



## Chapter 2: Planning, Programming, Budgeting, and Execution

### Section 2.13 – Asset & Facilities Appropriation Guide Relative to OS and PC&I Funding

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## **Introduction**

### **Purpose**

This guidebook outlines processes and examples that OAFM, OBPP and Mission Support offices in HSI, OPLA, OPR, M&A and ERO may find helpful when determining the appropriation to be used for planning, programming, budgeting, and execution of programs, projects, and activities for real property requirements within Immigration and Customs Enforcement (ICE).

### **Scope**

This document is intended for use by:

- a. Mission Support offices in HSI, OPLA, OPR, M&A and ERO, OBPP and the 3 Divisions (Facilities Management, Asset Management, and Safety & Sustainability) of the Office of Asset & Facilities Management (OAFM)
- b. Facility, project and program managers
- c. Personnel involved in planning, programming, and budgeting real property requirements across ICE

### **Background**

At the request of Congress, the Department of Homeland Security (DHS) developed a new appropriation structure, known as the Common Appropriation Structure (CAS). The structure is intended to increase visibility, comparability and available information for resource allocation decisions.

DHS established 4 common appropriations:

- a. Research and Development (R&D)
- b. Procurement, Construction & Improvements (PC&I)
- c. Operations & Support (O&S)
- d. Federal Assistance (FA)

Real property requirements may be funded under the O&S or PC&I appropriations.

Each appropriation is divided into Programs, Projects, and Activities (PPAs), aligned to mission areas. Within the O&S appropriation, there are 4 mission-oriented PPAs. Within the PC&I appropriation, there are 6 PPAs, 4 mission-oriented, one for Communications and Information Technology, and one dedicated to Construction and Facilities Improvements. Additionally, the PPAs are aligned to various sub-PPAs for further delineating funding requirements.

## **Responsibilities**

The **Business Operations Unit** of the **Facilities Management Division** of the **Office of Asset & Facilities Management** is responsible for the development and maintenance of this document.

## **Policy**

### ***1. Funding Types***

#### **1-1. Procurement, Construction and Improvement (PC&I)**

- a. Definition: PC&I provides funds associated with buying, building, or improving end items — tools, assets, systems, and facilities — prior to sustainment. PC&I is further defined by the categories:
  - 1) *Procurement* – the obtaining of assets through purchase, transfer, exchange or other means
  - 2) *Construction* – the creation of assets through building, manufacturing, or assembly
  - 3) *Improvement* – a project that extends the capability and/or increases the capacity of an asset
  - 4) *Threshold* - Currently, funding limits for an asset or improvement project purchased with PC&I funding are:
    - a) Personal Property – an end item with a unit cost greater than \$250,000
    - b) Real Property – an end item with a unit cost greater than \$2 million

Only procurement, construction, or improvement activities estimated to cost over the defined threshold are funded from the PC&I appropriation. Procurement, construction and improvement activities estimated to cost under the PC&I threshold are funded from the O&S account.

Grouping several under-threshold activities together to allow greater procurement efficiency will not change the appropriation from O&S to PC&I even if the total amount of the purchase exceeds the PC&I threshold. However, see Section 6 for recommendations on grouping and separating requirements, including a discussion on incrementation.

#### **General Use:**

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The PC&I appropriation provides funding for activities involving the procurement, construction or improvement of an asset, to the point the asset is placed into operation. PC&I does not fund salaries. Within OAFM for real property, this includes over- threshold actions involving:

- a. Acquisition of land or other real property through purchase;
- b. Construction of new assets;
- c. Acquisition of property through a capital lease;
- d. Complete replacement of, additions to or expansions of an existing real property facility; Conversion of a facility from one use / function to another
- e. Improvements with the primary purpose of adding capacity or capability that was not previously present;
- f. Tenant Improvements in support of procurement, construction or improvement of an asset, whether the asset is obtained through construction or lease;
- g. Acquisition and installation of real property equipment; and
- h. Real property improvements associated with installation of personal property when the improvements are over the \$2 million threshold.

Additionally, PC&I funds may be used to fund design activities in support of PC&I projects, even when the design element is below the \$2 million threshold. FF&E is funded from O&S, unless the unit price per individual piece exceeds the PC&I threshold. FMPM Chapter 2, Para. 3.4(b)(4).

### Examples of PC&I costs:

- Acquiring 30 acres of land at a cost of \$2.4 million.
- Acquiring 5 acres of land at a cost of \$0.80 million, as part of a construction project with construction costs of \$1.25 million
- Constructing a new kennel facility in support of the K-9 program at a cost of \$3 million.
- Design of \$0.50 million in support of a PC&I project;
- Tenant improvement costs for a leased facility being added to ICE's portfolio.

### **1-2. Operations and Support (O&S)**

The O&S appropriation supports the costs incurred for the day-to-day operation and maintenance of the organization, including, but not limited to, salaries,

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services, supplies, utilities, rent, travel, training, and transportation, as well as minor procurement, construction, and improvement projects.

### **Threshold:**

The O&S appropriation also includes costs for minor procurement, construction, and improvements of real property under the threshold for use of PC&I funding as set forth in relevant appropriations laws, DHS guidance, and as articulated in Section 5.1 of this document.

