



Nacimiento Project Commission Notice of Meeting and Agenda

Thursday, June 26, 2008 – 4:00 pm
Templeton Community Services District Offices

- I. Call to Order, Roll Call, and Flag Salute
- II. 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.
- III. Meeting Notes from April 23, 2008
(RECOMMEND APPROVAL)
- IV. COMMISSION INFORMATION ITEMS – written reports with brief verbal overview by staff or consultant. No action is required.
 - a. Project Management Report
 - b. Project Schedule
 - c. Project Budget
- V. PRESENTATIONS – no action required.
 - a. (none)
- VI. COMMISSION ACTION ITEMS
(No Subsequent Board of Supervisors Action Required)
 - a. Determination of “Buy-In Fee”
 - b. Calendar of Commission Meetings
- VII. COMMISSION ACTION ITEMS
(Board of Supervisors Action is Subsequently Required)
 - a. (none)
- VIII. FUTURE AGENDA ITEMS DESIRED BY COMMISSION

Commissioners

Harry Ovitt, Chair, SLO County
Flood Control & Water
Conservation District

Dave Romero, Vice Chair, City of
San Luis Obispo

David Brooks, Templeton CSD

Grigger Jones, Atascadero MWC

Frank Mecham, City of El Paso
de Robles

**Next Commission meeting scheduled for
Thursday, August 28, 2008, at 4:00 pm at
Templeton Community Services District offices**

Nacimiento Project Commission
June 26, 2008
Agenda Item III – Meeting Notes from April 23, 2008

I. Call to Order, Roll Call and Flag Salute

Chairman Ovitt convened the meeting at the Intake job site 3:00 pm.

Commissioners Present: Chairman Harry Ovitt, SLO County Flood Control & Water Conservation District
Vice Chairman Dave Romero, City of San Luis Obispo
Frank Mecham, City of el Paso de Robles
Judith Dietch, Templeton CSD
Grigger Jones, Atascadero MWC

II. Public Comment – None.

III. Meeting Notes from February 28, 2008, Meeting

Commissioner Jones moved approval of the February 28, 2008, meeting notes; Commissioner Romero seconded the motion; passed unanimously.

IV. Election of Commission Officers

Christine Halley summarized the Project Manager's Report on John Hollenbeck's behalf, reporting that the Section 106 consultation Memorandum of Agreement is fully executed and Albion Environmental is mobilized to perform data research and recovery in the critical archaeological areas outside of Camp Roberts. The District is in touch with the Army Corps of Engineers real estate division regarding access onto Camp for construction, but does not yet have the go-ahead. Commissioners' outreach to public officials has been effective. Bob Lewis summarized the construction status.

Christopher Alakel, Paso Robles' Water Resources Manager, reported that the City opened bids for the River Road utility work and MGE Construction is the apparent low bidder.

VII. Commission Action Items (Subsequent Board of Supervisors Action Required)

Christine Halley summarized the quagga mussel issue and staff's recommendation that the Commission request a letter on that topic to be issued by the County Board of Supervisors. Commissioner Romero reported that the San Luis Obispo City Council sent similar letters in the interest of the two lakes that currently serve that community and encouraged copying correspondence to elected officials in addition to regulators. Commissioner Mecham expressed a willingness to issue similar letters of concern on behalf of the City of Paso Robles. Another suggestion was to copy stakeholders around Lake Nacimiento such as Heritage Ranch CSD, and others. Commissioner Mecham moved to recommend issuance of a letter of concern pertaining to invasive mussel prevention as described above; Commissioner Jones seconded the motion; passed unanimously.

VIII. Future Agenda Items Desired by Commission

None requested.

V. Presentations – Bob Lewis of Jacobs and Brett Campbell, Fowler’s onsite project manager, lead the group on a tour of the Intake construction site. He explained the top-down construction method being employed, described the soil conditions being encountered, and stepped through the water handling equipment housed on site. Mr Campbell and John Hollenbeck reviewed the construction schedule and the upcoming work to be performed by the Spec 02 – Facilities contractor, Mountain Cascade.

Chairman Ovitt adjourned the meeting at 4:15 pm.

Submitted by Christine Halley



Nacimiento Project Commission
June 26, 2008
Agenda Item IV.a– Project Management Report
(Information Only – No Action Required)

PROJECT ISSUES

Construction Status

As of the first of June, the intake shaft is at 105 foot depth and crews have encountered hard material with minimal water. Barges will soon be mobilized for work on the subsurface intake supports.

Mountain Cascade is occupied at the Rocky Canyon pump station and storage tank. Teichert crews are laying pipe on Monterey Road and proceeding well. Teichert and the District are narrowing in on options for working around the Kennedy Club Fitness encroaching improvements and the District is in contact with Mr Kennedy. Teichert expects to start another pipeline heading at Santa Ysabel by early July.

Whitaker's crews are finishing up the reach in Rocky Canyon Road and will be mobilizing onto Templeton Road. The Templeton Road closure announcement is to be released during the week of June 2, 2008. You may recall that County Public Works is constructing significant realignment work on Templeton Road concurrent with the Nacimiento pipeline installation and that Whitaker is under contract to execute both sets of work plus relocation of the existing AT&T facilities. The road closure is required to accommodate all of those public improvements and is scheduled beginning June 11, 2008.

