Memorandum

Date: April 15, 1998

To: BDAC Assurances Workgroup Members

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Subject: Developing Contingency Response Process - Task 1

Purposes

The two purposes of this memo are:

- To provide examples of external events that CALFED cannot control and which can affect Program implementation and function.
- To demonstrate the need and value of having a contingency response process

Objectives

The objectives of the scenarios that follow are:

- To help participants think about and identify types of contingencies, or unpreventable circumstances, at the April 28 Work Group meeting.
- To determine how those various types of contingencies affect the Program, using the matrix that follows as a device to categorize contingencies and their affects.

Review of the Reasons a Contingency Response Process is Important

Interviews of participants in the Chesapeake Bay Program, the Columbia River Gorge National Scenic Area, and the South Florida Ecosystem Restoration Task Force for the Draft

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Assurances Report, February 2, 1998, indicated there were certain conditions common to all programs. One of those, which stood out markedly, was that all complex resource programs have had to accommodate unpreventable circumstances. Even though some were technically foreseeable, such as loss of funding, none of the programs had any control over when or to what degree such events occurred. Other circumstances, such as the recent scientific discovery in the Chesapeake Bay Program that reduction of dissolved solids in the water column would pull additional nitrogen and phosphorus out of sediments, thereby affecting recovery efforts, were both unforeseeable and unpreventable.

Considering the axiom 'failing to plan is planning to fail,' any program will likely respond to and resolve issues more appropriately if it accepts the certainty of unpreventable circumstances and has well designed methods of handling them. Conversely, dealing with problems and crises on an ad-hoc basis increases resources waste and chances of failure. Management systems in emergency situations with no notions about how events can affect them and no plan for responding to them may make poor judgments about who should respond, how they should respond, how information and decisions are to be coordinated, and what products are essential to restore normal system function.

What the Contingency Response Process is, and What It is Not

The CALFED Contingency Response Process will be a comprehensive set of procedures that will be used to resolve unpreventable circumstances.

The purposes of a formal Contingency Response Process should be

- To provide a process that promotes appropriate actions by Program administrators or participants when unpreventable circumstances affect Program functions.

- To avoid disrupting Program implementation any more than necessary: the Program should not have to come to a halt while minor problems are resolved. By the same token, minor problems should be addressed promptly and not allowed to become more serious.

- To increase the potential for effective, efficient solutions to contingencies. The process should be designed so that resolution of problems caused by unpreventable circumstances is speedy and minimizes staff time and financial resources.

- To promote Program durability by avoiding or minimizing imbalances among interests when unpreventable circumstances occur. Having a process that acknowledges and deals with the need to rebalance benefits and costs when necessary should provide incentives to various interests to promote stability across all elements of the Program through the response process. For instance, if a water supply reservoir cannot be built, a Program response could be to rebalance the solution so that all interests proportionately absorb the loss. This would

provide incentives for all interests to remain committed to achieving objectives in each element of the package.

The Contingency Response Process is not a compendium of all foreseeable events with a plan to resolve each one. It should not be designed as a manual that lists at a certain page what the protocols will be to deal with levee failure, or at another page the specific procedures to follow to handle a growth in the population of Zebra mussels. It should be a comprehensive but flexible set of procedures to resolve either immediate or potential problems at any level from project to programmatic operations.

The Contingency Response Process is not a means by which off-ramps are built into the Program. Quite the opposite: it is a process to help resolve problems in order to keep the Program intact and moving toward its goals.

The First Task: Using the Matrix to Identify Contingency Effects on Program Functions

Following is a modified version of the matrix that was introduced at the February 25, 1998 BDAC Assurances Workgroup meeting with headings for three elements: Program Level, Type, and Effect. The purpose of the matrix is to determine what generic types of unpreventable circumstances may arise and how they might affect the program. After such determinations are made, the next task will be to determine how the program can best respond to the different types or if it is appropriate to have different responses to the different effects of unpreventable circumstances on Program functions.

Please keep in mind that the object of the exercise is not to refine the matrix as a fixture in the Program. The matrix is only a device to frame the discussion at the April 28 Work Group meeting to assist identifying contingency categories and their effects on the Program.

Program Level	
Programmatic	Affects the activities of the entire program from the top down
Divisional	Affects separate program components, such as water quality
Project	Affects a specific project within a program component
Program Type	
Administrative /Operational	Affects implementation and management of policies and on-the-ground actions due to operational or management deficiency
Policy	Affects principles and direction of actions due to unacceptable outcomes of existing policies
Financial	Affects planning and operations due to monetary constraints
Program Effect	
Minor	Low capacity to affect operations or achievement of objectives but should be dealt with to eliminate potential of becoming substantive; may be isolated to one program element
Substantive	Significant capacity to affect operations or achievement of objectives; affects, or has capacity to affect, other program elements
Catastrophic	Certain capacity to terminate, either temporarily or permanently, operations or achievement of objectives

Alternatively, effects on Program functions by Program Level and Program Effect can be thought of as a continuum since many effects overlap areas or outcomes:

Project — Division — Programmatic →

Minor — Substantive — Catastrophic →

An example of locating a contingency on the continuum would be a budget crisis with across-the-board cutbacks. The levels at which the program would be affected would run the whole length of the continuum line from project, through division (separate Program elements) to programmatic due to insufficient funding to carry out objectives at every level. Depending on

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the degree of budget cutback, the effect could be anywhere from substantive to catastrophic since the outcome could run the gamut from slight delay in achieving milestones to inability to meet some or all of them which could bring the Program to a halt.