### **General Use:**

In general, O&S includes the cost of resources consumed in operating and maintaining the existing portfolio of assets. This includes:

- a. Payment of rent and rent related expenses, of all dollar levels;
- b. Facility operations services of all dollar levels, to include utilities, custodial services, pest services, snow removal, waste disposal and recycling, and grounds maintenance;
- c. Facility maintenance, repair and alterations<sup>1</sup> of all dollar levels;
- d. Refreshing tenant improvements in a space currently in the ICE portfolio;
- e. FF&E during the operational phase of a facility, of all dollar levels except for when the unit cost of an individual asset being acquired exceeds the personal property threshold;
- f. Disposal and demolition or removal of a portion or all of a real property facility, when not associated with a PC&I project;
- g. Portfolio planning and management of all dollar levels;
- h. Salaries;
- i. Travel and transportation;
- j. Advisory and assistance services not associated with a PC&I project; and
- k. Minor Procurement, Construction and Improvement.

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<sup>1</sup> Provided the cost of expansion, enhancements or conversion, if included in the scope of work, does not exceed \$2M.



Examples of O&S costs:

- Leasing an office building and paying rent and amortized tenant improvements at a cost of \$6.5 million/year.
- \$2.5 million for a comprehensive housing master plan.
- Constructing a new kennel facility in support of the K-9 program at a cost of \$1.3 million.
- Replacing an HVAC system at the end of its useful life at a cost of \$3 million.
- Alterations to adjust the interior layout of a \$20 million administrative facility at a cost of \$3 million, so that the facility can fulfill its intended purpose.
- Refreshing the tenant improvements of an ICE occupied space by replacing the carpet and replacing a security system with one that meets access control requirements.
- A Reimbursable Work Authorization (RWA) for janitorial services at a cost of \$3 million; and
- A furniture refresh in an existing facility at a cost of \$2.1 million, where the unit price of each component is below the personal property threshold.
- The \$200,000 FF&E costs associated with a tenant improvement project consisting of \$2 million in TI costs.

**Appropriations aligned to real property life cycle phases**

Planning activities to determine mission needs and develop alternatives analysis are funded with O&S, even when in support of a PC&I project. PC&I is used to fund the direct costs associated with a project once the alternatives have been developed, from design through commissioning of the new or improved asset. Once a project has been accepted into the inventory, the operational phase begins, and O&S is used to sustain the asset.

Table (5-1) lists costs for a typical capital investment tied to life cycle phases.

Table 5-1: Typical Project Related Costs

Operation Budget: Planning (O&S)	Investment Budget: Construction (PC&I)	Operation Budget: BOMR (O&S)
Facility Condition Assessment Strategic Resource Assessments Master Plans Planning Studies (e.g. feasibility study) Environmental Planning/NEPA* Market Surveys Alternatives Analysis/Business Case Development  *Initial NEPA costs for a large program are funded from O&S (to evaluate the environmental impacts of the program). Once approved, a program may include individual NEPA analysis as part of the program's appropriation or as part of O&S costs, depending on program structure. For stand-alone projects not part of a larger authorized program, NEPA will be sourced from O&S.	Acquisition Design* Demolition Site Work/Utilities Temporary Facilities associated with a PC&I project Construction Construction Oversight Post Contract Award Services (PCAS) Commissioning Real Property Equipment Environmental Compliance and Mitigation activities in support of the project  *Design costs are not included in the construction cost for the threshold determination even though funded out of PC&I	Preventative Maintenance Deferred Maintenance Repair Alterations Support Contracts FF&E and relocation/moving services Building Operations and Services Utilities Environmental compliance and remediation during operational phase Rent and rent related expenses

## 2. Funding Determination for Projects

Project work (as opposed to services) delivered in real property facilities must be appropriately classified to determine the required appropriation. The decision on whether to use O&S or PC&I funds is based on the scope and intent of the facility project.

The recommended steps to classify project work and identify the appropriate funding source are to: 1) Define the project scope, 2) Classify the project work and assign costs, 3) Make a funding determination 4) Document the decision and obtain approvals.

### 2-1. Step 1: Define the Project Scope



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Determine the scope of the project under consideration. This includes all related work across all impacted facilities, as projects can include various work types and can span multiple facilities. Each project must result in a complete and useable asset, a complete and useable improvement to an asset, or must restore or sustain an existing asset so that it can continue to be used for its intended purpose.

When determining the extent of the project, consider:

- a. A project shall not be split into smaller O&S projects to avoid the \$2 million PC&I funding threshold. Incrementation is prohibited.
- b. Interdependent facilities or supporting infrastructure / improvements must be part of the same project.
  - 1) For example, a project to complete a new remote HSI RAC field office could be split into separate undertakings for the main office building and supporting parking. Although each segment is complete and useable, the total project is not functional until both increments are complete, and the total requirement is satisfied. Another example, an aircraft hangar is not functional if the supporting taxiway to provide access to the runway is not complete. In each case the supporting infrastructure must be completed to satisfy the requirement.
  - 2) However, if an existing remote HSI RAC field office requires new living quarters and a recreation facility, each may be provided as separate projects, since the living quarters are complete and useable even without the recreation facility.
- c. Multiple projects can be undertaken in a single facility and considered separate projects if:
  - 1) They satisfy unrelated / dissimilar purposes;
  - 2) They are not dependent on each other;
  - 3) They are not contiguous; and
  - 4) Each project will result in a complete and usable product.
- d. A project can consist of both PC&I and O&S work, and these elements may be combined in a single contract. However, the project manager must

clearly track the costs for PC&I elements separately from the O&S funded activities.

## **2-2. Step 2: Classify the Project Work and Assign the Costs**

Using the definitions in Section 1, develop a cost breakdown structure for the project using the following categories:

- a. O&S work elements
  - 1) “Maintenance and Repair” or
  - 2) “Alterations (owned or leased spaces)” or
  - 3) “Refresh of Tenant improvements” or
  - 4) FF&E
- b. PC&I work elements
  - 1) Procurement of land or other real property
  - 2) Construction, improvement and conversion
  - 3) Tenant Improvements (for new occupancy / new construction, prospectus project)

In general, if the work adds new capabilities or capacity to an asset, then the work is an improvement. See Section 7 for additional information. The Project Matrix section of the Space Request Package (SRP) form shown in Appendix D will determine PC&I and/or O&S costs when the pre-defined cost items are entered into the associated fields.

