

RECLAMATION

Managing Water in the West

Meeting Summary

Reclamation Public Meeting on

Managing for Excellence

Portland, OR
September 25 and September 26, 2007



MISSION STATEMENTS

The mission of the Department of the Interior is to protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to Indian tribes and our commitments to island communities.

The mission of the Bureau of Reclamation is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public.

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Introduction

On September 24 and 25, 2007, the Bureau of Reclamation held the sixth public meeting on the *Managing for Excellence* initiative to provide the public with information on the progress of action items associated with the *Managing for Excellence* Action Plan and a workshop to obtain feedback and input related specifically to Team 12, the team tasked with “right-sizing.” This meeting was announced in the Federal Register on August 27, 2007, and drew attendees from water and power, as well as individual water districts. Federal representatives in attendance included the Deputy Assistant Secretary for Water and Science, Brenda Burman and Commissioner Bob Johnson, Executives Larry Todd, Roseann Gonzales, and Bill McDonald, and Team 12 members Perry Hensley, Jamie Macartney, Karl Wirkus, and Barry Wirth.

This document summarizes the presentations and captures the comments made and questions raised during the meeting. Reclamation responses are included in instances where responses were provided.

Comments received at the meeting are bulleted and Reclamation’s responses are italicized. The information in this document is not a transcript of the comments and responses made during the meeting, but derived from notes taken during the meeting. In some instances, additional information has been provided or minor changes have been made to provide clarity. Where appropriate, the comments will be flagged for additional follow-up. Information added after the meeting is identified in brackets [].

To submit additional comments on the *Managing for Excellence* initiative, *Managing for Excellence* Public Meetings, or the individual action items you can use the internet at address <http://www.usbr.gov/excellence/comment/index.cfm>, or email: excellence@usbr.gov, or call (303) 445-2849.

List of Organizations with Attendees

Agri-business Council of Arizona
Ampac Inc.
Central Valley Project Water Association
Colorado River Commission of Nevada
Colorado River Energy Distributors Association
Family Farm Alliance
Garrison Diversion Conservancy District
Hermiston Irrigation District
Idaho Water Users Association
National Water Resources Association

Ochoco Irrigation District
Oregon Water Resources Congress
Owyhee Irrigation District
Salt River Project
San Juan Water Commission
Sacramento Municipal Utility District
Southeastern Colorado Water Conservancy District
Stanfield Irrigation District
Sunnyside Valley Irrigation District
Washington State Water Resources Association
Water Consult
Weber Basin Water Conservancy District
Welton Mohawk Irrigation
West Extension Irrigation District
Yuma Mesa Irrigation and Drainage District

Executive Summary

The focus of the first day of the public meeting was the work of Team 12. Team 12 had prepared a report, a draft policy and directives and standards for customer collaboration as well as proposed engineering and technical workflow management plans. The team had presented an earlier draft of these products at a Reclamation Manager's workshop August 7 and 8, 2007, and many well-considered comments were gathered from the participants and incorporated into the materials presented for this workshop.

The team had excellent discussions with customers, water and power users; which resulted in a better understanding of Team 12's proposed alternatives and draft policy and directives and standards.

Customers' underlying concerns were focused on their desire to see the team's intent for customers to be able to collaborate on Reclamation's process for performing engineering and other technical services work. The team will revise their draft product to address the feedback they received at the Public Workshop, as well as the public and internal comments. That product will then be shared with employees and customers, with another opportunity to comment.

Another public meeting was discussed and has been scheduled for November 7, 2007 in Albuquerque, New Mexico.

On the second day of the Public Meeting, Larry Todd presented an overview of the implementation of *Managing for Excellence*. For completed teams who had decision documents signed, those documents are available online, with timelines for their implementation. This was followed by a presentation on Financial Management training, a pilot of Team 25's implementation, not summarized here.

General Session

Overview

On September 25, Brenda Burman, Deputy Assistant Secretary for Water and Science, Robert W. Johnson, Commissioner of Reclamation, and Larry Todd, Deputy Commissioner for Policy, Administration, and Budget gave opening remarks on the purpose, progress, and importance of *Managing for Excellence*.

Brenda Burman, appointed recently to the position of Deputy Assistant Secretary, assured the attendees that *Managing for Excellence* was still very important to the Department of the Interior and recalled the intense interest that started with the National Research Council's report and resulting interest in Washington DC a year and a half ago, with many stakeholders vocal about the effort. Since that time, there has been less contact from customers and that might be a sign that there is a better relationship and communication with Reclamation thanks to the effort.

Commissioner Bob Johnson noted the good turn out and broad representation from customers and Reclamation. There has been a tremendous amount of work put into what we're seeing today, he said. Team 12 has worked tirelessly and it has been a full-time effort accompanied by a tremendous amount of debate. The goal of making Reclamation a better organization is one that has different views. The manager's meeting and the Public Workshop in May gave Team 12 feedback and what was clear from both managers and customers is their desire that Reclamation remain decentralized for better customer involvement, which was honored in the Team 12 draft product. And while it has taken a long time to get to this point, implementation will take even more because it has to be pervasive to Reclamation culture.

Team 12's report really focuses on two things: guidelines and planning. Planning is important and the proposal to prepare scopes of work on all technical services will help Reclamation be more accountable. Once costs are laid out and timeframes are prepared, Reclamation will be responsible for tracking that on a local and corporate level to know if work is getting done on time within the scope determined. This assists in meeting the corporate goals of maintaining core capability and contracting 40% as per Congress. Bob Johnson let the attendees know that he sought their honest feedback and thanked them for coming. He also thanked Team Lead Bill McDonald and Team 12 members for their hard work.