The horizontal directional drilling is laid out for the AMWC turnout now. Southern California Pipeline completed installation along the Santa Margarita Booster Station access road and is mobilizing into Santa Margarita. A second heading is active along Sandoval Road and is going well.

We previously reported that a steelhead trout was found pooling in a tributary to Santa Margarita Creek near the crest of Cuesta Grade. The team established that the planned open-cut pipeline installation would indeed impact the pool, so Black & Veatch is designing a jack-and-bore approach to avoid impacts to the pool altogether. The environmental mitigation fund noted in the Project's line item budget is intended for just such events.

Archaeologists encountered human remains for the second time on the Project on June 4, 2008. Crews are following adopted protocols and are working with Native American representatives to agree upon the approach to reinterment. Remains were found in the Atascadero vicinity.

Camp Roberts Access

There is progress to report on gaining access to Camp Roberts. First, the NEPA Environmental Assessment is out for public review, closing on June 27, 2008. Our understanding of the process from there is that at the close of public review, the National Guard Bureau makes a finding of no significant impacts and that finding comprises the last piece required for the Report of Availability. Once



approved, the Report formally transfers easement rights (and therefore access for construction and operation) to the Flood Control District. Construction contractors were scheduled to get on Camp as early as June 1, 2008, a date that we obviously missed.

On June 2, 2008, the District succeeded in securing a right of entry for the required archaeological work. That allows us to clear the critical sites ahead of the pipeline construction crews.

Status of Project Delivery Team Activities

Right of way – The District has possessory rights on all affected private properties (see exception note regarding Texas Road), although six remain unsettled from the standpoint of compensation (i.e. stipulations for judgment yet to be made). These are in various states of progress through the legal system and the Project Manager is participating in periodic management settlement conferences. An updated appraisal is scheduled for the MCWRA property. Documents are still in progress with Cal Poly, State Dept of Water Resources (Cuesta Tunnel area), and the Army Corps of Engineers (Salinas Booster Station property).

A right-of-way issue surfaced on Texas Road. Surveyors initially believed that a public utility offer years ago had been accepted by the County, but it turned out that the County did not accept that offer of dedication. The Project Manager intends to retain Hamner-Jewell & Associates to assemble offer packets to the affected set of property owners, utilizing property acquisition/professional services contingency funds to do so.

Another parcel that is crossed by the pipeline using HDD technology experienced a serious easement issue. Foreclosure had begun on the parcel which put the District's easement at risk. Hamner-Jewell swiftly worked with both lenders to subordinate their trust deeds to our easement rights and the District is considering expanding Hamner-Jewell's scope of work to research other similar risks and, if found, to take similar action.

Construction Management Activities – Jacobs' field inspectors are engaged in all five construction contracts with active construction engaged on several headings.

Jacobs subconsultant, ESA, is mobilized on the Project both with regard to active construction monitoring. Archaeological, Native American, and paleontological monitors are on board as well.

Outside Agency Issues

River Road Sewer – On May 20, 2008, Paso Robles awarded the construction contract for the gravity sewer line, reclaimed waterline, and replacement potable waterline in River Road parallel to the proposed Nacimiento waterline. The work is planned such that City utility work will be substantially complete before Teichert's crews are mobilized in that reach.

PG&E – PG&E has yet to formally address the load-shedding approach to providing power at the Intake Pump Station.

MCWRA – Plans for the elected official's meeting have apparently fizzled.

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Nacimiento Project Commission
June 26, 2008
Agenda Item IV.b– Project Schedule
(Information Only – No Action Required)

The accompanying construction schedule summarizes the time frame for active construction associated with each construction contract. One important schedule issue at this point remains gaining access onto Camp Roberts for construction.