- a. Once the cost breakdown structure has been developed, assign project costs to the work elements (e.g. “maintenance and repair”, “alterations”, or “procurement of land or other real property”).
- b. For the PC&I work elements, project costs include but are not limited to: land acquisition, demolition and environmental remediation as necessary to support construction, site work, temporary facilities, construction, construction oversight, Post Contract Award Services (PCAS) by an Architect/Engineer firm, real property equipment, and commissioning costs.
- c. For a project that contains PC&I work elements, the design costs are not included in the calculations for determining if the project is over the \$2 million threshold. However, the design costs will be funded from the same appropriations assigned as a result of the funding determination.

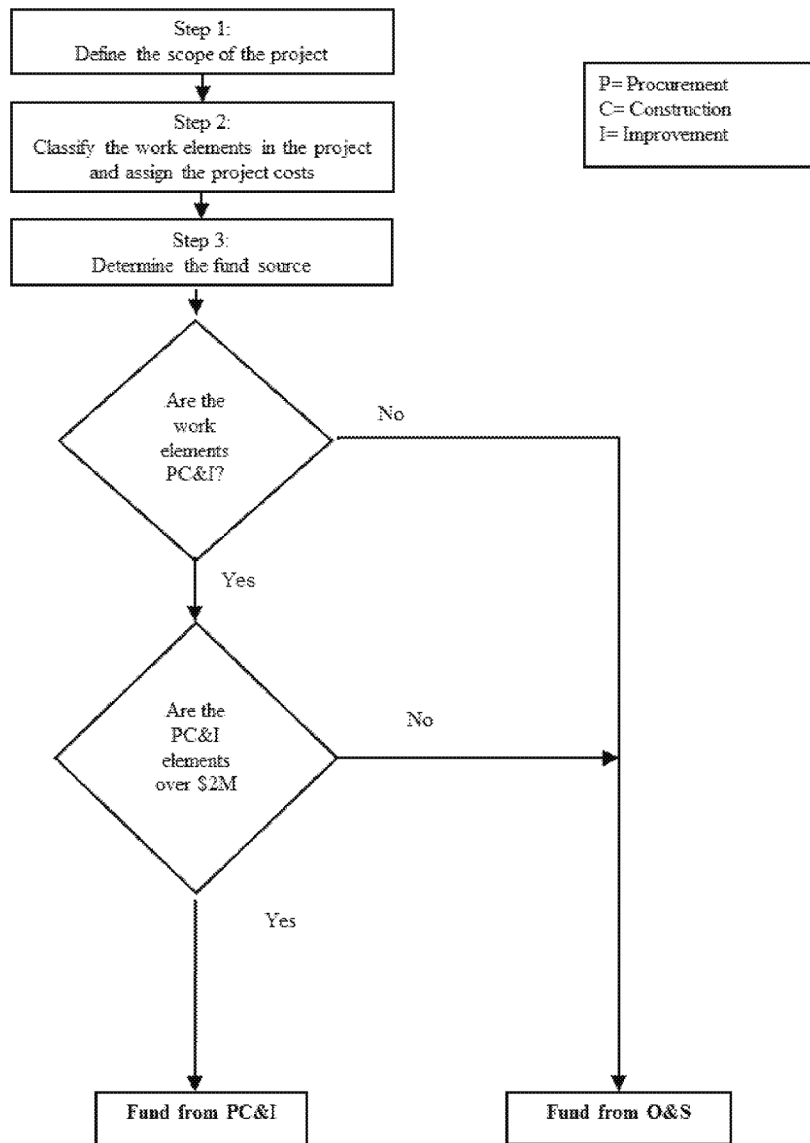
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- d. For a design-build contract, preliminary design work to develop the contract documents is considered the design element. Once a design-build contract is awarded to the design-build team, the remaining work to further define the project is considered part of the construction costs.
- e. FF&E costs requested as part of the Construction and Facilities Improvement PPA are not included in the construction project costs and will be funded using O&S funds. Equipment items that are moveable in nature and not affixed as an integral part of a facility are not considered construction costs. O&S funds should be used to outfit new construction with moveable and expendable assets such as furnishings, office equipment, etc. FF&E is only subject to the PC&I threshold if any single personal property item is above \$250k per unit.

### **2-3. Step 3: Make a Funding Determination**

Once costs have been assigned, determine if the PC&I elements are over the \$2 million threshold to determine which appropriation applies, as in Figure 6-1. If a project contains both maintenance and repair work, and construction and improvement work, the maintenance and repair components of the project are not included in the threshold determination (only use the PC&I components).

Figure 6-1: Funding Source Decision Tree



The SRP form referenced in Appendecies D & E and located on the share drive (b)(7)(E) must be completed and submitted for all projects.

Example 1: An addition to an existing hangar will provide maintenance space at a cost of \$1 million. The existing HVAC system in the hangar will be repaired at a cost of \$1.2 million, without increasing its capacity. Without the HVAC system repair work, the addition will not be complete and useable.

*All of these elements are required for a complete and useable project. The construction component of \$1 million is under the PC&I threshold. This \$2.2 million project is awarded using O&S funds.*

Example 2: An addition to an existing hangar will provide maintenance space at a cost of \$1.5 million. The existing HVAC system in the hangar will be repaired, an update necessary for the entire improvement to be complete and useable, at a cost of \$1.2 million and modified capacity will be added at a cost of \$0.5 million.

