



Nacimiento Project Commission Notice of Meeting and Agenda

Thursday, August 28, 2008 – 4:00 pm
Templeton Community Services District Offices

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| <p>I. Call to Order, Roll Call, and Flag Salute</p> <p>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.</p> <p>III. Meeting Notes from April 23, 2008 and from June 26, 2008
(RECOMMEND APPROVAL)</p> <p>IV. COMMISSION INFORMATION ITEMS – written reports with brief verbal overview by staff or consultant. No action is required.</p> <ul style="list-style-type: none">a. Project Management Reportb. Project Schedulec. Project Budget <p>V. PRESENTATIONS – no action required.</p> <ul style="list-style-type: none">a. (none) <p>VI. COMMISSION ACTION ITEMS
(No Subsequent Board of Supervisors Action Required)</p> <ul style="list-style-type: none">a. Determination of “Buy-In Fee”b. Calendar of Commission Meetings <p>VII. COMMISSION ACTION ITEMS
(Board of Supervisors Action is Subsequently Required)</p> <ul style="list-style-type: none">a. Reimbursement to Paso Robles for Pipeline Construction at 13th Street Bridge and Roadway Repaving on North and South River Roads <p>VIII. FUTURE AGENDA ITEMS DESIRED BY COMMISSION</p> | <p>Commissioners
Harry Ovitt, Chair, SLO County Flood Control & Water Conservation District</p> <p>Dave Romero, Vice Chair, City of San Luis Obispo</p> <p>David Brooks, Templeton CSD</p> <p>Grigger Jones, Atascadero MWC</p> <p>Frank Mecham, City of El Paso de Robles</p> |
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**Next Commission meeting scheduled for
Thursday, October 23, 2008, at 4:00 pm at
Templeton Community Services District offices**

Nacimiento Project Commission

August 28, 2008

Agenda Item III – Meeting Notes from April 23, 2008 and June 26, 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.

June 26, 2008, Meeting Notes – Provided here for convenience; formal approval of these meeting notes not required.

I. Roll Call and Flag Salute

Chairman Ovitt began the meeting at Templeton CSD offices at 4:00 pm.

Commissioners Present: Chairman Harry Ovitt, SLO County Flood Control & Water Conservation District
David Brooks, Templeton CSD
Grigger Jones, Atascadero MWC

It was pointed out that the Commission By-Laws state that “A *quorum of commissioners is necessary for a Commission meeting. A quorum shall exist if both 1) a majority of individual commissioner and 2) commissioners representing a majority of voting rights are present.*” A minority of voting rights was represented at the meeting. Since no quorum was present, the meeting was handled as an update and no formal action was taken on behalf of the Commission.

General discussion ensued about appointment of alternate Commissioners and John Hollenbeck agreed to review District records and report back on which Participants had formally designated alternates.

II. Public Comment – None.

III. Meeting Notes from February 28, 2008, Meeting

Held until next meeting.

IV. Project Manager’s Report

Mr Hollenbeck briefly reported on approaches being considered to avoid disturbance of a steelhead trout discovered south of the Santa Margarita Booster Station. Anni Larkin of Jacobs reported that the intake shaft construction reached a depth of 124 feet and that three successful blastings had been performed to assist excavation thus far. Piles relating to the intake portal assembly are now being placed.

Grading is underway at Rocky Canyon Tank with Cuesta Tank next on the work sequence.

A total of 13 miles of pipeline are now in place with active construction underway on Monterey Road, Santa Ysabel Ranch, Templeton Road, and in Santa Margarita. Hydrostatic testing is being done as segments completed along the way. The Highway 41 jack-and-bore is substantially complete.

Mr Hollenbeck reports that construction is on budget but behind the contractors’ base schedule; however, all are progressing within the promised contractual schedule for completion.

Commissioner Brooks noted that underwater work will soon be underway at the Lake, asking what accommodations for backup power will be in place for decompression equipment. Steve Errington, Jacobs, remarked that the decompression unit and backup power are contained on the diver's barge.