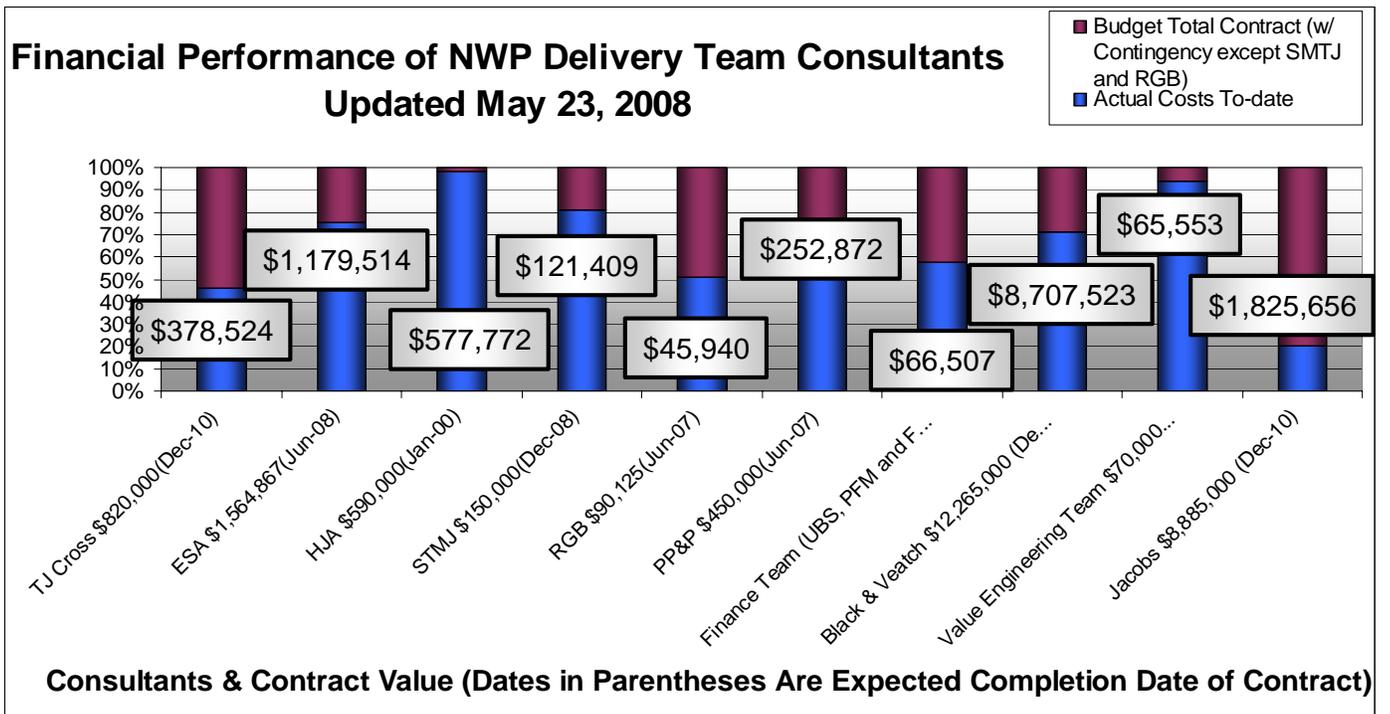


Activity ID	Activity Description	Orig Dur	Rem Dur	%	Early Start	Early Finish	2007 2008 2009 2010																																																			
							2007													2008													2009													2010												
Contract No.1 - Intake																																																										
A1102	Pre Construction Activities - Contract No. 1	107*	0*	100	01MAY07A	01OCT07A																																																				
A1120	Contract No. 1 (Intake) Bid Period:	53*	0*	100	01MAY07A	16JUL07A																																																				
A1320	Contract No. 1 - Intake	484*	295*	0	25OCT07A	19FEB09																																																				
A1440	Intake Shaft Construction	281*	161*	0	12NOV07A	17DEC08																																																				
A1580	Lake-Top Operations & Underwater Work	225*	146*	0	11JAN08A	25NOV08																																																				
A1530	Microtunnel Installation	52*	52*	0	14AUG08	27OCT08																																																				
A1760	Commissioning - Contract No. 1	79*	79*	0	29OCT08	19FEB09																																																				
Contract No.2 - Pump Stations, Tanks, SCADA, etc																																																										
A1155	Pre Construction Activities - Contract No. 2	64*	0*	100	02JUL07A	01OCT07A																																																				
A1310	Contract No. 2 Bid Period	33*	0*	100	02JUL07A	16AUG07A																																																				
A1745	Contract 2 - Pump Stations	628*	513*	0	19NOV07A	05MAY10																																																				
A2410	Construction - Rocky Canyon Pump Station & Tank	317*	294*	0	31MAR08A	25JUN09																																																				
A2660	Construction - Cuesta Tunnel Tank	189*	189*	0	09MAY08	05FEB09																																																				
A2120	Construction - Camp Roberts Tank	199*	199*	0	03JUL08	14APR09																																																				
A2240	Construction - Santa Ysabel Pump Station	242*	242*	0	08SEP08	18AUG09																																																				
A1950	Construction - Intake Pump Station	139*	139*	0	15DEC08	30JUN09																																																				
A2840	Overall System Startup Testing	53*	53*	0	19AUG09	02NOV09																																																				
A2900	Commissioning - Contract No. 2	182*	182*	0	19AUG09	05MAY10																																																				
Contract No.3 - Pipeline North																																																										
A1195	Pre Construction Activities - Contract No. 3	84*	0*	100	01MAY07A	28AUG07A																																																				
A1200	Contract No. 3 (PL North) Bid Period:	56*	0*	100	01MAY07A	19JUL07A																																																				
A2870	Contract No. 3 - Pipeline North (Units A, A1, C,	605*	482*	0	07NOV07A	23MAR10																																																				
A3170	Commissioning - Contract No. 3	75*	75*	0	07DEC09	23MAR10																																																				
Contract No.4 - Pipeline Central																																																										
A1238	Pre Construction Activities - Contract No. 4	85*	0*	100	01MAY07A	29AUG07A																																																				
A1240	Contract No. 4 (PL Middle) Bid Period:	61*	0*	100	01MAY07A	26JUL07A																																																				
A3250	Contract No 4 Pipeline Central (Units D, E, F)	518*	382*	4	19OCT07A	29OCT09																																																				
A3590	Commissioning - Contract No. 4	335*	335*	0	09JUL08	29OCT09																																																				
Contract No.5 - Pipeline South																																																										
A1278	Pre Construction Activities	85*	0*	100	01MAY07A	29AUG07A																																																				
A1280	Contract No. 5 (PL South) Bid Period:	66*	0*	100	01MAY07A	02AUG07A																																																				
A3560	Contract No 5 Pipeline South (Units G, G1, H)	529*	398*	0	26OCT07A	20NOV09																																																				
A3930	Commissioning - Contract No. 5	206*	206*	0	03FEB09	20NOV09																																																				