*All of these elements are required for a complete and useable project. The construction/improvement components (\$1.5 million addition and \$0.5 million in added capacity) are over the \$2 million PC&I threshold. This \$3.2M project is funded from PC&I.*

Example 3: An addition to an existing hangar will provide maintenance space at a cost of \$2.2 million. The existing HVAC system will be repaired and modified at a cost of \$1.2 million. Without the HVAC system repair and modification work, the improvement will not be complete and useable.

*All of these elements are required for a complete and useable facility. The improvement component of \$2.2 million is over the PC&I threshold. This \$3.4M project is awarded using PC&I funds.*

Example 4: An addition to an existing hangar will provide maintenance space at a cost of \$1 million. At the same time, the existing HVAC system will be repaired at a cost of \$1.2 million. The HVAC work does not impact the addition of the maintenance space which will have a stand-alone system.

*These are two concurrent projects. The improvement component of \$1M is under the PC&I threshold. With the appropriate approvals, these two projects funded from O&S can be awarded on the same contract if the improvement and repair components are accounted for separately.*

Example 5: An addition to an existing hangar will provide maintenance space at a cost of \$2.2 M. At the same time, the existing HVAC system will be repaired at a cost of \$1.2M. The HVAC work does not impact the addition of the maintenance space which will have a stand-alone system.

*These are two concurrent projects. The improvement component of \$2.2 million is over the PC&I threshold. With appropriate approvals, this \$2.2 million PC&I project and this \$1.2 million O&S project can be awarded on the same contract, if the improvement and repair components are tracked separately.*



**2-4. Step 4: Document the Decision and Obtain Approvals**

The OAFM Project Manager (PM) will initiate the funds determination for each project by completing the SRP Form. OAFM Business Operations Unit should ensure each project over \$1.5 million includes a funding determination. All funding actions should have an associated SRP form completed. The funding determination will be generated in the form based on the PM input in the “Project Category” field on the Project Matrix tab, and project costs or estimates input in the “SRP Funding Breakout” section (see Appendix D).

In the “SRP Funding Breakout” section of the Project Matrix tab, outline the costs associated with various work elements as outlined in the form. If a project contains multiple work classifications, ensure each element is assigned a cost. The funding determination is documented in the “Estimated Total” block of section 2 on the SRP Tab.

A signature on the SRP by the appropriate signature authority indicates approval of work classification, funding determination, and fund year.

The form shall be revised and re-routed for approval at each estimate phase outlined in the “Version” field on the Project Matrix Tab.

The following approval authorities apply:

Table 6-1: Approval Levels

Project Funded Cost	Approval Authority
>\$1.5 million	OAFM Facilities Management Division (FMD) Chief or specific delegated authority as established by the OAFM Chief Officer

**3. Controls**

The Facilities Management Division Chief should approve any of the following: to use O&S and PC&I funds on concurrent contracts for one real property asset or to combine O&S and PC&I funds on a single contract.

To help establish consistency across OAFM, the Business Operations Unit Chief will review each Minor PC&I project over \$1.5 million each month during spend plan reviews.



If, for a proposed contract, the receipt of bids or a contract modification results in a change to the project's approval level, the Business Operations Unit is required to prepare the appropriate documentation and obtain the appropriate approval level prior to award of the contract or the modification.

If a project is over \$1.5 million and a modification involving PC&I work is proposed, a new funding determination that includes the added / modified work should be made.

In the event the project change in scope or proposed modification results in the project reaching the PC&I threshold (\$2 million), the project will either be descoped to remain under the threshold or, depending on the state of execution, it may be necessary to deobligate and/or request authority to transfer funds from one appropriation to another, defer other budgeted PC&I projects, or request authority to reprogram funds within the PC&I appropriation.

If, during the course of the project, a change in project cost without a change in scope exceeds the O&S threshold and results in a change in funding type (O&S to PC&I) and funds have been obligated, only the additional funds required will be funded with PC&I.

#### **4. Special Considerations**

Certain work items can be considered part of maintenance and repair activities, or they can be considered improvements depending on the project drivers. The examples below can be used to assist in making funding determinations.

##### **4-1. Alterations**

Work to adjust / modify interior arrangements or other physical characteristics of an existing facility/structure so that it may be more effectively adapted to meet user needs is funded with O&S. Alterations work could be classified as Sustainment (repair/renovation), New Work, or Conversion, depending on the scope of work (intent).

Example 1: A 20,000 square foot main FOD office building includes processing, detention, and administrative space. During the building operation phase, users indicate a mission need for additional detention space. An alteration project is proposed to reconfigure the layout of the facility to downsize administrative space to create more detention space, at a cost of \$2.5M.

*This is an alteration project, funded with O&S. The primary use of the facility remains the same. The space has been adapted to better meet user needs.*

Example 2: A 20,000 square foot FOD office includes processing, detention and administrative space. During the building operations phase, users indicate a mission need for additional detention space. The proposed solution is to convert an existing warehouse on the property into a detention area at a cost of \$2.1M.

*This is a construction project that is subject to the PC&I threshold since the use has changed from warehouse to detention. Although there is no expansion or addition to the space, the space has been adapted to better meet user needs.*

Example 3: A 20,000 square foot main FOD office building includes processing, detention and administrative space. During the building operations phase, users indicate a mission need for additional detention space. An addition is proposed at a cost of \$2.2M to add more detention space.

*This is a construction project, subject to the PC&I Threshold. The footprint of the facility will be expanded through an addition. Additions and expansions are not alterations.*

#### **4-2. In-Kind Replacement**

A replacement in-kind becomes necessary due to failure, obsolescence, or normal wear and tear. Replacement of a component or system within a facility is classified as maintenance or repair and is funded with O&S. Replacement of a complete facility is considered construction and is funded with PC&I.