Chairman Ovitt complimented the construction management team on their responsiveness to various citizen comments/complaints.

Christine Halley reported that the NEPA public comment period draws to a close on June 27, 2008, and that the next steps were to get the finding of no significant impact signed in Washington, D.C., then the completion of the Report of Availability. Mr Hollenbeck and Mrs Halley agreed to call Army Corps and military representatives and, if warranted, go to Sacramento to usher these final steps along. Teichert alerted the District that they must be mobilized onto Camp no later than July 15, 2008, if they intend to stay on completion schedule.

V. Presentations – none

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

Due to lack of quorum, no business items were addressed.

VIII. Future Agenda Items Desired by Commission

None requested.

Chairman Ovitt adjourned the meeting at 4:15 pm.

Submitted by Christine Halley



Nacimiento Project Commission
August 28, 2008
Agenda Item IV.a– Project Management Report
(Information Only – No Action Required)

PROJECT ISSUES

Construction Status

More than twenty miles of pipeline are installed as of August 2008. Templeton Road is expected to be reopened to traffic by August 18th and the Vaquero Road closure is next. Paving on Sandoval Way is now underway.

The intake shaft reached its final 185 foot depth during the second week of this month and Fowler began pouring the shaft surface slab. The occurrence of ground water was minimal such that the settling tanks and filter system was not necessary. Work on the multi-port intake assembly and support system is underway.

The Rocky Canyon Tank has been erected, and investigations are ongoing into the foundation's concrete cylinder breaks. Meanwhile, the excavation of Santa Ysabel Pump Station and Cuesta Tunnel Tank are underway. Teichert is heading north on South River Road and recently proposed a substitution of their fiber optics and bore-and-jack subcontractors. The horizontal directional drill for the middle Salinas River crossing is complete, although only one of four conduits survived the pull. Whitaker continues on to Vaquero Road to perform pipe installation. Southern California Pipeline is paving Sandoval Road and is installing pipe on the west side of Highway 101, approaching Cuesta Tunnel. They plan to begin work along Stenner Creek Road by the first week of September.

Hydrotesting of the pipeline is conducted as sections are completed. That testing initially revealed leaks on both Templeton Road and Monterey Road sections and both leaks have been found and fixed.

The recently-discovered steelhead habitat near Tassajara Creek Road near the crest of Cuesta Grade will be crossed by means of bore-and-jack. This operation is in exchange for a similar operation that was deleted from Southern California Pipeline's contract.

Camp Roberts Access

The long-awaited easement document formalizing the District's right to construct and operate facilities across Camp Roberts has arrived. The easement is written such that the District is to pay the appraised value for the easement or provide in-lieu services. The District is clarifying that the in-lieu services value would not exceed that dollar amount, then will schedule the easement document for execution by the District Board of Supervisors.

Coordination meetings with Camp personnel dealt with the unexploded ordnance approach, the possible use of a trencher for pipeline trenching, and other site issues.



Status of Project Delivery Team Activities

Right of way – One right-of-way issue that surfaced over the past month is the fact that a formal dedication of Texas Road as public right-of-way was apparently not recorded. The project surveyor initially approached construction in Texas Road as public right-of-way, thus the District did not pursue easement acquisition. The District is now in the process of acquiring easements along Texas Road.

Construction Management Activities – The Jacobs construction management team is fully mobilized as active construction is underway by all five construction contractors. In addition to field inspections, Jacobs is conducting pipe plant visits to Northwest Pipe and JIFCO to inspect fabrication of both the 36-inch diameter pipe and the intake assembly. Jacobs environmental subconsultant, ESA, has a full monitoring team in place to comply with permit conditions.

Environmental Permitting Activities – The steelhead found ponding in a tributary near the crest of Cuesta Grade has been joined by four other trout. As previously mentioned, a jack-and-bore approach to pipeline installation will be followed to minimize impact on the fish/pond.

The environmental team is gearing up for construction across Camp Roberts to include archaeological monitoring of the unexploded ordnance trenching, oak tree flagging, and other required preconstruction activities.

