

DRAFT -- DRAFT -- DRAFT

**Work Plan
for the
Development and Implementation
of the
Business Model for Managing
Engineering and Other Technical Services in
Collaboration with Customers**

December ____, 2008

Introduction

As part of Reclamation's *Managing for Excellence (M4E)* effort, which was completed in the spring of 2008, Team 12 recommended the:

(1) adoption of a new business model (using alternative 2 in the workload distribution component of the model) which will provide agency-wide processes and procedures for managing and obtaining engineering and other technical services in collaboration with its customers, and

(2) issuance of a new Directive and Standard (D&S) in the *Reclamation Manual* specifically addressed to collaboration processes with customers on the engineering and other technical services required for construction work on existing Reclamation facilities.

In a March 3, 2008, memorandum, the Commissioner approved these two recommendations and assigned responsibility for their implementation to the Deputy Commissioner – Operations (the DCO). Team 12's final report and the Commissioner's decision memorandum are posted on Reclamation's website.

This work plan has been prepared at the direction of the DCO. It outlines the steps which will be taken to implement the two recommendations approved by the Commissioner. As work progresses, the work plan will be revised, if and as necessary.

Issuance of the Approved D&S on Collaboration with Customers

The full text of the recommended D&S was drafted by Team 12 and is included in its final report as an attachment. As it was being developed, it was vetted several times both internally and externally.

Given that it has already been extensively reviewed, and given the importance of making available to customers the collaboration process for which it calls, this D&S will be promulgated as a "temporary release," without further review, by December 19, 2008. It will take effect immediately upon issuance.

As a temporary release, it will expire one year from the date it is issued in accordance with *Reclamation Manual* procedures. During this year, it will be reviewed concurrently with the development of the details of the new business model. As those details are finalized and the model implemented, the D&S will be revised, if and as necessary, and those revisions incorporated into the issuance of a final D&S. The final will be issued not later than November 2009.

Phased Development of the Adopted Business Model

By design, Team 12's final report set forth the conceptual framework for, but not the details of, the recommended new business model. Moving beyond this conceptual framework now requires that modifications be made to a number of existing processes and procedures, and existing data collection tools and practices. There will also be a need to develop some new processes and procedures, and/or new data collection tools.

Two basic approaches could be taken to developing the new business model. One would be to fully develop every last detail of the new model, to include revising and/or replacing existing processes and procedures, before any aspect of the new model was implemented. This could easily take a year or two, and would unnecessarily delay implementation.

The second approach, and the one which Reclamation will use, entails getting implementation of the model underway by making maximum use of existing processes and procedures, and existing data collection tools, with only such changes and additions as are minimally necessary to enable the business model to begin serving its intended purposes to a reasonable degree. It is recognized that this approach will result in some aspects of the model being less than perfect when initial implementation takes place. However, it has the distinct advantage of enabling Reclamation to make significant, immediate improvements in its business practices for managing engineering and other technical services. Furthermore, this approach will allow Reclamation and its customers to learn from the initial use of the model. Thereafter, new business practices, and adjustments and refinements, which are cost-effective and necessary will be phased in over the next one or two years.

Consistent with the decision to have a phased approach in developing the details of the model, certain aspects of the new business model have already been partially implemented. Specifically, data and information collected by Team 12 and other considerations have led to workforce adjustments in accordance with the fifth component of the model (i.e., organization and staffing levels). In addition, the second component of the new business model (i.e., fee-for-service with statements of work and service agreements between program offices and service providers) is being partially implemented through existing processes in the TSC and some regional offices. Furthermore, other Reclamation offices are taking it upon themselves to implement these fee-for-service procedures without waiting for formal implementation of the new business model. All of this will be further detailed and uniformly applied throughout

Reclamation when this component of the model is fully developed. In short, improvements are being made even as the final model is being developed.

Collaboration with Customers in the Development of the Business Model

[**Note to customers** – At the Nov. 19 meeting being held in association with the NWRA conference, we would like to discuss how best to involve customers in the development of the business model. This section of the work plan will then be completed to reflect that discussion.]