In the case of component replacement, the maintenance or repairs can include improved materials, equipment, methods, or arrangements. Additionally, all repairs and maintenance activities are accomplished to code and to current standards, and energy and water saving materials should be used in maintenance and repair projects whenever feasible.

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When replacement of a system or component is driven solely to implement new or higher standards, then it is an improvement and the work is subject to the PC&I threshold.

Example 1: Replace the roof of the Detroit Sector building for \$3.2 million at the end of its useful life.

*This is a maintenance project, replacement of a roof system at the end of its useful life, and funded from O&S.*

Example 2: A facility is severely damaged by fire and cannot be effectively repaired and must be completely replaced.

*This is construction (complete facility replacement) and is subject to the PC&I Threshold.*

Example 3: A 2-year-old security system must be replaced to add capabilities for remote monitoring.

*This is an improvement and subject to the PC&I Threshold. The replacement is not driven by obsolescence or deterioration, but to add capability.*

### **4-3. Construction Technology Refresh**

Occurs when identical replacement is not feasible or when use of a newer technology improves reliability, maintainability, and/or reduces maintenance costs. Unless driven by obsolescence, use of a more advanced technology should be supported by a life cycle cost analysis. This work may result in minor performance enhancements. This work is classified as maintenance or repair, and funded from O&S.

Example 1: An existing incandescent street light is destroyed by accident, nature, or has failed to the point of requiring complete replacement. The light is replaced with a more modern energy type, such as an LED light or high-intensity-discharge street light.

*This is a repair. This is funded with O&S.*

Example 2: Replace the existing shingle roof of the Detroit Sector building at the end of its useful life with a metal roof that reduces maintenance costs and is more life cycle cost effective.

*This is maintenance. The metal roof fulfills the same purpose as the roof and is easier to maintain. This activity is funded with O&S.*

#### **4-4. Energy Efficiency and Renewable Energy**

Repair or replacement of a system or component with a more energy efficient system that is more life cycle cost effective is funded from O&S. If a project is driven solely to meet a standard, and is not more life cycle cost effective, then this is an improvement.

Example 1: A facility has single pane windows that are broken and must be replaced. A more energy efficient window will be used to replace the broken, obsolete windows.

*This is a repair, funded from O&S.*

Other examples include: replacing broken/obsolete toilets, faucets and showerheads with Ultra low-flow aerated fixtures or waterless urinals.

Example 2: An existing field office will be retrofitted with solar panels to achieve a LEED Existing Building Gold status during a renovation project. The installation of the solar panel does not provide an economic savings to ICE over their life cycle (not more life cycle cost effective).

*The solar panel portion of this project is an improvement.*

#### **4-5. Code Compliance**

When associated with a maintenance or repair project, replacement of facility components, built-in equipment, or systems with items of higher quality or more durable materials to conform to current standards (including energy efficiency standards) or codes is considered repair or maintenance. The replacement items should not substantially increase the capacity or change the function of the components, equipment or system.

If a project is driven solely by code considerations and is not part of a maintenance or repair project, then the nature of the code violation must be considered. If an activity requires immediate compliance, then the facility system should be considered technically obsolete, and work to comply with the code is considered repair. However, if a code issue is grandfathered until a major renovation takes place, then:

- a. Work accomplished incidental to other maintenance repair work is still maintenance or repair
- b. Work solely to comply with the code when not done in conjunction with a maintenance or repair project would be an improvement

Example 1: A new law has been enacted requiring additional treatment of waste water prior to discharge. Any facilities not in compliance within 2 years will be fined.

*This is a repair and funded from O&S. The wastewater treatment plant may be considered failing because the new law made it technically obsolete.*

Example 2: An HVAC system is being replaced due to failure and the new standard requires certain energy efficient features. The failing unit will be replaced with a unit meeting the current energy efficiency standards.

*This is a repair and funded from O&S.*

Example 3: A code requires additional restroom capacity for a given population when accomplishing major renovations or new construction. A project to add restrooms to an existing facility is developed.

*This is an improvement subject to the PC&I threshold. No other repair or maintenance work is driving the project, and the code only requires compliance when such work is done.*

#### **4-6. Demolition/Disposal**

O&S is to be used for the proper disposal of an asset or end item after its useful life has been determined to be ended and real property projects solely to perform demolition.

When demolition is required to perform a construction project, the demolition is part of the PC&I project. (e.g., demolition to clear the foundation or site for new construction).



Example 1: A deteriorated maintenance building has been deemed excess to ICE's needs and a demolition project has been planned.

*Since this is a project solely for demolition, it is funded with O&S.*

Example 2: The same facility is slated for demolition to make way for the construction of a new \$4 million canine veterinary facility.

*Since the demolition of the facility is required to clear space for the construction of the canine facility, it is part of the new facility project and funded with PC&I.*

#### **4-7. Personal Property and Equipment Associated with Real Property Facilities**

O&S funds should be used to outfit new construction with personal property and equipment (e.g. moveable and expendable assets such as furnishings, office equipment, etc.) regardless of project phase. FF&E is only subject to the PC&I threshold if any single personal property item is above \$250K per unit.

#### ***5. Real Property Equipment:***

Real property equipment is permanently attached to or built into a real property facility. This equipment is typically engineered and built into the facility as an integral part of the final design. It is considered part of the building or facility.

For a new facility, real property equipment is considered part of what makes the facility complete and useable, and costs for the real property equipment are part of the construction costs (PC&I) when making funding source determinations.

During the operational phase of a building's life cycle, real property equipment and associated installation costs are funded with O&S.