 Early Bar
 Progress Bar

Nacimiento Project Commission
 June 26, 2008
Agenda Item IV.c– Project Budget
 (Information Only – No Action Required)

Attached is the most recent Project Budget Report. The Financial Performance is illustrated in the following graphic.



**Nacimiento Water Project
Project Budget Reporting
Report Ending Period: 5/31/08**

	Revised Budget Approved AUGUST 2007	Cost to Date thru 05/31/08	Remaining Budget	Projected Total Cost as of 8/8/07	Projected Variance (Budget Vs. Projected Cost)	Comments
Design Phase Costs						
Project Management	\$2,341,564	\$2,298,544	\$43,020	\$2,341,564	\$0	Includes County Project Manager, VE, support staff, TJCross support, finance team, legal fees, and County overhead allocation during Design Phase. Adjusted to better align with actual costs to date.
AD-15 Process (Preparation for Bidding)	\$93,000	\$112,940.03	(\$19,940)	\$93,000	\$0	Reproduction and mailing of Contract Docs, addenda, and other bid phase correspondence, utilizing ASAP Reprographics.
Environmental	\$1,415,000	\$1,196,152.17	\$218,848	\$1,415,000	\$0	ESA-Includes design assistance, permit applications, agency coordination. Amendments authorized for EIR Addendum and extended cultural resource efforts.
PG&E Service Extension	\$100,000	\$5,170.00	\$94,830	\$100,000	\$0	Estimate to extend power to proposed facilities. Load-shedding approach less capital costly.
Right of Way Consulting Services	\$1,375,000	\$1,022,064	\$352,936	\$1,375,000	\$0	Hamner-Jewell contract plus allowance for appraisal, title reports by others, and Special Counsel. Includes court hearings for orders of possession.
Property Acquisition	\$2,500,000	\$778,571.33	\$1,721,429	\$2,500,000	\$0	8/06-Revised acquisition budget.
Construction Mgt/Constructability Review	\$650,000	\$668,503.77	(\$18,504)	\$650,000	\$0	Initial CM services authorization est Nov 2006 @ \$735,000. Reduced to \$650,000 Aug 2008 as est of expenditures during the Design Phase
Engineering Design (Includes geotechnical, survey & Design CM)	\$9,088,800	\$9,417,383.65	(\$328,584)	\$9,088,800	\$0	Black and Veatch Corporation 11/06-Revised projected total. 8/07-revised back up to original budget pending Design Amendment
Finance	\$0	\$-	\$0	\$0	\$0	PFM, UBS, and Fulbright & Jaworski support services coded to Project Management line item above.
New Participant Contribution	(\$50,000)	(\$49,040)	(\$961)	(\$50,000)	\$0	11/06-CSA 10A buy-in fee per Article 29 of the WDEC.
				Total Variance=	\$0	
Design Phase Budget Reserve (NOTE 1)	\$1,386,637		\$1,386,637	\$1,386,637		
SUMMARY - DESIGN PHASE	\$18,900,000	\$15,450,290	\$3,449,710	\$18,900,000		
Construction Phase Costs						
Project Management	\$4,688,563	\$755,616.42	\$3,932,947	\$4,688,563	\$0	Includes District staff, County Counsel, intern support, TJCross support, and operator support during construction. Also includes premium for District-provided Builder's Risk Insurance and County overhead allocation
Environmental Mitigation	\$4,500,000	\$20,310.75	\$4,479,689	\$4,500,000	\$0	Estimated as \$100,000 per mile for pipeline realignments, special construction techniques, and other costs incurred due to unforeseen environmental issues.
Construction Management, including Materials Testing & Surveying	\$5,835,000	\$1,227,770.82	\$4,607,229	\$5,835,000	\$0	Based on Jacobs construction management services fees.
Post-Design Services by Designer	\$3,200,000	\$-	\$3,200,000	\$3,200,000	\$0	Black & Veatch's construction phase services.
Environmental Monitoring (this work is added into Jacob's CM Agreement)	\$2,400,000	\$-	\$2,400,000	\$2,400,000	\$0	Includes cost for cultural and biological monitors during construction including Jacobs' mgt fee. Value negotiated with ESA per revised memo from TJ Cross 8-16-07
Construction Contracts	\$123,876,769	\$14,970,580.34	\$119,378,087	\$123,876,769	\$0	BASED ON CONSTRUCTION BIDDING
District Controlled Contingency Construction Phase Contingency and Reserve (NOTE 1)	\$11,113,363	\$0	\$11,113,363	\$11,113,363	\$0	Recommended contingency for construction change orders, prof service changes, and other Project reserve. Excludes the carryover of unused Design Phase reserves.
SUMMARY - CONST. PHASE	\$155,613,695	\$16,974,278.33	\$149,111,315	\$155,613,695	\$0	
Prior Expenses						
Advance Expenditures	\$513,000	\$513,000	\$0	\$513,000	\$0	
Cuesta Tunnel	\$1,031,000	\$1,031,000	\$0	\$1,031,000	\$0	Includes construction of Nacimiento Water Project pipeline section through Cuesta Tunnel and cost for 2003 EIR.
			\$0	\$0	\$0	
TOTAL PROJECT	\$176,057,695	\$33,968,568	\$152,561,026	\$176,057,695	\$0	

