



U.S. General Services Administration

Federal Acquisition Service

Managing Relocation Obligations

GSA Employee Relocation Resource Center
Government Relocation Forum
October 18, 2011

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Managing Relocation Obligations/Funding



- Another Option
 - ❑ Better manage or s t r e t c h your “funding” dollars (appropriation / budget)
- Goal
 - ❑ Obligate least amount / shortest time
- Benefits
 - ❑ Free up funding for other uses

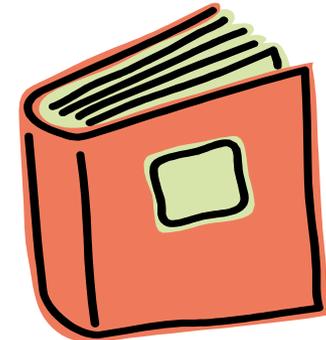
Our Plan...



- Additional steps to
 - ❑ Limit the initial obligation
 - AND
 - ❑ To improve WHEN and HOW MUCH to deobligate
- We assessed the impact on operations
 - ❑ Increased volume of deobligation amendments
 - ❑ Cumbersome process
- We streamlined deobligation process

First – Understand the Rules

- What restricts what we can and cannot do
 - ❑ Regulatory rules
 - Appropriation law aka GAO “Red Book”
 - OMB Circular 11
 - FTR, HHG Tender rules, etc.
 - ❑ Agency Rules
 - Budget execution and funds control
- Need to get to a “comfort zone”
 - ❑ Research
 - ❑ Involve stakeholders
 - Budget
 - Legal
 - Finance/Accounting and Program Offices
 - Experts



Appropriation Rules– Types of Funds and Availability (Chapter 5 in GAO “Red Book”)

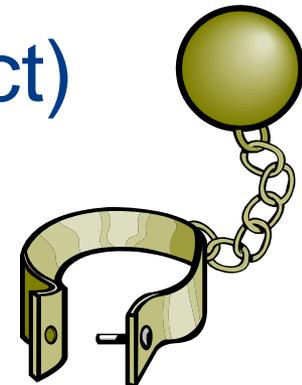
- Annual (One-Year) Funds
 - ❑ Available for obligation during fiscal year appropriated, then will expire
 - ❑ Expired funds available to adjust for 5 additional years
- Multi-year Funds
 - ❑ Obligations chargeable to 1st year also chargeable to remaining years (otherwise same as Annual Funds)
- No Year Funds
 - ❑ Available for obligation without fiscal year limitation
 - ❑ Most reimbursable funds fall under this category

Specific Appropriation Rules

- Original Relocation
 - ❑ Record the relocation obligation against the current fiscal year appropriation when the travel orders are issued (Chapter 7 of GAO “Red Book”)
 - Exception: Home sale services when Purchase Order or call on BPA awarded
- Deobligations
 - ❑ Follow same availability rules based on type of funds
- Basis for estimate and computation must be documented

What To Avoid....

- Anti-Deficiency Act
 - ❑ Prohibits obligating / expending in excess of appropriation
 - ❑ Consequences (under the Act)
 - Administrative discipline
 - Fine and imprisonment



Limiting the Initial Obligation

- Extra attention -“BIG ticket item” estimates
- HHG Shipment and Storage
 - ❑ Obtain data from employee to estimate
 - Questionnaire, counseling
 - Calculation methodology to estimate
- Real Estate
 - ❑ Is there any latitude?



The Deobligation Process

- Needs to be effective and efficient
 - ❑ Timing is important
 - ❑ Materiality decision on processing an amendment
- Identify deobligation “trigger” points
 - ❑ HHG – Example - Receipt of carrier pre-move surveys (GSA HTOS 115% rule + cushion)
 - ❑ Final voucher/invoice
- Implement a review cycle for open relocations
 - ❑ Prior to review, send reminder to employee on unsubmitted vouchers
 - ❑ How often will each file be reviewed for deobligation?
- Monitor the process

OUTSOURCING CONSIDERATIONS

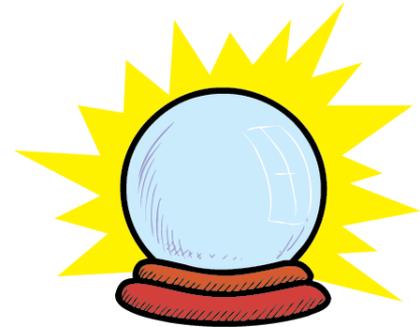
What Are My Options?