Formation of, and Charter for, the Coordination and Oversight Group (COG)

The business model calls for a Coordination and Oversight Group (COG) to assist and advise the DCO in his/her assigned responsibility for ensuring that the practices encompassed by the business model achieve their intended purposes. To this end, the DCO, by memorandum dated September 26, 2008, formed the COG and selected its initial members and their alternates. A list of the COG members and their alternates is attached. These initial members and their alternates were selected for their expertise, broad range of experience, and current management responsibilities. To provide continuity as we implement the business model, it will likely be 2-3 years before changes in membership begin to be made.

To ensure a clear understanding of the purpose and role of the COG in supporting the business model after it is implemented, a formal charter is being developed. Initial drafts of the charter underwent some informal internal and external review this past summer. The DCO expects to issue a final charter by December 19, 2008.

COG as the “Implementation Team” for the Development of the Business Model

At the direction of the DCO, the members of the COG and their alternates will serve as the “implementation team” for developing the details of the business model. This will be a one time assignment to the COG to undertake tasks which are above and beyond the role contemplated for it by Team 12’s final report. In recognition of this fact, the DCO has asked Bill McDonald, Regional Director, Pacific Northwest Region, to serve as the temporary “executive sponsor” of the COG during this start-up period. Once the basic details of the business model have been developed and the initial implementation of the model effected, Bill’s role will end. Thereafter, the COG will report directly to the DCO and function in accordance with its charter.

Components of the Business Model

As noted above, Team 12’s final report set forth the conceptual framework for, but not the details of, the recommended business model. This framework consists of seven components, numbered and titled in the report as follows (see pp. 16-28):

1. Distribution of engineering and other technical services staff in Reclamation
2. Fee-for-service practices
3. Advance planning and scheduling of future workload
4. Workload distribution (based on alternative 2 in Team 12's final report)
5. Organization and staffing levels
6. Cost and performance reporting
7. Accountability

Component 1 undergirds the entire model and links directly to components 4 and 5. It prescribes that program offices will retain only such engineering and other technical service staff, in numbers and expertise, as are needed year in and year out to accomplish the programs and projects for which those offices are funded and responsible. Engineering and other technical services work which exceeds, in quantity, what a program office's staff can handle at any given time (referred to as peak or overflow work), and work which exceeds the technical capability of a program office, will have to be performed by someone other than the program office. Such work will, therefore, flow to Reclamation service providers, private consulting firms, or customers (in the manner and under the circumstances covered by the D&S on collaboration with customers on construction work).

It is anticipated that components 2, 3, and 6 of the business model will be the first to be implemented. The primary reason for this is that day-to-day application of the model must start with the advance planning and scheduling by program offices of their future workload (i.e., component 3). Since such planning and scheduling is inherently tied to the annual budget cycle, it needs to be undertaken as soon as possible to prepare for FY 2010 work (starting in October 2009) and as part of the FY 2011 budget formulation process which is already underway. In turn, such planning is a necessary precursor of component 2 of the model, which calls for statements of work (developed by program offices) and service agreements (between program offices and service providers) to support consistent fee-for-service practices. Furthermore, the cost and performance data which will be required for the analyses and reporting required by component 6 will, in large part, come from the service agreements and concluding reports required by component 2. Thus, implementation of component 2 is contingent upon getting the business practices and data collection requirements of component 6 in place first.

When implemented, these components of the model will initially be applied to all engineering and other technical services obtained by any program office¹ from the following Reclamation service providers²:

¹ A program office is any organizational unit within Reclamation which has been delegated the authority and allocated the budget necessary to operate and maintain projects and to conduct the programs for which it is responsible. Area offices, the Dam Safety Office in Denver, and certain offices within the regional offices are examples of "program offices."

² A service provider is an organizational unit within Reclamation, such as the Technical Service Center, or a component of a regional office, which provides engineering and other technical services to a program office only upon the request of that office, with the costs of the services rendered being paid by the program office from the budget allocated to it.

Technical Service Center
Regional Office service providers (all five regional offices)
Willows Construction Office
Four Corners Construction Office
Provo Area Office service providers, and
All regional drill crews.

There are other service providers within Reclamation. However, the above listed service providers were identified as the ones to whom the initial implementation of the business model will apply because the vast majority of engineering and other technical services work performed in-house by Reclamation is accomplished by these offices. All other service providers will, however, will be phased in over time.