Positive Projected Variance indicates costs are under the revised line item budget.
Recent Update: June 3, 2008, for May costs, without Month End Process complete.

NOTES 1. When the Design Phase is closed, the reserves will be transferred to the Construction Phase Reserves.

Nacimiento Project Commission

June 26, 2008

Agenda Item VI.a – Determination of the “Buy-In Fee”

(Commission Action – No Board of Supervisors Action Subsequently Required)

TO: Nacimiento Project Commission
FROM: John R. Hollenbeck, P.E., Nacimiento Project Manager
VIA: Paavo Ogren, Director, Department of Public Works
DATE: June 26, 2008

Recommendation

Adopt the policy describing the method for computing the Purchase of Reserve Water Delivery Entitlement and Reserved Capacity Fee (the “Buy-In Fee”), as described herein, for the Nacimiento Water Project (Project).

Discussion

Contractual Requirement.

Articles 29(B) and 29(C) in the Nacimiento Project Water Delivery Entitlement Contract (Contract) establish the collection of a fee termed the “Purchase of Reserve Water Delivery Entitlement and Reserved Capacity Fee” (herein shortened to be known as the “Buy-In Fee”). The Buy-in Fee is compensation to the District associated with an existing Participant acquiring additional water entitlement through an amendment to their Contract, or a New Participant acquiring a new water entitlement through execution of a Like-Contract.

Basic Buy-In Fee Description.

The Nacimiento Technical Support Group and the Nacimiento Finance Committee met several times to discuss alternatives for establishing a method for computing the Buy-In Fee. The method presented to your Commission is a **fully-funded cash Buy-In Fee** by either an existing Participant or New Participant. The crediting of the Buy-In Fee to All Participants existing prior to contracting for the new water entitlement is accomplished in accordance with the terms and conditions of the Contract.

The Proposed Method

The purpose of this policy is to outline a method for calculating the Buy-In Fee for increased entitlement of current Participants or new entitlement for a New Participant. The general guidelines of this policy for calculating the Buy-In Fee in the Contract are as follows:

- The San Luis Obispo County Flood Control and Water Conservation District (District) shall not enter into any Like-Contract or an amendment to the Contract which provides terms more favorable than those presently existing.



- The Buy-In Fee must reasonably compensate the District for the Participant’s Unit Percentage Share and Delivery Entitlement Share of the Total Nacimiento Project Construction Costs plus the costs of any Additional Capital Projects which are necessary or convenient for the conveyance and/or delivery of the Delivery Entitlement.
- The District shall not execute a Like-Contract with a New Participant if such execution would result in the loss of tax-exempt status on any of the Tax-Exempt Obligations.
- Past Operations and Maintenance Costs are not an eligible component of the Buy-In Fee.
- Requiring a Capital Reserve component within the Buy-in fee is not appropriate at this time because no such reserve exists for any of the Participants. Even if they did exist, they would be tracked on a Participant by Participant basis, and New Participants could alternatively cover their proportional share of the cost of future capital replacements through the annual billing process, or through building up their agency specific replacement reserves over multiple years.

The method described below follows these general guidelines by calculating the Buy-In Fee to reflect both the expended and future cost of each current Participant’s share of Project costs. The example used in the description below is for illustrative purposes and assumes a hypothetical agency executing a Like-Contract for 200 acre feet per year of Project water on July 1, 2009. The connection is made at the end of Unit G within the community of Santa Margarita.

Step 1. Identify the Percentage Change in the Allocation of Project Costs. Identify the portion of the Project’s costs for which each Current Participant was responsible by aggregating the sum of the product between each of the Project’s unit cost by the appropriate unit percentage share. Next, compare this amount to what the total would have been if the New Participant was a Current Participant. The percentage change between the two numbers needs to be noted for each Participant. This applies for either a New Participant or a Current Participant with a newly requested entitlement share. Below is an example.

