



**Nacimiento Project Commission
Notice of Meeting and Agenda
Thursday, February 26, 2015 – 4:00 pm
Templeton Community Services District Offices**

1. Call to Order
 - a. Call to Order, Roll Call, and Flag Salute
 - b. Nomination and Election of Commission Officers
 - c. Conflict of Interest Filing
2. Public Comment
This is the opportunity for members of the public to address the Commission on items that are not on the agenda, subject to a three minute time limit.
3. Meeting Notes (RECOMMEND APPROVAL)
 - a. From November 20, 2014
 - b. From October 30, 2014
4. COMMISSION INFORMATION ITEMS – written reports with brief verbal overview by staff or consultant. No action is required.
 - a. Utilities Division Manager’s Report
 - b. Second Quarter Operations Budget Update
 - c. Construction Fund Cost Allocation Review
5. PRESENTATIONS – no action required.
 - a. FY 2015/16 Nacimiento Water Operating Fund Draft Budget
6. COMMISSION ACTION ITEMS
(No Subsequent Board of Supervisors Action Required)
 - a. Nacimiento Reserve Water Project
7. COMMISSION ACTION ITEMS
(Board of Supervisors Action is Subsequently Required)
 - a. Refinance of Nacimiento Bonds
 - b. Heritage Ranch CSD Emergency Water Wheeling Contract
8. FUTURE AGENDA ITEMS DESIRED BY COMMISSION

Commissioners

Frank Mecham, Chair, SLO
County Flood Control & Water
Conservation District

**Carlyn Christianson, Vice
Chair**, City of San Luis Obispo

John Hamon, City of El Paso de
Robles

Judy Dietch, Templeton CSD

Grigger Jones, Atascadero MWC

**Next Commission meeting scheduled for
Thursday, April 16, 2015, at 4:00 pm at
Templeton Community Services District Offices**

Nacimiento Project Commission
 February 26, 2015
Agenda Item 1.b – Nomination and Election of Commission Officers
 (Commission Action – No Board of Supervisors Action Subsequently Required)

TO: Nacimiento Project Commission

FROM: Scott Duffield, P.E., Project Manager

VIA: Dean Benedix, P.E., Utilities Division Manager

DATE: February 26, 2015

In accordance with the Commission’s adopted Rules of Procedure, the Commission is to elect a Chair and Vice-Chair at the first meeting of each year. Terms of office are for one year.

Appointed Commissioners for 2015 by each Participant and the District are (confirm):

San Luis Obispo County Flood Control & Water Conservation District (also representing CSA 10A)	Frank Mecham
City of el Paso de Robles	John Hamon Duane Picanco, Alternate Commissioner
City of San Luis Obispo	Carlyn Christianson Dan Carpenter, Alternate Commissioner
Atascadero Mutual Water Company	Grigger Jones John Neil, Alternate Commissioner
Templeton Community Services District	Judith Dietch Gwen Pelfrey, Alternate Commissioner

During calendar year 2014, Commissioner Frank Mecham served as Committee Chair and Commissioner Kathy Smith served as Vice-Chair. Nominations and elections for 2015 will be held at the February 26, 2015, Commission meeting.

Nacimiento Project Commission
February 26, 2015
Agenda Item 1.c – Statement of Economic Interests – Form 700
(Information Only – No Action is Required)

TO: Nacimiento Project Commission
FROM: Scott Duffield, P.E., Project Manager
VIA: Dean Benedix, P.E., Utilities Division Manager
DATE: February 26, 2015

This is a reminder for Commissioners and Alternate Commissioners to file a Statement of Economic Interests - Form 700, pursuant to the Commission's adopted Conflict of Interest Code. Additionally, Commissioners and Alternate Commissioners assuming and leaving appointment must file the appropriate form within 30-days of the event.

The County Clerk-Recorder's office maintains a list of Form 700 filers so if an email address is on file, Commissioners and Alternate Commissioners should have received an email in February that explains the filing process. The deadline to file the annual Statement of Economic Interest – Form 700 is April 1.

Additional information may be found at the Clerk-Recorder website and the Fair Political Practices Commission website shown below:

www.slocounty.ca.gov/clerk

<http://www.fppc.ca.gov/>

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Nacimiento Project Commission
February 26, 2015
Agenda Item 3.a – Meeting Notes from November 20, 2014

Agenda Item 1.a – Call to Order, Roll Call, Flag Salute

Chairperson Mecham convened the meeting at 4:00 p.m.

Commissioners Present:

Chairperson Frank Mecham, San Luis Obispo County Flood Control and Water Conservation District

Vice Chairperson Carlyn Christianson, City of San Luis Obispo

John Hamon, City of Paso Robles

Judith Dietch, Templeton Community Services District

Grigger Jones, Atascadero Mutual Water Company

Staff Present:

Dean Benedix, Patrick Foran, Scott Duffield – District

Christopher Alakal – City of Paso Robles

Jeff Britz – Templeton Community Services District

John Neil - Atascadero Mutual Water Company

Wade Horton - City of San Luis Obispo

Agenda Item 2 – Public Comment

There were no public comments.

Agenda Item 3.a – Meeting Notes from August 28 and October 30, 2014

The meeting notes from the August 28, 2014 Commission meeting were unanimously approved without corrections.

The meeting notes from the October 30, 2014 meeting were pulled from the agenda by Dean Benedix, and will be presented to the Commission at a later date.

Agenda Item 4 –Commission Informational Items

Agenda Item 4.a – Utilities Division Manager’s Report

Dean Benedix reviewed the report. There were no significant updates or questions to the Utilities Division Manager’s Report.

Agenda Item 4.b – Drought Emergency Project Concepts

Dean Benedix reviewed the staff report and explained that the District continues to communicate with the participating agencies and the TSG. Dean explained it is likely that the District will recommend that the Nacimeinto to Salinas Intertie and Extension project

be dropped from this grant process. The grant funding will be reallocated to the other four projects within the grant application.

Agenda Item 4.c – Participating Agencies’ Options for Subscribing to Full Allocation

There were no significant updates or questions on this item.

Agenda Item 4.d – Disposition of Construction Fund Monies

There were no significant updates or questions on this item.

Agenda Item 4.e – Surplus Water Declaration for Water Year 2015

There were no significant updates or questions on this item.

Agenda Item 4.f – Surplus Water Pricing for Water Year 2015

Commissioner Mecham suggested the terminology “Surplus Water” be reviewed and considered for revision. Dean suggested that it can be addressed in the next contract amendment, anticipated to be encompassed with the full allocation options being discussed by the District and Participants.

Agenda Item 4.g – First Quarter Operations Budget Update

There were no significant updates or questions on this item.

Agenda Item 6 – Commission Action Items (No subsequent Board of Supervisors action required)

Agenda Item 6.a – 2015 Calendar of Activities

Dean Benedix presented the staff report recommending the Commission accept the proposed 2015 Calendar of Activities and use it as a guide for planning the coming year’s Project meetings.

Motion to approve the recommendation was made by Commissioner Dietch and seconded by Commissioner Jones. Motion was approved unanimously.

Agenda Item 7 – Commission Action Items (Subsequent Board action required)

Agenda Item 7.a – Amendment to the Commission Conflict of Interest Code

Dean Benedix presented the staff report recommending the Commission amend the Commission Conflict of Interest Code to extend to Alternate Commissioners and the Utilities Division Manager, and delete the Project Manager.

Motion to approve the recommendation was made by Commissioner Christianson and seconded by Commissioner Dietch. Motion was approved unanimously.

Agenda Item 7.b – Authorization to Advertise for Construction Bids

Dean Benedix presented the staff report recommending the Commission forward a recommendation to the Board of Supervisors that the District advertise for construction bids for the Nacimiento River Crossing Pipe Repair Project (Project), including an incentive for early completion.

Commissioner Mecham opens the floor for public comment.

John Neil, Atascadero Mutual Water Company speaks: Supports the Project. States it is imperative that the Project be completed as soon as possible. The loss of peak summer demand, additional energy costs (to pump groundwater), risks to stakeholders, and loss of reserve capacity are noted.

Christopher Alakal, City of Paso Robles speaks: Supports the Project. States that in addition to Mr. Neil's comments, the loss of drought buffer, augmentation of groundwater underflow, and risks associated with the City's new water treatment plant operation are noted.

Wade Horton, City of San Luis Obispo speaks: Supports the Project. In addition to previous comments, the loss of the availability of Nacimiento water has caused delayed maintenance of other water supply systems and other projects.

Jeff Britz, Templeton Community Services District speaks: Supports the Project. Adding to the previous comments; since TCSD utilizes Nacimiento water by means of groundwater recharge that may take a year or more to move through the ground, the loss of Nacimiento water now affects the availability of Nacimiento water in the future.

Motion to approve the recommendation was made by Commissioner Jones and seconded by Commissioner Hamon. Motion was approved unanimously.

Agenda Item 8 – Future Agenda Items Desired by Commission

The Commission desired to have the terminology "Surplus Water" revisited.

The Commission requested an update on the cost allocation review of the Construction Phase Fund.

Chairperson Mecham adjourned the meeting at 4:40 p.m.

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Nacimiento Project Commission

February 26, 2015

Agenda Item 3.b – Meeting Notes from October 30, 2014

Agenda Item 1.a – Call to Order, Roll Call, Flag Salute

Chairperson Mecham convened the meeting at 4:00 p.m.

Commissioners Present:

Chairperson Frank Mecham, San Luis Obispo County Flood Control and Water Conservation District

Vice Chairperson Carlyn Christianson, City of San Luis Obispo

John Hamon, City of Paso Robles

Judith Dietch, Templeton Community Services District

Grigger Jones, Atascadero Mutual Water Company

Staff Present:

Dean Benedix, Pat Foran, Michael Boyce, Scott Duffield – District

Jeff Brittz – Templeton Community Services District

John Neil - Atascadero Mutual Water Company

Carrie Mattingly, Wade Horton, Dean Furukawa - City of San Luis Obispo

Agenda Item 2 – Public Comment

There were no public comments.

Agenda Item 3.a – Design for the Nacimiento River Crossing Repair Project

Dean Benedix reviewed the staff report and presented a power point presentation. There was discussion regarding the continued historic drought conditions in California and the County. Staff and members of the Commission reiterated the extreme urgency for the pipeline to be returned to service as soon as possible. Dean explained that in situ repair of the pipe has not been ruled out if a feasible repair approach can be determined, with the objective of returning the pipeline to service by April 2015. However, if it is determined that an in situ repair is not feasible then the recommended action will act to maintain an alternative repair project design and construction schedule to meet the April 2015 service date. Dean further explained that the proposed repair would provide current delivery entitlement capacity but that additional remedial efforts would need to be constructed to restore the pipeline to ultimate capacity. The Commission was reminded that the District will not be making a final decision on the implementation of this repair method until after the design is completed. It is anticipated that the Commission will be making its final decision on implementation of a repair method at its November 20, 2014 meeting.

Recommendation: Direct staff to proceed with design using the 26-inch HDPE alternative.

A motion to approve the staff recommendation was made by Commissioner Jones and seconded by Commissioner Hamon. The motion was approved unanimously.

