

# RECLAMATION

*Managing Water in the West*

## Reclamation Meeting on *Managing For Excellence* Breakout Session: Alternative Scenarios for Future Infrastructure Management

Sacramento, CA  
November 13-14, 2006



U.S. Department of the Interior  
Bureau of Reclamation

## Action Item 8: Alternative Scenarios

### Team charge:

Consider the scenarios discussed in Chapter Five of the NRC Report and what refinements, if any, to Reclamation's organizational structure may be useful in meeting future challenges under each of these scenarios.

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## Scenario 1: Centrally Located Project Management Organization

- Central construction project management organization
  - Region “owner” & assists in planning effort
  - Shifts to central control & oversight
  - Central organization provides project management
- Outsourcing of design function increases -- becomes predominant

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## Scenario 2: Outsourced Operation & Maintenance

- Nongovernmental O&M functions outsourced
- Two parts to Scenario 2
  - (1) Transfer of O&M to partners
  - (2) For works retained by Reclamation, competitive sourcing of parts of O&M
- Retained by Reclamation:
  - Inherently governmental and program oversight functions
  - Major hydroelectric plants and dams with high risks
    - with increasing support services by contractors

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## Scenario 3: Federal Funding and Local Execution

- Further reduces Reclamation's direct involvement
  - reserved works and transferred works
- Reclamation administers O&M program by distributing federal funds to users for project needs
- Users held responsible for O&M in conformity with Reclamation standards & guidelines
- Reclamation retains responsibility for essential governmental policy and oversight

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## Action Item 8: Approach to Scenarios

- Outreach
  - Questions emailed to 60+ districts and stakeholders
  - Draft outreach plan with questions on website
  - Draft product will be available
- Comparison to current practice
- Pros and cons of scenarios
- Opportunities & obstacles to implementation
- Incorporate input from stakeholders and Reclamation

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## Scenario 1 – Centrally Located Project Management

- A significant change from current practice is centralization of construction management
  - NRC report infers “central” is a Denver-type unit
  - Considering construction office lead remains at current location but reports to central unit
- Stakeholder Feedback
  - Definition of “centrally located” is in area or regional office
  - Several comments that current practice working

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## Scenario 1- Considerations

- Potential Advantages
  - Enhanced uniformity of construction management standards
  - Greater opportunity to optimize workloads
  - Greater opportunity to utilize staff from all offices and vendors
- Potential Disadvantages–
  - Geographically centralized alternative
    - Greater costs for travel from central unit to project site
  - Geographically centralized & reporting centralized alternatives
    - Less effective liaison between construction management and area office customer base
    - Some loss of continuity in working relationships

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## Scenario 1 - Considerations

- A significant change from current practice is outsourcing of design work so it is predominant
  - Design work currently done by
    - TSC
    - Regional Offices
    - Area Offices
  - Reclamation has contracted for preparation of selected designs, or distinct features of larger designs, to A&E contractors
    - Approximately \$6.6 million in FY 2005

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## Scenario 1 Considerations

- Potential Advantages
  - Staffing at appropriate level in Reclamation
    - Burden of rapid changes in staff needs born by contractors
  - May be less costly on per-design basis
- Potential Disadvantages
  - As owner, Reclamation burden of assuring design standards met and consequences if not
  - Loss of core design capability and associated O&M expertise
  - Some comparative cost analyses do not clearly indicate cost saving

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## Scenario 2A – O&M Transfers

- Scenario 2A - Reclamation law and policy encourages transfers to partners
  - 60% of water-related facilities transferred
  - Continues to be Reclamation’s preference
- Facilities currently not transferred
  - National infrastructure projects
  - Interstate nature or multiple purposes/beneficiaries
  - Where technical and/or financial responsibilities of transfer beyond current capacity of partner

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## Scenario 2A - Considerations

- Advantages
  - Cost and operational efficiencies for both Reclamation and project partner
    - Lower federal funding requirements
    - Lower Reclamation staffing requirements
- Potential Obstacles
  - Projects of an interstate nature or multiple purposes/beneficiaries
  - Technical and/or financial capacity of project partner

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## Scenario 2 B – Outsourcing of reserved works

- Contracting out O&M by competitive sourcing or direct sourcing
  - Reclamation currently contracts out parts of O&M to partners and third parties
  - Competitive sourcing part of President’s Management Agenda
- Goals of contracting out
  - Compete to improve performance
  - Access to industry expertise
  - Save costs
  - Smaller government
  - Enhanced local control

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## Scenario 2 B – Outsourcing Reserved Works

- Potential advantages of contracting out
  - More focus on core functions and mission-critical activities
  - Broadens access to skill pools
  - Reduces government involvement/increase local control
  - Continue to align Reclamation with ongoing contracting out trend in governments
- Potential disadvantages of contracting out
  - Likely to lead to progressive loss of institutional expertise
  - Difficulty in maintaining core capabilities
  - Difficulty in being “smart buyer”

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## Scenario 3 Federal Funding Local Execution

- O&M Transfer
  - Scenario envisions increase in both facilities transferred and responsibilities
  - No existing transfer as envisioned by Scenario 3
    - Closest are single purpose projects with all O&M transferred
      - Ainsworth Unit, Sandhills Division, Pick Sloan
    - Reclamation retains oversight and governmental functions
      - Facility reviews and inspections
      - Environmental compliance and land use approvals

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## Scenario 3 - Considerations

- Reclamation retains “essential governmental policy and oversight” (NRC report)
  - Retains less than Scenario 2
- Oversight is emphasized

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## Scenario 3 - Considerations

- Challenges under Scenario 3 type transfer
- Reclamation retains title unless Congress acts
  - Responsible for public interest and investment in facilities
  - Proper balance between transfer of responsibilities to partner while meeting ownership responsibilities
- Multiple purpose project/multiple beneficiaries

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## Scenario 3 - Considerations

- O&M Funding—Two interpretations
  - (1) Existing funding arrangement remains
    - Reclamation - nonreimbursable
    - Project beneficiaries - reimbursable  
(Significant change is reduced Reclamation involvement)
  - Potential Advantages
    - No new authority/appropriations required
    - Potentially reduces federal costs
  - Potential Disadvantages
    - No financial incentive for additional O&M transfers
    - No additional funding to partner for increased responsibilities

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## Scenario 3 - Considerations

### (2) O&M Funding -- Increased federal funding

- Congress may choose to provide financial incentives to promote policy goals
  - Does this in other programs (Title XVI, Rural Water)
- Potential Advantages
  - Provides financial incentive/assistance to partners
  - Means to develop capability to perform O&M
- Potential Disadvantages
  - Requires new authority/appropriations
  - Increased cost to taxpayers
  - Disincentive to title transfer

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## Action Item 8:

Comments?

Send additional comments to:

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