

RECLAMATION

Managing Water in the West

Action Item 8, Alternative Scenarios, Draft Outline

**Handout at the *Managing for Excellence* Public Meeting
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DRAFT OUTLINE

Introduction. Chapter 5 of the National Research Council (NRC) Report, “[Managing Construction and Infrastructure in the 21st Century Bureau of Reclamation](#)” (Report), describes Reclamation’s evolving role in operating and maintaining its existing infrastructure and offers three scenario to provoke thought within the agency about its future practices and organization.

Assignment. To consider the scenarios, and any others that emerge in the process, and what refinements, if any, to Reclamation’s organizational structure may be useful in meeting future challenges under each of them.

Purpose. The document is informational, presenting a variety of options with their advantages and disadvantages. The document recognizes that different partners have varying interests and needs and there is not one best option that meets all partner, stakeholder, and federal interests.

Parameters.

The Scenarios assume Reclamation will maintain its basic line organization, though “the number of personnel at each level and the knowledge, skills, and abilities to complete the assigned tasks vary dramatically from scenario to scenario.”

Scenario 1 could occur concurrently with either of the other scenarios. Scenarios 2 and 3 could occur concurrently in separate projects, but not within a single project.

The Scenarios. The following are descriptions of the scenarios and discussions considering their likely advantages and disadvantages, obstacles to implementing them, organizational refinements they suggest, and other information as appropriate.

Note: Use of the Term “Outsourcing.” For the Team’s purposes, “outsourcing” is a comprehensive term for the accomplishment of business tasks through some non-federal entity, and refers to both to transferring responsibilities to project partners and contracting out work to third-party vendors.

Scenario 1: CENTRALLY LOCATED PROJECT MANAGEMENT ORGANIZATION

Description. Primary elements:

- Central design organization
- Regions function as “owner” and assist in planning effort
- Shifts to central control and oversight

- Outsourcing of design function increases, becoming predominant
- Central organization provides project management

Current Practices: Design Capabilities, Responsibilities and Organizational Structure

- Technical Service Center (TSC).
- Regional and Area Offices

Current Practices: Construction Management Capabilities, Responsibilities and Organizational Structure

- TSC
- Regional and Area Offices

Implementation and Organizational Considerations.

Design. Shift toward greater centralization

- Advantages may include:
 - More efficient access to broad design expertise and peer review
 - Greater ease in developing, adopting, and implementing standards
 - Greater opportunities to optimize workloads and assign appropriate expertise
 - Increased efficiencies in centralized design support services
 - Enhanced project coordination and enhanced cost control measures.
- Disadvantages may include:
 - Less effective liaison with area office customer base.
 - Less adaptable to site-specific and/or area-specific design needs
 - Potentially higher costs
 - Inefficiencies from greater distances between the designer and the work site
 - Loss of area and regional technical competencies, meaning O&M expertise may be compromised as well

Design. Increased use of contracting firms to produce designs

- Advantages may include:
 - Greater ability to staff at the appropriate level within Reclamation
 - May be less costly on a per-design basis
- Disadvantages may include:
 - greater difficulty assuring that uniform design standards are met
 - loss of core design capability and O&M expertise
 - cost analyses may not indicate savings

Construction Management

- **Physical centralization.**
- **Functional centralization.**
- **Under either option**
 - Advantages may include:
 - Enhanced ability for uniform standards

- Greater opportunities to optimize workloads
- Greater opportunities to effectively utilize staff from all offices (and vendors) irrespective of their physical location.
- Disadvantages may include:
 - Greater costs for travel, per diem, etc.
 - Less effective liaison between the construction management function and the area office customer base
 - Loss of continuity in working relationships (in some cases)

Scenario 2: OUTSOURCED OPERATIONS AND MAINTENANCE

Description

- Outsourcing of nongovernmental functions at reserved works to the point that Reclamation accomplishes all of its field O&M tasks by contract except those determined to be inherently the government's responsibility.
- O&M of major hydroelectric plants and dams that pose the most significant risks (e.g. liability and costs factors) is likely to continue to be a Reclamation function, though with increasing support services by contractors.
- Outsource O&M either by transferring it to project partners or by contracting it out (outsourcing it other than by transfer) to project partners or third-parties.
- Organizational characteristics under Scenarios 2A and 2B:
 - Reclamation retains a line regional and area office structure to execute and administer contracts, to interact with stakeholders and water and power contract partners, and to discharge governmental responsibilities of ownership.
 - Procurement, contract oversight and administration specialists will be trained to be "smart buyers."
 - More emphasis on developing standards and guidelines necessary to facilitating contract scoping and identifying mandatory procedures.
- Team 8 has separated Scenario 2 into Scenarios 2A (transfers) and 2B (contracting out).