Larry Todd also welcomed attendees to this sixth public meeting on *Managing for Excellence*, the second devoted to Team 12. The meeting attendees introduced themselves and Larry Todd laid out the agenda for the two days. Much flexibility was built into the schedule to allow the participants a longer break or an opportunity to confer with each other.

Team 12: Overview of Right-sizing

Presenter: Bill McDonald, Regional Director, Pacific Northwest

Bill McDonald recapped the path and progress of Team 12, from its formation to the workshops and manager's conferences. The Team identified two over-arching tasks: customer collaboration and managing engineering and other technical services. Because vocabulary is also a stumbling block in discussions he established working definitions for "customer", "program offices", "service provider" and "outsourcing".

Policy and Directives and Standards are the formal instruction Reclamation puts together to guide decision-making and are set forth in the Reclamation Manual, which is publicly available on the Reclamation website. Statements of policy are broad over-arching goals while Directives and Standards set forth the prescribed criteria.

One goal of Team 12 was to develop business practices and processes to manage engineering and other technical services for new construction projects, repairs and replacements, and also for non-construction work, like the social and natural sciences used in planning studies. Utilization is not focused only on construction work.

Because right-sizing is a continuous process, Team 12's final product will include a recommended business model addressing organizational arrangements and business practices. The Team recognizes there are a considerable number of variables to determine right-sizing over time so the final product will not be a single number for staff size.

The National Research Council's report seemed to focus on the Technical Services Center (TSC), design engineering, cost estimating and construction management. Team 12 has expanded that focus to include concept engineering, design data collection and non-engineering technical disciplines. They noted that a lot of technical expertise is involved in non-construction work. All engineering and other technical services were looked at, not just the TSC.

- Do you have figures on these non-engineer technical folks with regard to whether their numbers have gone up or down in the past?

Response: We should have that information and will get back to you. My guess is that that number has increased.

Bill McDonald also discussed the current staffing and organizational arrangements since the decentralized organizational structure of 1994. Since that time, Reclamation has seen broad delegations of authority; area offices have more authority than they did previous to the 1994 reorganization. The engineering and other technical services workforce is dispersed geographically and organizationally; in the TSC, in the regional offices and in many area offices. There is variability in the staffing among region and area offices but generally more specialized expertise is located in the TSC while more routine work is

performed in area offices and regional offices are somewhere in-between with a range of variability among the five regions with regard to staff size and technical skill.

While it is preferred by customers and Reclamation staff, the resulting decentralization presents some challenges, including:

- Achieving a reasonable degree of consistency of decisions
- Maintaining expertise
- Communications between program offices and service providers
- Understanding collective impacts of individual decisions; those decisions do not necessarily add up to the best decision for Reclamation as an organization

The team is striving to strike a balance between the desirable attributes of decentralization and business practices which enable Reclamation to ensure it is maintaining its expertise and providing cost-effective technical services.

The team compiled public comments and common themes from customers and stakeholders were: support for decentralized management, desire to collaborate on engineering and other technical services, opportunities to perform the work, discussion of Reclamation oversight and support for efficiency, transparency and accountability; understanding cost-effective is not the cheapest but the best value.

Employee comments also indicated support for decentralized management and an interest in understanding customers' collaboration objectives. Their comments were focused on workflow management issues within Reclamation and the relationship between regions and the TSC. Employees recognized a need to improve efficiency, transparency and accountability.

Since the Public Workshop and Manager Conference in May 2007, Team 12 was directed to draft a collaboration policy and directives and standards for a proposed new business model which would provide more discipline in agency-wide business practices but not entail any major organizational restructuring. Their resulting interim report suggests an "efficient utilization" business model, which blends four conceptual alternatives. Attendees were provided with a copy, also available online on Reclamation's website (http://www.usbr.gov/excellence/Portland/Sept_workshop_paper.pdf).

The objectives for future business practices include:

- Empowerment of the regions
- Cost-effective engineering and other technical services
- Transparency and accountability
- Collaboration with customers
- Predictability of workload
- Ability to address core capability
- Strategic determination of the workload to be outsourced

“What do you think about these objectives? Have we missed something?” Bill McDonald asked the meeting attendees. These objectives are important to the balancing Team 12 seeks to accomplish.

- Right-sizing is a number not a process so it is critical that we understand the process especially as it relates to us. I know you have given a lot of thought to the process. The people have organizations that have specific work to be considered. We need to know the process and how we fit in.
- Did you say that major rehabilitation would be considered a capital cost?
Response: wishful thinking.
- What prohibits that?
Response: Existing statutes and case law define “maintenance” which triggers certain financial obligations.
- There needs to be a clear line between capital costs and Operation and Maintenance (O&M) costs.
Response: We had a mechanism but that program has gone away and we are left with everything we do being classified as an O&M, don't give up on the Office of Management and Budget (OMB), we have support at the highest level. Those discussions are still going on and I hope we will move forward with the loan guarantee program. Without that, everything is an O&M expense, unless Congress sets up a separate program
- In lieu of that, you could amend the authorization on case-by-case.
- Is it dead?
Response: The authorization is still there but there are not funds. We have not done a Rehabilitation and Betterment loan in years.
- We're blurring the lines between transferred works and reserved works. The challenge is when there is major rehab in a reserved work and how your customers will pay for it.
Response: If the customer is responsible on transferred work the customer does it. For most transferred works, if there is a “substantial” change it requires Reclamation approval. When Reclamation determines there is a “substantial change” then the work has to be approved by Reclamation. Historically, if it is determined to be a substantial change, it requires Reclamation to do the engineering work on those transferred works. The classification of “substantial change” depends on the facility, nature of the work and if there is a safety issue. Collaboration policy says, “Let's talk to the customer upfront and make clear the customer responsibility and what Reclamation will do.” That is the very first step.

