

**Robert F. Stackhouse**  
Executive Director of the  
Central Valley Project Water Association

Written Testimony  
Before the  
**U.S. House of Representatives**  
**Committee on Resources**  
**Subcommittee on Water and Power**

*The Bureau of Reclamation's 21<sup>st</sup> Century Challenges in  
Managing, Protecting and Developing Water and Power Supplies*

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### **Chairman Radanovich and Members of the Subcommittee:**

I appreciate this opportunity to appear before you to discuss the recent National Research Council (NRC) Report on the Bureau of Reclamation's (Reclamation) organization, practices and culture and the *Managing for Excellence* Action Plan prepared by Reclamation in response to the recommendations provided in the NRC Report.

Today, my testimony will:

- Provide some observations and concerns about Reclamation's Action Plan
- Discuss some specific Action Plan issues
- Provide some recommendations applicable to the Action Plan process

I am Robert Stackhouse, Executive Director of the Central Valley Project Water Association. The Central Valley Project (CVP) Water Association represents the interests of the 300 agricultural and municipal and industrial districts, agencies and communities that are located in the Central Valley of California (a valley that extends some 450 miles from Redding to Bakersfield) that have contracts for water from the federal CVP. Annually, these contractors use the CVP water to irrigate 3 million acres of land (one-third of the agriculture land in California) and to meet the water needs of 1 million households. The CVP Water Association works to preserve and protect our members' CVP contractual water supplies and ensure that those water supplies are dependable, of good quality and affordable.

### **Observations and Concerns**

In the National Research Council's Report titled *Managing Construction and Infrastructure in the 21<sup>st</sup> Century Bureau of Reclamation*, the Committee observed that Reclamation's "focus and workload have shifted from building infrastructure to operating, maintaining, repairing, and modernizing it, and from constructing dams to evaluating dam safety, mitigating the risk of dam failure, and addressing environmental issues. Reclamation's budget has been level while at the same time the cost of maintaining and repairing existing infrastructure is rising, in part owing to aging facilities, normal wear and tear, and increased stakeholder attention to environmental issues." The Committee also noted that while Reclamation's core mission remains much the same – to deliver water and to generate power – the way that mission is carried out is constrained by and must be responsive to multiple realities, including:

- Environmental Factors
- American Indian water rights and rural water needs
- Urbanization
- Increasing budget constraints
- Broader set of stakeholders
- Aging workforce

- Aging infrastructure
- Shift from design and construction to operations and maintenance
- Congressional mandates
- Title transfer
- Water user operation of government owned facilities
- New modes of augmenting the water supply
- Increases in the number of small projects

Reclamation's *Managing for Excellence* document acknowledges that to be adequately prepared for the challenges of the 21<sup>st</sup> Century, "It is time for Reclamation to change again." While some would argue that change has been due for some time, I would like to acknowledge Reclamation for preparing a comprehensive and thoughtful Action Plan that responds to each of the recommendations in the NRC Report.

By necessity, the Action Plan items must be evaluated and implemented by the very organization that will be impacted by any actions taken. This type of situation creates a tension to maintain the status quo and can result in a very conservative approach to change. Contrary to a conservation approach, however, the Action Plan calls for relatively bold actions that are responsive to the NRC Report's recommendations. Of course, the devil is always in the details – and many of those will not be known for 12 to 18 months.

The Action Plan is an excellent beginning to the bold and innovative actions needed to ensure a comprehensive review and refinement of Reclamation's organization, practices and culture to meet *Reclamation's 21<sup>st</sup> Century Challenges in Managing, Protecting and Developing Water and Power Supplies*. In order to ensure Reclamation follows through on this aggressive beginning, Reclamation's customers and stakeholders must remain engaged in the process to the maximum extent possible in all of the 41 action items, including the task definitions, the problem and solution analyses, the development of the alternative actions and the ultimate resolution actions. The CVP Water Association will stay engaged in this process – through those items which directly impact our members and indirectly through other customer organizations (such as the Family Farm Alliance) that are committed to this process and its future benefits to our constituents.

It is also critically important that this Subcommittee continue its oversight activities relative to the NRC Report's recommendations and observations, Reclamation's Action Plan items and the resulting actions taken by Reclamation to resolve the identified issues. The Subcommittee's oversight, along with the customers' involvement in the Action Plan implementation activities, will help ensure the successful implementation of changes that will move Reclamation towards a 21<sup>st</sup> Century organization.

## **Specific Issues**

The Action Plan includes many items that are of specific interest to Reclamation's CVP customers. Summarized below are some concerns that should be addressed in the Action Plan evaluation and subsequent implementation actions.

### **Item 2 – Strengthen interaction with customers and other stakeholders at national, regional, and project levels to address Bureau-wide issues.**

Maximum interaction and involvement of the customers with Reclamation in the analysis, evaluations, and development of solution actions is the key to the success of this overall process. Customers and stakeholders were engaged in developing the NRC Report and the Action Plan. Customers are intimately aware of the issues, especially as relates to costs, the need for transparency, and for effective decision-making. They will be able to ground truth potential solutions, provide pertinent information on potential problems, and be much more supportive of solutions that they helped shape and for which they are familiar with the details supporting the decisions made.