Additional direction was given to staff to commence discussions with the Technical Support Group regarding additional remedial efforts to restore the pipeline to ultimate capacity.

Chairperson Mecham adjourned the meeting at 4:40 p.m.

* * *

Nacimiento Project Commission
February 26, 2015
Agenda Item 4.a Utilities Division Manager's Report
(Information Only – No Action is Required)

TO: Nacimiento Project Commission

FROM: Dean Benedix, P.E., Utilities Division Manager

SUBJECT: Utilities Division Manger's Report

DATE: February 26, 2015

PROJECT UPDATES

1. Nacimiento River Crossing Pipe Repair

At the November 20, 2014 meeting, the Commission approved a recommendation to the Board of Supervisors (Board) that the District advertise for construction bids for the Nacimiento River Crossing Pipe Repair Project. The Board approved the recommendation to advertise on December 2, 2014. A total of four Bids were received and the construction contract was subsequently awarded to V. Lopez Jr. and Sons G.E.C. Inc.

A Notice to Proceed was issued on January 23, 2015. The current construction schedule (February 4, 2015) submitted by the contractor indicates Substantial Completion (delivering water) to be April 3rd, with Final Completion shown as May 6th. The contractor has been very responsive and diligent in pursuing completion of the contract. As such, the progression of work continues to be on schedule. Additional and more current verbal updates will be given to the Commission at the time of the meeting.

Current and anticipated schedule milestones are as follows:

Advertise for Bid (actual)	December 2, 2014
Bid Opening (actual)	December 22, 2014
Award Contract (actual)	January 6, 2015
Notice to Proceed (actual)	January 23, 2015
Pipe Delivery (actual)	February 10, 2015
Pipe Fusion (actual)	February 10 - 19, 2015
Pipe Pullback	February 25 - March 3
Substantial Completion	April 3, 2015
Final Completion	May 6, 2015

2. Operations Report

All scheduled maintenance has been completed. Some other tasks are summarized below:

- Ordered and received replacement PLC's for T4 and T6 to be installed in February.
- Ordered oil for pump motors to be changed in February.
- Began weed control on pipeline. Started on north end working towards Paso Robles.
- Replaced missing air relief valve enclosure near the north Salinas River crossing. (Somebody stole it)
- Calibration of the flow meters were checked.
- Valve position indicator was replaced and calibrated on V-3001 at Santa Ysabel Pump Station.

As discussed at the January TSG meeting, staff is moving forward with the power monitoring projects at Santa Ysabel and Rocky Canyon pump stations this fiscal year with the goal to have them completed prior to start-up of the system in April.

3. Outside Agency Issues

a. **Monterey County Water Resources Agency:** Reservoir status as reported by MCWRA is 23% percent full, or 86,515 acre-feet, as of January 27, 2015. Nacimiento releases are reported as 30cfs. A current report from the MCWRA Reservoir Operations Committee is provided as Attachment B2a.

b. **New Participants:** The process to become a new participant starts with a written request addressed to the Public Works Director specifying the requested annual entitlement and the point of delivery. The potential new participant is required to execute a reimbursement agreement to pay for all staff work to evaluate and provide information in response to the request. After the reimbursement agreement is executed and a deposit provided, the District will review whether sufficient Reserve Water and system capacity exists to meet the request. The District will then provide a letter to the requestor with an estimate of the "buy in" costs and yearly delivery costs.

- 1) Bella Vista Mobile Home Park – The owners have provided a letter dated February 18, 2015 (Attachment B2b) confirming their request to obtain up to 12-acre feet per year. The District has executed a reimbursement agreement for District services associated with their request.
- 2) Cayucos property – A property owner at the north end of Cayucos is investigating obtaining 4-acre feet per year of Nacimiento water. The property is not one included in the Project EIR. Consideration of this request will be discussed at the next TSG meeting.

- 3) Santa Margarita Ranch – A recent Telegram Tribune news article stated the ranch was moving forward with the first phase of a residential development that would include use of 90²-acre feet per year. No contact from the ranch on this or progress on their initial request for 4-acre feet per year for agricultural use has been received.

4. Invasive Species Prevention Program

District staff continues to meet and coordinate with Monterey County Parks, Monterey County Water Resource Agency (MCWRA), and Nacimiento Regional Water Management Advisory Committee (NRWMAC) to prepare for the upcoming 2015 boating season. The team has begun the investigation of several new public outreach efforts, with the hope that we will be able to reach a greater population of the public (both the boater and the water user) which will help to spread the word about invasive species and the potential problems that may occur to our water systems if infested. Our next planning meeting is scheduled for February 25, 2015.

District staff is beginning the 2015/2016 billboard contract negotiations. If funding is allocated, the TSG has recommended a change to the location of the billboard along the Highway 101 corridor, and to also redesign the billboard with the intent to continue to educate and notify the public about Invasive Mussels. Options for sign location and design will be discussed at the March TSG meeting.

The District and Monterey County Parks have begun to plan for the 2015 Level I Screener recertification and new certification classes of 2015. These classes will be held during the months of April and May prior to the busy boating season. We have approximately 112 Level I Screeners that will need to be “re-certified” this year.

5. Cloud Seeding

Attachment B4 is a summary of regional cloud seeding history and activities. Discussion by the TSG of the benefits to the Nacimiento Project on financial participation in a cloud seeding program in conjunction with the Monterey County Water Resource Agency resulted in consideration to participate for cooperative purposes only with a possible nominal financial contribution. The District is considering performing a preliminary study to determine potential benefits, benefiting parties, and program costs. Discussion of the Nacimiento Project participating in the program is requested.

* * *

Attachment B2a

**MONTEREY COUNTY WATER RESOURCES AGENCY
BOARD OF DIRECTORS - RESERVOIR OPERATIONS COMMITTEE**

MEETING DATE:	February 5, 2015	AGENDA ITEM:
AGENDA TITLE:	Reservoir Release Update	
	Consent ()	Action ()
		Information (X)
SUBMITTED BY:	Germán Criollo	PREPARED BY:
PHONE:	(831) 755-4860	PHONE:
		Jason Demers
		(831) 755-4860
DEADLINE FOR BOARD ACTION:	February 5, 2015	

RECOMMENDED BOARD ACTION:

None – item presented for informational purposes.

SUMMARY:

The Board of Directors receives monthly updates on the status of Agency reservoirs.

DISCUSSION/ANALYSIS:

RESERVOIR ELEVATION / STORAGE: As of January 27, 2015, San Antonio Reservoir is at an elevation of approximately 648.9 feet mean sea level (msl), 11,964 acre-feet of storage. Nacimiento Reservoir is at elevation 727.7 feet msl, 86,515 acre-feet of storage. San Antonio Reservoir is currently at 4% of storage capacity and Nacimiento Reservoir is at 23% of capacity.

RESERVOIR RELEASES: As directed by the Agency Board of Directors and in coordination with guidelines provided by the National Marine Fisheries Service, releases from Nacimiento were incrementally decreased to a target flow rate of 25 cfs. Releases from San Antonio Reservoir remain at 5 cfs.

Releases as of January 27, 2015:

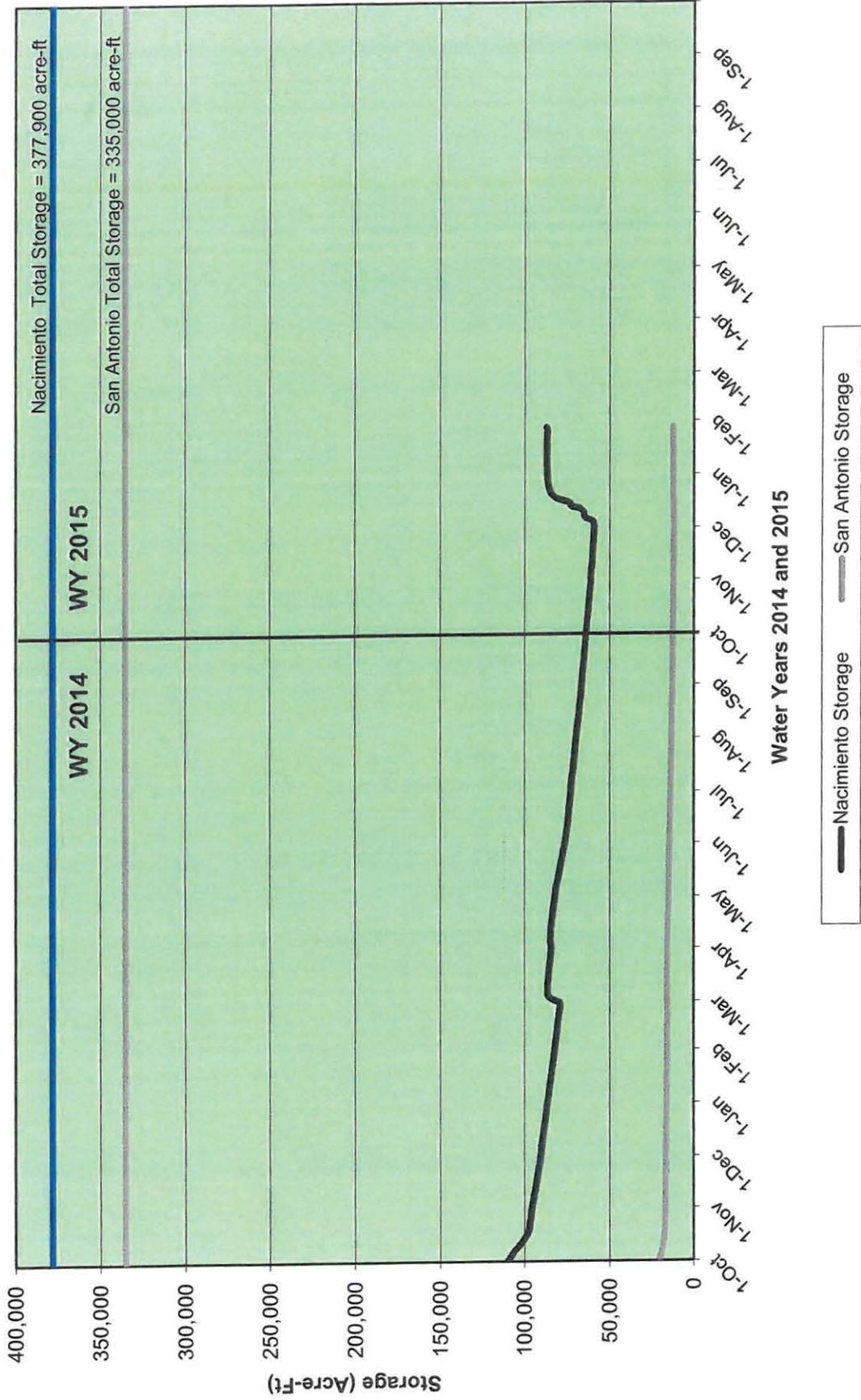
- Nacimiento Reservoir: 30 cfs
- San Antonio Reservoir: 5 cfs

Total releases from both reservoirs to the Salinas River are approximately 35 cfs. The following “provisional” flows have been recorded by the USGS:

- Salinas River near Spreckels: 0 cfs
- Salinas River near Chualar: 0 cfs
- Salinas River near Soledad: 0 cfs
- Salinas River near Bradley: 34 cfs (steady)

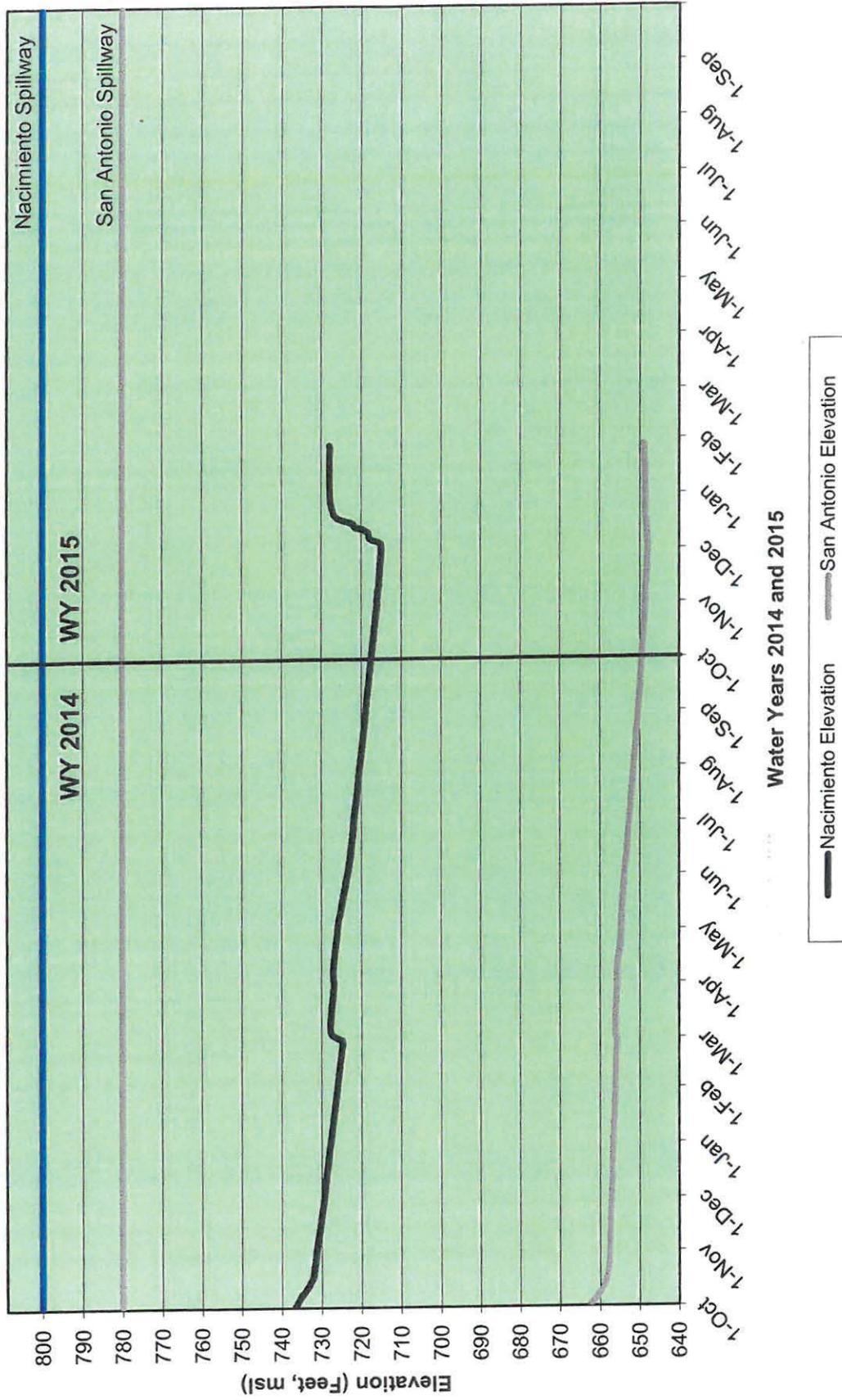
Attachment B2a

Reservoir Storage



Attachment B2a

Reservoir Elevation



MONTEREY COUNTY WATER RESOURCES AGENCY

PRELIMINARY - Estimated Elevation/Storage/NWP Diversions; after Jan. 1st

1/28/2015

RESERVOIR RELEASE SCHEDULE FOR 2015

	NACIMIENTO							SAN ANTONIO					
	Combined Releases (cfs)*	Evap. Losses (ac-ft)**	Reservoir Releases (cfs)*	Reservoir Releases (ac-ft)	NWP Orders (ac-ft)	NWP Diversions (ac-ft)	Storage (ac-ft)	Elev. (ft)	Evap. Losses (ac-ft)**	Reservoir Releases (cfs)*	Reservoir Releases (ac-ft)	Storage (ac-ft)	Elev. (ft)
1/1/2014	35	237	30	1,845	0	0	87,005	727.9	68	5	307	11,953	648.9
2/1/2014													
3/1/2014													
4/1/2014													
5/1/2014													
6/1/2014													
7/1/2014													
8/1/2014													
9/1/2014													
10/1/2014													
11/1/2014													
12/1/2014													
TOTALS:	2,152	237	1,845	0	0	0	68	307	68	307	11,953	648.9	

- * Mean daily flow for the month in cubic feet per second.
 ** Evap. Losses estimated from long term pan evaporation data at Nacimiento and San Antonio Reservoirs.
 1. Nacimiento Reservoir storage capacity 377,900 acre feet.
 2. San Antonio Reservoir storage capacity 335,000 acre feet.
 3. Reservoir Operations Committee may make release considerations for fish spawn and holiday periods to benefit recreation.
 4. Shaded areas represent periods when elevations are influenced by inflow/runoff; releases may include flood control releases.
 5. Preliminary Schedule assumes no inflow to reservoirs after May 1st.
 6. "NWP Diversions" are San Luis Obispo County - Nacimiento Water Project conveyance facilities diversions. Max. allowable diversions for water year (Oct. 1 - Sept. 30) are 15,750 ac-ft. To Be Reported (TBR)
 7. NACIMIENTO "NWP Diversions" do not include lakeside water use which is estimated at approximately 1,750 acre feet per year.

Thomsen Properties

301 E. 17th Street Suite 208 Costa Mesa, CA 92627

Tel: (949) 642-0770 Fax: (949) 642-5851

February 18, 2015

Mr. Doug Bird - Program Manager - Utilities Division
San Luis Obispo County Department of Public Works
County Government center, Room 207
San Luis Obispo, CA 93401

Subject: Water Service to Bella Vista Mobile Home Park, Cayucos, CA

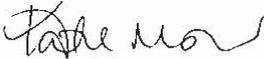
Dear Mr. Bird:

We are in receipt of your email of February 18,2015, summarizing estimated buy-in costs for water treatment pertaining to Bella Vista Mobile Home Park (BVMHP) receiving up to 12 AFY of Whale Rock Reservoir water (exchanged for Nacimiento Water with the City of San Luis Obispo).

After reviewing the Nacimiento Water Treatment Plant buy-in costs, and estimated D&M costs, we are re-affirming our commitment to follow through with the various Agreements that must be executed to realize our 12 AFY of Nacimiento Water to serve the BVMHP's long-term water needs.

We thank you for your assistance regarding this matter. If you have any questions, please contact Steve Tanaka with the Wallace Group at (805) 544-4011, or myself directly at (949) 722-1698.

Very truly yours,



Katie Morris
President
Thomsen Properties

Cc: Steve Tanaka, Wallace Group

Attachment B4

Cloud Seeding Program Information Summary February 2015

Santa Barbara County's Program 1981- Present

- CEQA document - Mitigated Negative Declaration – recently completed update in October 2013
- 6 months to complete Mitigated Negative Declaration (written in house)
- Targets Twitchell Reservoir and Cachuma Reservoir Watersheds
- Air (3 months) and Land (5 months) based program. (November thru March)
- FY13-14 \$350,000 cost shared it with the other water purveyors
- Increases rainfall 18-22%
- In 2014 only sent up planes twice - not every storm can be seeded
- Air program – run by North American Weather Consultants ~
- Costs = \$350,000
 - Keeping a plane at an airport as well as a pilot on call
 - Set up and take down costs
 - Reporting
 - Consumables – fuel, silver iodide crystals, flares, flight time
- Best results occurs when the ground is already moist so that runoff is generated quickly and fills the reservoirs
- They put out bids for a consultant every three years
- Land based program – set up flare trees at the tops of mountains, iodide crystals are released into the air where the updraft seeds the clouds.
- SB interested in partnering with SLO County since Lopez watershed is adjacent to the Twitchell watershed. SLO County needs CEQA document completed in order for Santa Barbara County to see we are serious and committed.

Monterey County Water Resources Agency 1991-95 & 2004

- CEQA document - Mitigated Negative Declaration
- Attempted a program in 2010 but due to fires in the Big Sur area they were sued, in order to continue with the program they would need an EIR to defend themselves
- Results from the 1991-1992 program
 - 12-16% increase in rain over the watershed = 17,000 - 22,600 AF of inflow due to cloud seeding
 - Cost for land and air program including staff time = \$165,000
 - They were making water at about \$10/AF during the 1991-1995 period

City of SLO/County Program 1991-1993

- Targeted watersheds were Salinas and Lopez
- CEQA document – Negative Declaration
- Atmospherics, Inc. from Fresno was the Consultant
- Air and Land program
- County paid proportional share based on Lopez watershed area ~37%
- 3 year contract was ~\$387,000
- 3 to 5 month program each year with monthly costs ranging from \$21,000 - \$26,000
- Results from the 1991-1992 program: 8-14% increase in rainfall. Envr. Document stated, "For watersheds around SLO, a 15 % increase would result in 3-6 inch increase in rainfall during an average year."