- There was an interest in getting customers with Team 12 to look at the hard numbers, to look at trends in numbers and dollars on non-engineering work. We thought we would have a draft in July or August.
- What did not show up as customer concerns is that customers did not want to see another layer of bureaucracy and this Coordination Oversight Group is well-intended but looks like another layer.
Response: agree, we struggled with that and the workflow component we have a couple of alternatives and we worked with the layer issue.
- My concern is how you interpret transparency and customer collaboration. It's transparent to say you did it and we got it. I understand you had meetings but we were hoping for a more proactive approach than these meetings. We might be missing some customer collaboration.
Response: The team's latest report, provided here, is a proposal and we are seeking input so it is a draft.
- I am still uncomfortable with the mission statement for Reclamation. Likewise, the collaboration policy does not make it clear to the outside world that your mission is to deliver water and power.
Response: Is that a general comment or a Team 12 comment?
- It's a general comment, but with regard to Team 12's policy development, this still doesn't do it. Another broad comment I have: what is the intent of the collaboration policy? It is very broad. Have you given it consideration with regard to the customer?
Response: The policy is intentionally very broad. It is the Directives and Standards that really focus on the details.
- I raise the issue because the policy could be used to bog things down and increase costs.
Response: The policy speaks to more than customers.
- You have referred to other groups that already exist, could they meld to do the work of the COG?
Response: Once Reclamation makes the final decision, there will be details like that at the implementation level.
- I'm measuring this proposal against how the existing process works and I don't want any inherent conflicts and impacts to that process. I am looking at what works for us and how that can make this work better.
Response: Sure, and you will find inconsistencies. What works for you in your particular circumstance may conflict with what is best for everyone.
- Look at Mid-Pacific, we have pretty good collaboration. We are overwhelmed by the amount of transparency. We get 60 handouts at our meeting with Reclamation,

so it's not perfect but it's been going on since the late 1990s and has worked out pretty well.

Response: Processes on the power side are far better developed than on the water side.

Addressing an earlier question, Jamie Macartney displayed a slide indicating that the number of employees in the non-engineering sciences went up slightly in some cases, down in some cases and in many cases remained relatively unchanged.

- Is this measured in dollars spent or number of employees?

Response: We don't have information about dollars spent. This represents the number of employees and is consistent with what happened to Reclamation, non-engineering sciences have become a bigger part of what we do. The reason that technical services do not show a big increase in the number of employees is because we contract out a lot of that work. Lots of dollars are going to private agencies.

Response: I want you to know that we are really listening here. We're willing to make changes to what we are proposing here. Your concern is that you want to know what we meant, but if we haven't addressed your concerns let us know.

- Is engineering decreasing because of less major construction projects?

Response: I think that's exactly what's happening. Our engineering work has gone down, it's a natural process. You don't set artificial numbers, workload defines that over time.

- Are there unfilled positions? Do you have a hard time attracting qualified engineers at the regional offices?

Response: We don't have any problem in the Pacific Northwest. The TSC might have problems because salaries are not competitive with the private sector. The TSC does not lure a great number of engineers from the private sector, but they have no problem hiring and retaining staff at the student and new-graduate level. The reason our engineers got to be experts is because they got on-the-job expertise working with the equipment, coming up through the ranks for five to ten years. That takes money. If we try to buy expertise in 20 years the cost is prohibitive. There are concerns about training and retaining without the former retirement system. Senior people don't leave until they are eligible for retirement, while the younger people are much more mobile and may leave to go to the private sector where they can make more money. As senior people retire we will have fewer qualified people to take their place. We have some things like college tuition reimbursement and retention bonuses that we can use to keep good people. A lot of people under the new retirement system have been here for 20 years and are still very much committed to Reclamation.

- When there is an emergency you want people who are familiar and know what needs to be done. You learn it on the job. You have to be competitive on the whole package, not just salary.

Team 12: Workload Management, a new business model

Presenters: Jamie Macartney, Co-Team Lead, Business Resources Manager, GP Region,

Jamie Macartney presented information about the most critical piece of the new business model, the Coordination Oversight Group (COG) that is intended to establish corporate communication and coordination. Currently, that takes place at various locations in Reclamation. The COG's purpose is to monitor where technical work is being performed and where expertise exists. That information could then be used to recommend adjustments to the workforce. We need that information at a corporate level so that right-sizing can take place.

The COG would report to the Deputy Commissioner, Operations (DCO) The COG does not make decisions or adjustments to the Guidance Document. That would ultimately be the decision of the Deputy Commissioner, Operations.

While the team recognized that many employees and customers were opposed to adding another "bureaucratic layer" the team was also tasked with creating a better corporate awareness about the decisions made throughout the organization. The COG is the facilitator and champion of this corporate awareness; it will not make any decisions or have to be consulted before any work is done.

- Is the COG in existence yet and would it report to a real person?
Response: No, it is not currently in existence and yes, it would answer to a real person: the DCO. Currently, Bob Quint is acting in the position of Deputy Commissioner, Operations.
- How many people are in the COG?
Response: Have not decided on a number, but discussed having representatives from different service providers throughout Reclamation, which would give them a voice in the organization.
- So the COG membership would be Reclamation employees?
Response: Yes, it would be an internal committee made up of employees in places providing technical services.
- Is this entity going to allow customers to have improved efficiency, transparency and accountability? Or does the collaboration policy do that?
Response: The COG will gather data that can be shared with customers to demonstrate how well we are doing on the various objectives.

