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November 28, 2006

## MEMORANDUM

**TO:** Council

**FROM:** Terry Morlan

**SUBJECT:** Possible IEAB Task on O&M Costs of Wildlife Projects

The ongoing operations and maintenance costs of wildlife projects has been a growing concern among some Council members. These costs vary widely among projects and take up a large share of available wildlife mitigation funds. A task has been proposed for the IEAB to help in evaluating these costs and identifying ways that wildlife O&M might be accomplished more cost effectively.

However, some parts of this work are more appropriate for others than for the IEAB. We are still in the process of trying to define specifically what the IEAB would do. There is a meeting on December 4 with Tom Karier, Bonneville, Roger Mann (IEAB Chair), and myself to discuss this further. If we succeed in defining an IEAB task, I will ask the Council to approve that task at the December meeting.

Therefore, this item is a placeholder on the Council Business agenda. If we have not defined the task in time for the meeting, it will be deferred until a future meeting.

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# Independent Economic Analysis Board

## Task Number 116

### Investigation of Wildlife O&M Costs

#### BACKGROUND

The fish and wildlife program (Program) expends most of its funds for programs and projects that were initiated in prior years. Operations and maintenance (O&M), research and monitoring (R&M) and other ongoing costs account for an increasingly large share of the fish and wildlife program budget. These ongoing costs leave fewer funds available for new projects and reduce the flexibility of the Program. A better understanding of ongoing costs might help the Program better manage committed project funds, reduce their share of the Program budget, and develop new funding mechanisms.

#### STATEMENT OF WORK

The purpose of this investigative task is to determine the extent to which ongoing costs might be reduced by better cost accounting and management. This exercise will focus on land management costs as opposed to water management, hatchery or hydrosystem costs.

Seven activities are proposed. First, the IEAB will analyze existing cost information from 2006 projects in Pisces to determine the range in costs per acre among projects for different categories of costs including total costs, operations and maintenance (O&M), research, monitoring, and evaluation (RM&E) and cost by work elements. We will identify cost categories that are more important in terms of their size and variation. We will identify and review other information about 2006 fish and wildlife projects that could be used to append or qualify the Pisces data.

Second, we will investigate the extent to which sources of variation in ongoing costs can be identified and quantified. If economies of scale are important, we will attempt to explain why. Econometric methods will be used for some of this analysis.

Third, we will identify and acquire other sources of information on land management costs and we will describe why they can or cannot provide useful information for cost benchmarking for fish and wildlife program costs. These other sources may include land conservation trusts, the U.S. Department of Agriculture, State and federal land management programs, and private contractors.

Fourth, we will describe cost-benchmarking numbers or equations that may be useful for comparison with proposed project costs in the future. We will describe the limitations of these data for predicting costs. Conditions that may warrant higher or lower costs, and the amount of cost adjustment that may be required, will be described.

Fifth, we will provide a scope of work for detailed investigations to obtain better cost benchmarking estimates. The scope will include recommendations for additional investigations and analysis to improve the quality of cost benchmarking methods. These investigations may include interviews with contractors, project managers, and conservation land management experts.

Sixth, we will evaluate a sample of projects recommended by the Council for 2007-09 relative to the cost-benchmarking methods. We will identify some costs that appear to fall outside of the cost benchmarking range and attempt to explain why.

Finally, the potential for reducing ongoing costs through cost management will be investigated. General strategies for reducing costs without reducing habitat values will be described. These strategies may include more use of competitive bidding, value engineering, steps to ensure identification of cost-effective alternatives, and cooperative multi-project management.

#### DELIVERABLES

The deliverable for this investigative project will be a written report and a scope of work for additional investigations.

#### LEVEL OF EFFORT

##### Estimated Level of Effort and Cost:

240 hours of IEAB analysis time @ \$90 (160 hours for 2 task leaders + 80 hours for others)	\$21,600
Total Task 116 Cost	<u>\$21,600</u>

#### COUNCIL APPROVAL OF TASK

By: \_\_\_\_\_  
Tom Karier, Chair

Date: \_\_\_\_\_