Other information:

- 2010 rough cost estimate from Weather Modification Inc. (Consultant) - 4 month program of Air and Ground \$29,000/month
- PG& E has a program that has been on-going for 30-50 years and do not have environmental reviews (they claim is does not require permitting)
- SMUD has a cloud seeding program
- State of Nevada has a cloud seeding program
- California Water Plan Update 2005 discusses the benefits form precipitation enhancement
- Winter cloud seeding programs in California began more than 50 years ago and in the last 20-years cloud seeding has been conducted in 11 to 14 watersheds annually

Nacimiento Project Commission
February 26, 2015
Agenda Item 4.b Second Quarter Operations Budget Report
(Information Only – No Action is Required)

TO: Nacimiento Project Commission

FROM: Wendy Hall, Administrative Services Manger

VIA: Dean Benedix, P.E., Utilities Division Manager

SUBJECT: Second Quarter Operations Budget Update

DATE: February 26, 2015

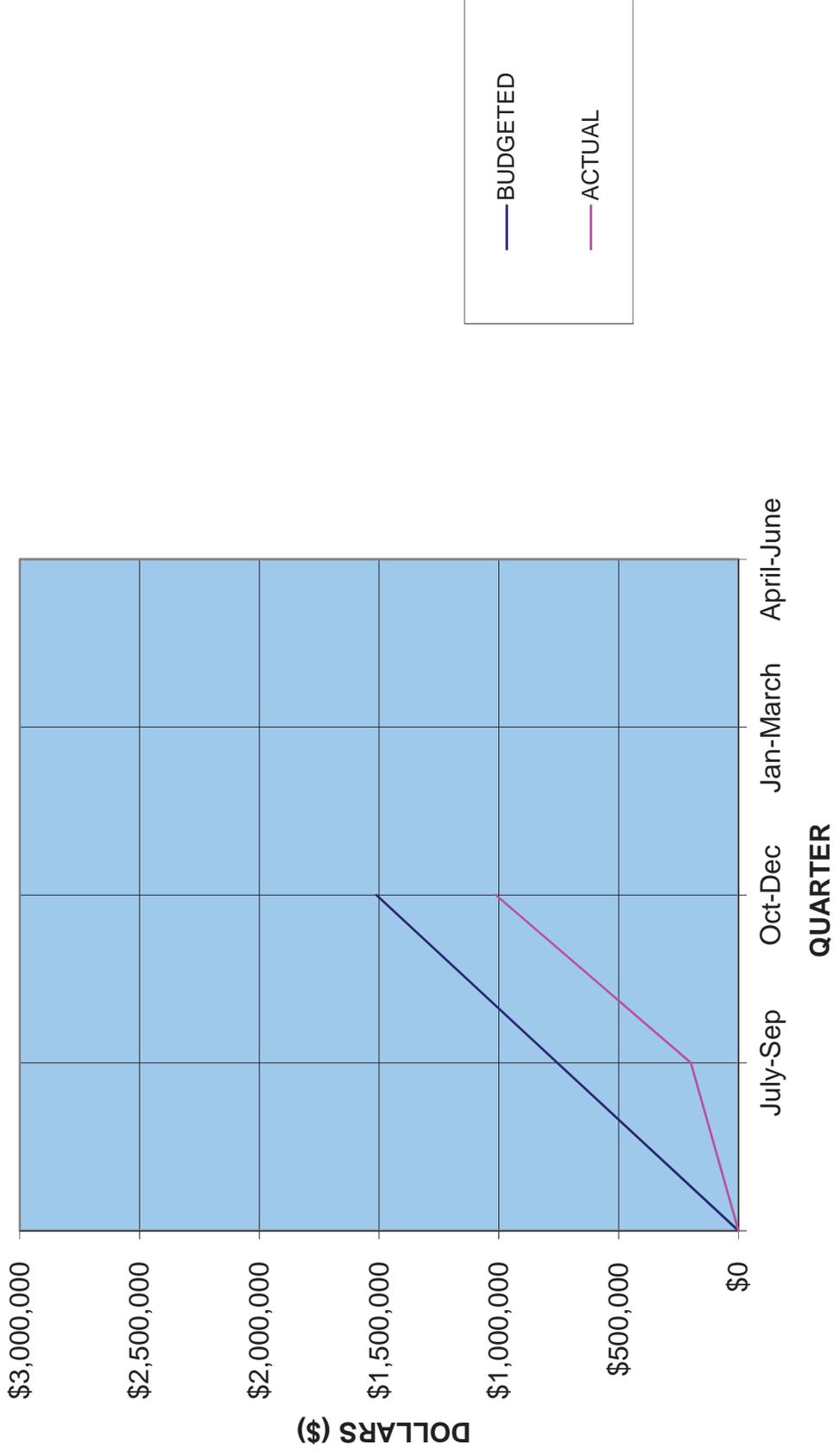
Figures summarizing the Quarterly Operating Fund Budget are provided for your information. Actual expenditures (including non-routine operation and maintenance costs related to the Nacimiento River crossing leak and Salinas River crossing investigations) are at 40.7% with 50% of the year elapsed. Without these costs actual Project expenditures are at 12.5%. Reimbursement of costs related to the leak will be sought from the pipeline contractor.

If you have any questions please feel free to contact me at either (805) 781-5295 or via e-mail at whall@co.slo.ca.us. Staff will be available to answer specific questions at the meeting.

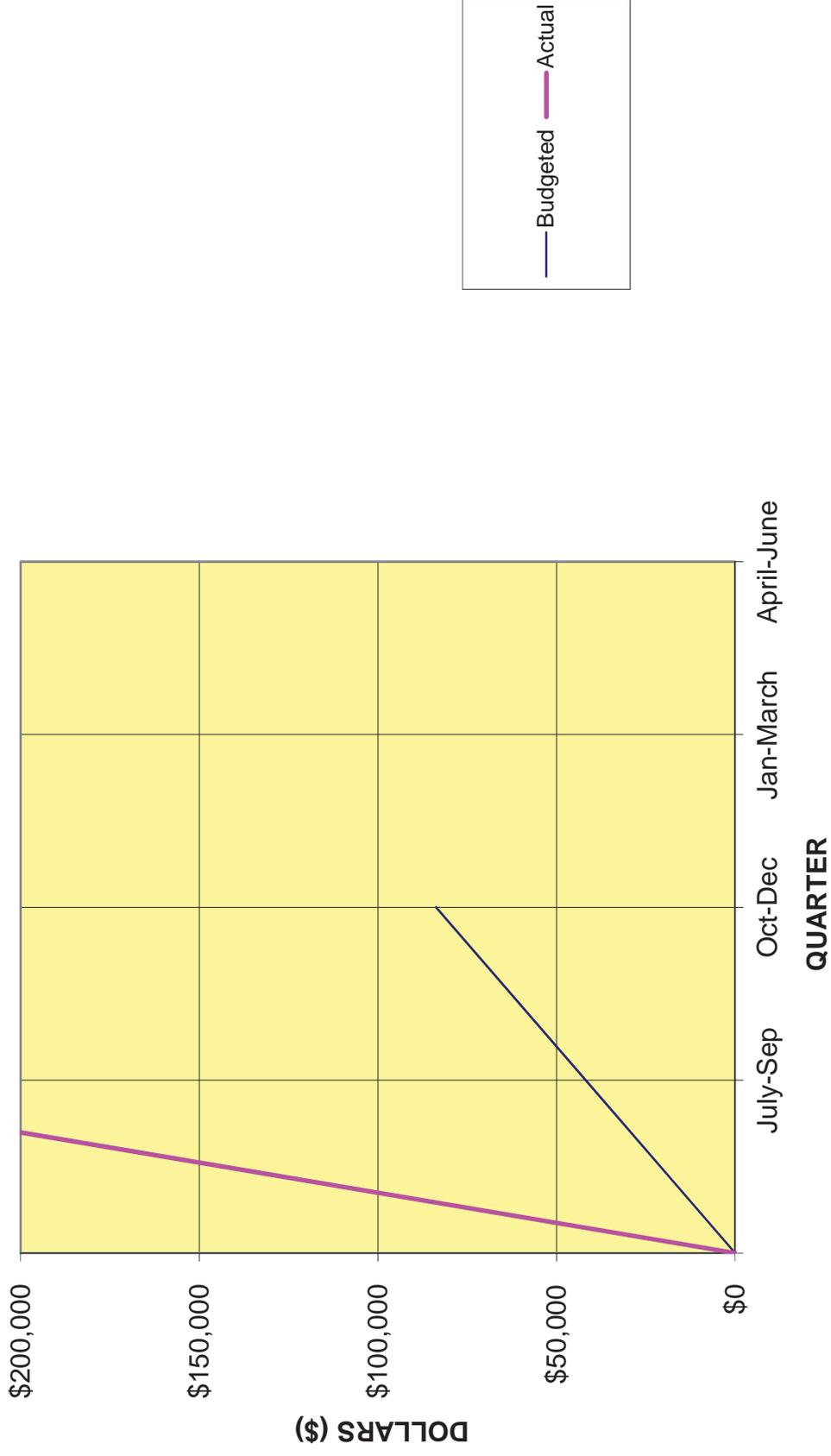
Nacimientto Water Operating Fund
Operation and Maintenance
FY 2013-2014