- Customers would not be included at that level?
Response: No, because that would be time-consuming and we want to minimize the impact of the COG based on feedback we received. The COG will be assessing how well the program managers are meeting the objectives by gathering real-time data to let Reclamation know, "Here is the reality of what's going on, here are resources and options."
- How often will they meet?
Response: It will be a couple of employees who gather that data. But this is conceptual right now; these questions seem related to implementation.
- If a customer wants to know if a project is O&M and who is going to do the work, he can go to the project manager?
Response: The customer collaboration team is in the policy and that describes the team made up of the customer and the program manager. It is that team that decides who does the work. The result of that team's decision would go to the COG, who would see if that decision adversely impacts the corporation as a whole it would be raised with the Deputy Commissioner of Operations.
- We don't have a customer collaboration team now?
Response: No, although there is some collaboration between customers and the program office.
- The COG approves the decision of the customer collaboration team?
Response: No, they evaluate the impact on the organization.
- If the area manager and customer make a decisions and it goes to the COG, that adds another layer.
Response: This is not a linear process, the COG is not Ok'ing the decision of the customer collaboration team; they are collecting the information about those decisions so there will be better information in the future. For advance planning projects, a member of the COG can say, "This is the work to be accomplished, it would be better if we did it this way."

The eight components to the Team 12 proposal were described as:

1. Collaborating with Customers on decisions regarding how and when the work gets done.
2. Distribution of Engineering and Other Technical Services Staff among the program offices, regional offices, and the TSC with the goal of achieving balance.
3. Fee-for-Service arrangement with statements of work, service agreements and completion reports for all technical work performed.
4. Advance planning and scheduling of future workload by Program offices so that service providers then plan better.
5. Workload distribution (two alternative approaches offered for consideration).

6. Organization and staffing levels at the discretion of the Regional Directors and TSC Director who are responsible for reporting staff utilization, which is then periodically reviewed by the COG.
7. Cost and performance reporting by the COG.
8. Accountability with the Deputy Commissioner of Operations with COG's input.

- Would statements of work, service agreements and completion reports be used between a customer and a provider?

Response: Yes. Those are needed to measure how we're doing work.

- Are you talking about work outsourced or the work performed by Reclamation?

Response: This is already done for outsourcing. This does not apply to routine O&M; we're talking about substantial projects. Service agreements would be required for work requested by internal project managers of internal service providers. If the customer were going to perform work ordinarily performed by Reclamation then maybe we would have a statement of work done.

- What if the customer says "I think this job can be done more efficiently if I do it?"

Response: Within the customer collaboration component we address the sharing of information with customers, we should have information about the cost of having it done "in house" as well as the cost of having the work outsourced or performed by the customer.

Team 12: Alternatives for workload distribution

Alternative 1 for workload distribution is "presumption with waiver." A guidance document would determine who does the work based on the type of work. This presumes the work will be directly distributed to a certain service provider or contracted out, which should be done purposefully, not randomly. There would be an overflow process for instances where work that was presumed to be done by an area office could be given to the regional office or the TSC if the area office was unable to accomplish the work. This planning process requires collaboration, and the COG is critical to gathering, monitoring and distributing that information.

- When does the Area Manager exercise the waiver?

Response: If the work was presumed to go to the TSC, but the TSC is too expensive the Area Manager could request a waiver from the director to outsource that work.

- What is a "workload distribution guidance document"?

Response: Although not currently in existence, it could be a formal Directive & Standard or informal list of guidance.

- Who is making the presumption?
Response: The program office would have the guidance, they could look up the type of work to be done and know where to go to get it done. The COG will oversee how it's going and may make changes to the guidance document. The program office does not go through any body to distribute the work. If they choose not to follow the guidance document then they have to get a waiver.
- What about work that is not going to be done internally?
Response: If there is a presumption in the guidance document that the TSC will do work and the customer wants to outsource, and the project manager is persuaded that it should be outsourced then the Regional Director can grant a waiver. But remember that there is concern in maintaining technical capability [and the Regional Director would have to take this into consideration].
- Is there the basic assumption in Alternative 1, that only work in excess of capability could be outsourced? Is that correct?
Response: If there is no waiver granted then only excess work is outsourced, but if the rationale is provided for not following the guidance then it could be outsourced if approved by the Regional Director in consultation with TSC.
- So, unless there is a waiver, only excess work is outsourced?
Response: Yes. We heard that people are concerned with core capability and the guidance would try to bring work to the TSC that would assist in maintaining that core capability. We're going to get better data. In the future we should be able to compare the TSC with outsourcing.
- We have a problem with quagga mussels, are you going to develop that capability and expertise? That core capability is available whether from Reclamation or private sector and we have a process that we like.
Response: There is some balancing to be made. We all tried to build on good examples, we're trying to preserve them not destroy them.
- I'm concerned that we have water users and power users with different relationships with Reclamation and one model might not work for all. You might have to be flexible in not implementing this everywhere.
Response: This is for people who want it, but we're not screwing it up for people who like what they have. If there is something that needs to be incorporated Reclamation-wide we will know about it. If you can show that the way you were doing it was better then of course we would want to continue to do that, to move in the direction of betterment.

Alternative 2: "choice with oversight" allows for the Program Office to decide where the work is to be distributed but there would a responsibility to meet corporate objectives. The guidance documents would work as a suggestion and let Program Managers know where the work could go. As long as the work is distributed in accordance with the

guidance document there is no burden on the program office. But if they want to outsource work that is supposed to be performed internally, they give the internal providers a chance to provide a proposal. The program office still decides but they must document the decision. That decision can be appealed by the service provider to the COG and if the COG thought it needed attention, it goes to the Deputy Commissioner, Operations (DCO) who would discuss it with *Regional Director* and the TSC and would make a decision about whether to override the decision of the program office. The COG monitors what is being decided and has real-time override before the work is actually outsourced. If the COG knows that we are short of the congressional mandate (40%) on outsourcing then the COG can require outsourcing.