Equipment that requires a structural change to the existing facility in support of installation (other than temporary) is considered real property equipment.

#### ***6. Personal Property in Real Property Facilities***

Personal property is not affixed as an integral part of a facility. Personal property includes items such as furnishings, information systems, communications systems, and security systems. It also includes specialized equipment, such as inspection equipment, training systems such as simulators, and lab equipment.



For a procurement, construction or improvement project (under or over threshold), general FF&E, although part of outfitting the space for use, and is provided as part of the overall construction project will be funded using O&S funds and is not included when determining if a project is over the \$2 million PC&I threshold. Specialized equipment funded from another PPA is not included when determining if a project is over the \$2 million PC&I threshold. However, the equipment should be noted as related costs when documenting the construction project.

During the operational phase of a building's life cycle, procurement of FF&E or specialized equipment is subject to the personal property thresholds. Specialized equipment may require minor facility improvements (additional electrical or heating and ventilation capacity, for example). These costs are considered part of acquiring the piece of equipment and should be funded from the same appropriation as the equipment. However, if these real property improvements exceed the PC&I threshold, the improvements should be funded from the Mission Support Assets and Infrastructure PPA.

Any equipment that requires structural modifications (other than temporary actions to support installation) is considered real property equipment.

Example 1: An operational lab requires a new piece of lab equipment. The equipment requires additional cooling capacity in the space, and additional electrical capacity, estimated to cost \$0.2 million. However, the lab equipment will not be affixed to the facility and can be moved to another lab location without damaging the facility.

*This is a personal property equipment installation project. The personal property threshold of \$0.25 million applies for purchase of the lab equipment. The improvement costs of \$150k (cooling, electrical) for this moveable piece of equipment should be funded from the same source as the acquisition of the piece of equipment.*

Example 2: A new \$1.2 million facility requires \$0.4 million for furniture, IT systems, and security systems to become operational. The new facility also will house a training simulator that will be procured at a cost of \$500k.

*This is an under-threshold construction project. The \$1.6 million in construction costs determine the appropriation to be used for the construction component (O&S). Because no one item within the furniture, IT system or security system are over the personal property threshold, these costs are also funded from O&S. The simulator will be funded separately from PC&I because it is over the personal property threshold.*

**6-1. Tenant Improvements (TI)**

If the cost of tenant improvements of a project exceeds \$2.0, then the project should be classified as PC&I. However, if part of the TI cost is financed thru tenant allowances to reduce the cost to below \$2M, then the project could be classified as O&S, the same as rent. Please see Appendix C for more info.

## **Authorities and References**

### **Authorities**

Office of Management and Budget (OMB) Circular A-11, Preparation, Submission, and Execution of the Budget

DHS Financial Management Policy (Section 2.0 – DHS Appropriations Structure

National Defense Authorization Act of 2017 (NDAA 17) Section 2802

Nothing in this document supersedes guidance included in appropriation laws or instructions issued from the Department of Homeland Security or ICE Office of Financial Management.

### **References**

None apply to this document.

## **Appendix A: Amortized Tenant Improvement**

The amortizable portion of tenant improvement costs (and arguable the entire tenant improvement allowance) related to a rental agreement with GSA is considered “Rent” and therefore not subject to the PC&I thresholds.


GSA regulations define “Tenant Improvement” as a “finished component of an interior block of space.” Tenant Improvements represent additions to or alterations of the building shell that adapt the workspace to the specific uses of the customer. 41 CFR 102-85.35. To pay for the installation of Tenant Improvements, the customer agency may spend an amount not to exceed the tenant allowance. The amount spent by the customer agency for Tenant Improvements is amortized over a period of time. 41 CFR 102-85.100. Amounts exceeding the Tenant Improvement allowance are paid in a one-time lump sum and are not amortized over the term of the occupancy. 41 CFR 102-85.100

GSA regulations define Rent as “the amounts charged by GSA for space and related services to the customer agencies with tenancy in GSA-controlled space. The word “Rent” is capitalized to differentiate it from the contract “rent” that GSA pays lessors.” 41 CFR 102-85.35. The Rent charge includes amortized tenant improvement costs, parking fees, security charges and the appraised shell Rent. 41 CFR 102-85.115. Therefore, any amount of the Tenant Improvement allowance which ICE amortizes is considered part of the Rent. The FMPM notes that “leases regardless of cost” are supposed to be funded through O&S. DHS FMPM Ch. 2, Sec 2.0, 3-4(a)(3) at 18.

Tenant Improvement costs should not be paid for using PC&I funds and arguably anything that could be amortized could be properly considered part of the Rent paid to GSA.