	WBS Element	Budget FY 2013-14	Quarter 1 July-Sep	Quarter 2 Oct-Dec	Quarter 3 Jan-March	Quarter 4 April-June	Total	% of Budget	Actual Variance
	Routine Operation and Maintenance								
	Master Water Contract	\$204,730	\$0.00	\$0.00			\$0.00	0.0%	\$204,730.00
	Variable Energy Costs	\$1,106,855	\$6,819.56	\$0.00			\$6,819.56	0.6%	\$1,100,035.44
	Water Conservation Management	\$0	\$0.00	\$0.00			\$0.00	0.0%	\$0.00
	Water Quality Analysis	\$65,965	\$14,409.94	\$7,891.36			\$22,301.30	33.8%	\$43,663.70
	Water Quality Support	\$132,637	\$11,751.02	\$23,346.32			\$35,097.34	26.5%	\$97,539.61
	Regulatory Agency/Department of Public Health	\$35,291	\$0.00	\$590.29			\$590.29	1.7%	\$34,700.62
	Invasive Species/Quagga Mussels	\$160,600	\$24,270.30	\$23,480.81			\$47,751.11	29.7%	\$112,849.31
	Environmental Mitigation	\$0	\$0.00	\$78.41			\$78.41	0.0%	(\$78.41)
	Utilities Operations and Office Engineering	\$363,335	\$36,901.67	\$38,452.21			\$75,353.88	20.7%	\$287,981.12
	Lakeside Contracts	\$22,390	\$712.43	\$3,774.64			\$4,487.07	20.0%	\$17,902.93
	Water Rights	\$0	\$0.00	\$0.00			\$0.00	0.0%	\$0.00
	General Accounting	\$145,840	\$14,284.64	\$15,482.71			\$29,767.35	20.4%	\$116,072.65
	County wide Overhead	\$2,631	\$0.00	(\$3,458.00)			(\$3,458.00)	-131.4%	\$6,089.00
	Contributions to ISF/New Equipment	\$0	(\$132.39)	\$1,849.51			\$1,717.12	0.0%	(\$1,717.12)
	General Units	\$84,356	\$14,037.80	\$14,277.36			\$28,315.16	33.6%	\$56,040.84
	Unit A, Intake Pump Station	\$174,393	\$19,388.92	\$22,402.21			\$41,791.13	24.0%	\$132,601.87
	Unit A1, Camp Roberts Tank	\$36,592	\$1,648.03	\$2,551.60			\$4,199.63	11.5%	\$32,392.37
	Unit B, Santa Ysabel Pump Station	\$118,773	\$22,278.92	\$15,579.27			\$37,858.19	31.9%	\$80,914.81
	Unit C, Pipe, Monterey Road to Wellsona	\$25,084	\$2,585.65	\$294.47			\$2,880.12	11.5%	\$22,203.88
	Unit C1, Pipe, Monterey Road/Wellsona	\$23,991	\$4,770.45	\$3,310.17			\$8,080.62	33.7%	\$15,910.38
	Unit D, Pipe, Paso Turnout to Templeton CSD	\$16,550	\$1,361.04	\$970.66			\$2,331.70	14.1%	\$14,218.30
	Unit E, Pipe, Templeton CSD to Atascadero MWC	\$15,744	\$225.99	\$666.21			\$892.20	5.7%	\$14,851.80
	Unit F, Pipe, Atascadero MWC to Rocky Canyon Tank	\$16,092	\$630.77	\$432.33			\$1,063.10	6.6%	\$15,028.90
	Unit F1, Rocky Canyon Tank	\$13,376	\$2,590.14	\$1,929.33			\$4,519.47	33.8%	\$8,856.53
	Unit F2, Rocky Canyon Pump Station	\$101,544	\$6,120.07	\$11,303.38			\$17,423.45	17.2%	\$84,120.55
	Unit G, Rocky Canyon PS to Route 58/Maria Avenue	\$15,694	\$2,620.91	\$1,819.91			\$4,440.82	28.3%	\$11,253.18
	Unit G1, Route 58/Maria Ave. to Cuesta Tunnel Tank	\$17,303	\$283.78	\$2,750.25			\$3,034.03	17.5%	\$14,268.97
	Unit G2, Cuesta Tunnel Tank	\$22,861	\$1,160.49	\$715.32			\$1,875.81	8.2%	\$20,985.19
	Unit H, Cuesta Tunnel	\$1,970	\$0.00	\$0.00			\$0.00	0.0%	\$1,970.00
	Unit H1, Cuesta Tunnel to San Luis Obispo Turnout	\$37,185	\$3,287.63	\$1,803.66			\$5,091.29	13.7%	\$32,093.71
	Unit T-2, City of Paso Robles Turnout	\$16,372	\$994.01	\$1,411.09			\$2,405.10	14.7%	\$13,966.90
	Unit T-4, Templeton CSD Turnout	\$11,574	\$542.81	\$898.78			\$1,441.59	12.5%	\$10,132.41
	Unit T-6, Atascadero MWC Turnout	\$14,678	\$1,135.90	\$1,576.96			\$2,712.86	18.5%	\$11,965.14
	Unit T-11/11a, City of San Luis Obispo Turnout	\$19,149	\$2,545.15	\$987.01			\$3,532.16	18.4%	\$15,616.84
	Reimbursable Billings	\$0	\$458.98	\$3,628.72			\$4,087.70	N/A	(\$4,087.70)
	Total Routine Operation and Maintenance	\$3,023,555	\$197,684.61	\$200,796.95	\$0.00	\$0.00	\$398,481.56	13.2%	\$2,629,161.42
	Non-Routine O&M								
	Misc. Fiber Optic Repair	\$25,850	\$0.00	\$0.00			\$0.00	0.0%	\$25,850.00
	Booster Station Upgrade	\$141,550	\$0.00	\$0.00			\$0.00	0.0%	\$141,550.00
	Pipeline Emergency Repair, WO #40108876	\$0	\$242,302.95	\$503,763.35			\$746,066.30	100.0%	(\$746,066.30)
	Pressure Test Salinas Crossing	\$0	\$44,386.06	\$110,118.47			\$154,504.53	200.0%	(\$154,504.53)
	Total Non-Routine Operation and Maintenance	\$167,400	\$286,689.01	\$613,881.82	\$0.00	\$0.00	\$900,570.83	538.0%	\$167,400.00
	Capital Outlay								
	Total Capital Outlay	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	\$0.00
	Grand Total	\$3,190,955	\$484,374	\$814,679	\$0	\$0	\$1,299,052	40.7%	\$2,796,561

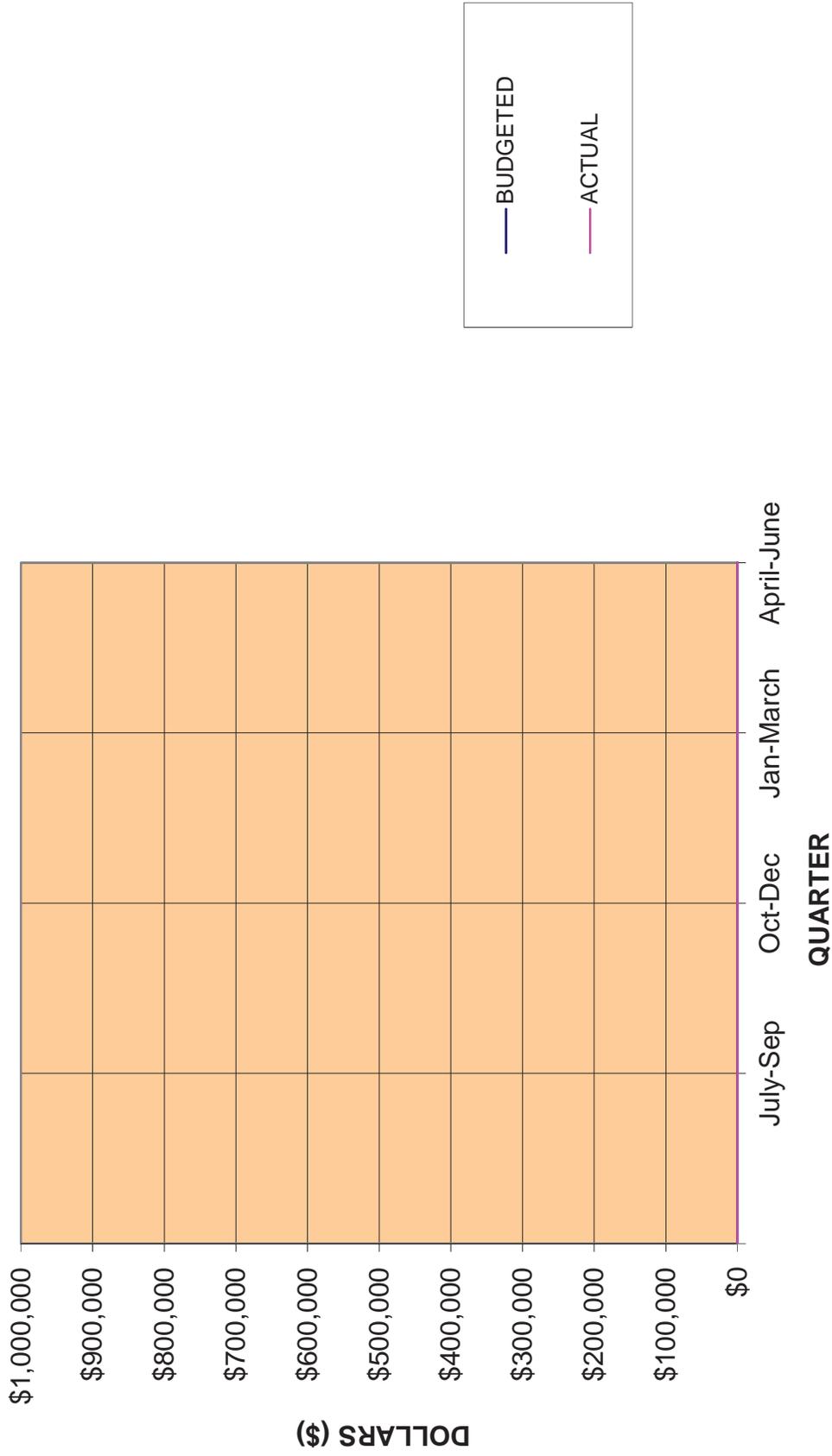
Total Routine Operations and Maintenance



Total Non-Routine Operations and Maintenance



Total Capital Outlay



Nacimiento Project Commission
February 26, 2015
Agenda Item 4.c Construction Fund Cost Allocation Review
(Information Only – No Action is Required)

TO: Nacimiento Project Commission

FROM: Will Clemens, Finance Manager

VIA: Dean Benedix, P.E., Utilities Division Manager

SUBJECT: Construction Fund Cost Allocation Review

DATE: February 26, 2015

All information has been collected and calculations are complete. A request for proposal has been sent out and a response has yet to be received. Updates to follow.

* * *

Nacimiento Project Commission
February 26, 2015

Agenda Item 5.a FY 2015/16 Nacimiento Water Operating Fund Draft Budget
(Information Only – No Action is Required)

TO: Nacimiento Project Commission

FROM: Wendy Hall, Administrative Services Manager

VIA: Dean Benedix, P.E., Utilities Division Manager

SUBJECT: FY 2015/16 Nacimiento Water Operating Fund Draft Budget

DATE: February 26, 2015

Copies of the draft Fiscal Year 2015-2016 Nacimiento Water Operating budget will be provided at the Commission meeting February 26, 2015. On March 12, 2015, the Nacimiento TSG and Finance Committees will meet with District staff at 2:00 p.m. in San Luis Obispo to discuss the draft budget. Subsequently, on April 16, 2015 the Nacimiento Project Commission will conduct its annual special budget meeting to consider approval of the 2015-2016 Proposed Budget.

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Nacimiento Project Commission
February 26, 2015
Agenda Item 6.a Nacimiento Reserve Water Project
(Commission Action – No Subsequent Board Action Required)

TO: Nacimiento Project Commission

FROM: Dean Benedix, P.E., Utilities Division Manager

VIA: Mark Hutchinson, Deputy Public Works Director

SUBJECT: Nacimiento Reserve Water Project

DATE: February 26, 2015

Recommendation

Direct staff to,

1. Prepare a CEQA Initial Study for the proposed Nacimiento Reserve Water Project (full subscription); and
2. Develop a draft amendment to the Nacimiento Water Delivery Entitlement Contracts pursuant to the Nacimiento Reserve Water Project.

Discussion

6,095 acre-feet per year of Nacimiento entitlement remains as “Reserve Water”. The opportunity exists for Participants to convert their proportion of Reserve Capacity into Delivery Entitlement – a step known as “fully subscribing” the Nacimiento Water Project. The San Luis Obispo County Flood Control & Water Conservation District (District) would also secure an entitlement share under terms described in recent dialogue with Participants. The resulting distribution of delivery entitlement would be as shown on the table on the following page:

Participant	Current Delivery Entitlement Share, AFY	Proposed Share of Reserve Capacity, AFY	Total Delivery Entitlement, AFY
City of Paso Robles	4,000	1,989	5,989
Templeton CSD	250	124	374
Atascadero MWC	2,000	995	2,995
City of SLO	3,380	1,681	5,061
CSA 10A	25	12	37
District	0	1,294	1,294
TOTALS =	9,655	6,095	15,750

Financial Considerations

Fully subscribing the Project as outlined above requires the construction of no additional facilities or other capital outlay. The result is that Participants could increase their entitlement share at minimal additional cost.

Results

The action before the Nacimiento Project Commission is to consider actions to work towards fully subscribing the Project as outlined herein. With the Commission’s favorable direction, staff would proceed with preparation of an Initial Study and development of an amendment to the Nacimiento Water Delivery Entitlement Contracts.

