VA HANDBOOK 0011 Transmittal Sheet August 8, 2011

STRATEGIC CAPITAL INVESTMENT PLANNING PROCESS

- **1. REASON FOR ISSUE:** To provide guidance and procedures on implementing the Department of Veterans Affairs' (VA) corporate capital portfolio strategy the Strategic Capital Investment Planning (SCIP) process.
- **2. SUMMARY OF CONTENTS/MAJOR CHANGES:** This handbook is intended to facilitate the implementation of SCIP across the Administrations and staff offices by providing specific information regarding:
 - a. SCIP Purpose and Goals
 - b. SCIP Components
 - c. SCIP Gaps, Targets and Thresholds
 - d. Governance
 - e. Investment Decision Criteria Development Process
 - f. Action Plan Review Process
 - g. Business Case Review Process
- **3. RESPONSIBLE OFFICE:** The Office of Asset Enterprise Management (044), Office of the Assistant Secretary for Management.
- **4. RELATED DIRECTIVE:** VA Directive 0011, Strategic Capital Investment Planning Process.

5. RESCISSIONS: None

CERTIFIED BY:

BY DIRECTION OF THE SECRETARY

OF VETERANS AFFAIRS:

/s/
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Assistant Secretary for
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Distribution: Electronic Only

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STRATEGIC CAPITAL INVESTMENT PLANNING (SCIP) PROCESS

1. SCIP PURPOSE and GOALS

The annual SCIP process will enable VA to continually adapt to changes in demographics, medical and information technology, and health care delivery, while at the same time incorporating green building technology and other infrastructure enhancements. The SCIP process includes all capital projects (major construction, minor construction, non-recurring maintenance (NRM), and leases) with the exception of information technology non-construction projects. This continually evolving process will allow VA to deliver the highest quality health care, benefits, and memorial services to our Nation's Veterans. Specifically, SCIP aims to:

- a. Improve the quality, access, and cost efficiency of the delivery of VA benefits and services through modern (i.e., newer and/or better conditioned) facilities that match the location of current and future demand.
- b. Adopt a future-oriented view of VA's capital needs within a 10-year planning horizon, which will form the basis of annual budget requests.
- c. Significantly reduce gaps in Access, Space, Workload/Utilization, Safety, Security and other performance gaps within 10 years.
- d. Provide an integrated, comprehensive planning process for capital programs (major construction, minor construction, NRM and leases) across the Department.
- e. Produce a data-driven, rational, and defensible strategic capital plan to support VA's annual capital budget request to OMB and Congress.
- f. Create and execute a 10-year strategic capital plan to close Departmental gaps in infrastructure to support the delivery of benefits and services to Veterans.

2. SCIP COMPONENTS

- a. Developing a strategic capital investment plan using a corporate portfolio approach requires determining where gaps exist (or are projected to be) and developing appropriate solutions to meet them over a 10-year timeframe. The four main components of the SCIP process are:
- (1) Gap Analysis: A gap analysis will be conducted for gaps identified at the Department level, such as access, workload/utilization, space, facility condition, security, and energy. Gap analyses will be completed with VA facility level data where possible and rolled up to the appropriate Veterans Integrated Service Network (VISN), Memorial Service Network (MSN), Region, or Staff Office level. Further

instructions for the gap templates including definitions will be issued in the annual SCIP call memorandum.