- Nowhere in alternatives 1 or 2 is there customer collaboration.
Response: This is internal.
- So the customer does not get input?
Response: These are internal processes but the Reclamation representative will share information with the customer so you as a customer can say, "This isn't working."
- Sharing information is different from decision-making. The customer should be able to appeal or request a provider for a service. This process is geared toward Reclamation and not the customer.
- I want to see a disclaimer for this proposal that says "nothing contained herein should conflict with existing agreements with customers." This is in conflict with the agreement I have.
Response: That statement should be here. You want consistency but you want what you have. There has to be a balance, consistency would sacrifice the deal you have in the form you have it, so you need to be flexible. There is some tension between the objectives.
- You could have it read, "For those interested, here is a process..." some people want those opportunities and some Prefer existing processes.
Response: That is separate from the problem that internally we need to be more disciplined about where technical work is going. It might constrain your current practices.
- We thought it was important to hear about collaboration.
Response: That is what we are ready to talk about. With regard to workflow for Alternative 1 there is always a discussion with the customer first. They discuss where work should be done, when it should be done and if there should be a change in what is being done. There is customer collaboration in this as a part of policy that already exists.
- So the Program Manager is discussing costs and options with the customer at that point?

Response: Yes. It might be a result of questions raised by the customer and stakeholders but the area offices should be doing that. That type of collaboration occurs early on, here or before this point.

- How would someone know that? That is not there. Customer collaboration is not on the flow chart.

Response: We may not have all the pieces needed. It needs to be written in a succinct way that the customer wants to see.

- This still looks like an internal process.

Response: Besides policy, what do you want to see?

- Where is customer collaboration going to happen if it's not happening now?

Response: At the Public Meeting in May we had a lot of discussion about collaboration. We are going to have a lot of collaboration and we needed to do a lot of stuff internally to make that collaboration valuable. We have internal issues to deal with.

- How do you intend to incorporate our input into this report?

Response: After the May meeting there was concern about the morale of the employees and buy-in of managers so we have held two manager's meetings and had employee meetings and tried to formulate a way to get to a proposal and ensure the Reclamation employees understand. We're open to where we need to go next.

- When this process started we were interested in transparency. I define transparency as seeking customer input. It's not clear now where "seeking input" is going to happen.

Response: Is it not clear in the D&S on collaboration?

- It's not clear how we are going to be involved.

Response: We drafted a policy and D&S on collaboration; we'll create a Customer Collaboration Team and find a common way of doing things. It's a draft proposal and we're open to your thoughts.

- This report appears to be aimed at an internal audience but today you are dealing with the external audience and we want to see where the customer fits.

Response: You're right. Reclamation is a technical organization and we operate technically. We have to convert to a culture that you describe so our people can carry it out. We don't do that right now. We have to be thinking that way. Part of it is training, process and writing it down. We're not there yet.

- With these alternatives, where is the customer collaboration at these decisions? Who is contacting the customer regarding these decisions?

Response: The Project Manager is having the discussions. Can there be bigger caucuses with the TSC? Sure.

- If a waiver is granted, then the area manager would advise us. But if a waiver isn't granted, what is the option?

Response: More internal discussion, or the Project Manager says, "There's nothing I can do, my hands are tied." It's possible that there may be an initial decision that the customer does the work, or outsource. There is a requirement that Reclamation outsource 40% of total Reclamation work. That is why we need a corporate database to get more certainty. We still manage the work that is outsourced but not work done by the customer.

At the Public Meeting in May the team heard customers were seeking greater collaboration. Customers at that meeting seemed unconcerned with how work is distributed.

- We want to know how you are collaborating with us while you are distributing the work.

Another customer message in May was to not break what wasn't broken. Customers favored decentralization and dealing with decision-makers on a personal level. Because we are maintaining a decentralized organization, input is going to be at the local level. The primary place for input is with the Area and Program Office that then has input into the distribution process. As Reclamation works through this there has to be communication with the customer.

As an example, if Reclamation and the customer decide to replace a gate, the Program Manager consults the guidance. Hypothetically speaking, let's assume the guidance indicates that gate replacements are to be performed by the TSC, but the customer wants to do it. The Program Manager asks for a waiver. The Regional Director decides if the waiver is granted and the customer does it, or the waiver is not granted and TSC gets it.

- What if the customer wants to do the work?

Response: If guidance allows fine, if not get a waiver.

- Our issue is that if a customer pays, they ought to be able to oversee and outsource the work themselves.

Response: We could accommodate that with the collaboration team. It might be appropriate in some instances but there might be where it is necessary to follow the guidance document.

- If customer wants to do the work and Reclamation guidance says Reclamation does the work, the customer's only appeal is to the Regional Director who already denied the waiver?

Response: That is true, and it's a good point. It might make sense to give the Regional Director a second chance.

Alternative 2 differs. You still have the collaboration and O&M program formulation policy and there is an understanding regarding the work to be done. There is still guidance but if the guidance is not followed, it is the service provider who appeals the decision not to follow the guidance. If the work would have gone to the TSC per the guidance and if the Program Office chooses not to use the TSC, then TSC appeals to the COG. If the COG through the DCO grants the appeal, then the TSC gets the work. If not, the work is performed at the discretion of the Program Office.