Outside Agency Issues

River Road – A realignment of the pipeline at South River Road and Niblick Road was approved to avoid the encroachment into the utility easement fronting the Kennedy Club Fitness facility. Nighttime construction is planned to minimize traffic impact. District seeks reimbursement of the redesign and related costs from the property owner.

MCWRA and PG&E – No news to report with either entity.

New Participants – The Lewis Pollard Family Trust has requested 25 acre-feet per year and Santa Margarita Ranch Mutual Water Company requests 30 acre-feet per year. The District is in the process of creating these water delivery entitlement contracts. Both entities are listed in Exhibit B of the delivery entitlement contracts and, per Article 29(C):

“...each entity listed on Exhibit B hereto shall have the right to become a New Participant, and the District may enter into a Like-Contract with such New Participant, on any day after the last day of the Design Phase without consultation with the Commission or written approval from any portion of All Participants...”

In other words, both the Lewis Pollard Family Trust and Santa Margarita Ranch Mutual Water Company may enter into a delivery entitlement contract without the 55% approval as stated elsewhere in the contract.

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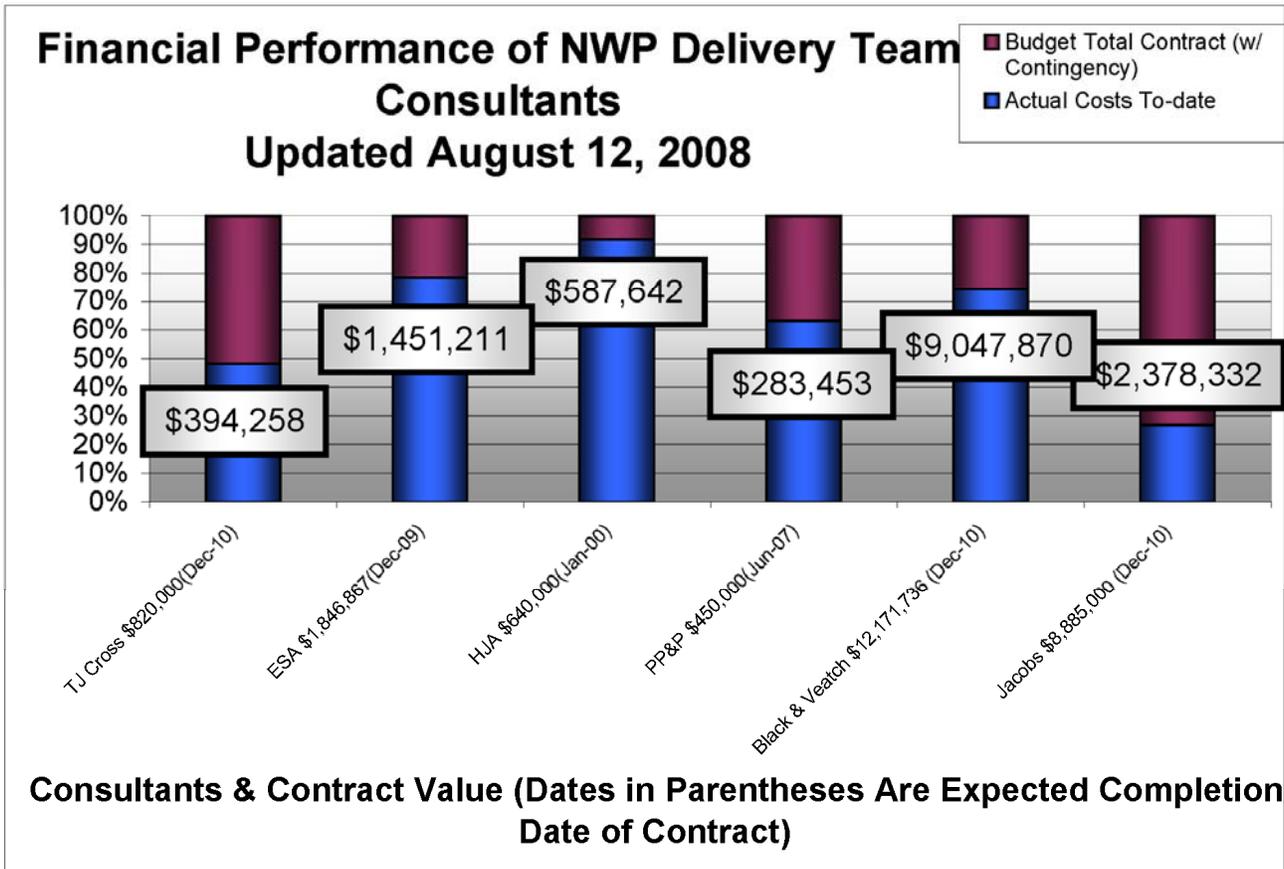
Nacimiento Project Commission
August 28, 2008
Agenda Item IV.b– Project Schedule
(Information Only – No Action Required)