Following are several examples of unpreventable circumstances that could affect the Program. They illustrate why separating contingencies into generic categories may be desirable and imply questions for the Assurances Work Group to discuss in later task exercises. Such questions might include whether some categories of contingencies should be dealt with by having specific mechanisms and steps for resolution written into the overall implementation plan or operating procedures for the Program.

Scenario 1: Due to some new constraint, such as listing of spring-run Chinook salmon, export pumps must be shut down for a 30-day period during migration. As a result, water storage or delivery south of the Delta will be diminished.

Using the matrix, this contingency is

- *divisional*: It affects Program elements for water supply reliability and ecosystem restoration.
- *administrative/operational*: Export operations will have to be changed to meet environmental requirements.
- *minor → may become substantive*: If sufficient water is not available to meet export demands after the critical period, the problem may become substantive since supply reliability objectives cannot be met.

Note: If the problem is not resolved effectively, there may be larger problems of breakdown of cooperation among interests that could jeopardize overall Program performance.

Scenario 2: Several years into the program, funding is not appropriated in sufficient amounts to meet work deadlines on a agreed-to conveyance facility currently under construction nor for adequate technical support critical to ERP projects. Assume that the assurances package creates a linkage between progress on development of facilities and implementation of the ERP.

Using the matrix, this contingency is

- *divisional → programmatic:* It cripples the ability of two program elements to carry out their functions, and the capability of the Program to meet its goals and objectives is unlikely unless funding is quickly restored or substitute revenue sources are found.
- *financial; probably also administrative/operational; may be policy as well:* Programs cannot carry out on-the-ground procedures; policy decisions need to be made as to how affected program elements will function at a new level if the problem is ongoing.

- *substantive → can become catastrophic:* The event influences more than one program element and key solution milestones may not be achieved.

Scenario 3: The preferred alternative selected through the public process is Alternative 1. Five years into the Program, extremely strong evidence indicates that water from the south Delta poses serious cancer risk. All other common element programs have been functioning as anticipated. The surest and most cost-effective way to remedy the water quality problem is to implement Alternative 3, the isolated conveyance facility.

Using the matrix, this contingency is

- *divisional → programmatic:* Due to the extreme impact of this unpreventable circumstance on a key element, the entire Program needs to be rebalanced.
- *administrative/operational; policy; financial:* This discovery will require adapting policies, finances, and the way in which the various elements operate. Significant new monies will need to be sought for design and construction of the isolated facility. The impact of the facility on other common elements most likely will require new administrative and budget implementation and operation strategies.
- *substantive:* The effects are not necessarily catastrophic since the technical and scientific ability to restore the Bay-Delta with an isolated facility was already determined to be feasible.

Note: A significant Program obstacle, assuming there is consensus on the necessity of an isolated facility, is ensuring operation of the facility in a manner that will not leave it vulnerable to political opportunism to the detriment of other common elements.

Scenario 4: Several years and large sums of money into the program, populations of key species in the Delta are no closer to recovery than they were before restoration efforts began. Scientific and technical advisory panels have come to the conclusion that the Program cannot reach its stated goals with the current plans despite the fact the ERP has been carried out precisely as agreed.

Using the matrix, this contingency is

- *divisional/programmatic*: The problem affects the ecosystem restoration common element but is also programmatic since ERP success is a linchpin of the Program.
- *policy; administrative/operational:* The problem affects the broad guidelines for restoration goals and objectives. Determinations need to be made about whether the indicators are the wrong type and new ones need to be developed or whether goals and objectives are unattainable under current circumstances because costs will become unreasonable or new measures will result in unacceptable redirected impacts.

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- *substantive → potentially catastrophic*: The effect is substantive and likely to become catastrophic depending on the findings from an evaluation of the problem and the ability of the Program to make the appropriate adjustments.

Attached to this memo is a chart with additional events that have been suggested. Please feel free to add to them for general discussion at the April 28 meeting.

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If generic contingency types have been comprehensively determined, the ***next step,*** at the May 29 Assurances Work Group meeting, will be to

- ***Define appropriate Program responses to the differing effects on the Program from various contingencies (unpreventable circumstances) and***
- ***Determine if the procedures for responding to some types of contingencies should be incorporated into Program implementation and/or assurances***

The objective of the next task is to determine what, if any, contingency types should have response procedures written into the implementation plans or assurances for the solution, and what types may best be dealt with through general procedures undertaken by the institutional structure as they arise. Answering this question should help determine how to best to give the Program the balance of reliability and flexibility necessary to efficiently carry out the solution. Carrying out this task may give the Work Group insight into what type of institutional structure best suits Program needs once the group identifies and evaluates the types of contingencies the Program will need to accommodate.