Scenario 2A: Description

- Transfers pursuant to Reclamation law and existing contracts.
- Transfers remain preferred method of outsourcing
- Maintain the existing partnership.
- Reclamation conveys some measure of its stewardship responsibility to its partners.
- Funds for paying contract costs will come from the federal and non-federal sources spelled out in the project repayment contract.
- For these transferred works, Reclamation:
 - retains title to project lands and facilities;
 - performs periodic facility condition reviews;
 - is responsible for paying the non-reimbursable portion of O&M costs;
 - may bill the operating entity for costs of project oversight and reviews;
 - may retain a more direct role in certain project functions.

Scenario 2A: Implementation Considerations

Potential Advantages

- Law encourages transfer of O&M to project partners (see, especially, Reclamation Extension Act of 1914 (38 Stat. 687; 43 U.S. 492, 499).
- Gain both cost and operational efficiencies to the United States and to the contracting entity through non-federal control.
- Lower funding requirements through non-federal being directly applied to project operations;
- Reduce staffing requirements
- Local entities that are able to perform O&M may also be able to more easily integrate the operations of the federal project with ancillary district features.

Potential Disadvantages & Obstacles

- Conditions that have historically impeded transfer of O&M may continue to persist, in which case, Reclamation will continue project O&M
- Problems after transfer, such as inadequately performed maintenance, that could lead to deterioration of project facilities.
- Staff required to perform project oversight may or may not already exist at the responsible office (usually an area office).
- Difficult to maintain competency

Scenario 2B: Description

- Envisions contracting out O&M of reserved works under vendor/customer-type contracts.
- "Reserved works" may be:
 - National infrastructure projects (e.g. Grand Coulee Dam, Hoover Dam, etc.);
 - Of an interstate nature or having numerous project purposes and/or beneficiaries;
 - Complex for which authorization precludes transfer;
 - Projects for which project partners lack the technical and/or financial capability to perform O&M.

Current Practices

- Reclamation sometimes contracts out parts of a project's O&M to project partners and to third parties, particularly where specialized competencies are needed
- It does not contract out the O&M for whole projects, as may be envisioned under Scenario 2B.
- Reclamation has a competitive sourcing program, as required under the President's Management Agenda.

Implementation and Organizational Considerations

Potential Advantages:

- More focus on core functions and mission-critical activities
- Broaden access to skill pools
- Encourage innovation and technical advancement
- Reduce government involvement/increase non-federal control
- Enhance performance and lower costs
- Continue to align Reclamation with government trend toward contracting out
- Greater ability to staff at the appropriate level within Reclamation

Potential Disadvantages:

- Loss of institutional expertise and difficulty maintaining core capabilities, including those needed to function adequately as “smart buyer”
- Lack of control over keeping knowledge residing with contractor
- Erosion of internal culture and motivation
- Reclamation is owner and liable for performance
- Difficulty assuring uniform design standards are met
- Not clear that cost savings could be realized in all cases
- Less direct contact with project partners

Obstacles:

- Lack of quality and cost information against which to measure progress
- Potential for concerns from project partners, who prefer that Reclamation retain O&M
- Potential for objections from private sector for outsourcing directly to project partners
- Costs may initially increase.

Organizational refinements

- Reclamation could “right-size” staffing to levels necessary for tasks focused more narrowly on its core mission.
- Reclamation would be in the position of the “smart buyer,” and would have to provide the appropriate types and amount of work to maintain the associated competencies.

Scenario 3: OUTSOURCED OPERATIONS AND MAINTENANCE**Description**

- Envisions more aggressive pursuit of O&M transfers and the transformation of Reclamation into essentially a funding and oversight agency
- Transferees responsible for project O&M in conformity with Reclamation standards and guidelines, which are designed to ensure maximum flexibility within the bounds of essential public health and safety interests.

