

RECLAMATION

Managing Water in the West

Managing for Excellence **Concept Paper**

Functional Area: Major Repair Challenges

Executive Sponsor

Michael Ryan, Director, Great Plains Region



Background/Drivers

Much of Reclamation's critical water supply infrastructure was built in the early to mid 1900s and is at or nearing its design life. In many cases, this infrastructure is in need of extraordinary maintenance work or rehabilitation (Major Repairs). The costs of these Major Repairs are substantial, at times exceeding the original construction investment in the project. Reclamation law assigns responsibility for the costs of these Major Repairs to project beneficiaries, and in most cases requires that they be paid as they are incurred. This represents a substantial challenge for many of the project beneficiaries, and particularly to irrigated agriculture, where the costs of normal operation and maintenance are increasing rapidly while farm revenues remain flat.

These Major Repair challenges present three major questions which the teams in this functional area seek to address: what new mechanisms can Reclamation devise to help customers finance their allocated share of major repair projects; what processes or measuring tools can be developed to determine whether a major repair project is warranted; and, working with stakeholders, what innovations can be developed to add value to major repair projects? By addressing these questions in collaboration with its customers, Reclamation will ensure the sustainability of its infrastructure and the financial viability of its critical water projects in the 21st Century.

Financing Assistance

Although many Major Repair projects are well justified economically, project beneficiaries may still not have the financial ability to meet their share of costs as they are incurred. Even districts that maintain reserve funds for such exigencies often find that those funds are insufficient for Major Repair projects. Meanwhile, private lending institutions are generally unwilling to make loans to irrigation districts without the facilities as collateral - title to which remains with the United States.

Team 17 developed guidelines for administration, eligibility criteria, cost analyses, and other important documents necessary for implementation of a loan guarantee program in anticipation of the passage of Senate Bill 895. Interested stakeholders gave valuable input to the Congress during the consideration of this legislation regarding its usefulness in addressing the financing challenges discussed herein. The bill became Public Law 109-148 December 22, 2006. The act authorizes a loan guarantee program that addresses this need for financing sources. Upon implementation of this program, project beneficiaries responsible for repayment of the costs of Major Repairs will be able to seek loans from private lending institutions. These loans could then, subject to certain criteria, be guaranteed by Reclamation. This will encourage private lenders to participate in addressing these financing needs.

A team representing various offices within Reclamation is now making the necessary preparations to implement an effective loan guarantee program since the legislation was enacted into law. This will include further discussions with the Department of Interior and the Office of Management and budget in establishing eligibility criteria, obtaining forms approval, etc.

Feedback from Reclamation's customers both prior to and during this *Managing for Excellence* initiative has indicated significant interest in re-instatement of direct, interest-free loans under the Rehabilitation and Betterment Act of 1949, the Small Reclamation Project loans program, or similar alternatives. Reclamation has heard and understands this interest. However, current funding limitations are likely to prevent the use of these programs in the near future. Therefore, while it may be considered for legislative action in the future, it is not addressed by the action items in the *Managing for Excellence* Action plan.

Determining Justification

In addition to the challenge of financing Major Repairs, the estimated costs of some repair projects can be so high that they raise the question of whether they are economically justified at all, with or without new financing or funding mechanisms. Developing tools and processes to produce analyses of repair project value that will be useful to both Reclamation and its stakeholders in planning, budgeting and decision making for these Major Repairs was the focus of the team responsible for Action Item 18.

The team conducted an inventory of existing tools that Reclamation has used in evaluating Major Repair projects, and researched processes used by offices throughout the agency in identifying the need for Major Repairs and making decisions regarding them. Based on this effort, the team felt that the analysis tools at the agency's disposal are adequate, and that in many cases, good processes are used, although they vary significantly in their scope and format as well as their level of customer involvement. Using this information, the team diagramed a process for identifying, analyzing and making decisions regarding a Major Repair. This includes assumptions regarding what constitutes a Major Repair, the basis on which the need for a Major Repair is determined, and the types of analysis that would go into decision making. The diagram addresses the level and types of stakeholder involvement needed at various points in the process, and addresses the impacts of funding availability.