* * *

Nacimiento Project Commission
February 26, 2015
Agenda Item 7.a Refinance of Nacimiento Bonds
(Commission Action – Subsequent Board Action Required)

TO: Nacimiento Project Commission

FROM: Will Clemens, Finance Manager

VIA: Dean Benedix, P.E., Utilities Division Manager

SUBJECT: Refinance of Nacimiento Bonds

DATE: February 26, 2015

Recommendation

Approve the refunding of the Nacimiento Water Project Revenue Bonds, 2007 Series A contingent on a minimum 3% net present value savings

Discussion

Financial advisors to the District have identified significant potential cost savings by refunding the tax-exempt bonds issued to finance the Nacimiento Project. Based on current municipal bond market conditions, it is estimated that refunding the bonds could result in \$6-12 million of net present value savings (or 5-10%) over the remaining life of the outstanding bonds. County Debt Policy requires a minimum of 3% net present value savings for refunding, therefore this illustrates a significant opportunity to save the municipal participating agencies approximately \$500,000 annually in total.

Refunding the bonds would require significant finance staff work on both the part of the District and the participating agencies in providing the rating agencies and others financial information including but not limited to continuing disclosure agreements similar to what is currently in place for the existing bonds. Atascadero Mutual Water Company (AMWC) would not benefit from this refunding as the taxable bonds sold to finance its share of the project do not have the saving potential and would not be refinanced. However, as a contracting agency, AMWC would also need to provide the financial information.

The process to refund the bonds will take several months and market conditions will change over that time period. The Board of Supervisors will ultimately have to approve the bond sale. District staff and the District's financial advisors will keep agencies informed of significant changes in the market and will make appropriate recommendations on whether to actually refund the bonds up to the date of bond sale, but at no time will net present value savings drop below 3%.

Nacimiento Project Commission

February 26, 2015

Agenda Item 7.b Heritage Ranch CSD Emergency Water Wheeling Contract

(Commission Action – Subsequent Board Action Required)

TO: Nacimiento Project Commission

FROM: Scott Duffield, P.E., Project Manager

VIA: Dean Benedix, P.E., Utilities Division Manager

SUBJECT: Heritage Ranch CSD Emergency Water Wheeling Contract

DATE: February 26, 2015

Recommendation

Forward a recommendation to the Board of Supervisors to approve the Nacimiento Water Project Wheeling Contract with Heritage Ranch Community Services District.

Discussion

A request from Heritage Ranch Community Services District (HRCSD) for an emergency connection to the Project was presented to the Commission as an informational item at their November 15, 2012 meeting with updates given to both the Commission and the TSG regularly as part of the Utilities Division Manager's Report. At the November 15, 2012 meeting, the connection design, operational strategy, and development of a contract was discussed and the Commission suggested the District move forward with the HRCSD request.

Pursuant to the Commission's suggestion, a design for connection to an existing air release/air vacuum valve has been completed and is ready to be solicited for quotes. The wheeling contract has been developed by the District and County Counsel in accordance and consistent with the Nacimiento Project Water Delivery Entitlement Contracts (WDEC) and is currently with HRCSD for signature. The final wheeling contract is attached as Attachment 7.b. Some terms of the wheeling contract that may be of interest are:

- Will only utilize the Reserve Capacity of the Project
- Will only deliver HRCSD existing entitlement
- Will only be utilized during established periods (emergency)
- HRCSD pays all associated costs

It is the District's recommendation that the Commission recommend that the Board of Supervisors, on a date to be determined, execute the Nacimiento Water Project Wheeling Contract with HRCSD.

Other Agency Involvement

This item has been discussed with the Technical Support Group regularly, most recently at the meeting on February 11th. The Technical Support Group supports the recommended action.

HRCSD has obtained CEQA compliance and has participated in the development of the wheeling contract.

County Counsel has assisted in development of the wheeling contract in accordance and consistent with the WDEC and has approved it as to form and legal effect.

The California Department of Public Health and Cal Fire support an emergency water connection for HRCSD.

Financial Considerations

HRCSD is responsible to cover all costs associated with their request including but not limited to contract development, design and construction, CEQA compliance, operation and maintenance, debt services, and other related costs.

The cost of water deliveries to HRCSD as a Wheeling Customer have been tentatively estimated to be \$936 per acre foot for operations, maintenance, and debt services, plus \$161 per acre foot for variable energy costs. HRCSD will be billed for the costs current at the time and in accordance with the contract when and if the emergency connection is utilized.

Results

Execution of the Nacimiento Water Project Wheeling Contract with Heritage Ranch Community Services District is a positive step in advancing their ability to secure an emergency connection to the Nacimiento Water pipeline to enhance reliability of deliveries of their water entitlement when lake levels were at or below minimum pool or during other events when downstream releases are suspended by Monterey County Water Resource Agency.

Attachments: Attachment 7.b Nacimiento Water Project Wheeling Contract

* * *

Attachment 7b

NACIMIENTO WATER PROJECT WHEELING CONTRACT

This Nacimiento Water Project Wheeling Contract (this “**Contract**”) is made and entered into this ____ day of _____, 2015 by and between the San Luis Obispo County Flood Control and Water Conservation District, a Flood Control and Water Conservation District duly established and existing under the San Luis Obispo County Flood Control and Water Conservation District Act, Act 7205 of the Uncodified Acts of the California Water Code (the “**FCWCD**”) and the Heritage Ranch Community Services District, a Community Services District duly established and existing under the Community Services District Law, California Government Code Section 61000 et seq. (the “**CSD**”).

WITNESSETH

WHEREAS, the **FCWCD** and the Monterey County Flood Control and Water Conservation District, now the Monterey County Water Resources Agency (the “**WRA**”), entered into an agreement on or about October 19, 1959, which agreement has been amended from time to time (the “**WRA Contract**”), whereby the **WRA** is obligated to provide 17,500 acre feet of Nacimiento Reservoir water to the **FCWCD** per year (the “**FCWCD Entitlement**”); and

WHEREAS, 1,750 acre feet of the **FCWCD Entitlement** has been reserved annually for use within the vicinity of the Nacimiento Reservoir (the “**Prior Commitment Water**”); and

WHEREAS, the **FCWCD** and the **CSD** or the **CSD**’s predecessors in interest entered into agreements on or about March 20, 1972, November 19, 1992 and _____, 2015 (collectively, the “**Water Supply Contracts**”) whereby the **FCWCD** shall furnish 889 acre feet of the **Prior Commitment Water** to the **CSD** per year (the “**CSD Entitlement**”); and

WHEREAS, consistent with the **Water Supply Contracts**, the **CSD** currently receives the **CSD Entitlement** through diversion wells that it constructed approximately one (1) mile downstream of the Nacimiento Dam (the “**CSD Wells**”); and

WHEREAS, if downstream releases from the Nacimiento Dam are discontinued, the **CSD** will likely be prevented from receiving its entitlement through the **CSD Wells**; and

WHEREAS, if the **CSD** is unable to obtain its entitlement through the **CSD Wells**, a water supply emergency will result; and

Attachment 7b

WHEREAS, the FCWCD and a number of public agencies (collectively, the “**Initial Participants**”) entered into agreements (collectively, the “**Existing Water Delivery Entitlement Contracts**” or “**Existing WDECs**”) whereby the FCWCD shall furnish a portion of the FCWCD Entitlement excluding the **Prior Commitment Water** (the “**Nacimiento Project Water**”) to the **Initial Participants** through a conveyance system financed by the **Initial Participants** (the “**Nacimiento Project Facilities**”); and

WHEREAS, the FCWCD may enter into Like-Contracts with Other Participants (or amended WDECs with the **Initial Participants**) in the future for the delivery of (additional) **Nacimiento Project Water** (the “**Future Water Delivery Entitlement Contract(s)**” or “**Future WDEC(s)**”) (the Existing WDECs and any Future WDEC(s) are referred to collectively as the “**WDECs**”); and

WHEREAS, Article 30(B) of the **Existing WDECs** authorizes the FCWCD to permit a third party person or entity to temporarily utilize the Reserved Capacity of the **Nacimiento Project Facilities** for the conveyance of water other than **Nacimiento Project Water**, including the **CSD Entitlement**, under certain terms and conditions; and

WHEREAS, the **CSD** seeks the right to utilize the Reserved Capacity of a portion of the **Nacimiento Project Facilities** to receive the **CSD Entitlement** during periods in which downstream releases from the Nacimiento Dam are discontinued because the water level drops below the present low level outlet works or for any other reason; and

WHEREAS, the FCWCD desires to permit the **CSD** to utilize the Reserved Capacity of a portion of the **Nacimiento Project Facilities** to receive its entitlement during any such established period(s) occurring within the term of this **Contract** without securing additional approval by the Board of Supervisors of the FCWCD subject to the terms, conditions and procedures set forth herein.

NOW, THEREFORE, it is hereby mutually agreed by **FCWCD** and **CSD** as follows:

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in Article 1 of the **WDECs**.
2. Effective Date. This **Contract** shall become effective on the date first above written (the “**Effective Date**”).
3. Term. The initial term of this **Contract** shall be one (1) year from the **Effective Date**. Upon expiration of the initial term or any renewal thereof, this **Contract** may be renewed upon the mutual written agreement of the parties for additional one (1) year terms.

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Notwithstanding the foregoing, this **Contract** shall automatically terminate on the earliest occurrence of any of the following:

(a) Termination of the **WRA Contract**, the **WDECs**, the **Water Supply Contracts** or any other agreements necessary for the **CSD** to maintain its rights to the **CSD Entitlement**.

(b) At such time as the **WRA Contract** or the **WDECs** is amended so as to prevent the performance of this **Contract** by the **FCWCD**.

4. Relationship to other Nacimiento Reservoir Water Contracts. The **CSD** acknowledges and agrees that this **Contract** is subject to the obligations and limitations imposed on **FCWCD** by the **WRA Contract**, the **Water Supply Contracts** and the **WDECs** and all existing and future amendments thereto (collectively, the “**Nacimiento Reservoir Contracts**”). The **CSD** further agrees the **FCWCD**’s rights to enter into amendments to the **Nacimiento Reservoir Contracts** or into **Future WDECs** are not restricted or impaired in any way by this **Contract**.

5. Service Contract Only. The **FCWCD** and the **CSD** agree that this is a contract for service only and that it does not grant to the **CSD** any property right or other right or interest in the Nacimiento Reservoir water, the **Nacimiento Project Facilities** or the **Nacimiento Reservoir Contracts**.

6. Conveyance of the CSD Entitlement; Amount.

(a) Throughout the term of this **Contract**, during an established **Emergency Condition**, as defined in subsection (b) of this Paragraph 6, the **FCWCD** shall make available to the **CSD** the **Reserved Capacity** of the segment of the **Nacimiento Project Facilities** described in **Exhibit “A”** attached hereto and incorporated herein by this reference for the conveyance of the unexpended **CSD Entitlement** or a portion thereof subject to all of the following:

(i) A turnout has been constructed from which the **CSD** can receive its entitlement in accordance with the terms and conditions set forth in Paragraph 8 below (the “**Turnout**”);

(ii) The **CSD** has installed a meter on the **Turnout** in accordance with Paragraph 9 below.

(iii) The **CSD** has constructed a pipeline from the **Turnout** to the **CSD** water treatment plant after completing all necessary review under the California Environmental Quality Act and securing all necessary easements, rights of way and permits.