- This is an internal process that does not apply to us. That's ok. It just seems like the appeal process and who finalizes that decision is beyond us. It is only in the first instance where we have input.
Response: The other piece is where you have customers who want to do the work. If the customer wants to do it themselves and the guidance document indicates that TSC does the work, decision-making authority is with the Program Office. The only difference is that the Area Office would have to put together their planning in some detail that the TSC can review and let the Program Office know when there was work the TSC could do, but decision-making rests with the Program Manager.
- What if the Area Manager can do the work but guidance says it goes somewhere else?
Response: The Program Manager decides. But the Area Manager prepares a scope of work which is made available to the TSC and the Region for consideration. Currently, Area Managers are outsourcing work that no one else within the organization knows about. If the customer wanted to do the work, and the Program Manager didn't agree there could be an appeal.
- What if the Program Manager doesn't want to do it, can they choose between TSC or Region?
Response: That is the intent. The idea is that it would go back to the Program Office even if an internal provider was capable of performing the work. If that takes place, the service provider can appeal. The appeal is the service provider asking the COG to support them in overriding.
- Where is the customer in that process?
Response: We have Deputy Commissioner, Operations consulting with the customer. We never anticipated that there wasn't customer consultation at every stage of this. The idea is that there is consultation all the time. We will write it that way.
- The intent should be included in the document.
- We are interested in having input into the Reclamation process but as far as whether the Program Manager is using internal or outsourcing engineers that is a Reclamation problem to deal with.

- We, as customers, don't all have the same idea about what is desirable. We need to understand the continual process that leads to right-sizing. This decision about who does the work determines the number of employees.
- The business plan has eight components. Customer Collaboration is the most important component. I don't really care what alternative you use so long as the customer can weigh-in and have an agreed-upon process for appeal. I am concerned about customer recourse after an adverse ruling on appeal.
- As a power customer, I wonder, "What is the most robust process?" I don't want to get bogged down and micro-managed. I want collaboration and where that comes in is critical. It might be throughout the process, but make it robust. We have two Area Offices in our region and one does all the work and the other contracts out all work and it works for us. We give them feedback; I want to be able to give feedback at every step. I want the expertise; I want you to be there with that expertise for emergencies. It needs to be a robust process not bogged down by reviews and back-and-forth, but something that works in a collaborative way.

Response: We are concerned about maintaining core capability. There are some decisions being made that don't include the rest of Reclamation and those independent decisions do not take into consideration the greater organization. We're trying to be transparent here but if you just want collaboration in place, we can deal with our internal processes.

- Maybe we don't know what core capability is. That is a fundamental piece.
Response: It is a complicated answer. Everyone knows what it is but no one agrees. We are working on defining it. It's a chicken/egg problem. If the TSC maintains staff that doesn't get work, they lose core capability. We have tried to define it, but Team 12 tried to quantify that with numbers to support succession planning and being a smart buyer.
- The irony is that maintaining core capability would be less a problem if you were centralized.
- Some view core capability as knowing whether the contractor is doing it correctly. You don't have to be able to do the work, but have the capability to know if it is being done right.
Response: We have termed that "being smart buyers" but if you are going to remain sharp you have to do some of that work yourself and you need people to come up through the ranks and be trained to replace the experts. Core capability meant being a smart buyer, maintaining capability to maintain inherently governmental functions... It was a lot of things.
- What is inherently governmental?

Response: That definition is in circular A-76. It is the work the government must do and not contract out.

- Part of core capability is the ability to contract.
Response: We have defined core capability as work that cannot be contracted [and an element of core capability is staffing for the work that cannot be contracted].
- Why were customers not consulted with regard to defining core capability?
Response: We will have to work through things knowing a certain amount of work is being outsourced and knowing the things customers want to do themselves and do not want Reclamation maintaining capability in-house. Even as you identify things that are not core capability, you may still desire that we have that expertise. Our data is thin on comparisons to the private sector. There is work where we can be cost-effective so it's not core but it is cost-effective. There are some advantages to government.
- Defining core capability is important to right-sizing Reclamation. For example, you might consider it the way we compare renting versus buying. You rent it until there's enough to buy it. So you may hire consultants until there is enough work to hire employees.
Response: That is a long-term process.
- Is Reclamation decentralized to the point that each Region maintains engineering and design?
- I am not here to manage Reclamation but as a customer Reclamation needs to be held accountable. They need to know how they are doing from an external perspective, the costs from an external perspective and what we need to maintain facilities. Customer collaboration should have a more important role than the COG, which is part of a process that evaluates how Reclamation does business, externally as well internally. There has to be a way for customers to evaluate the process and a place to get input from your customer about that process. Customers ought to have an opportunity to evaluate the service the customer is getting. This document does not have that process.
Response: What do you have in mind?
- I guess I don't have the answer.
Response: What concept of an evaluation do you have? Could that be done under implementation?
- It could.
Response: We think many of you would be involved in implementation. And your feedback will be incorporated into the process. With this constant process over time, we ought to involve customer representatives on a Reclamation-wide basis on getting input from customers.

- If you don't involve customers in the implementation phase, the customer ought to have impact on an Area and Region. But for policies and guidelines that affect Reclamation, we should be able to judge those processes and how well they are working. I don't know if it fits in at this stage or at the implementation phase.
- Part of this process includes a step that says "evaluate based on the objectives" and I think part of that evaluation would require a conversation with customers.

The stakeholders proposed a break and a meeting of only stakeholders. After their discussion the stakeholders said that the concept of Team 12's paper was acceptable, but should reflect the intent expressed: a culture of collaboration. Therefore, process leads to right-sizing continuously. The stakeholders were concerned that collaboration was not described nor was how the culture of collaboration will take place.