Component 3 – Advance Planning and Scheduling of Workload

Component 3 calls for an increased emphasis by program offices on the advance planning of their workloads for engineering and other technical services, and communication of this information to the service providers from whom they will need support. Since most of the engineering and other technical services work which needs to be done is driven by Reclamation's annual budget cycle, processes for advance planning and scheduling of work need to be tied to that cycle.

Component 3 of the business model will be developed and implemented in two phases.

First, all program offices will be required to submit, as part of their FY 2011 Budget Review Committee notebooks or in a parallel process, basic information concerning: (1) the engineering and other technical services work which they anticipate they will need to obtain from outside their own offices in order to accomplish their projected FY 2010 and 2011 program (whether funded by Congressional appropriations, off budget direct funding, water user monies, or monies provided by third parties), and (2) whether they expect to obtain the necessary services from a Reclamation service provider (and if so, which ones), outsourcing to private consulting firms, or customers. Guidance for effecting this initial process will be issued in December 2008. The COG will also develop a process for reviewing and evaluating this first year of information and using it to refine future year's processes.

Second, based on the experience gained during the FY 2011 budget process, the COG will develop and issue final guidance for the implementation of component 3 of the business model by September 2009. This will coincide with the start, in program offices, of the formulation of FY 2012 budget requests. In developing this guidance, the COG will first clearly articulate the purposes to be served by component 3, inventory available planning and scheduling tools (with an emphasis on tools currently in use in Reclamation), evaluate these tools against the identified purposes of component 3 and consider the practicality of their application, and then prepare proposed final guidance for the DCO's approval.

Component 6 – Cost and Performance Reporting

This component of the business model entails the collection of cost and performance data, and then its periodic analysis by the COG and reporting of results to the DCO. Expected costs and performance will be established in the service agreements required by component 2 of the model, with performance results being included in the required completion reports and, perhaps, other data collection systems. Component 6 then provides for the collection, summarization, and analysis of actual costs and performance as compared to what service agreements anticipated. The collection of such information will also provide a basis for analyzing the cost effectiveness (i.e., the best value for the cost involved) of Reclamation's engineering and other technical services.

As with component 3, this component of the business model will be developed in two phases.

Initially, the minimum cost and performance data needed in order to reasonably implement component 6 will be identified. The current business practices of the above identified service providers will then be surveyed to see what cost and performance data they collect, how they store and retrieve it, and how (and the extent to which) it can be used to begin performing Reclamation-wide cost and performance analyses. Consideration will be given to whether the cost and performance data available from current practices and data systems are sufficiently comparable to make it worthwhile to prepare the annual analysis called for by component 6 based on FY 2009 data. If this cannot be done, then the objective will be to find a way to work from existing data collection systems, with minimal modifications, so that this component of the model can be in place by October, 2009, thereby permitting the preparation of an annual report for FY 2010.

In the long run, quality cost and performance analyses will require more consistent agency-wide practices and standardization for the collection and display of the necessary information. Two basic possibilities will be explored in this regard. First, consideration will be given to whether the necessary degree of consistency can be achieved through use of FIRS, E-TAAS, the Corporate Data Warehouse, Impromptu Reports, and potential use by all service providers of certain NewMIS modules. Second, consideration will be given to whether the MAXIMO software program, which is in the process of being deployed in Reclamation for maintenance management purposes, could and should be utilized for managing and tracking engineering and other technical services work, costs, and performance.

Component 2 – Fee-for-Service Practices

The minimum requirements for the standardized statements of work, service agreements, and completion reports required by this component will be developed and issued by April

2009. Since various forms of statements of work and service agreements are already in use in a number of Reclamation offices, the focus of this effort will be on making maximum use of these with as few modifications as possible. However, standardization across Reclamation will require some changes in existing practices over time, if not initially.

With guidance in place by April 2009, program offices will be expected to have statements of work done by October 2009 for all engineering and other technical services work which is scheduled to be performed in FY 2010 by any of the above identified service providers. Likewise, prior to or during the course of FY 2010, service agreements will need to be put in place well before work is commenced by any of the identified service providers. Component 2 will be expanded to apply to work performed by all other service providers not later than the summer of 2010 so that it can be applied to work scheduled for FY 2011 and to the formulation of the FY 2012 budget.

