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Testimony

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Management of the House Committee on Transportation and Infrastructure

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Thank you Chairman Barletta, Ranking Member Norton and Members of the Subcommittee for the opportunity to provide an update on the Department of Homeland Security's (DHS) progress in freezing the federal real property footprint. Today, I will discuss the Department's efforts to improve the management of our real property portfolio while intelligently reducing costs and improving mission readiness. This testimony will provide an overview of the DHS inventory and initiatives to increase utilization of real estate assets. Additionally, we remain committed to fulfilling the Secretary's One-DHS Vision with the Department's Headquarters Consolidation Program (St. Elizabeths). Finally, I will address the progress to date in improving our portfolio management and addressing the challenge of adapting to changes in mission, workplace, and environment.

Improving real property management has been a goal of DHS real estate professionals since the February 2004 issuance of the Federal and Real Property Asset Management Executive Order (EO 13327). Memorandum M-12-12, Section 3 established the "Freeze the Footprint" policy, and the implementing guidance, issued by OMB this year, directs departments and agencies to maintain or reduce the total square footage of domestic office and warehouse inventory, compared to the fiscal year (FY) 2012 baseline. This policy provides the visibility necessary for real property portfolio planning and management to become a management focus. It also provides guidance for continued improvements in our real property portfolio management efforts. In addition, it will also become the catalyst for containing growth through co-location and consolidation.

DHS

DHS was established as a new cabinet level agency 10 years ago and combined 22 separate federal agencies who occupied approximately 70 million square feet. Our real estate portfolio has experienced significant growth in conjunction with the expansion of our mission and related responsibilities. Today our portfolio stands at 100 million square feet. The early rapid growth has subsided and significant real property management challenges are being addressed by DHS leadership with strong support from the Administration, the Office of Management and Budget, General Services Administration (GSA), and Congress.

The Portfolio

Half of the DHS real estate portfolio is DHS-owned and the remainder is either leased through GSA or directly from the private sector. Our annual rental expense is approaching \$1.6 billion while the operating and maintenance costs for our owned assets are approximately \$310 million. We control domestically and internationally 38,000 properties comprised of 14,000 buildings, 21,000 structures and 3,000 land parcels. DHS manages a variety of real estate assets from offices, warehouses, military family housing, labs, shore facilities, and structures such as navigational aids and utility systems. Our two largest Components, U.S. Coast Guard and U.S. Customs and Border Protection, are responsible for 90 percent of DHS real property assets.

Portfolio Management

DHS is supportive and actively engaged in elevating the practice of real property portfolio management in the federal sector. The primary objective of our portfolio management program is to support our missions while reducing leasing, maintenance and operating costs of our real estate and achieving an optimal real property portfolio. This is accomplished by improving space utilization and continuously refining our real property requirements for both mission and mission support. This effort will improve the performance and sustainability of our real estate portfolio while supporting improvements in cross-departmental management and functional integration to support the Department's missions.

In June of 2010, the President issued an Executive branch-wide memorandum directing \$3 billion in cost savings related to the disposal of Federal real estate through FY 2012. DHS responded with a Cost Savings and Innovation Plan including detailed cost savings and avoidances in operating expenses, energy reduction, sales proceeds from disposals, and space cost reductions from flexible workplace strategies. The largest and most significant portion of cost savings will be realized through deploying flexible workplace strategies. Based on early analysis, DHS projects savings of up to \$1.2 billion dollars through FY 2018, including a 25 percent reduction in space. DHS, to date, has produced cost savings and avoidances of approximately \$240 million.

Change

Improvements in technology coupled with changes in the workplace have provided an opportunity to transition from acquiring additional real property to meet the demands of our missions, to optimizing the capability of a unified portfolio. The old practice of tailoring Component-specific requirements to meet the unique needs of an operation tied to a specific mission service area is becoming the exception. DHS has developed standard departmental specifications for the general office, which are intended to eventually replace Component-specific requirements.

In partnership with GSA's Workplace Solutions group, DHS conducted a space use assessment of headquarters functions followed by the introduction of flexible workplace strategies. Through this process, we introduced concepts of leading edge workplace designs which are resulting in higher space utilization and include hoteling (reserving space as needed), touchdown spaces (first come first served), and collaboration space. We conducted a pilot redesign of an existing office using these concepts. The redesign, coupled with implementation of a virtual office, cut

the amount of support space required by 50 percent, leading to a cost avoidance of approximately \$1 million in rent and transit subsidies. The reduced space accommodated the same number of staff in less space by eliminating traditional cubicles in favor of hoteling, touchdown stations, and huddle rooms. DHS is managing numerous flexible workplace design and redesign projects in the National Capital Region (NCR) and doing so in compliance with and support of our security protocols. Our current focus is on the NCR due to the density of general office space to support headquarters operations, affording us the best opportunity to reduce space and costs. The program will also be applied to the remainder of the inventory emphasizing a close examination and rigorous requirements development for expiring commercial leases.