Reclamation managers involved with and responsible for these activities were interviewed regarding the effectiveness and completeness of the team's products. The team conducted targeted outreach to Reclamation customers to solicit their feedback on the effectiveness of the proposed process. Appropriate revisions were made based on feedback received during this external outreach and at Reclamation's public meeting in Salt Lake City, September 19-20. All interested

stakeholders were encouraged to participate in the discussion of this proposed process. The team's final recommendations were presented to Reclamation leadership for review in October, 2006 and were signed by the Commissioner in January, 2007. For an outline form of Team 18's objectives, tasks, and milestones, please see the attached Action Item Summary.

Value-Added Innovation

The third action item in this functional area focuses on the creation of a process to bring together the ingenuity of a project's community to add value to Major Repair projects. In spite of the difficulties in accomplishing Major Repairs, as described above, there are a number of examples where innovation on the part of both Reclamation customers and employees has led to successful achievement. The team responsible for Action Item 19 (Adding Value to Major Repairs) intends to capitalize on these experiences, explore other potential methods of adding value to Major Repair projects, and ensure that this type of effort becomes a consistent part of the process for successfully accomplishing Major Repair projects.

To accomplish its objective, this team interviewed a broad cross-section of Reclamation employees and customers regarding their experiences with adding value to Major Repairs. The team then discussed its approach and sought further customer input at Reclamation's public meeting in Las Vegas. Based on the insight gained from these activities, the team developed recommendations on where 'Adding Value' is timely in Project Management for Major Repairs (in coordination with the process being outlined by Team 18), including a screening process for value-added measures. The team also developed an inventory of value-added measures, and a library of examples which have been used successfully. While input from Reclamation customers is critical to a number of *Managing for Excellence* action items, it was especially important in this team's work, and Reclamation continues to encourage stakeholders to provide input regarding value added measures, success stories, and other recommendations. The team's recommendations were presented at Reclamation's public meeting in Sacramento for review in November, 2006 and were approved by the Commissioner in January, 2007. For an outline form of Team 19's objectives, tasks, and milestones, please see the attached Action Item Summary.

Relationship to other Functional Areas

In addition to the inter-relationship between themselves, as discussed above, the three action items in this functional area will necessarily impact a number of others in Reclamation's *Managing for Excellence* effort, and vice-versa.

The recommendations of Team 19 could be an important consideration in implementing the project management process that will be proposed by the team

responsible for Action Items 20 – 23, Project Management. Team 18's recommended revisions to several Reclamation Manual Directives and Standards complement the work of Teams 6 and 7 under Policies and Organization. Additionally, the implementation of recommendations from Teams 29 and 30 under the Asset Sustainment functional area were an important part of one of the decision points identified in the process proposal of Team 18. Finally, as stated in *Managing for Excellence: An Action Plan for the 21st Century Bureau of Reclamation*, the improvements sought by the action items in the Engineering and Design functional area will be of significant benefit in helping to address the Major Repair challenges facing Reclamation's Projects and infrastructure.

Action Item 17

Seek/Obtain legislative authority for loan guarantees to facilitate private financing for water users' share of major repair/extraordinary O&M costs, prepare for subsequent program implementation.

Team Lead: Sandie Simons, Manager, Contract Services Office, Office of Program and Policy Services

Team Members:

- Ed Warner, Resources Division Manager, Western Colorado Area Office, Upper Colorado Region
- Dawn Wiedmeier, Deputy Area Manager, Eastern Colorado Area Office, Great Plains Region
- Steve Hvinden, Deputy Area Manager, Boulder Canyon Operations Office, Lower Colorado Region
- Matt Maucieri (Advisor), Congressional Affairs Office, Washington, D.C.