- (2) Strategic Capital Assessment (SCA): Based on the gap analysis, the SCA explains how gaps will be reduced, why certain investments are chosen, and how capital investments have been tiered at the VISN, MSN, Region and Staff Office level. SCAs will be developed for each facility, where appropriate, and rolled up to the appropriate VISN, MSN, Region or Staff Office level. Further instructions for completing the SCA will be provided in the annual SCIP call memorandum.
- (3) 10-Year Action Plan: This plan is developed for each VA facility and provides more detail than the Strategic Capital Assessment. Depending on the asset category, new projects and projects from prior years that have been approved for design funding only (at the station and regional levels) are listed for 3, 5, or 10 years to reduce gaps, and for the remaining years, more general resource requirements are provided. Further instructions for action plan reporting will be provided in the annual SCIP call memorandum.
- (4) Business Case: Approved capital investments that are individually identified in the 10-year action plan for the budget year only (including new and design projects from prior years) and meet established thresholds will need to have a business case completed in order to be considered for funding. For example, in order to submit a SCIP 2013 business case for funding consideration, the project must have been submitted as a 2013 project in the action plan. Business cases are a series of questions about the project related to a Department-wide set of decision criteria (see section 5). Business cases are evaluated and prioritized, for the development of the budget process, based on how well the project contributes to the decision criteria. A call memorandum for business cases will be issued annually and will include quidance on thresholds and requirements.
- b. Offices that have projects above established thresholds must submit the four documents above in order to be considered for funding in the budget year. Specific thresholds will be issued in the annual SCIP call memorandum.

3. SCIP GAPS, TARGETS, AND THRESHOLDS

- a. Performance gaps identified at the corporate level are expected to be reduced by a specific percentage over a 10-year period. Gaps and targets will be reviewed and updated each year as necessary and issued in the annual SCIP call memorandum for 10-year action plans.
- b. The action plan gaps used in the SCIP process are listed as follows. Gaps and associated targets are subject to change with the issuance of the annual budget year action plan call memorandum.

SCIP Gaps

- (1) Access
- (2) Utilization
- (3) Workload
- (4) Space
- (5) Condition
- (6) Energy
- (7) Security
- (8) Emergency Preparedness
- c. The SCIP action plan thresholds for listing individual projects and/or lump sum resource requirements in the Projects and Resources section of the 10-year action plan are provided below. Thresholds are subject to change with the issuance of the annual budget year action plan call memorandum.
- (1) Major Construction: All projects for years 1-10
- (2) Minor Construction:
- (a) VHA and NCA All new projects and those that have been approved for design funding in prior years will be listed individually for years 1-5; project resources will be included in the lump sum category for years 6-10.
- (b) VBA, OIT, Staff Office, and all remaining All new projects and those approved for design funding in prior years will be listed individually for years 1-5; project resources will be included in the lump sum category for all projects with a cost of less than \$250,000 for years 6-10.
- (3) Leases:
- (a) All new leases will be listed individually, regardless of cost, for years 1-10. New leases require a new accounting cost code (ACC). Expiring leases in negotiation for renewal will not require new ACC codes.
- (b) VA considers a new lease of real property as one that pertains to real property that VA has never before leased, as well as succeeding or follow-up leases that have expired or will soon expire. Lease extensions, expansions, renewals, or other leases with pre-negotiated options are not considered new leases within the

meaning of Public Law 111-117. Leases with an estimated annual unserviced rent of \$1 million or greater require legislative authorization before an award can be made.

- (4) VHA NRM: All new projects and those that have been approved for design funding in prior years with a cost of \$1 million or greater will be individually listed for years 1-3; project resources will be included in the lump sum category for years 3-10. Station level projects are in the "below threshold and emergent needs" and are factored into the SCIP action plan. VHA NRM projects are submitted in four categories: Sustainment, Infrastructure Improvements, Green Management, and High Priority Clinical Initiatives. Please see annual call memorandum for a definition of each category.
- (5) NCA NRM: Project resources will be included in the lump sum category for years 1-10.
- (6) Enhanced-Use Leases: All projects will be listed individually for years 1-10.
- (7) Enhanced Sharing Agreements (Government purchase/buy or Receipt of in-kind goods/services): All projects will be listed individually for years 1-10.
- (8) Disposals: All will be listed individually for years 1-5.

Thresholds for business case applications and OMB Exhibit 300s are to be issued under the annual SCIP business call memorandum.