Attachment 7b

(iv) Upon the occurrence of an **Emergency Condition** and each month thereafter that the **Emergency Condition** continues to occur, the **CSD** provides the San Luis Obispo County Director of Public Works (the “**Director of Public Works**”) with written proof of said condition or continuing condition.

(v) Upon the occurrence of an **Emergency Condition**, the **CSD** provides the **Director of Public Works** with written evidence of the amount of the **CSD Entitlement** that has already been expended and the amount that remains available to the **CSD** for conveyance during the applicable water year as defined in the **Water Supply Contracts**.

(vi) The **Director of Public Works** and **CSD** agree upon a conveyance schedule that the **Director of Public Works** determines can be accommodated by the existing Reserved Capacity and that does not in any way interfere with the delivery of the Total Delivery Entitlement Obligation to the Participants.

(vii) The **Director of Public Works** reasonably determines that the documentation submitted by the **CSD** in accordance with Paragraphs 6(a)(iv) and 6(a)(v) is satisfactory and provides written authorization to the **CSD** to access the remainder of its entitlement in accordance with the agreed upon conveyance schedule subject to the terms and conditions set forth herein but not for a period exceeding thirty (30) days.

(viii) The **CSD** is not in breach of this **Contract** or the **Water Supply Contracts**.

(ix) The limitations otherwise set forth in this **Contract**, including but not limited to, the limitations set forth in Paragraphs 10 and 11 of this **Contract**.

(b) For purposes of this **Contract**, an “**Emergency Condition**” shall mean a condition under which the **CSD** cannot receive its entitlement downstream of the Nacimiento Dam.

7. Location and Rate of Conveyance of the CSD Entitlement. The **CSD Entitlement** conveyed through the **Nacimiento Project Facilities** during an **Emergency Condition** established in accordance with Paragraph 6 shall be made available for delivery to the **CSD** at the location and rate hereinafter specified:

(a) Location: The air release/air vacuum valve located at approximate Station 40+92.94 as depicted on the Nacimiento Water Project Record Drawings and the Turnout Design Documents attached hereto as **Exhibit “B”** and incorporated herein;

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(b) **Maximum Instantaneous Flow Rate for the CSD Entitlement:** In no event shall the **FCWCD** be obligated to deliver the **CSD Entitlement** at a total combined instantaneous flow rate exceeding 0.68 cubic feet per second or three-hundred five (305) gallons per minute. While the **FCWCD** is not obligated to deliver the **CSD Entitlement** at a total combined instantaneous flow rate exceeding 0.68 cubic feet per second or three-hundred five (305) gallons per minute, the **FCWCD** shall have the discretion to temporarily exceed the maximum instantaneous flow rate provided for herein.

(c) **Pressure at the Point of Delivery:** The **FCWCD** is under no obligation to the **CSD** to deliver the **CSD Entitlement** at any particular head or pressure.

The **FCWCD** shall attempt to convey and deliver the **CSD Entitlement** to the **CSD** within the conveyance schedule approved by both parties upon the occurrence of an **Emergency Condition** in accordance with Paragraph 6(a)(vi). The **CSD** recognizes the **FCWCD** must accommodate the Participants first but the **FCWCD** will make reasonable efforts to convey the **CSD Entitlement** pursuant to the approved schedule.

8. Construction of the Turnout.

(a) **Contractor.** Upon receipt of the payment described in subsection (b) below, the **FCWCD** shall obtain the services of a contractor with the requisite expertise to construct the **Turnout** in accordance with the Nacimiento Water Project Record Drawings and the Turnout Design Documents through a competitive bidding process. The **FCWCD** will manage all aspects of the construction of the **Turnout**.

(b) **Payment.** Currently, **FCWCD** does not have funds allocated in its budget to finance the management and construction of the **Turnout** (the “**Construction Project**”). It is estimated that the total **Construction Project** cost will be thirty four thousand four hundred fifty dollars (\$34,450). The **CSD** agrees to advance the **Construction Project** costs to **FCWCD** in order for **FCWCD** to be able to commence work on the **Turnout**. The **CSD**, therefore, agrees that within thirty (30) days of the **Effective Date**, the **CSD** shall deposit the sum of thirty four thousand four hundred fifty dollars (\$34,450) in favor of **FCWCD** in an interest-bearing account or trust fund in the State of California or national bank in California consistent with the **FCWCD**'s practices and policies.

FCWCD will prepare and submit monthly progress bills to the **CSD** for costs incurred for completed work. Payment of progress invoices not to exceed the deposit may be made under the terms of this **Contract** from the funds advanced by the **CSD** to **FCWCD**. In the event that the funds advanced are insufficient to complete the work, **FCWCD** shall submit an invoice to the **CSD** for additional monies. The **CSD** shall, within thirty (30) days, deposit the requested

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supplemental advance in the above-referenced interest bearing account or trust fund. If the **CSD** fails to deposit the supplemental advance within the time prescribed, the **FCWCD** has the right to stop work and terminate this **Contract** upon written notice in addition to any other remedy the **FCWCD** may have under this **Contract** or by operation of law.

When all work related to the **Turnout** is completed, **FCWCD** shall send the **CSD** a final invoice for reconciliation of the total sum advanced by the **CSD**. In the event that the actual and necessary cost of the work as established herein is less than the sum of money, including interest, advanced by the **CSD**, **FCWCD** agrees to refund to the **CSD** the difference between the actual and necessary cost and the sum of money that was advanced. In the event that the actual and necessary cost of the work as established herein exceeds the amount of the money advanced to **FCWCD**, including interest, in accordance with the provisions of this **Contract**, the **CSD** will reimburse the **FCWCD** the excess costs incurred by **FCWCD** within thirty (30) days of an itemized bill from **FCWCD**. If the **CSD** fails to reimburse the **FCWCD** within the time prescribed, the **FCWCD** has the right to terminate this **Contract** upon written notice in addition to any other remedy the **FCWCD** may have under this **Contract** or by operation of law.

The final billing shall be in the form of an itemized statement of the total construction costs, less the credits provided for in this **Contract**, and less any amount covered by progress billings and payments. However, the **CSD** shall not pay the final invoices which exceed the estimated cost of the construction without documentation of the reason for the increase of said cost from **FCWCD** and approval of documentation by **CSD**, which shall not be unreasonably withheld.

(c) All facilities constructed and all devices and equipment installed within the **FCWCD's** right of way under this **Contract** shall become the property of **FCWCD**. All facilities constructed and all devices and equipment installed outside of the **FCWCD's** right of way for the conveyance of the **CSD Entitlement** pursuant to this **Contract** shall be the property of the **CSD**.

9. Measuring Devices. **CSD** shall procure, install and maintain at the **Turnout** such measuring devices and equipment that will enable **FCWCD** to measure and monitor the conveyance and delivery of the **CSD Entitlement** through the **Nacimiento Project Facilities** during an **Emergency Condition**. All such measuring devices and equipment shall be approved in writing by the **Director of Public Works** prior to installation. Any measuring devices and equipment procured, installed and maintained by the **CSD** in accordance with this **Contract** shall be examined, tested and serviced regularly by the **CSD** to insure their accuracy. At any time or times, the **FCWCD** may inspect such measuring devices procured, installed and maintained by the **CSD**. The cost of said inspections will be paid by the **CSD**. Charges for periodic inspection will be billed at the actual cost of performing said inspections.

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10. Limitations on Obligation of FCWCD to Convey the CSD Entitlement. Any obligation of the **FCWCD** to convey the **CSD Entitlement** utilizing the **Nacimiento Project Facilities** during an **Emergency Condition** is contingent upon the continuing existence of sufficient **Reserved Capacity** in said facilities during the **Emergency Condition** and upon the availability of an amount of Nacimiento Reservoir water equal to the **CSD Entitlement** and all other contractual entitlements to the **FCWCD Entitlement** consistent with the **WRA Contract** and the **Water Supply Contracts**. Under no circumstances shall **FCWCD** be obligated to deliver and under no circumstances shall the **CSD** convey through the **Nacimiento Project Facilities** an amount of water that exceeds the available balance of the **CSD Entitlement** during the applicable water year as defined in the **Water Supply Contracts**.

11. Curtailment of Conveyance for Maintenance Purposes. The **FCWCD** may temporarily discontinue or reduce the amount of water conveyed to the **CSD** through the **Nacimiento Project Facilities** during such time as the **FCWCD** or the **WRA** is maintaining, repairing, replacing, investigating or inspecting any of said facilities. Insofar as it is feasible, the **FCWCD** shall give the **CSD** notice in advance of any such temporary discontinuance or reduction. In the event of an emergency, no notice need be given.

12. Responsibility for Delivery and Distribution of the CSD Entitlement.

(a) Neither the **FCWCD** nor its officers, agents or employees shall be liable for the control, carriage, handling, use, disposal or distribution of the **CSD Entitlement** after such water has passed out of the **Nacimiento Project Facilities**, nor for claims of damages of any nature whatsoever, including, but not limited to, property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond the **Turnout**.

(b) Without limiting Paragraph 23 below, the **CSD** shall defend, indemnify and hold harmless the **FCWCD** and its officers, agents and employees from and against any such damages or claims of damages, including attorney fees.

13. Responsibility for Water Quality.

(a) The **CSD** acknowledges and agrees that the **CSD Entitlement** will be furnished to the **CSD** untreated and that the **FCWCD** makes no guarantee express or implied as to the quality of the water delivered pursuant to this **Contract**. Consequently, neither the **FCWCD** nor its officers, agents or employees shall be liable for the quality of the **CSD Entitlement** conveyed to the **CSD** through the **Nacimiento Project Facilities** nor for claims of damages of any nature whatsoever, including but not limited to, property damage, personal

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injury or death, arising out of or connected with the quality of the Nacimiento Reservoir water conveyed through the **Nacimiento Project Facilities** pursuant to this **Contract**.

(b) Without limiting Paragraph 23 below, the **CSD** shall defend, indemnify and hold harmless the **FCWCD** and its officers, agents and employees from and against any such damages or claims of damages, including attorney fees.

14. Charges for Conveyance of the CSD Entitlement through the Nacimiento Project Facilities.

(a) **Obligation to Pay.** The **CSD** shall compensate **FCWCD** for all reasonable costs incurred by **FCWCD** in conveying the **CSD Entitlement** pursuant to this **Contract**, including, without limitation, the following:

(i) **Variable Energy Costs.** The **CSD** shall pay its pro rata share of the **Variable Energy Costs** incurred by **FCWCD** in connection with its operation of the **Nacimiento Project Facilities** during the preceding Calendar Quarter. The **CSD's** pro rata share will be determined as follows:

(A) The total Variable Energy Costs incurred by **FCWCD** for the Calendar Quarter in question will be divided by the total acre-feet of water delivered by **FCWCD** through the **Nacimiento Project Facilities** to all Participants, Other Participants, Reserve Water Customers and Wheeling Customers during such Calendar Quarter.

(B) The total acre-feet of water delivered to the **CSD** through the **Nacimiento Project Facilities** during the Calendar Quarter in question will be multiplied by the result from subsection (A).

