

REPORT: STRATEGIC PLANNING

September 25, 2008

Submitted by the EMAB Strategic Planning Subcommittee

Background

In Fiscal Year (FY) 2008, the Environmental Management Advisory Board (EMAB) was tasked to assess EM's strategic planning capabilities/processes and, in particular, to review the status of the initiatives pursued by the Office of Strategic Planning and Analysis (EM-32). This charge was derived from the Board's work pertaining to the topics of Discretionary Budgeting and Technical Uncertainty and Risk Reduction, which were addressed in previous reports and recommendations to the Assistant Secretary. The EMAB Strategic Planning Committee was formed to expand on this earlier work and pursue dialogues with the EM Office of Program Planning and Budget (EM-30) in support of its charge.

During the May 2008 public meeting in Washington, D.C., Ms. Merle Sykes, Deputy Assistant Secretary for Program Planning and Budget, provided EMAB with an overview of EM's Strategic Planning. The issues addressed included historical EM performance metrics, updated life cycle and baseline funding requirements, and evolving metrics for setting planning and budgeting goals. In addition, Ms. Sykes described in detail, the EM budget history and the historical allocations of its appropriations.

Following the public meeting, EMAB's Strategic Planning Subcommittee identified the following actions and points of interest for further discussion:

1. Assist EM in "winning the hearts and minds" of its stakeholders in the appropriations process, specifically the Office of Management and Budget (OMB), the Congress, and other influential constituencies;
2. Work with EM to develop tools to evaluate and present its strategic plan, which should address budgeting, stable funding, and cost escalation issues;
3. Discuss the development and utilization of these tools in terms of analytics for unfunded liabilities. This pertains to the potential increase in scope that EM expects to inherit from other Departmental programs and missions such as the National Nuclear Security Administration (NNSA), the Office of Science, and the Office of Nuclear Energy.

The Strategic Planning Subcommittee participated in a conference call with Ms. Sykes on July 31, 2008 to further discuss these issues.

Findings and Observations:

EM has made significant progress with regard to building analytical tools that address the financial aspects of strategic planning. In particular, the program implemented EMAB recommendations 2008-10 and 2008-11, which directed EM to:

- Incorporate additional and more comprehensive data points into the baseline development process that budget around various risk scenarios (2008-10).
- Further review the business case and possible additional analyses that could be incorporated into EM's budget request process (2008-11).

Ms. Sykes' presentation to EMAB and the follow-up discussions that took place between the Strategic Planning Subcommittee and Departmental personnel clearly demonstrate that EM has made significant progress on building the tools and compiling the data and scenarios needed to accomplish these recommendations. The establishment of baselines that are analytically rigorous and the utilization of Analytical Building Blocks are particularly significant steps forward for EM in its planning processes.

EM has also developed alternative scenarios for its current baseline strategy, which will allow the program to discuss potential options both internally and with stakeholders. Issues that are now being reviewed with increased intensity include: sound business practices, alternative approaches to waste disposition, excess nuclear materials and spent nuclear fuel, and alternative management approaches. All of these approaches incorporate a renewed focus on the "business case" component of comprehensive evaluation – specifically lifecycle cost reduction and returns on investment – in addition to risk mitigation and regulatory compliance. The Strategic Planning Subcommittee notes that this is an important development for the analytics EM uses with regard to its decision-making and budgeting process support.

In addition, during the discussion the EMAB subcommittee held with Ms. Sykes on July 31, 2008, it was clear that EM-30 has made even more progress since the Board's May meeting. Specifically, EM has identified the differences between the financial needs for current baselines and project baseline summaries (PBS), and what is practically available given the likely future appropriations. The Subcommittee notes that compilation and analysis of PBS data is a significant step forward in EM's strategic planning process. One of EM's greater challenges is that resources and costs associated with completing its mission do not necessarily reflect its stakeholders' expectations. The first step in reconciling this discrepancy involves identifying the various parties' expectations for risk reduction and regulatory compliance and determining if the necessary resources are available to accomplish those goals with regard to the projected costs. EM has made significant progress in building tools to support these analyses and dialogues.

In addition to utilizing PBS data for project and site-specific reviews, EM is preparing to use PBS data for complex-wide budgeting and planning processes. This capability will enable EM to evaluate and review its budgeting practices and decisions with regard to the completion of complex-wide milestones and alternative funding-level scenarios. Once

again, these tools represent a significant improvement in EM's strategic planning practices.

Lastly, there are two potentially problematic issues that the Strategic Planning Subcommittee discussed in terms of additional applications for EM's improved strategic planning tools:

- Cost escalation evaluation and management;
- New mission scope and facility transfers from other Departmental missions.

EMAB has previously compared EM's work to similar cost structures and operations in the civilian engineering, construction, and nuclear industries, which are growing annually at a markedly higher rate than in recent history. This escalation issue has the potential to significantly impact the cost requirements for EM projects and necessitate funding levels that differ from those identified in the current validated baselines. EMAB recommends that EM utilize its newly developed strategic planning tools and internal review practices to address this topic.

With regard to new mission scope and facility transfers from other areas of DOE, EM has been in discussions with NNSA, Science, and other programs in the department to address the possession of certain sites/projects. The tools EM recently developed to evaluate its current obligations can be easily applied to the evaluation of requirements for this potential new scope. In particular, EM's strategic planning tools should be used to realistically frame expectations for the funding levels and resources needed to accommodate additional programmatic scope for both internal, DOE discussions, and in dialogues with stakeholders and external organizations. The Strategic Planning Subcommittee encourages EM to utilize its financial planning and modeling tools to evaluate additional scope prior its acceptance.

EMAB will continue to monitor EM's strategic planning efforts and is prepared to provide consultation on future initiatives. The Board and its subcommittee commend EM on its significant improvements in the area of strategic planning.

Recommendations

Recommendation 2008-17: Complete the build-out of financial, analytical tools for strategic planning.

Suggestions for Implementation:

- Complete compilation of verified and compliant, complex-wide PBS data.
- Evaluate alternative funding scenarios, as appropriate, for specific projects and sites, as well as for complex-wide budgeting, appropriations, and resource availability determination.

Recommendation 2008-18: Incorporate the use of strategic planning tools and analyses into EM's internal and external dialogues.

Suggestions for Implementation:

- Incorporate the use of PBS data and Analytical Building Block analyses into both annual and long-term strategic planning practices.
- Leverage and incorporate PBS data and alternative funding scenarios into budget appropriations requests and discussions with OMB and Congressional officials.
- Utilize PBS data in dialogues with EM personnel, regulators, and other stakeholders, and specifically in those communications and negotiations that pertain to compliance issues.

Recommendation 2008-19: Utilize new strategic planning and budgeting tools to evaluate and address cost escalation issues that can impact current baseline assumptions.

Recommendation 2008-20: Utilize new strategic planning and budgeting tools to evaluate potential unfunded liabilities, such as increased mission scope and facility transfers from other Departmental programs.