The accompanying construction schedule is current as of August 1, 2008.



Nacimiento Project Commission
 August 28, 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: 7/31/08**

	Revised Budget Approved AUGUST 2007	Cost to Date thru 07/31/08	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	\$2,298,745	\$42,819	\$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	\$113,057.01	(\$20,057)	\$93,000	\$0	Reproduction and mailing of Contract Docs, addenda, and other bid phase correspondence, utilizing ASAP Reprographics.
Environmental	\$1,415,000	\$1,340,034.96	\$74,965	\$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	\$1,040,500	\$334,500	\$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	\$828,903.91	\$1,671,096	\$2,500,000	\$0	8/06-Revised acquisition budget.
Construction Mgt/Constructability Review	\$650,000	\$669,109.19	(\$19,109)	\$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	\$9,419,153.76	(\$330,354)	\$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	\$15,665,634	\$3,234,366	\$18,900,000		
Construction Phase Costs						
Project Management	\$4,688,563	\$1,111,380.54	\$3,577,182	\$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	\$2,187,722.70	\$3,647,277	\$5,835,000	\$0	Based on Jacobs construction management services fees.
Post-Design Services by Designer	\$3,200,000	\$299,560.83	\$2,900,439	\$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	\$32,623,923.57	\$114,782,652	\$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	\$36,242,898.39	\$142,900,603	\$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	\$53,452,532	\$146,134,969	\$176,057,695	\$0	

Positive Projected Variance indicates costs are under the revised line item budget.
Recent Update: August 14, 2008

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

Nacimiento Project Commission

August 28, 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: August 28, 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%	--
	\$9,599,000		\$212,414		\$1,245,873

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%	--
	\$138,545,000		\$3,066,312		\$2,261,660

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%	--
	\$10,049,200		\$222,409		(\$164,045)

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
	\$1,544,000	\$1,544,000	\$0	\$0	\$20,874

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	<u>(\$164,045)</u>
		<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.

* * *



Nacimiento Project Commission
August 28, 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: August 28, 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
August 28, 2008	August 28, 2008 (today's meeting)
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.

* * *

Nacimiento Project Commission

August 28, 2008

Agenda Item VII.a – Reimbursement to Paso Robles for Pipeline Construction at 13th Street Bridge and Roadway Repaving on North and South River Roads

(Commission Action – Subsequent Board of Supervisors Action Required)

TO: Nacimiento Project Commission
FROM: Tom Trott, Public Works Engineer
DATE: August 28, 2008

Recommendation

Support cash reimbursement to the City of Paso Robles (Paso Robles) for the following construction work performed by Paso Robles that benefited the Nacimiento Water Project:

- Pipeline Construction at 13th Street Bridge
- Roadway Repaving on North and South River Roads.

Discussion

13th Street Bridge Work. In December 2004, the Nacimiento Project Commission approved reimbursement of costs to Paso Robles associated with installation of approximately 1,200 feet of 30-inch diameter welded steel pipe as part of the City's 13th Street Bridge work. The pipeline was installed as part of that overall public works project to avoid future disturbance to pavement and traffic impacts. The Commission supported and the District and the City informally agreed to a reimbursement formula for that work. Excerpts from the 2004 Commission action are attached.