4. GOVERNANCE

Final approval of action plans, decision criteria, priority weights, and individual capital projects included in the integrated SCIP priority list serves as the building block of the annual OMB budget request and must be approved through the VA governance process. Approval of the SCIP activities mentioned above begins Administrations and staff office submissions, and with the SCIP Panel and Board recommendations to the Senior Resources Group (SRG)/ Strategic Management Council (SMC). Once SRG/SMC approval is granted, recommendations are then submitted to the VA Executive Board (VAEB). The next and final step is approval by the Secretary.

5. SCIP INVESTMENT DECISION CRITERIA DEVELOPMENT PROCESS

a. Decision criteria are developed annually to address the various priorities of the Department such as safety, security, facility condition, client and customer access, space needs, financial analysis, and alignment to the VA Strategic Plan. The SCIP Board evaluates the decision criteria annually to determine if adjustments are necessary. Priority weights for each criterion are also developed and evaluated by the SCIP Board annually.

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b. This multi-attribute decision methodology, including priority weights, is used to prioritize a comprehensive listing of capital projects which is used to support the annual capital budget request. This methodology facilitates complex decision making by allowing multiple evaluators to consider a number of diverse (quantitative and qualitative) criteria when making a decision.

6. ACTION PLAN REVIEW PROCESS

- a. Each 10-year action plan and SCA goes through a multi-stage validation and review process. At each phase, results are communicated back to the submitter, who is then given the opportunity to revise their submission. The SCIP action plan review process is as follows:
- (1) Initial validation check: Staff reviews action plans for completeness and general compliance with call memorandum requirements.
- (2) SCIP Panel Review: The SCIP Panel reviews submissions for reasonableness, feasibility, inclusion of non-capital solutions, and consistency.
- (3) Subject Matter Expert Team (SMET) Review: SMETs review and evaluate each action plan based on their specialized criteria in the following areas: Demographics, Construction and Leasing Standards, Security, Energy, VA/DoD Collaboration, Research, Information Technology, and Workforce Planning. Other SMETs may be added as deemed appropriate.
- (4) SCIP Board Presentations: Each Administration and VHA VISN presents their 10-year strategic plan to the SCIP Board. The SCIP Board provides feedback and suggestions for improvement. The final approval of action plans and/or action plan framework is accomplished through the VA governance process.

7. BUSINESS CASE REVIEW PROCESS

- a. In order for a project or lease to be included in a budget year request, a business case must be submitted through the SCIP process. Each business case is evaluated using a two-step process. The first step is validation, which ensures that the project is included in the Projects and Resources section of the 10-year action plan for the budget year being developed, is within SCIP goal targets, and meets all guidance and direction in the SCIP business case call memorandum.
- b. The second step is prioritization, which involves the SCIP Panel members if necessary. The SCIP Panel evaluates each project on how well it addresses or contributes to the decision criteria. Ratings for each criterion are entered into decision software that automates the calculations required by the multi-attribute decision methodology. A project's score is a combination of the ratings for each criterion and the priority weights for those criterion, times the number of panel members. The result is a listing of capital projects ranked in priority order. This

prioritized listing of capital projects is then used to formulate the annual capital budget request to OMB, which is granted final approval through the VA governance process.

8. ROLES AND RESPONSIBILITIES

- a. The Office of Asset Enterprise Management (OAEM) will:
- (1) Ensure that the Administrations and applicable staff offices have appropriate representation and participation throughout the SCIP process.
- (2) Develop and issue call memoranda for the action plan and business case applications.
 - (3) Oversee SMETs and other VA staff, as appropriate.
- (4) Assist the SCIP Board in the development of SCIP decision criteria and priority weights for approval by the Secretary, through the VA governance process.
- (5) Issue action plan and business case call memoranda no less than 30 calendar days prior to the Administration and staff office submission deadline.
- (6) Ensure that the annual budget submission is based on the consolidated capital project list and 10-year plan.
- (7) Evaluate the SCIP process annually across the Administrations and staff offices for process improvements, lessons learned and data integrity.
 - (8) Provide SCIP training across the Administrations and staff offices.
- (9) Produce the Department's 10-year action plan and associated Congressional budget submission.
- (10) Ensure that every effort will be made to provide the maximum amount of preparation time within evolving constraints.
- b. The SCIP Panel scores all Major, Minor, Leases and Medical Facilities business cases at established threshold levels. The SCIP Panel is comprised of nine representatives from across VA. Members include one individual from the following organizations Office of Management (Co-Chair), Office of Policy and Planning (Co-Chair), Veterans Health Administration, Veterans Benefits Administration, National Cemetery Administration, Office of Information and Technology, Office of Human Resources and Administration, Office of Security and Preparedness, and Office of Acquisition, Logistics, and Construction. The SCIP Panel may also be assisted by SMETs on issues including Department of Defense collaboration, energy, and research. Other SMETs may be added as the SCIP Board deems appropriate. Panel members