- Options to choose from
 - ❑ Maintain all or portions In-House
 - ❑ Relocation Resource Centers (list on GSA website) or other agencies
 - ❑ Move Management Companies – GSA Schedule / Procure
 - ❑ Become a Relocation Resource Center
 - ❑ Combinations of the above
- Ultimately want best solution

How Will Our Models Evolve?

- Overall Goal – Stimulate thought
 - ❑ Macro level – Our Relocation Community
 - What will it look like in the future?
 - What is shaping its evolution?
- Micro level – Each of Our Models?
 - ❑ What will our model look like in 3 yrs, 5 yrs, or even next year?
 - ❑ What issues are each of us facing that may impact our models?



Potential Issues Influencing our Models...

- A. Will your processing method be impacted by automation needs?
1. Do you need to make any major changes?
 2. What are the options?
 3. How much will they cost?
 4. Are IT Consolidation initiatives on the horizon?
 5. Will external hosting be the future?



Potential Issues Influencing our Models...

B. Will the number of relocations that you process be impacted by:

1. Budget cutbacks
2. Teleworking
3. Change in mission requirements
4. Moving to new facilities
5. Other?



Potential Issues Influencing our Models...

C. Will your staffing be impacted by:

1. Budget cutbacks
2. Workload changes (based on responses in B. above on Relocation volume changes)
3. Retirements / Early-Outs
4. Other staffing priorities (e.g. ETS2)
5. Other?

Thoughts – Matching Staff to Workload (Item B.2.)

- Issue we are positioning for
 - ❑ Critical to being efficient
- Identify workload peaks and valleys
 - ❑ Obtain historical data from our system by month
 - (Authorizations, amendments, vouchers, and invoices)
 - ❑ Apply monthly historical data factors to current year projections
- Use / positioned to use Flexible Staffing options (in addition to OT):
 - ❑ Part-time employees
 - ❑ Student temporary employees
 - ❑ Detailed employees
 - ❑ Contractors (contract employees or move management)

Outsourcing Benefits You Might Expect

- Unit pricing (per relocation)
 - ❑ Transfers “matching staff to workload” challenge
 - ❑ Group moves
- Cost Savings
 - ❑ Volume pricing discounts
 - ❑ Fixed costs spread across all customers
 - ❑ Efficiencies – standardized processes and automation
 - Major emphasis on process improvement

Outsourcing Benefits You Might Expect

- Expertise
- Centralized administration
 - ▣ More consistent application of policy
- Data reporting capabilities



Wrap up of Key Points



- Managing Obligations
 - ❑ Does the obligation process need a second look?
 - ❑ Make some friends...
 - ❑ Know the rules
 - ❑ Implement “safe” changes
 - ❑ Parting advice...
- Outsourcing Considerations
 - ❑ Step back and take a look at your options



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Benefits of a Comprehensive BVO Homesale Program

GSA Employee Relocation Resource Center
Government Relocation Forum
October 18, 2011

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Most Common Home Sale Programs

1. **Appraised Value Sale (also known as the Guaranteed Homesale or GHS)**
2. **Amended Value Sale (AVS)**
3. **Buyer Value Option (BVO)**



Home Sale Options Cost Comparisons

Example:

Property Value \$250,000	Appraised Value Fee	Amended Value Fee	Buyer Value Option Fee
Fee	30%	13%	10.5%
Tax (Gross up/RITA)	\$0	\$0	\$0
Total Cost to Government	\$75,000	\$32,500	\$26,250

What is a BVO Home Sale?

A Buyer Value Option (BVO) transaction is a variation of the Amended Value transaction in which no upfront appraisals are performed. The BVO allows the transferee to market the home with the full support of a Relocation Service Provider (RSP) to help employees receive maximum value for their home.

The home is purchased by the RSP after a bona-fide offer is received from an outside buyer. This option allows agencies to reduce relocation program costs and is the least costly option in the Home Sale Program.

Typical Characteristics of a BVO

- ✓ No upfront appraisals are performed
- ✓ Employee receives home marketing assistance
- ✓ Real estate agent support services provided
- ✓ Bona fide outside buyer offer sets the value of RSP offer to employee
- ✓ RSP purchase home from employee; sell home to outside buyer in separate transaction
- ✓ Currently used by many private sector companies and some federal agencies



Key Elements of a Comprehensive BVO Program

- Counsel employee on having “realistic” market expectations
- Broker Market Analysis (BMAs)
- Mandatory Marketing Period (**Example: 60-90 days**)
- List Price Cap Restrictions (**Example: 105% of BMA**)
- Use of a Home Marketing Incentive Payment (HMIP)
- “Sunset Clause” - Convert to Appraised Value after marketing period
- Counsel employee on entire BVO/Home Sale Program timeline

Issues & Solutions of a BVO Program

Issues:

- I. Concerns with unfavorable tax treatment by IRS on an improperly structured BVO
- II. Lack of Appraised Value buyout could lead to home being on market for a long period of time
- III. Lack of understanding on the elements of a properly structured/operated BVO Program

Solutions:

- I. Worldwide ERC Tax Counsel (Pete Scott) addressed concerns in GSA agency meeting on 9/27/2011
- II. Include Appraised Value buyout and a comprehensive timeline of Home Sale Program
- III. Ensure that your BVO/Home Sale program is compliant with Worldwide ERC Tax Counsel recommendations for favorable tax treatment with IRS:
 - a. Ensure program adheres to the Eleven Key Elements in IRS Revenue Ruling 2005-74
 - b. Include a “Sunset Clause” for eventual Appraised Value Sale at end of BVO marketing period
 - c. Purchase and sale of home by RSP must be two independent/separate transactions

What is the Purpose of the HMIP Program?

The purpose of the Home Marketing Incentive Payment (HMIP) is to reduce an agency's total relocation costs by encouraging employees to participate in the Homesale Program to aggressively market and find a bona fide buyer for their residence.

This significantly reduce home sale fees and Appraised Value transactions that the Agency must pay and effectively lowers the overall cost of the program.



HMIP Background Info

- ❖ GSA issued regulations FTR 302-14 to encourage agencies to implement a HMIP Program (5% cap limit)
- ❖ GRAB report recommended utilization of the HMIP Program
- ❖ Primary goal is to reduce relocation costs to the Government
- ❖ HMIP program helps reduce the number of Appraised Value transactions during a soft real estate market

Benefits of a HMIP Program

- ❖ Encourages employee to actively participate in the sale of their residence
- ❖ Provides significant cost savings to agency when compared to Appraised Value Sale
- ❖ Incentive can provide extra income towards purchase/down-payment of new home
- ❖ Can relieve pressure on employee of “holding out” for unrealistic or higher offers
- ❖ Expedites relocation process to new duty station for employee and family

Benefits of a Comprehensive BVO Program

Average Days on Market

➤ BVO Sale Program: **72**

Home Sale Ratios

➤ BVO-AVS / Appraised Ratio: **65% / 35%**

➤ BVO / AVS Ratio: **90% / 10%**

- ❖ **Data based on Home Sale transactions in FY-11**
- ❖ **Home sale ratio was negatively impacted by new agency customers with previously marketed homes**



Benefits of a Comprehensive BVO Program

Category	BVO/Amended Value	Appraised Value	Difference (+ / -)
Home Sale Price (Average)	\$214,200	\$188,500	+\$25,700
Agency Home Sale Fee	\$21,040	\$55,000	-\$33,960
HMIP Bonus (Employee)	\$4,750	N/A	+\$4,750
Total Cost to Agencies	\$25,790	\$55,000	-\$29,210

- ❖ Average BVO/Amended customer received \$25,700 more for home sale compared to Appraised Value
- ❖ Average Agency fee was \$34,000 less per invoice for a BVO/Amended Sale versus Appraised Value
- ❖ Average customer employee received a \$4,750 HMIP Bonus for a BVO/Amended Sale



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A Few Additional Budget-Stretching Ideas