The next step, they suggested, was determining the best process for finalizing the work of Team 12. They suggested that Team 12 revise their report to incorporate the customer collaboration and that the interested customers establish a group to identify broad principals important to customers, and those principals would become a guiding document to evaluate Reclamation's progress on the implementation of Team 12's ultimate decision document, as well as other results of *Managing for Excellence*.

The customer group agreed to provide their response by November, but conceded that if the team is not complete by the December 2007 deadline, that would be acceptable. Consensus, they said, was more important than meeting the deadline.

- With regard to Alternatives 1 and 2, no one seems to like either one better than another. We could keep both or could you have a combination or hybrid. It depends on what works best for the customer in a given situation.
- I think people like Alternative 2 much better.
- Add the part about not burdening existing successful practices.
- It's an internal process and we said we didn't want to get involved in internal processes.
- Alternative 2 as you explained it is preferred; it needs to be explained better.
- What about customer collaboration with the COG?
Response: We are discussing that.

In light of the day's conversation, the team elected not to spend time discussing the draft Directive & Standard but pointed out that customers doing work historically done by Reclamation was being evaluated by the Solicitor. The problem is Reclamation's potential liability despite such "hold-harmless clauses." Another issue is that

Reclamation may only spend federal money under the regulations. Can Reclamation pay customers to do the work? The Solicitor has not responded definitively.

- If we don't get an answer, we could get a legislative correction?
Response: Sure. It may be that you want to take a look at a legislative fix.

Implementation

Presenter: Larry Todd, Deputy Commissioner for Policy, Administration, and Budget

Larry Todd began Day 2 of the Public Meeting with a status update regarding the *Managing for Excellence* teams that have not yet been completed, as well as implementation information for completed teams.

Team 1: Strengthen relationships with customers and stakeholders is on track and scheduled for completion in December 2007.

- Based on yesterday's conversation, I think you should eliminate "stakeholders"

Team 11: Analyze cost of in-house and outsourced commercial workload is on track and scheduled for completion in November 2007.

Team 12: Rightsizing is obviously still at work and Team 13: Analyze alternative funding for Technical Services Center is closely linked to the work of Team 12 and will not likely be complete until Team 12 is further along.

Team 26&27: Transfer and outsource opportunities for O&M

- I thought there might be another part to this that would identify a percentage of Federally-funded work and work which is non-reimbursable.

Team 31: Benchmark O&M couldn't find a source with which to benchmark. Benchmarking for water-storage facilities is at an impasse since the State of California didn't want to benchmark with Reclamation.

- What about BPA?
Response: I am not sure; we tried to look outside the government. On the power side we have plenty of figures related to benchmarking but on the water side it seems they're unwilling.

Team 32-33: Identify opportunities for using, retaining, consolidating, or eliminating lab services is in surnaming. Field labs will stay where they are until they are done. The

nine labs in Denver will be combined under a single manager and there will be more efficiency.

Team 34 Program Assessment Rating Tool (PART) goal implementation for research and development is on schedule to be completed in December 2007. OMB thinks everything can be measured and this assesses our programs and measures their success. The Team is on schedule, and will make their recommendations.

Team 36: Assess National Academy of Science's desalination review has not been able to start their work because the NAS assessment will not be done until December. The team must wait for that report.

Team 40: Evaluate succession training program addresses the culture of Reclamation. The team's work should be brought to a conclusion in November.

- We have folks in Idaho looking at 300% increases to pay for spillway repairs. We can't plan for that assessment increase in three years and Reclamation has not been any help. Reclamation could do something. The answer was loan guarantee, but now that won't help us.
Response: Managing for Excellence is about how we carry out our practices, it is not solving the water in the West problems such as determining who pays. Congressional activities have to be mandated for us to do anything. The Reclamation Fund is for Congress to use. We won't be surprised if you go to Congress.

- We understand the constraints. Help us help you. If we knew the scope of the problem is as far as aging infrastructure, then we can go to Congress and make the case.
Response: We have agreed to do that. Please let me know if you are not getting what you need. Loan guarantees was in both houses. It is frustrating. It's a policy decision not to use loan buyouts any longer. OMB will not allow it. We can make note of the support for our efforts in that area and the customers' desire for reinstatement of Rehabilitation and Betterment loans.

Larry Todd introduced a newsletter titled "ETA" which stands for the *Managing for Excellence* principals of efficiency, transparency and accountability. It is available on the web at <http://www.usbr.gov/eta/>

It may be downloaded electronically so that customers and stakeholders can send it to their members. The first issue of the publication includes TSC rates and a discussion of policies. ETA is a newsletter prepared by Reclamation Public Affairs staff and should be easy to understand. It will be published monthly at this time, but might be reduced to every-other month depending on the amount of information for dissemination.

- It should include the status of implementation so we could follow it.

Response: Everybody's interested in how this is going and when they can look for things to change.

- Is this a follow up to the Reclamation magazine that stopped awhile ago?
Response: We tried to cut costs and that was one. From the comments in May we understood there was a need for a pamphlet to share with your customers and this is what we came up.

A new website for tracking the implementation of *Managing for Excellence* is available at <http://www.usbr.gov/eta/status>.

All completed teams have prepared a decision document which in many cases makes recommendations that are signed by the Commissioner and assigned to various offices for implementation. That information has been extracted and made public so that water and power users can review the list and know when particular actions are going to take place and who is responsible for that action. Each completed team will have information regarding the task and timeline for the task.

Implementation status for several key tasks was highlighted. Team 25 (Financial status reporting for all infrastructure) garnered a lot of interest by stakeholders. The feedback was incorporated and now the billing statements customers see from Reclamation include incidental costs and information regarding which offices are charging which fees. They have also developed financial management training for Reclamation managers and customers so they better understand the process, a consistent format for all reports including a statement of project construction cost and repayment, a break-down of all costs associated with incidental revenues, facilities condition report, all of which have the communication and collaboration element.