### **Items 4-8 dealing with “Policies and Organization.”**

The 1993 implementation of the decentralized organizational structure using Reclamation's aging workforce was difficult for many of the senior employees, some of whom had progressed to the policy and/or management level under previous organizational structures. As a result, a significant number of experienced personnel have left Reclamation in the last decade. Unfortunately, in some locations, this has led to relatively inexperienced personnel operating in a decentralized organization with limited centralized policy guidelines. In turn, this has sometimes resulted in inconsistent application of policy and operational decisions to the local customers. Additionally, because many of the Area or Regional Office staffs are not familiar with the guiding policies, they are often reluctant to make needed decisions in a timely manner. Thus, customers are sometimes dealing with individuals that are empowered to make a decision, but do not have the experience, knowledge, or access to needed guidance to make the right decision. This leads to ad hoc decision-making that is sometimes reversed, a shifting of the decision-making to higher levels, or no decision-making at all. None of these approaches works for the customer.

We are hopeful these issues will be identified and solutions implemented as part of the resolution of these Action Plan items that will minimize or eliminate these types of problems in the future.

### **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.**

As each year passes, aging infrastructure become a more critical factor for Reclamation and the CVP contractors. Considering the shrinking federal budget, the

significant quantities of funds required to repair and/or replace the critical infrastructure used to deliver water to the contractors and the limited, affordable funds available to contractors, innovative thinking is needed to resolve this issue. While loan guarantees will not solve this situation alone, it will certainly go a long ways towards resolution.

In regards to aging infrastructure in California, please note that the delivery of CVP water south of the Sacramento-San Joaquin Delta is dependent on significant non-federal resources – the levees along the Sacramento River and within the Delta itself. A levee failure in the Delta can increase the salinity of the water at the Tracy Pumping Plant such that no diversions of usable water can be made for days, weeks, or even months. When considering a solution to the funding problem surrounding the aging infrastructure question, the potential failure of non-federal facilities that could impact the delivery of Reclamation’s core mission must also be considered.

**Item 25 – Establish and implement a standard, agency-wide process for evaluating and communicating the current financial circumstances of all Reclamation infrastructure, including cost invested, repayment status, O&M cost allocation, design life, facility condition, etc.**

One of the continuing issues for CVP customers is obtaining viable budget and repayment information in a timely manner. This situation is compounded by the water service nature of the delivery contracts, the financially and operationally integrated nature of the CVP, and the approximately 300 water customers involved in repaying the costs of the CVP.

While not directly related to Item 25, one issue that the CVP customers will want to discuss and see what solutions are available is in trying to improve the transparency in Reclamation’s budgeting and accounting processes. While some improvement has been made over the last few years, additional efforts are needed to provide for more post-embargo input from customers, and a process is needed to provide for tracking of dollars from the initial budget through to the final accounting for the expenditures.

**Items 26-28 dealing with “Asset Sustainment”**

These Action Plan items deal with opportunities for the transfer of O&M to water users, outsourcing of O&M for reserved works, and transfers of title to project sponsors. The idea behind all of these is to lessen the burden on the federal treasury and Reclamation’s budget. We are very supportive of these efforts and know of historic CVP examples where these transfers have been mutually beneficial to Reclamation and its customers. We believe it is imperative that Reclamation augment its partnerships with local contractors to leverage the federal and local resources, where possible.

**Performance Based Reporting**

While not mentioned in *Managing for Excellence*, Performance Based Reporting needs to be implemented by Reclamation whenever appropriate. Historically,

Reclamation has based its reporting on activities completed, i.e., dollars spent, man-hours used, acre-feet delivered. In some instances, activities are the appropriate reporting measure (e.g. dollars obligated in budget execution documents). Relative to others, activities are inappropriate measures of accomplishments.

An example where Performance Based Reporting is appropriate is in describing accomplishments relative to the provisions of the Central Valley Project Improvement Act (CVPIA). Many of the provisions of this Act relate to restoring fishery and wildlife habitat or doubling certain fish species. Fortunately, an effort to determine appropriate performance based measurement criteria for the CVPIA provisions has recently been undertaken by Reclamation and the Fish and Wildlife Service, with active involvement by a diverse set of stakeholders. It is anticipated that once developed, these criteria will be used to determine the status of the CVPIA provisions, provide for an optimization of the restoration efforts, and help to prioritize the use of restoration funds in future years.

### **Conclusion and Recommendations**

As noted in the NRC Report, while the core mission remains much the same – to deliver water and to generate power – Reclamation faces multiple constraints today that impact the way that mission is carried out that were not fully considered when the last organizational restructuring was implemented in 1993. In short, it is time for Reclamation to change again.

The Action Plan contained in Reclamation's *Managing for Excellence* document is a good start towards resolving the issues identified in the NRC Report. In order for this process to be successful, the following recommendations are provided:

1. Customers and stakeholders must remain fully engaged in the process and must be involved by Reclamation to the maximum extent possible in each of the 41 action items (as well as other action items that may evolve during the process).
2. Reclamation should provide quarterly written progress reports to this Subcommittee and its customers and stakeholders detailing analysis activities performed, the results of that analysis, conclusions reached, and implementation decisions proposed relative to each of the 41 action items. Potential or actual implementation delays should be described. Any Regional or Area Office impacts expected as a result of implementing the proposed actions should also be described.
3. Congress should continue its oversight of this process and this Subcommittee should consider conducting semi-annual progress hearings with both Reclamation and Customer witnesses.