- Reclamation retains responsibility for essential governmental policy and oversight (less than under Scenario 2). For purposes of this scenario only, “essential governmental policy” is interpreted to mean “inherently governmental” functions. Reclamation transfers to its partners all other functions, including those deemed to be “core commercial” functions as defined by Team 10.
- Reclamation manages its O&M program by administering a federal funds program that distributes federal funds to the irrigation and power users, in response to project needs.
- Emphasis is on oversight function to assure standards and guidelines are respected by water and power users.
- Organizational characteristics:
 - Reclamation personnel skills change from direct involvement in task execution to administration of a federal funds program.
 - Reclamation’s efforts include needs validation, priority determination, defense of appropriations requests, and program oversight to assure faithful application of resources.

Current practice

- O&M of over 60 percent of water-related facilities have been transferred, though not to the extent that Reclamation retains only “essential governmental policy and oversight” as envisioned under Scenario 3.
- Currently, based upon the cost allocation, the users pay the reimbursable costs and Reclamation pays for the non-reimbursable costs.
- Regardless of who performs the O&M, O&M costs are charged based upon the project’s O&M cost allocation.
- Ainsworth example of current O&M transfer practices:
 - Responsibilities of the District
 - Responsibilities of Reclamation
 - Under a hypothetical Scenario 3 transfer, the following additional tasks potentially could be transferred to the District:
 - Some oversight of land resources at the reservoir;
 - monitoring and maintenance of the hydromet sites and monthly water report
 - certain design work for certain projects

Implementation Considerations

- **Advantages**
 - Gives partners primary responsibility for operations and maintenance of the project. Partners have maximum flexibility to tailor O&M to their needs and financial capability while still meeting essential governmental policy goals.
 - May be more cost efficient, although data is lacking on cost comparisons
- **Disadvantages**

- With transfer of core commercial functions, Reclamation is unable to maintain its core competencies.
 - Lack of core competencies results in inadequate oversight.
 - Without adequate oversight, potential exists for essential governmental policy goals to not be met.
 - Potential for degradation of facilities.
 - If adequate oversight is able to be maintained, it may negate some of the potential cost savings.
- **Obstacles**
 - As the Academy recognized, the resources and sophistication of the water districts vary. Depending on funding options, some districts may not be able to assume this level of responsibility.
 - One of the challenges under a Scenario 3-type of transfer would be to find the proper balance between empowering partners by transferring much responsibility for the O&M, while ensuring that Reclamation does not relinquish its responsibilities to the public as the project owner.
 - Other challenge: transfer of multipurpose, complex projects.

Federal Funding Options.

- Under one interpretation of Scenario 3, Reclamation pays for the nonreimbursable costs, with the project partners paying the remaining costs.
 - **Advantages:**
 - No enactment of new funding authority would be required.
 - No enactment of additional appropriations required.
 - No increase in cost to federal taxpayer.
 - May save federal taxpayer money by partner accepting more responsibility without increased funding.
 - **Disadvantages:**
 - No financial incentive to partners to encourage additional O&M transfers.
 - No additional funding to correspond with increased responsibilities.
 - No increase in federal funding to partners to assist in paying for increasing O&M infrastructure costs.
- A different interpretation of Scenario 3 is that it envisions a program whereby the federal government funds more of the O&M performed by Districts or other entities.
 - **Advantages**
 - Provides an incentive to Districts to transfer O&M
 - Provides a means to develop capability to perform O&M.

- For Reclamation partners, this arrangement would grant most of the incidents of ownership without the liability normally associated with ownership.
- **Disadvantages**
 - Requires new authority to provide the funding.
 - Requires appropriations to provide the funding.
 - Increases costs to the federal taxpayer.
 - Creates a disincentive to title transfer.
 - Would minimize oversight but leave ownership responsibilities, including liability, with the government.
- **Obstacles**
 - Current Reclamation law requires the entity that is performing the O&M to pay appropriate O&M costs. In addition, Reclamation's authority to provide grants is narrowly proscribed. New legislative authority would be required both to change this requirement and authorize a different funding arrangement.