- How will you handle transferred works?
Response: If it's transferred and you take care of it 100% then we won't do a facilities condition report. If it's transferred but Reclamation is still performing some O&M we will do one.
- How do you resolve if Reclamation has a function but is not doing it?
Response: If there's a discrepancy, we need to get together. You could bring it up here. Communication and collaboration are the broader principals of how we deal with those kinds of things.
- What is the difference between significant repair and major O&M? The line is blurry. Is it a dollar figure or what?
Response: There is a definition and your financial manager can explain with regard to your project. That doesn't mean there are no gray areas.
- For the single-purpose irrigation side, it is significant O&M but they can't pay it back in a couple of years. Does that become deferred maintenance?
Response: I suppose, if we have budgeted for it but we can't do it, it becomes deferred maintenance.

- Look at what was done on the power side, and see if it could be done on the water side with regard to advanced funding instead of expensing on a yearly basis.
Response: Water cannot do that.

Also highlighted was Team 16, the Engineering standards team. This team has a decision document with a long list of decisions. Most of those decisions impact the TSC, but flow to the engineering and technical services in other areas as well. The plan to update standards will come out next year. There is currently some pre-work and a plan to get customers involved in updating those standards.

- We think that's good that customers have a chance to weigh in on that but hope you'll consider a process that if disputes arrive we can have a mediated settlement. It would be useful to have a path to resolve differences
Response: I think they will address that. The customer will get more input on issues like conveyance facilities, but not on issues of public safety.
- You're going to need some form of conflict resolution in every team. If there is a discrepancy with anything people need to know there is someplace they can go for resolution. There is not anything specific now.
Response: It may be short-sighted but we think you have that now. A general appeals process is different, but we are not going to have third-party resolution on all things.
- That's fine, but there's a need to have someone you can go to and have a discussion so you don't have to keep clashing with the same person.

Team 28 was tasked with finding opportunities for title transfer. The earlier process was not very attractive. Draft legislation was prepared; OMB will gather comments from other federal agencies before it is transmitted to Congress. It will be several months before it is introduced. The legislation follows the decision document, if you want to read the decision document; it is available online at <http://www.usbr.gov/excellence/Finals/Team28.pdf>

- What is the current interest in title transfer? The practical requirements made the interest wane.
Response: Most people don't want to spend the money to find out if it's a good idea. Title transfer is expensive. The legislation would allow an assessment to be made and if there's a district that wants transfer and it's simple you can get it done without spending a lot of money. Simple projects would be those with an Environmental Assessment and a finding of no significant impact (FONSI). I don't know how many projects fall into that category or how many would be interested even if they were in that category.
- I bet it's still not in their best interests.

Response: That may be. Complex projects would be outside the scope of this legislation.

- Is anything being done to address the costs for projects outside this legislation?
Response: Not with this legislation. It's an improved, streamlined process, but where you have NEPA issues it's going to be expensive. It isn't necessary to transfer the whole project, could transfer just the conveyance facilities.

Team 14-15 was tasked with establishing policies and procedure for the oversight of design and construction estimates and conduct pilot reviews. We will look at the design and make sure that the estimates we have are accurate. They have the D&S in temporary release and a draft product for public review next year.

Team 16 has developed a transparent process for major repairs and will have a draft Reclamation Manual release for public review late this year.

Team 20-23, project management is on hold until Team 12 is further along.

Team 24 has developed a contracting repository where you can go online to find examples of Federal Acquisitions Regulation. Information is available regarding the contracting done by Reclamation, either by sole source or bid. That repository is available at <http://www.usbr.gov/mso/aamd/>.

Team 17 is struggling to implement a loan guarantee program, despite having authority for the program. Initially, the team believed that Reclamation could guarantee loans with a small amount of appropriations based on the default rates. For example, if the default rate was 3 percent then Reclamation would request from appropriations 3 percent of the amount of the loans to be guaranteed. OMB interprets Reclamation's authority differently. OMB at this time requires that Reclamation appropriate the total amount of the loans to be guaranteed. That would considerably limit the amount of loans Reclamation could guarantee. It's ridiculous and frustrating to Reclamation that OMB is making the loan guarantee program inoperable.

"By their rationale, we might as well make the loan," Commissioner Bob Johnson said. But don't give up; I am hopeful we will get a better decision from OMB than what we have now, he added.

There was a discussion regarding future meetings. A Team 12 wrap-up meeting is tentatively scheduled for November. A wrap up report will be published which will include all decision documents. A once-a-year conference was contemplated to discuss issues effecting stakeholders.

- These meetings have been useful but I already go to a lot of meetings.
Response: I know that's why we haven't had one.

- Reclamation could add a segment to another existing conference that many of us attend, up to three times a year. NWRA, Colorado River Water Users and Family Farm Alliance are possible choices.
- Dialogue is important at the executive level, executives talking to executives.
- It doesn't have to be a meeting in a format like this. We can use the format that fits the information. We want to hear what you're hearing from your customers, from people and managers, not just executives.
- Different regions have different concerns. I think the managers at Reclamation know what their customers are saying.
- The other option is not coming to our meetings but having something at the same time every year somewhere cheap and central like Reno and Las Vegas.

Closing Session Comments

The next steps for Team 12 are to revise the latest Policy, D&S and Workflow Management Plan to incorporate the feedback received at the Public Meeting and from Reclamation employees. A revised paper will be available for review October 17, 2007. The customer group will provide their response by November 2, 2007.