Our ongoing program to consolidate the DHS Headquarters will increase effectiveness and efficiency, enhance communication, and foster a culture that will optimize Department-wide prevention, protection, response, and recovery capabilities. The Administration remains committed to a consolidated Headquarters in Washington, DC, and will continue to work with Congress to advance consolidation during these challenging fiscal times. Our goal is to significantly reduce the number of locations in the NCR with St. Elizabeths eventually housing the core of DHS leadership and mission functions. As the tenant of the St. Elizabeths campus, we continue to work with GSA to re-evaluate the program's original requirements in order to achieve the overall goals and objectives at the lowest possible cost to the taxpayers.

DHS is continuing to execute co-location and consolidation opportunities in mission administrative support locations as commercial leases expire. Mission execution and operation offices are also strategically located where possible to execute the important homeland security mission.

Closing

DHS has made great strides in the management of its real property portfolio. We've reached these milestones through improvements to business processes, implementation of innovative concepts such as flexible workplace strategies, and improving the alignment of our real property to support mission needs. We remain committed to the foundation principles of real estate portfolio management: the right facility, at the right location, at the right cost.

In the current environment of limited resources, we are committed and focused on identifying opportunities to intelligently reduce our real property footprint and demonstrate cost savings, while executing our primary mission of homeland security.

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Jeffery Orner, a member of the Senior Executive Service since 1999, was appointed by the Under Secretary for Management in April 2012 as the Chief Administrative Officer of DHS. In July 2012 the Under Secretary approved Jeff's re-imagining plan for the organization. That plan included a name change to Chief Readiness Support Officer (CRSO), and refocusing of the organization. In November 2011 Jeff had moved to DHS HQ as the acting Chief Administrative Officer, to assess and re-imagine that office – which leads logistics, asset life-cycle management, environmental, energy and facilities functions across the DHS enterprise, as well as providing DHS HQ operational support. He led a collaborative assessment and visioning focused on how to most effectively and efficiently meet future DHS-wide mission needs, and is now implementing that plan. His focus is affordable readiness, by which he means enabling the mission success of all components across the Department (HQ and field) at the lowest achievable cost. The new organizational name reflects the prime mission of his team. As CRSO, Jeff is one of the Department's line-of-business chiefs, along with the CFO, the CPO, the CSO, CHCO and the CIO. He is also the department's Senior Real Property Officer, chief logistician and environmental officer. In August 2012, Jeff was elected by his interagency counterparts to be the Chairman of the Whole of Government Logistics Council. The Council is focused on improving the efficiency and effectiveness of logistics in response to major domestic and international events, and in support of day-to-day operations, through collaboration and leveraging each other's capabilities and knowledge-base.

From 2005 to 2011, he was the Coast Guard's Deputy Assistant Commandant for Engineering and Logistics, and Chief Administrative Officer. Mr. Orner led the people, nationwide supporting, modernizing and maintaining the Coast Guard's \$25 billion capital plant consisting of 200 aircraft, 230 ships, 1,800 boats and 23,000 facilities. He led the team that planned and implemented the Coast Guard's Mission Support Organization. Key to this transformation was putting in place Logistics Centers, structured on a cross-functional product-line basis. He was the lead negotiator with the employee unions throughout the realignment process. These new business process and organizational changes were quickly tested during the massive Deepwater Horizon response, and proved to be highly effective.

Previously he was the Executive Director of the Naval Supply Systems Command. As NAVSUP's number two official, he led a worldwide workforce of over 24,000 military and civilian personnel; oversaw \$10 billion in annual spending; was NAVSUP's chief acquisition executive; and he managed the Navy's supply chain operations while leading an enterprise-wide business transformation that created a single customer-focused enterprise out of 14 organizations and institutionalized long-term continuous improvement. In his first year as the Executive Director, he was also the Chief Information Officer, during which time he established a full time SES position for a NAVSUP CIO and realigned functions into a single IT-provider serving the enterprise.

He had a 20 year career at the Naval Sea Systems Command (NAVSEA), the Navy's largest Systems Command. He had a series of diverse assignments in shipbuilding, systems acquisition, maintenance and logistics, culminating in an SES position as NAVSEA's senior logistician, managing the acquisition and in-service logistics and configuration management processes, products, services and information technology to support the Navy's ships and ship systems, world-wide.

In 2010 he was awarded the Presidential Rank Award of Distinguished Executive and in 2005 he was awarded the Presidential Rank of Meritorious Executive. The American Society of Naval Engineers awarded him the Clifford G. Geiger Award. He has also received the Navy Meritorious and the Superior Civilian Service Medals, and was the first recipient of the Chief of Naval Operations' Admiral Stan Arthur Award for Logistics Excellence. Mr. Orner is an acquisition professional, certified at Level III by both DOD and DHS, in Program Management and in Life Cycle Logistics. He is a graduate of Wittenberg University in Springfield, Ohio, with an M.S. from the Kogod School of Business at the American University in Washington, DC. He began his Federal career in 1981 as a cooperative education student.