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review the action plans from a VA corporate level perspective, provide support to the SCIP Board, brief the SCIP Board concerning issues and recommendations, and use SMETs to provide additional analysis.

- c. The SCIP Board provides feedback/guidance to the Administrations and staff offices on their SCIP action plans prior to final submission. The SCIP Board is comprised of nine SES-level representatives from across VA. Members include one individual from the following organizations Office of Management (Co Chair), Office of Policy and Planning (Co-Chair), Veterans Health Administration, Veterans Benefits Administration, National Cemetery Administration, Office of Information and Technology, Office of Human Resources and Administration, Office of Security and Preparedness, and Office of Acquisition, Logistics, and Construction. Board members review the action plans from a VA corporate level perspective, recommend action plan approval through the VA governance process, recommend projects from approved action plans to move forward with business case submissions, and present findings and recommendations on a final list of projects through the VA governance process.
- d. Under Secretaries, Assistant Secretaries, and Other Key Officials are responsible for establishing a multi-disciplined Integrated Project Team (IPT) at each facility, network, and region as appropriate. The IPT should include members who have expertise in planning, project (architect, engineer, etc.), program, security, information technology, financial and other technical areas. This team is to help formulate the action plans and business case submissions, as well review and certify all information included in these documents prior to submission to the next level.
- e. The SRG/SMC and VAEB approve SCIP decision criteria, develop criteria priority weights, and approve the final prioritized project listing for budget submission preparation.
- f. Under Secretaries, Assistant Secretaries, and Other Key Officials are responsible for ensuring that all appropriate offices/regions/networks submit the required information in a timely fashion for the annual SCIP process. This includes provision of SCIP updated and/or revised gap data to OAEM by November 15 of each year. Specific and/or modified requirements are included in the annual SCIP action plan call memorandum. Key officials are also responsible for ensuring their appropriate offices/regions/networks adhere to established SCIP policy and guidance and other capital investment planning and reporting requirements. Additionally, the officials are to identify dedicated staff to lead and serve on the SMETs in support of the SCIP Panel and Board. SMETs will assist the SCIP Panel and Board in validating that a VISN, MSN, Region or staff office's action plan approach to closing gaps is both justifiable and executable. SMETs will be needed for the following areas (the gaps and associated targets may be modified in the yearly call memoranda):
 - (1) Demographics: Validate that planning, data, projections, and assumptions are appropriate, given market demographics.

- (2) Construction/Leasing (OALC): Validate that action plans address building and safety standards as well as the extent that the plan is executable.
- (3) IT (OIT): Validate that action plans address OIT requirements.
- (4) Security (Security and Law Enforcement): Validate that action plans address security requirements.
- (5) Energy (OAEM): Validate that action plans address green goals and requirements.
- (6) Workforce (HRA): Validate that action plans are in sync with workforce planning requirements. HRA will coordinate with the appropriate Administration and staff office workforce planning office to ensure continuity throughout the process.
- (7) VA/DoD (VHA DoD Coordination Office): Validate that action plans include sharing and/or collaboration opportunities. VA/DoD Coordination Office will work with the appropriate Administrations and staff offices to ensure continuity throughout the process.