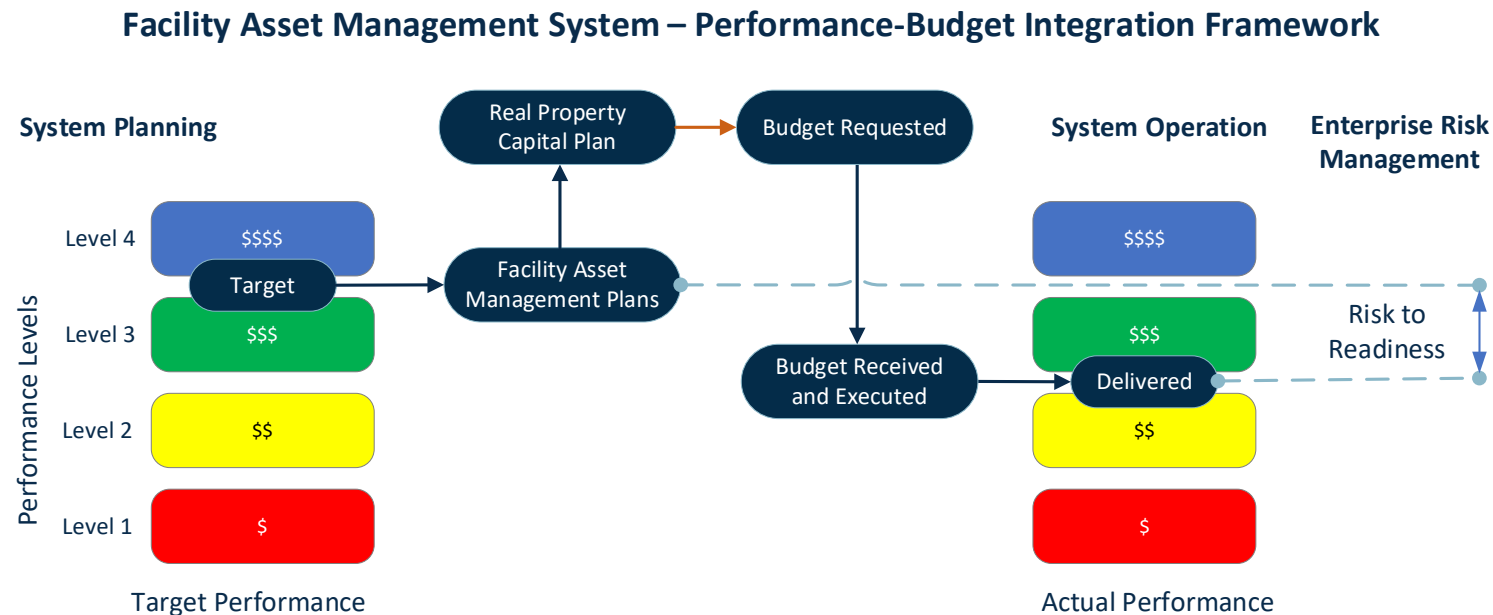
## Mission Alignment Principle:

*Mission alignment of resource prioritization requires the use of validated and verifiable metrics to link the relative importance of individual facility assets to agency missions and stakeholder performance expectations.*

# Asset Management Implementation Principles



**Decision-Making Alignment and Accountably Principle:** *Facility asset management system decision making must integrate and reconcile objectives, resources, and performance management activities to promote stakeholder confidence in them.*



Graphic Source: U.S. Army Corps of Engineers, 2012, Project Maintenance Management Development Guidelines, Washington, DC

**Performance-Budget Integration Principle:** *Investment decision-making frameworks must evaluate planned versus actual performance in a way that can simultaneously measure a performance gap (e.g., a requirement) and the means to remedy the gap related to budget development.*



# Strategies to Renew Federal Facilities



## Key Takeaways – Actions...

### Federal Agencies

- Not your fault, your authority is limited to what Federal policy will allow you to do.
- In either case you must change how investment decision making is done
- Starts with developing asset management awareness and competencies (iaw ISO 55000)

### Office of Management & Budget

- US Federal Policy is good, but incomplete
- Current policy can be improved to ensure Federal agencies are able to effectively manage their facility portfolios
- Circulars A-11 & A-123 need to incorporate ISO 55000 principles & requirements

### Government Accountability Office

- Strategies for Facility Renewal require improved Federal policy and “management system thinking”
- Use *Strategies* 11 Facility Asset Management Principles to determine if a Federal agency is competent in managing their facility portfolio

Implementation of *Strategies*’ 5 Recommendations is the “how-to” guidance to implement these takeaways