The City proceeded with construction of that segment and the District's pipeline contractor will connect to it as part of the overall pipeline construction.

Since 2004, the District's financial tracking has treated the 13th Street Bridge segment costs as a credit owed to Paso Robles. The estimated value of that advance work was to be credited back at the time payments come due on the performance bonds. Specifically, the Construction Contract Value tracked for the Pipeline North contract tracks a \$304,039.75 credit payable to Paso Robles.

Recently, the City requested a cash reimbursement of that amount. Article 17(B) – Contract Payments of the Water Delivery Entitlement Contract (WDEC) are such that:

“(B) Participant Credits against Contract Payments. The following shall constitute credits against the Contract Payments to the District:

“(1) If, prior to the date upon which the District causes the Municipal Obligations to be sold, the Participant shall contribute to the District, in cash, a sum as



and for the Participant's Capital Share of the District's estimate of the Total Nacimiento Project Construction Costs, or any portion of the Participant's Capital Share of said construction costs, then the amount of Capital Projects Installment Debt Service allocated to the Participant under Article 16(C)(3) above shall be reduced accordingly, but in no event to less than zero"

In other words, the WDEC is set up for handling credits of this type by reducing the debt service allocation. Cash reimbursements are not addressed within the WDEC.

Paso Robles' request for a reimbursement is reasonable, and will require a written agreement between Paso Robles and the District's Board of Supervisors in order to give authorization to the District for this reimbursement payment. This reimbursement will be tracked as a cost, and allocated to each Participant per the cost allocation described within the WDEC.

North and South River Road Repaving. Paso Robles is replacing a sewer line within North and South River Road. That work is being done immediately in front of the water pipe installation of the District's Nacimiento pipeline.

North and South River Roads are narrow, and the water and sewer pipelines will essentially remove the entire asphalt pavement through the full width of the road. Staff from the District and Paso Robles met to review the repaving with both contractors. The alternatives for managing the asphalt pavement are as follows:

- Alternative 1 – Paso Robles' contractor remove the strip of pavement above the sewer pipe trench, remove the old sewer pipe and install a new sewer pipe, and install new pavement in the trench area affected by the Construction. The District's contractor would mobilize and remove the strip of pavement above the water pipe trench, much of which overlaps with the sewer pipe trench, trench and install the water pipe, then repave over the water pipe trench.
- Alternative 2 – Paso Robles' contractor remove all existing pavement from the roadway, install the sewer pipe, wait for the District's water pipe to be installed, then repave the entire roadway. District would reimburse Paso Robles for the District's proportional share of this paving work (both removal and repaving) performed by Paso Robles' contractor. District would also receive a change order credit from the water pipeline contractor.
- Alternative 3 - Paso Robles' contractor removes all existing pavement from the roadway, install the sewer pipe. The District's water pipe is then installed, and the District's contractor will repave the entire roadway. District and Paso Robles would account for the monies each spent on their part of the work, and reimburse either party who paid more. Both parties would seek change orders from their contractor for work not performed.

Staff recommends Alternative 2. Alternative 2 is simpler to track the costs, and Paso Robles has great confidence in the paving subcontractor used by their sewer replacement general contractor. The sharing of work between the District and Paso Robles will require a written agreement between Paso Robles and the District's Board of Supervisors in order to give authorization to the District for this reimbursement payment. District Staff will coordinate with Paso Robles, and the agreement will likely



be combined with the agreement addressing the 13th street bridge reimbursement. This reimbursement will be tracked as a cost, and allocated to each Participant per the cost allocation described within the WDEC.

Currently, the actual reimbursement cost to Paso Robles is unknown, and will be determined over the next several weeks.

Other Agency Involvement

The contemplated cash reimbursement would be made by the District to Paso Robles. No similar cash or in-kind advances have been made by other Participants.