Table 1 - Project Cost Breakdown
(Calculated by District)

	Allocation of Project Costs		
	Current	New	% Change
City of Paso Robles	\$60,720,840	\$59,578,624	-1.881%
Templeton CSD	\$6,335,142	\$6,247,411	-1.385%
Atascadero MWC	\$33,562,390	\$32,841,227	-2.149%
City of SLO	\$73,992,045	\$72,116,754	-2.534%
CSA - 10A	\$547,278	\$533,408	-2.534%
New Participant		\$3,840,271	
	\$175,157,695	\$175,157,695	

In this example, the New Participant’s allocation of Project costs would result in a 1.881% credit to the City of Paso Robles of its costs associated with the Project. These costs include the applicable share of all construction related and net debt service costs already paid and to be paid in the future.



Part A – Apply calculated percentages to net debt service payments already made by Current Participants.

After identifying all net debt service payments already paid by the Current Participants, present value these payments from the date each payment was made to the date the New Participant executes its Contract. The compounding rate should reflect the True Interest Cost (TIC) of financing for each Initial Participant. The 2007 Series B TIC (the “Taxable TIC” = 5.654%) should be used for Atascadero, and the 2007 Series A TIC (the “Tax-Exempt TIC” = 4.663%) should be used for the other Initial Participants (the “Tax-Exempt Participants”).

In the scenario of a New Participant participating on July 1, 2009, only SLO City will have made net debt service payments due to legal constraints relating to capitalized interest. The compensation owed by the New Participant for these payments is \$10,796.

Table 2 – Net Debt Service Paid

	Bond Financed Payments Made				PV'd to 7/1/2009	
	Date	\$ Amounts	App %	App Amt		
City of Paso Robles	none	--	1.881%		4.663%	
Templeton CSD	none	--	1.385%		4.663%	
Atascadero MWC	none	--	2.149%		5.654%	
City of SLO	3/1/08	\$147,091	2.534%	\$3,728	4.663%	\$3,964
	9/1/08	\$170,815	2.534%	\$4,329	4.663%	\$4,499
	3/1/09	\$ 90,659	2.534%	\$2,298	4.663%	\$2,333
CSA - 10A	none	--	2.534%		4.663%	
		\$408,565		\$10,355		\$10,796

Part B – Apply calculated percentages to net debt service payments scheduled to be made in the future by Current Participants.

After identifying all net debt service payments scheduled to be paid in the future by the Current Participants, present value these payments from the date each payment is to be made to the date the New Participant executes the Contract. The discount rate should reflect the reinvestment rate (market rate) available to the District to satisfy the future amounts required.

(i) Taxable Bonds

Atascadero funded its portion of Project Costs through the issuance of the taxable 2007 Series B Bonds. These bonds are callable through a “make whole” provision that requires a bond redemption payment equal to accrued interest plus the lesser of (a) the outstanding principal remaining on the bonds and (b) the present value of remaining bond payments discounted at the applicable US Treasury yield of a similar term investment plus 0.125%.



In our scenario, the New Participant will be compensating Atascadero for 2.149% of the ongoing net debt service costs. As of July 1, 2009 the average life of the remaining 2007 B Bonds is approximately 20.6 years. An estimated market rate of the equivalent US Treasury yield of this term is calculated to be 4.373% for the purpose of this example. Adding the 0.125% call premium we obtain the discount rate of 4.498% to be applied. Assuming this discount rate, the New Participant will be required to compensate Atascadero \$888,581 for its share of the Taxable Bonds.

Table 3 – Taxable Bond Future Payments

	Taxable Bond Redemption			Call Premium	Payment on 7/1/2009
	Bonds Outstanding	App %	App Amt		
Atascadero MWC	\$38,565,000	2.149%	\$828,655	107.23%	\$888,581

(ii) Tax-Exempt Bonds

The Tax-Exempt Participants funded their portion of Project Costs through the issuance of the callable 2007 Series A Bonds which are callable on 9/1/2017.

In our scenario, the New Participant will be compensating these participants for (i) the applicable share of their ongoing financial costs until the call date, (ii) calling the amount of bonds outstanding on 9/1/2017 relating to the Reserve Water now entitled to the New Participant, less (iii) the amount of cash released from the debt service reserve fund (DSRF) as a result of the bond call. Assuming the District can create a designated fund that earns no lesser than (a) current reinvestment rates (estimated at 3.762% for this example), or (b) the tax-exempt bonds' arbitrage yield of 5.148%, the New Participant will be required to compensate these participants \$3,343,488 for these costs. This is obtained by the sum of the results in Tables 4A, 4B, and 4C.