## Appendix B: Sample SRP Project Matrix

OAFM FY19 Project Matrix				 U.S. Immigration and Customs Enforcement		FY19 DRAFT	
<b>1 General Information</b>							
Date:	December 28, 2018			Office:			
Requester:				Cube/Office No.:			
Telephone No.:				Version:	5 Year Planning	Funding Available:	
Subject:							
Project Title:							
Priority Group:							
Project Category:	New Space Tenant Improvements						
Lease/Cont. Exp. Date:							
TI Funding Need FY:	FY 20			TI Projected Funded FY:	FY 22		
FFE Funding Need FY:				FFE Projected Funded FY:	FY 20		
Approval request for:							
Approved FY 19 Funds:		FY19 Funds previously Obligated		Amount of this Request			
Designated Signature Authority:							
<b>2 Detailed Information</b>							
Project Name/Number:				Street Address:			
City:				State:			
Existing OA #:				New OA #:			
Metrics	Existing			Projected			Percent Change
Total Project Funding							NA or NEW
FTE (OCIO Matrix) / Parking							NEW
Annual Rent							NEW
Market Rate \$/SF	NA			NA			NA or NEW
Total RSF	0			0			NA or NEW
Total USF		Mission	Admin	Total	Mission	Admin	Total
	0	0	0	0	0	0	NA or NEW
	Total	Mission	Admin	Total	Mission	Admin	Total
Utilization (USF/FTE)	NA			NA			NA or NEW
<b>3 Required Approvals</b>							
Name	Title		TAB				
OAFMICE-OAQ	Resource & Financial Mgmt		OAO-Q				
	Deputy Unit Chief		SRP, OA, OAO-Q				
	Unit Chief		SRP, OA, OAO-Q				
FMD Chief	FTF/MP		SRP at PC&I threshold of \$15M				
	Project Manager/PPBE Analyst		SRP, OAO-Q				
<b>4 Funding Breakout</b>							
Project Funding	TI*/Construction			FFBE/Sustainment			
	Design	\$	-	Furniture	\$	-	
	Security	\$	-	Moving	\$	-	
	TI/Construction	\$	-	Maintenance	\$	-	
	IT Cabling	\$	-	Data & Phones	\$	-	
	Environmental	\$	-	Environmental Assessments	\$	-	
	Procurement/Equip.	\$	-	Other	\$	-	
	Other	\$	-		\$	-	
Total:	\$0.00			\$0.00			
*Tenant improvements does not include TI allowance							
<b>Legend</b>							
	Cells requiring Project Manager input.						
	Cells Project Manager to complete with FIF Management & Program Analyst input						
	Locked cells for calculation						

## Appendix C: Sample SRP Form

DAFM FY19 SRP Routing Form										U.S. Immigration and Customs Enforcement		FY19 JDSRPT	
<b>1 General Information</b>													
Date:		December 28, 2018				Office:							
Requestor:						Cuba/Office No.:							
Telephone No.:						Version:		5 Year Plan:		Funding Available:			
Project Title:													
Prioritization Group:													
Project Category:		New Space Tenant Improvements											
Lease Expiration FY:													
TI Funding Need FY:		FY 20				TI Projected Funded FY:		FY 22					
FFE Funding Need FY:						FFE Projected Funded FY:		FY 20					
Approval request for GS14#:													
Approved FY19 Fund:		FY18 Fund previously Obligated				Amount of this Request							
Designated Signature Authority:													
Enclosure: Signed FSR, SF-81 Cover Letter, Space Matrix, Cost estimate						Additional Enclosure:							
<b>2 Detailed Information</b>													
Project Number:				Street Address:									
City:				State:									
Existing OA #:				New OA #:									
Metric	Projected						Estimated Total						
	TI/Construction			FFE/Surtainment			PC&I	O&S					
Project Funding	Design			Furniture					*****				
	Security			Moving									
	TI/Construction	\$1,000,000.00		Maintenance	\$2,000,000.00								
	IT Cabling			Data, Cabling & Phone									
	Environmental			Other									
	Procurement/Equip.												
Other													
Total	\$1,000,000.00			\$2,000,000.00									
Total Project Funding	\$3,000,000.00												
Metric	Existing			Projected			Percent Change						
FTE (OCIO Matrix) / Parking							NEW						
Annual Rent							NEW						
Market Rate \$/SF	NA			NA			NA or NEW						
Total RSF							NA or NEW						
Total USF	Total	Mirrian	Admin	Total	Mirrian	Admin	Total						
							NA or NEW						
Utilization (USF/FTE)	Total	Mirrian	Admin	Total	Mirrian	Admin	Total						
	NA			NA			NA or NEW						
<b>3 Additional Notes</b>													
<b>4 Required Approvals</b>													
Name	Title	Action Requested	Initial/Signature Block	Date									
				Received	Forward								
	Deputy Unit Chief	Signature											
	Unit Chief	Concur											
FMD Chief	PC&I Threshold	Signature Required											
	Project Manager	Action											



## Glossary

The following tables contain definitions of the acronyms and terms used in this policy.

<b>Term</b>	<b>Definition</b>
Alteration	Work required to adjust/modify interior arrangements or other physical characteristics of a facility/structure in the ICE portfolio so that it may be more effectively adapted to meet user needs. Alterations work could be classified as Sustainment (repair/renovation), New Work, or Conversion, depending on the scope of work.
Asset	An individual end item that is ready for its intended use, whether personal or real property, created from the final combination of component parts and/or materials. Assets include but are not limited to the following examples: marine assets (sea and riverine vessels), IT hardware, IT software, land-based vehicle/mobile assets (cars, trucks, motorcycles, All Terrain Vehicles), and real property (land, buildings and structures). Additionally, multiple assets may be combined to form a new asset.
Capital Lease	Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. The Office of Management and Budget Circular, A-94, Appendix B, provides guidance on criteria to be considered in distinguishing between a capital lease and an operating lease. For a capital lease, the government must set aside the full net present value of the government's total legal obligations over the life of the contract within their budget in the first year the agreement takes effect.
Construction	The creation of assets through building, manufacturing, fabrication or assembly.
Conversion	The change of use (function) of a facility. For example, converting a warehouse to an office building.
Design	Project specific design activities required before awarding a construction contract or a design-build contract, such as: site investigation; architectural and engineering services for preparation of plans and specification (construction documents); preparation of cost estimates for construction projects; value engineering; and contracted support for management of architectural and engineering contracts in support of procurement, construction and improvement activities.
Enhancement	A project that extends the capability and/or increases the capacity of an asset.
Facility	A permanent, semi-permanent, or temporary real property asset and its grounds and approaches, all or any portion of which is under the jurisdiction, custody, or control of ICE. The term is typically used to describe a building or campus of buildings occupied by ICE.