(ii) **Operation and Maintenance Costs.** The **CSD** shall pay its pro rata share of the Operation and Maintenance Costs attributable to Unit A of the **Nacimiento Project Facilities** incurred by **FCWCD** during the preceding Fiscal Year. The **CSD's** pro rata share will be determined as follows:

(A) The total actual net Operation and Maintenance Costs billed to Unit A for the Fiscal Year in question will be divided by the total acre-feet of water delivered by **FCWCD** through Unit A during such Fiscal Year.

(B) The total acre-feet of water delivered to the **CSD** through the **Nacimiento Project Facilities** for the Fiscal Year in question will be multiplied by the result from subsection (A).

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(iii) Capital Project Installment Debt Service. The **CSD** shall pay its pro rata share of the Capital Project Installment Debt Service attributable to Unit A of the **Nacimiento Project Facilities** incurred by **FCWCD** during the preceding Fiscal Year. The **CSD's** pro rata share will be determined as follows:

(A) The total actual Capital Project Installment Debt Service attributable to Unit A for the Fiscal Year in question will be divided by the total acre-feet of water delivered by the **FCWCD** through Unit A during such Fiscal Year.

(B) The total acre-feet of water delivered to the **CSD** through the **Nacimiento Project Facilities** for the Fiscal Year in question will be multiplied by the result from subsection (A).

(iv) All other costs directly attributable to the conveyance of the **CSD Entitlement** through the **Nacimiento Project Facilities**.

(b) Notwithstanding the cost calculations set forth in subsection (a), in no event shall the charges for conveyance of the **CSD Entitlement** through the **Nacimiento Project Facilities** be effected at charges less than those applicable to the conveyance of Delivery Entitlement through Unit A.

(c) Contract Payments.

(i) Billings.

(A) Variable Energy Costs. The **FCWCD** will bill the **CSD** on a quarterly basis. Billings will take place no later than the forty-fifth (45th) day following the end of each Calendar Quarter for the Variable Energy Costs attributable to the Calendar Quarter most recently concluded.

(B) Operation and Maintenance Costs, Capital Projects Installment Debt Service and all other costs incurred by **FCWCD**. The **FCWCD** will bill the **CSD** on an annual basis. Billings will take place on or before December 1 of each year. The period covered by this billing shall be for the preceding Fiscal Year ending June 30.

(ii) Payment. The **CSD** shall pay to **FCWCD** any billed amount no more than thirty (30) days after the billing date. A late payment penalty of one percent (1%) per month on the unpaid balance shall accrue on all overdue payments.

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(d) **Relationship to Charges for the CSD Entitlement.** The charges for conveyance described herein are over and above the charges for water supply that the **CSD** is obligated to pay **FCWCD** pursuant to the **Water Supply Contracts**.

(e) **Charges Represent Fair Compensation.** The **CSD** agrees that the charges set forth in this Paragraph 14 represent “fair compensation” as defined in California Water Code Section 1811 for the use of the Reserved Capacity of the **Nacimiento Project Facilities** during an **Emergency Condition** and hereby waives any right to challenge the compensation established herein as an unreasonable charge.

15. **Default; Suspension of Service.** In the event of any default by the **CSD** in the payment of any money required to be paid to **FCWCD** under this **Contract** for use of the **Nacimiento Project Facilities** or under the **Water Supply Contracts** for the **CSD Entitlement**, the **FCWCD**, in its discretion, may suspend conveyance of the **CSD Entitlement** during the period when the **CSD** is delinquent in its payment for or obligations due to **FCWCD** under the terms of this **Contract** or the **Water Supply Contracts**; provided that during any such period of delinquency or suspension, the **CSD** shall remain obligated to make all payments required under this **Contract** and the **Water Supply Contracts**. Action taken pursuant to this paragraph shall not deprive the **FCWCD** of or limit any remedy provided by this **Contract**, the **Water Supply Contracts** or by law for the recovery of money due or which may become due under this **Contract** or the **Water Supply Contracts**.

Should the **CSD** otherwise default in the performance of this **Contract** or the **Water Supply Contracts** (other than the payment of **FCWCD** charges) or materially breach any of their provisions, and in the event that the **CSD** shall fail to remedy such default within thirty (30) days of receiving notice, or if such default cannot be cured within thirty (30) days, and the **CSD** has not commenced corrective action and prosecuted the same to completion with due diligence, or in the event that the default is of such a nature that it cannot be cured by any action of the **CSD**, then and in any of these events, in addition to any other remedy the **FCWCD** may have by operation of law, the **FCWCD** shall have the option of suspending conveyance of the **CSD Entitlement** or terminating this **Contract** by giving written notification to the **CSD**.

16. **Disputed Payments; Interest.** Upon each charge to be paid by the **CSD** to the **FCWCD** pursuant to this **Contract** which remains unpaid after the same shall have become due and payable, interest shall accrue at an annual rate equal to that earned by the **FCWCD** on its funds invested through the County of San Luis Obispo by the County Treasurer, calculated monthly on the amount of such delinquent payments from and after the due date when the same becomes due until paid, and the **CSD** hereby agrees to pay such interest; provided that no interest shall be charged to or be paid by the **CSD** unless such delinquency continues for more than thirty (30) days.

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17. Obligation of the CSD to Make Payment. The obligations of the **CSD** arising out of, pursuant to, or incidental to this **Contract** including, without limitation, the obligations of the **CSD** to pay the **FCWCD** the sums becoming due **FCWCD** for the construction of the **Turnout** and conveyance of the **CSD Entitlement** through the **Nacimiento Project Facilities** hereunder, shall constitute a general obligation of the **CSD** and the **CSD** shall use all powers and resources available to it under the law to budget or collect the funds necessary for and to pay its obligations to the **FCWCD** under this **Contract**, including levying and collecting all necessary taxes, assessments and charges. The **CSD** as a whole is obligated to pay to the **FCWCD** the payments becoming due under this **Contract** notwithstanding any individual default by its water users, constituents or others.

18. Notices. All communications or notices in connection with this **Contract** shall be deemed to have been given if delivered personally or if enclosed in a properly addressed and stamped envelope and deposited with the U.S. Postal Service for delivery by registered or certified mail with return receipt requested. Facsimile or electronic mail will be accepted as long as it is immediately followed by a written, signed notice by U.S. mail, postage prepaid. Until formally notified of a change, the parties shall send all notices to the other party at the addresses shown below:

Public Works Director
Public Works Department
San Luis Obispo County Flood Control and Water Conservation District
County Government Center, Room 206
San Luis Obispo, California 93408

General Manager
Heritage Ranch Community Services District
4870 Heritage Road
Paso Robles, CA 93446

19. Amendments. This **Contract** may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendment is in any way contrary to the **Nacimiento Reservoir Contracts** or applicable law, and providing that any such amendment shall be in writing and approved and adopted by the respective governing bodies of the **FCWCD** and the **CSD** before the amendment shall be effective.

20. Assignment. The provisions of this **Contract** shall apply to and bind the successors and assigns of the respective parties, but no assignment or transfer of this **Contract** or any part hereof or interest herein shall be valid until and unless approved by the **FCWCD** provided that, any such approval must be in writing and be duly approved and adopted by the

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FCWCD's Board of Supervisors. The FCWCD shall not unreasonably withhold consent to assignments.

21. Good Faith. The CSD and FCWCD shall each act in good faith in performing their respective obligations as set forth in this **Contract**.

22. Uncontrollable Forces and Emergencies. If either of the parties to this **Contract** is precluded in whole or in part from conveying or receiving the **CSD Entitlement** through the **Nacimiento Project Facilities** as a result of uncontrollable forces or emergencies, both parties are relieved from the obligations to the extent that they are reasonably unable to complete the obligation due to the uncontrollable forces or emergency. Uncontrollable forces and emergencies shall include, without limitation, earthquakes, fires, tornados, floods and other natural disasters and unexpected equipment outages. However, the CSD shall be responsible for repaying any costs incurred on its behalf by the FCWCD before the occurrence of the uncontrollable force or emergency; or in FCWCD's attempts to forestall, ward off or ameliorate the effects of the uncontrollable force or emergency.

23. Indemnification. CSD shall defend, indemnify and hold harmless FCWCD and its agents, consultants, officers, elected officials, directors and employees from and against any and all liabilities, claims, costs, expenses, losses, and damages, including attorney's fees and costs, which arise out of, relate to or result from this **Contract** unless arising from FCWCD's established sole negligence or willful misconduct. This indemnification shall include, but is not limited to, the costs, attorney's fees, expenses and damages incurred by FCWCD to defend any and all such claims or lawsuits, to which FCWCD is made a party.

24. Waiver of Rights. Any waiver at any time by any party hereto of its rights with respect to a default or any other matter arising in connection with this **Contract** shall not be deemed to be a waiver with respect to any other default or matter.

25. Successors and Assigns Obligated. This **Contract** and all of its provisions shall apply to and bind the successors and assigns of the parties hereto.

26. No Effect on Existing Rights. Nothing in this **Contract** shall be construed to amend, modify, restrict or limit, the respective rights, duties and obligations of the parties under any contract, permit, authorization or entitlement whether between the parties hereto or with respect to any such relationship between a party hereto and a third party or the public.

27. Entire Agreement. This **Contract** supersedes all previous contracts between the parties hereto on the same subject matter and constitutes the entire understanding of the parties hereto on the subject matter of this **Contract**.

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IN WITNESS THEREOF, the parties hereto have executed this **Contract**.

**SAN LUIS OBISPO COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT**

By: _____
Chairperson of the Board
San Luis Obispo County Flood Control and
Water Conservation District
State of California

Date: _____

ATTEST:

By: _____
County Clerk and Ex-Officio Clerk of the
Board of Supervisors, San Luis Obispo County
Flood Control and Water Conservation District
State of California

Date: _____

APPROVED AS TO FORM AND LEGAL EFFECT:

RITA L. NEAL
County Counsel

By:  _____
Deputy County Counsel

Date: 2-10-15

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

By: _____
President of the Board
Heritage Ranch Community Services District
State of California

Date: _____

APPROVED AS TO FORM AND LEGAL EFFECT:

THOMAS D. GREEN
District Counsel

By: _____
District Counsel

Date: _____

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Exhibit A

Segment of the Nacimiento Project Facilities to be Utilized by CSD

A Portion of Unit A - Lake Nacimiento Intake and Pump Station up to and including the air release/air vacuum valve located at approximate Station 40+92.94 as depicted on the Nacimiento Water Project Record Drawings: Shall consist of the raw water intake structure including rights-of-way, intake shaft, tunnel(s), multi-port underwater intake piping and valves with appurtenances, underwater piping and appurtenance anchor and support blocks, intake fish screens, a building, pumps, piping, surge control facilities, access road, screens, gates, valves, controls and communication, electrical service, instrumentation, grounds, fencing, corrosion control, and appurtenances; and pipeline including rights-of-way, road crossings, controls and communication, instrumentation, air release structures, blowoffs, valves, vaults, corrosion control, and appurtenances.

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Exhibit B

Nacimiento Water Project Record Drawings and Turnout Design Documents