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Managing Water in the West

Reclamation Meeting on *Managing For Excellence:* Overview of Major Repair Challenges Functional Area

Salt Lake City, UT
September 19-20, 2006



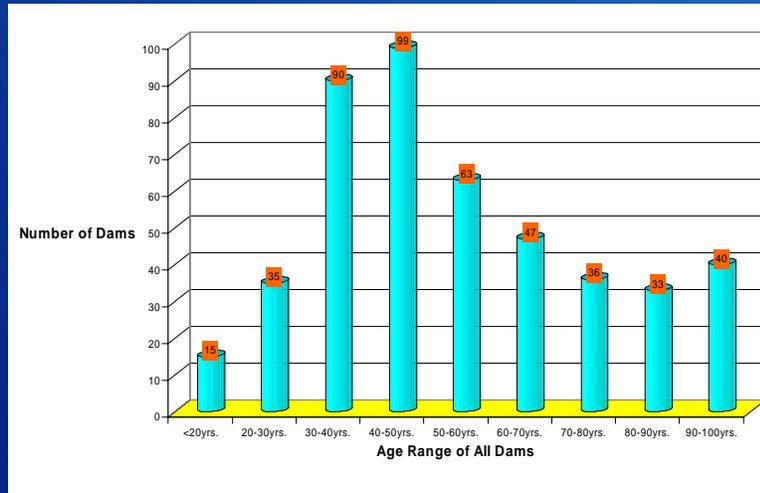
U.S. Department of the Interior
Bureau of Reclamation

Background/Drivers

- **Age of infrastructure coinciding with service life**
 - ½ facilities 50-55 years old
- **Cost of major repairs (non-dam safety)**
 - Average cost in hundreds of thousands
 - More if power facilities
- **Cost of normal O&M vs. revenue (especially on-farm revenue)**
 - O&M cost index up 35%; farm income down 25% (1990-2004)
- **Magnitude of impact if infrastructure fails**
- **National budget realities**

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Age of All Reclamation Dams



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Objectives

- Sustainable infrastructure
- Financial viability of projects
- Customer involvement
- Transparent process

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Areas of Focus

- Financing Assistance
- Determining Justification
- Value-Added Innovation

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Major Repairs Action Items

Action Item 17: Loan guarantee authority and implementation

- Lead: Sandie Simons, Manager, Water Contracts and Repayment Office, Office of Program and Policy Services

Action Item 18: Process and tools to determine “Go” or “No Go”

- Lead: Tim Ulrich, Area Manager, Lower Colorado Dams Office

Action Item 19: Involving stakeholders to increase value of major repair projects

- Lead: Steven Jarsky, Manager, O&M Technical Services West, Snake River Area Office

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Action Item 17: Loan Guarantee Authority and Implementation

Tasks

- Track legislation
- Participate in internal discussions (Interior and OMB)
- Learn from USDA Loan Program
- Develop Implementation guidelines
- Reach out to lending institutions
- Reach out to districts, tribes, states, and local governments

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Action Item 18: Develop processes or measuring tools to determine whether a major repair project is warranted.

Tasks

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

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Action Item 19: Involving Stakeholders to Increase Value to Major Repair Projects

Tasks

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

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Reclamation Meeting on *Managing For Excellence* Additional Information on Action Item 17 Loan Guarantee Program

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Action Item 17: Loan Guarantee

Tasks

- Seek/obtain legislative authority for loan guarantees to facilitate private financing for water users' share of major repair/extraordinary operation and maintenance (O&M) costs
- Prepare for subsequent program implementation

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Rural Water Supply Act of 2005 S. 895

- Sponsor:
 - Senator Domenici (NM)
- Co-sponsors:
 - Senator Bennett (UT)
 - Senator Burns (MT)
 - Senator Feinstein (CA)
 - Senator Dorgan (ND)
 - Senator Murkowski (AK)
 - Senator Kyl (AZ)
 - Senator Salazar (CO)
 - Senator Bingaman (NM)
 - Senator Johnson (SD)

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Status of S. 895

- April 25, 2005 – Introduced to Senate
- May 2005 – Hearing in Senate
- September 2005 – Passed Senate committee
- November 2005 – Passed full Senate
- November 2005 – Received in House
- December 2005 – Referred to the House Resources subcommittee on Water and Power
- July 2006 – House Hearing

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S. 895

Title I – Rural Water Supply Program

- Provides Secretary the authority to:
 - Investigate,
 - Plan, and
 - Construct rural water supply projects.

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S. 895

Rural water supply project is:

- **A community of not more than 50,000**
- **Includes:**
 - Indian tribes,
 - Dispersed home sites, or
 - Rural areas with domestic, municipal and industrial, and residential water.

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S. 895

Title II – 21st Century Water Works Act

- **Provides loan guarantee authority**
- **Loan guarantee – United States underwrites a private loan for a borrower**

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S. 895

Eligible projects

- An extraordinary O&M activity for, or the rehabilitation of, a facility:
 - That is authorized by Federal Reclamation law and constructed by the United States, or
 - In connection with which there is a repayment or water service contract

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S. 895

Terms and Conditions

- Ceiling – up to 90%
- Interest rate – considers prevailing rate in private sector
- Term – no more than 40 years

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Outreach has been performed to:

- Customers across Reclamation's regions
- Lending institutions
- U.S. Department of Agriculture (USDA) offices

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Who Has Been a Proponent

- Many of Reclamation's customers – as a tool for consideration
- Lending institutions – as a way to protect their liquidity
- Western Governors' Association – as a means to secure private financing where there is a lack of collateral

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Points Raised by Customers

- Bring back the Rehabilitation and Betterment program.
- Can we fill out forms now to start the process?
- A 40-year loan is a positive benefit.
- Can we establish a line of credit to be available when needed?
- Use of the program may depend on the current rate of interest received on reserve funds versus interest on loan.
- What will happen if a loan goes into default?
- Will a loan guarantee bring a district under the Reclamation Reform Act of 1982?

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Action Item Product

- Guidelines which provide:
 - Reclamation and district information
 - Lending institution criteria
 - Default guidelines

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What still needs to be done?

- Develop forms
- Meetings with Office of Management and Budget
- Determination of Memorandum of Understanding with USDA

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