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Furniture, Fixtures & Equipment (FF&E)	A subset of personal property. The furnishings, fixtures and moveable equipment required to outfit a facility for use. This includes the personal property and equipment that is not permanently affixed to the real property facility, such as information technology infrastructure; security, voice and data systems; and office furniture.
Improvement	A project that extends the capability and/or increases the capacity of an asset.
Incrementation	The splitting of a project into separate parts where: done solely to reduce costs below an approval threshold; each part is not in itself complete and usable, or the total project is not complete and functional.
Maintenance	Maintenance activities are the regular, recurring planned work activities that preserve or sustain the capability of an asset to continue to carry out its intended function or preserve its established level of performance. Maintenance includes regular replacement of components or parts expected to occur periodically throughout an asset's lifecycle and prior to the end of the asset's useful life.
Major Renovation	Any renovation of an existing facility where the cost of the renovation exceeds 50% of the current replacement value (CRV) of the facility.
Minor Procurement, Construction, and Improvements	Any Procurement, Construction and Improvements under the threshold for use of PC&I funding as set forth in relevant appropriations laws, DHS guidance, and as articulated in Section 5.1 of this document.
Operating Lease	An operating lease provides an agreement conveying the right to use property for a limited time in exchange for periodic rental payments <sup>2</sup> . As outlined in OMB Circular A-94, a lease must meet certain criteria in order to be considered an operating lease. These include items such as ensuring the asset is general purpose (office or warehouse) and not built for a special purpose of the government and ensuring the lease term does not exceed 75 percent of the estimated economic life of the asset (see footnote below. <sup>3</sup> for additional mandatory criteria). For an operating lease, the government must have budget authority set aside for the first year of the contract in the amount to cover the government's legal obligations (e.g. first year and any cancellation fees). This, as opposed to a capital lease, in which the equivalent full value of the lease over the entire lease term must be set aside in the first year.
Personal Property	Any property except real property. Personal property includes equipment, machine tools, test equipment, and vehicles;

<sup>2</sup> SFFAS 6, Accounting for Property, Plant and Equipment

<sup>3</sup> *Ownership*. The ownership of the asset is shifted from the lessor to the lessee by the end of the lease period; or *Bargain purchase option*. The lessee can buy the asset from the lessor at the end of the lease term for a below-market price; or *Lease term*. The period of the lease encompasses at least 75% of the useful life of the asset (and the lease is noncancellable during that time); or *Present value*. The present value of the minimum lease payments required under the lease is at least 90% of the fair value of the asset at the inception of the lease.

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	temporary improvements to land such as trailers, garages, relocatable facilities, and generators; and non-consumable goods purchased for official use that meet or exceed the dollar threshold for reporting to an inventory control system.
Portfolio Planning and Management	The actions necessary to evaluate the real property portfolio and its capabilities to support mission needs. Portfolio planning addresses the evaluation of real property alternatives available to sustain existing and meet new mission needs; the evaluation of existing assets and the capability of those assets to support the mission in terms of configuration and condition, such as through the Facility Condition Assessment (FCA) Program; the efficiency of use of real property in terms of space utilization and sustainability; and the maintenance of the data needed for facility related decisions. Portfolio planning also includes prioritizing work within real property facilities or groups of facilities, and includes master plans, specialized studies, development of design standards, and other programmatic initiatives.
Post-Delivery Outfitting	FF&E, as defined in section 4.9 required during the asset's operational phase and not associated with a PC&I project.
Pre-Operational Outfitting	FF&E, as defined in section 4.9, required to make a facility complete and usable as a direct result of the procurement, construction or improvement of an asset.
Procurement	The obtaining of assets through purchase, transfer, exchange or other means (e.g., lease).
Prospectus Lease	Leasing projects in excess of the established annual prospectus threshold set by GSA and Congress annually (in 2018 the threshold is \$3.095M). GSA requests authorization through the Office of Management and Budget (OMB) from Congress for proposed prospectus leasing projects. GSA publishes the threshold on their prospectus lease website, along with documentation for prospectus leases submitted to Congress.
Real Property	Land and any improvements thereon that are permanent or intended to be permanent for their useful lives. This includes buildings, additions, structures (such as towers and accompanying buildings or sheds housing power-generating equipment to support a tower), utility systems, and any equipment affixed or incorporated into a building as an integral element that supports the building's operation (such as heating, ventilation, cooling systems, and installed emergency power systems). Real property excludes FF&E (Furniture, Fixtures and Equipment) or assets that are intended to be mobile or can be removed without damaging or altering the facility (such as mobile generators).
Real Property Equipment	Equipment or fixtures permanently built into a real property facility, not intended to be moveable. This equipment is considered to be part of the facility, such as a built-in overhead crane used for maintenance.
Repair	A facility management activity that restores a real property asset to prior operational status or to such condition that it may be used for its designated purpose. This includes overhaul,

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	reconstruction, restoration, and replacement of component parts or materials that are damaged or have deteriorated to the point where they cannot perform as required or be economically maintained.
Specialized Equipment	A sub-set of personal property. Equipment that supports unique mission requirements and is not typical of that required in a generic real property facility. Examples are: inspection equipment, flight simulators, laboratory equipment, and galley equipment.
Tenant Improvement	As related to a leased facility or facility occupied through inter-agency agreement. Improvements to a finished component of an interior block of space allowable by the owner of the property to build out a property for specific use and occupancy by the tenant. Tenant improvements represent the finishes and fixtures that typically take space from the “warm lit shell” condition to a finished, usable condition; compliant with all applicable building codes and standards. Tenant improvements may include such items as walls, doors, new carpet, lighting, and other finish items.