Table 4A – Tax-Exempt Annual Payments

Annual Tax-Exempt Bond Financed Payments to be Made 7/1/10 to 7/1/16					
	\$ Amounts	App %	App Amt	PV'd to 7/1/2009	
City of Paso Robles	\$4,226,000	1.881%	\$79,491	3.762%	\$466,232
Templeton CSD	\$281,000	1.385%	\$3,892	3.762%	\$22,799
City of SLO	\$5,092,000	2.534%	\$129,031	3.762%	\$756,841
CSA - 10A	--	2.534%	--	3.762%	--
	<u>\$9,599,000</u>		<u>\$212,414</u>		<u>\$1,245,873</u>

Tables 4B & 4C - Tax-Exempt Bond Call and DSRF Release

Tx-Exempt Bond Call on 9/1/17					
Bonds					
	Outstanding	App %	App Amt	PV'd to 7/1/2009	
City of Paso Robles	\$60,990,000	1.881%	\$1,147,279	3.762%	\$846,214
Templeton CSD	\$4,050,000	1.385%	\$56,086	3.762%	\$41,368
City of SLO	\$73,505,000	2.534%	\$1,862,947	3.762%	\$1,374,079
CSA - 10A	--	2.534%	--	3.762%	--
	<u>\$138,545,000</u>		<u>\$3,066,312</u>		<u>\$2,261,660</u>

Debt Service Reserve Fund Released on 9/1/17					
	DSRF Amt	App %	App Amt	PV'd to 7/1/2009	
City of Paso Robles	\$4,424,080	1.881%	\$83,221	3.762%	(\$61,382)
Templeton CSD	\$293,814	1.385%	\$4,069	3.762%	(\$3,001)
City of SLO	\$5,331,306	2.534%	\$135,119	3.762%	(\$99,662)
CSA - 10A	--	2.534%	--	3.762%	--
	<u>\$10,049,200</u>		<u>\$222,409</u>		<u>(\$164,045)</u>

Step 2. **Prior District Project Costs.** These costs are not eligible for tax-exempt financing and include previous District costs and costs for constructing the Cuesta Tunnel pipeline segment (Unit H). Compare the allocation of these costs to how they would have been allocated if the New Participant was a Current Participant. The difference between these two numbers needs to be noted for each Participant. The amount owed by the New Participant will be funded by the New Participant upon entering into its Contract. This amount will be present valued to the date each Current Participant paid these costs using the appropriate TIC. The compensation owed by the New Participant for these costs is \$20,874.

Table 5 – Prior District Project Costs

	Allocation of Prior District Project Costs			Payment	
	Initial	Revised	Difference	Accrued from	Aggregate
	Allocation	Allocation		7/1/2010	
City of Paso Robles	\$426,100	\$417,451	(\$8,649)	\$0	\$0
Templeton CSD	\$26,631	\$26,091	(\$540)	\$0	\$0
Atascadero MWC	\$213,050	\$208,727	(\$4,323)	\$0	\$0
City of SLO	\$875,556	\$868,248	(\$7,308)	\$0	\$0
CSA - 10A	\$2,663	\$2,609	(\$54)	\$0	\$0
New Participant	--	\$20,874	\$20,874	\$0	\$20,874
	<u>\$1,544,000</u>	<u>\$1,544,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$20,874</u>

Step 3. Costs Paid Upfront. These costs represent the amounts that were eligible to be tax-exempt financed, but the respective Participant instead elected to pay cash. CSA-10A paid its entire share and Templeton CSD paid a portion of its share upfront. Compare these amounts to what this total would have been if the New Participant was a Current Participant. The difference between these two numbers needs to be noted for each applicable Participant and compounded semi-annually at 4.663%, equal to the Tax-Exempt TIC. The compensation owed by the New Participant for these costs is \$49,523.

Table 6 – Eligible Costs Paid in Cash

	Allocation of Eligible Costs paid in Cash				
	\$ Amounts	App %	App Amt	PV'd to 7/1/2009	
City of Paso Robles	--	1.881%	--	4.663%	--
Templeton CSD	\$2,300,145	1.385%	\$31,853	4.663%	\$34,551
Atascadero MWC	--	2.149%	--	5.654%	--
City of SLO	--	2.534%	--	4.663%	--
CSA - 10A	\$544,614	2.534%	\$13,803	4.663%	\$14,972
	\$2,844,759		\$45,656		\$49,523

Step 4. Calculate Interest Foregone or Paid on Design Phase Costs. Most of the Initial Participants cash funded the Design Phase Costs of the Project that totaled \$18,890,000. Even though these funds were reimbursed at closing of the bond sale, the Current Participants have “paid for” lost interest earnings on costs that were expended from April 1, 2005 to October 1, 2006. Below is the allocation of these costs for which the New Participant will reimburse the Current Participants. An interest rate of the applicable Participant’s Bond TIC is assumed to have been foregone. In the case of the City of SLO, some of its payments were funded with the Bond Anticipation Note (the “BAN”). In the City’s case, the interest payments on the BAN are substituted for the design cost payments where applicable. The compensation owed by the New Participant for these payments is \$34,136.

Table 7 – Interest Foregone on Design Phase Costs

	Allocation of Design Phase Costs - Interest Foregone				
	Interest Foregone	App %	App Amt	PV'd to	7/1/09
City of Paso Robles	\$581,632	1.881%	\$10,941	4.663%	\$11,959
Templeton CSD	\$36,351	1.385%	\$503	4.663%	\$550
Atascadero MWC	\$352,613	2.149%	\$7,577	5.654%	\$8,438
City of SLO*	\$476,081	2.534%	\$12,066	4.663%	\$13,189
CSA - 10A	\$0	2.534%	\$0	4.663%	\$0
	\$1,446,678		\$31,087		\$34,136

* represents BAN interest payments



Step 5. Calculate Total Buy-In Fee. Aggregate the costs calculated above in Step 1 through Step 4 to calculate the New Participant Buy-In Fee. In our scenario, the total Buy-In Fee for the New Participant would be \$4,347,399 as reflected in the following table.