Component 4 – Workload Distribution

Component 4 of the business model is the part of the model which will establish the processes for deciding where program offices will obtain engineering and other technical services. The central feature of component 4 is a “Guidance Document” which will guide program offices in their decisions regarding from whom to obtain the engineering and other technical services which they need in order to carry out the projects and programs for which they are budgeted and responsible.

Development of the “Guidance Document” was, at the request of the DCO, initiated by the Reclamation Design and Construction Coordination Team (RDCCT), which is a standing team. An initial draft of a portion of the ultimate Guidance Document was informally reviewed both internally and externally this past summer. The final Guidance Document will be developed and issued by April 2009, to coincide with the issuance of guidance for the implementation of component 2. This will allow it to be applied in determining the distribution of engineering and other technical services work to be commenced on or after October 1, 2009. These determinations will need to be made by program offices between April and September, 2009, so that service agreements can be entered into with the appropriate service provider for work to be performed in FY 2010.

Component 5 – Organization and Staffing Levels

Subject to the limitations of the staffing principles required by component 1 of the business model, component 5 leaves to each Reclamation office the decision as to what its own staffing levels will be for engineering and other technical services. Component 5 then requires that program offices and service provider organizations track their staff utilization, with each organizational unit being responsible for collecting and reporting staff utilization data. The COG will periodically consolidate and analyze staff utilization data, report it to the DCO, and recommend staffing and/or organizational changes if and as appropriate.

To be useful, staff utilization data must be collected and reported in a reasonably consistent manner across Reclamation. At present, there is considerable variability across offices as to what data is collected and how it is displayed. Thus, implementation of this component of the model will require the development of processes and practices which will yield the collection and reporting of more consistent data regarding the utilization of engineering and other technical services staffs. The TSC's current, highly successful practices for tracking staff utilization may serve as a template.

The following steps will be undertaken to develop the needed processes and practices:

1. The minimum data needed in order to reasonably implement component 5 will be identified.
2. Current business practices will be surveyed to see what staff utilization data is collected; by whom; how these data are stored, retrieved, and displayed; and how (and the extent to which) it may be possible to begin reporting staff utilization on a Reclamation-wide basis using existing systems.
3. The objective will be to find a way to work from existing data collection systems, with minimal modifications, so that this component of the model can be in place by October 1, 2009, thereby permitting the preparation of an annual report for FY 2010.
4. If, after step 3, it is determined that more than minimal changes in existing systems and practices are ultimately required in order to collect and display consistent and comparable staff utilization data for all offices, then the necessary business practices and data collection systems will be developed and implemented by the beginning of FY 2011.

Component 7 -- Accountability

The DCO will be responsible for ensuring that the business practices incorporated in the recommended business model achieve their intended purposes. The COG will collect and analyze cost and performance data from engineering and other technical service providers, and staff utilization data from all offices. This information will be made available, both internally and externally, via annual reports. Ultimately, the availability of the COG's analyses will enable the DCO to establish standards against which future performance can be measured and will also provide transparency to our customers.

An important feature of the accountability process will be to provide for customer interaction with the COG as it reviews and analyzes cost, performance, and staff utilization data. Working with representatives of customers, appropriate processes will be developed and put into effect not later than December 2009 so that customers can be involved in the COG's work during the course of FY 2010.

While the information available from the initial, phased implementation of the business model in FY 2010 will undoubtedly be uneven and incomplete, it is still anticipated that

the COG will undertake an analysis of this information with an eye toward identifying improvements which can be made in the business practices and processes needed to support the business model. How this will be done will be established by December 2009 and implemented thereafter in the course of FY 2010.

Attachment

**Membership of the Coordination and Oversight Group (COG)
As of October 2008**

Members are listed first, followed by their alternates in parentheses.

Deputy Commissioner – PAB -- Bruce Muller (Karl Stock)

Technical Resources -- Karen Knight (Mark Boyle)

Great Plains Region -- James Allard (Roxanne Peterson)

Upper Colorado Region -- Rick Scott (Rick Ehat)

Lower Colorado Region -- Ed Virden (Rich Dent)

Pacific Northwest Region -- Chris Jansen Lute (Mike Relf)

Mid-Pacific Region -- Pablo Arroyave (Richard Welch)