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GSA ERRC

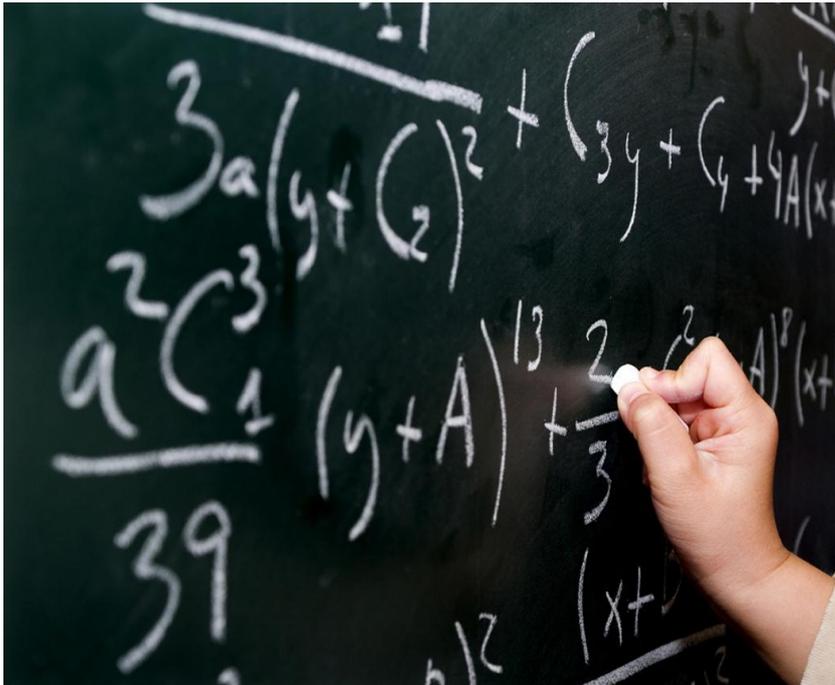
Pre-Decision Counseling

- Advantages
- Cautions
- Costs
- Weigh the Benefits
 - For a program with 100 transfers, 60 homesales, 25% program cancellation rate/\$500 counseling fee
 - 15 cancellations x \$5,000 cancellation reimbursements = \$75,000
 - 100 homes x \$500 counseling fee = \$50,000



Should I stay
or should I
go?

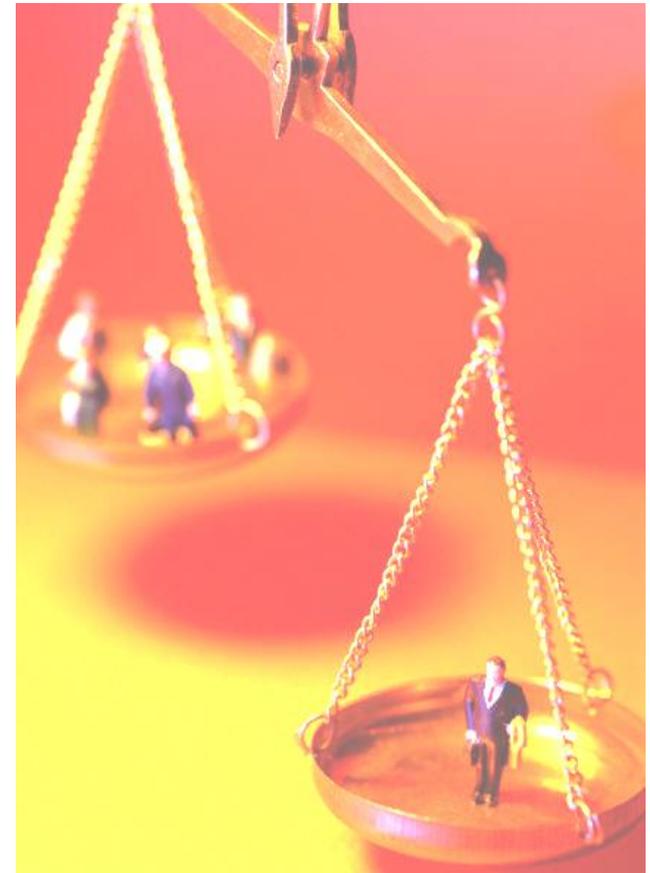
Recalibrate Discretionary Benefits



- Lump sum (fixed) allowance for homefinding and TQSE
- POV Shipment
- Home Marketing Incentive Bonus
- Property Management

Alternatives to Relocation

- Short-term Work-Arounds
 - Temporary Change of Station (TCS)
 - Government Employees Training Act (GETA) Assignment
 - Short-term Assignment and/or Temporary Duty Travel (TDY)



Comparison of Alternatives

Entitlement/Benefit	PCS	TCS	GETA	TDY
Homesale Reimbursement	E			
Home Purchase Reimbursement	E			
Use of Relocation Service Provider (HSA)	D			
Home Marketing Assistance	D			
Household Goods Shipment	E	E	D	
POV Shipment	E	E		
Mobile Home/Boat Shipment	E	E		
Household Goods Storage	E	E		
Extended Household Goods Storage	E	E	D	
Non-Temp Storage of Household Goods		D		
Transportation/Enroute Travel to Location	E	E	D	D
Househunting	D	D		
Temporary Living (TQSE)	D	D		
Miscellaneous Expense Allowance	E	E		
Property Management	D	E		
Lodging/Per Diem			D	D
Rental Car				D
Return Trips to Origin				D
Relocation Income Tax Allowance	E	E		

E = Entitlement D = Discretionary

TDY vs. Relocation

➤ KC to DC Sample TDY (weekly travel)

Airfare	\$	600.00
Hotel	\$	904.00
M&IE	\$	319.50
Airport Parking	\$	50.00
Mileage	\$	30.00
<hr/>		
Total	\$	1,903.50

- Avg. Relocation Cost = \$60,000 (or about 31.5 weeks of TDY)
- Fully taxable if TDY/short-term assignment exceeds one year....52 weeks with taxes = \$146,000



Questions?