Table 8 – Calculated Buy-In Fee for New Participant

STEP 1:	Bond Financed Costs	
	Part A net debt service payments made	\$10,796
	Part B future net debt service payments	
	(i) taxable bonds	\$888,581
	(ii) tax-exempt bonds	
	annual payments	\$1,245,873
	bond call	\$2,261,660
	DSRF release	(\$164,045)
		<u>\$3,343,488</u>
STEP 2:	Prior District Project Costs	<u>\$20,874</u>
STEP 3:	Eligible Costs paid with Cash Upfront	<u>\$49,523</u>
STEP 4:	Design Phase Costs - Interest Foregone	<u>\$34,136</u>
		<u>\$4,347,399</u>

Conclusion

Because this method relies on market rates and financing agreements for determining portions of the fee, an exact fee cannot be calculated until the specific date these rates and agreements are effective, which is intended to be the effective date of the Contract.

It is the intention of this method to calculate a cash Buy-In Fee, however, the District shall have the latitude to set a fee which is economically equivalent for Initial Participants who are increasing their entitlement. Current Participants will be given credit for their reduced allocation through the routine billing process.

For comparison purposes, using the same example above, but changing the effective date of the Contract to July 1, 2020, would result in a Buy-In Fee of \$6,953,054. This illustrates the fact that the fee increases with time, as past costs increase. There may be a point in time where the amount of the Buy-In Fee becomes prohibitive to New Participants and may warrant an amendment to the Contract to allow for a reduced fee.

Other Agency Involvement

The Buy-In Fee will impact all existing and future participating agencies in the Project.

Financial Considerations

The calculation of the Buy-In Fee for new or increased water entitlements from the projects will have a direct financial impact to all existing participants. The Buy-In Fee paid by an agency will result in a reduction of allocated costs to the existing participating agencies.

Results

Approval of the recommended action will result in the establishment of a method for computing the Project Buy-In Fee.

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Nacimiento Project Commission
June 26, 2008
Agenda Item VI.b – Commission Calendar
(Commission Action – No Board of Supervisors Action Subsequently Required)

TO: Nacimiento Project Commission

FROM: Christine Halley, Nacimiento Project Engineer

DATE: June 26, 2008

Recommendation

Consider switching to a quarterly Commission meeting calendar by amending the Commission Rules of Procedure and direct staff to issue a revised meeting calendar.

Discussion

The Nacimiento Project Commission Rules of Procedure adopted in October 2004 call for meetings as follows:

I. MEETINGS

- A. The Commission shall meet bi-monthly in regular session on the fourth Thursday of alternating months (even numbered months). All regular meetings will be open sessions in the Chambers for the Templeton Community Services District or other agreed-upon location.
- B. Business shall be conducted from 4:00 pm to 6:00 pm unless revised by a majority of voting members at a previous meeting or by consent of the Commissioners present. Business may be adjourned to 9:00 a.m. of the following day, or to a day and time as designated by the Commission.

The bi-monthly schedule of meetings has served the Project well, especially during the Design Phase when regular business items affecting professional services contracts and outside agency dialogue required Commission action.

Now that the Project is well under construction, the pace of substantive issues requiring Commission action has slowed while the pace of issues of a technical nature is sustained.

It occurs to the Project management team that it may be time to adjust to the current pace of Project issues by changing to a quarterly Commission meeting calendar. It will remain important to sustain regular communication with Participants and the proposal to do so would be through continued monthly meetings of your Technical Support Group.



Rather than meeting in even-numbered months, the Commission would meet in February, May, August, and November of each year. The proposed change in Commission meetings is:

**Nacimiento Project Commission
Proposed Quarterly Meeting Schedule**

Current Bi-Monthly Schedule	Proposed Quarterly Schedule
June 26, 2008	June 26, 2008 (today's meeting)
August 28, 2008	August 28, 2008
October 23, 2008	November 20, 2008
December 18, 2008	
February 26, 2009	February 26, 2009
April 23, 2009	May 22, 2009

A four-fifths vote of the Commission is required to adopt changes to the Rules of Procedure. The proposed amended language is:

I. MEETINGS

A. The Commission shall meet ~~bi-monthly~~ **quarterly** in regular session on the fourth Thursday of ~~alternating months (even numbered months)~~ **the selected months**. All regular meetings will be open sessions in the Chambers for the Templeton Community Services District or other agreed-upon location.

Other Agency Involvement

Changing to quarterly Commission meetings would affect each participating agency's meeting calendar.

Financial Considerations

The efficiencies of hosting four Commission meetings per year instead of six would be accompanied by reduced administrative costs.

Results

Changing to a quarterly Commission meeting schedule while maintaining the monthly Technical Support Group meeting schedule would allow for regular communication between the District and Participants and would take advantage of efficient use of Commission time.

* * *