Objectives:

- Seek/Obtain legislative authority for a Reclamation-administered loan guarantee program to facilitate private financing for water users' share of major repair/extraordinary O&M costs.

Tasks:

- Track legislation, e.g. S. 895.
- Learn from USDA Loan Program
- Develop draft guidelines for Reclamation-administered loan guarantee program
- Outreach to lending institutions
- Outreach to districts
- Outreach to tribes, States, and local governments

Current Status: Complete

Milestones:

- August 2006: Guidelines for loan participants, regions, and lending institutions, and related documents will be available for review.

Products:

- Guidelines for Reclamation-administered loan guarantee program

Action Item 18

Develop processes or measuring tools to determine whether a major repair project is warranted.

Team Lead: Tim Ulrich, Manager, Lower Colorado Dams Office, Lower Colorado Region

Team Members:

- Brian Becker, Deputy Chief Dam Safety, Safety, Security, and Law Enforcement
- Greg Gere, Deputy Area Manager, Dakotas Area Office, Great Plains Region
- Larry Hieb, O&M Technical Services Manager, Snake River Area Office, Pacific Northwest Region
- Karl Stock, Economist, Contract Services Office, Office of Program and Policy Services

Objectives:

- Develop a clear and transparent process for decision-making on major repair projects.
- Improve interaction with customers at key data gathering and decision points to ensure agreement on the assumptions that go into the measuring tools we use in the decision process.
- Develop a plan for implementation of team recommendations

Tasks

- Research existing processes and measuring tools
- Seek feedback (internal and external) on effectiveness
- Evaluate need for additional processes and measuring tools
- If needed, develop additional processes and measuring tools
- Submit alternatives and recommendations for review

Current Status: Complete

Milestones:

- May 2006: Inventory existing measurement tools.
- May 2006: Draft decision-making process.
- June 2006: Solicit internal feedback.
- July/August 2006: Solicit external feedback.
- August 2006: Revise decision-making process, develop new tools as needed.
- September 2006: Internal/external review of revised products.
- October 2006: Formulate alternatives & recommendations for executive review.
- October 2006: Develop and recommend implementation plan.

Products:

- Description of decision-making process for Major Repairs and appropriate measuring tools
- Implementation Plan

Action Item 19

Working with stakeholders, develop innovative processes that can add value to major repair projects.

Team Lead: Steven Jarsky, Manager, O & M Technical Services West, Snake River Area Office, Pacific Northwest Region

Team Members:

- Ed Vidmar, Resource Program Manager, Provo Area Office, Upper Colorado Region
- Dan Pellouchoud, Director, Engineering & Planning Office, Lower Colorado Dams Office, Lower Colorado Region
- James Allard, Deputy Area Manager, Oklahoma City Field Office, Great Plains Region
- Erin Foraker, General Engineer, Power Resources Office, Office of Program and Policy Services

Objectives:

- Research, evaluate, develop, and document recommendations for processes aimed to maximize value from major repair projects at water and power facilities. Stakeholder involvement in the processes will be emphasized.

Tasks:

- Interview stakeholders
- Determine where “Adding Value” is timely in project management
- Inventory measures that add value
- Develop screening process for added value measures
- Develop library of success stories
- Develop recommendations for review by subject matter experts and leadership

Current Status: Complete

Milestones:

- June/July 2006: Preliminary interviews with stakeholder groups.
- September 2006: Report of recommended processes submitted for review and approval.

Products:

- Stakeholder outreach package to collect data for “adding value” measures and processes
- Final report including:
 - Results of Stakeholder and Reclamation outreach
 - Overview of where “adding value” fits within the project planning process
 - Inventory of “adding value” measures for the project planning process
 - Recommendations for Stakeholder involvement with “adding value”
 - Case studies of projects to which value was added
 - Recommendations for items for further implementation