Financial Considerations

13th Street Bridge. Actual costs reimbursement for the pipeline installation associated with the 13th Street bridge work and per the agreed upon formula are approximately \$304,039.75. District accounting staff supports the concept of the cash reimbursement, but seeks Commission and Board support for such reimbursement as it appears to be outside the terms of the WDEC.

Sufficient funds are in-hand in the District's Project account to take this action. In the event that the reimbursement were handled as a reduction to the City's debt service allocation, the funds would remain in place, accruing interest per District accounting practices, until the time that debt service payments come due. This is projected to begin in 2010.

North and South River Roads. Paso Robles needs to receive the cost change from their contractor, then the District and Paso Robles need to meet to allocate the road repaving costs.

Results

Cash reimbursement to Paso Robles for the advance construction of the 13th Street Bridge segment would be a more straight-forward approach to keeping accounts straight on the Project, thereby reducing the complexity of fund reconciliation in future years. Coordinated pavement removal and replacement on North and South River Roads is a good means of minimizing construction effort and traffic impact to the public.

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**Nacimiento Project Commission
October 28, 2004**

Agenda Item V.a – 13th Street Bridge Pipe Segment Construction

TO: Nacimiento Project Commission
FROM: Paavo Ogren, Deputy Director of Public Works - Administration
DATE: December 9, 2004
SUBJECT: Reimbursement of Costs to City of el Paso de Robles for Installation of a Segment of the Nacimiento Pipeline Associated with the City's 13th Street Bridge

Recommendation

Staff recommends that the Nacimiento Project Commission approve the credits to the City of el Paso de Robles associated with the costs of construction of the segment of the pipeline at 13th Street Bridge.

Discussion

In 2003, Paso Robles began design of bridge improvements at 13th Street, a project that impacts the intersection of 13th Street and River Road. The bridge improvements overlay a portion of the proposed Nacimiento pipeline route and the City wishes to avoid tearing up new pavement at the time the Nacimiento pipeline is under construction. So, in anticipation of the Nacimiento pipeline construction, the City included the design and construction of approximately 1200 feet of 30-inch diameter pipeline. Designers coordinated with Nacimiento team representatives to confirm the size, pressure rating, and other details regarding this segment of the Nacimiento project. The pipeline segment will soon be under construction and when completed, will await connection to the proposed remainder of the Nacimiento pipeline project.

Financial Considerations

The bid items pertaining to the Nacimiento pipeline installation at 13th Street bridge total \$170,950. Some construction change orders are anticipated to accommodate the hydraulic testing of the line, totaling an estimated \$45-50,000 additional. Design, administration, and contract administration costs are estimated as a percent of construction² as follows:

Base pipeline bid item amount =	\$170,950
Change order allowance =	\$50,000
Subtotal construction cost estimate =	\$220,950
Design allowance (10% of construction) =	\$22,100
Contract administration (7%) =	\$15,500
Administration and other (10%) =	\$22,100
TOTAL ESTIMATED PROJECT COST =	\$280,650

² Used same percentages as indicated in Nacimiento Project Budget Reporting. Right-of-way acquisition, PG&E service extension, and environmental costs excluded from allowances as they do not apply to the 13th Street bridge segment.

Paso Robles would be credited for the actual cash amount of the construction cost of the pipeline segment with allowances for design, administration, and contract administration costs per the stated percentages all in accordance with Article 17.B – Contract Payments of the Entitlement Contracts and other pertinent terms of the contract. The total estimated project cost would be credited toward Paso Robles' share in Unit C1 and the timing of such credits would be at the discretion of the District. In the event that the opt out provisions of Article 2.B of the Entitlement Contract are evoked, then Paso Robles' credits associated with the 13th Street pipeline segment will be taken into account in determining their share of costs incurred through the opt out date.

Results

The results would be equitable share in costs of constructing the Nacimiento Water Project.

Agenda Item IV(c) – 2005 Nacimiento Commission Calendar

Christine Halley presented the 2005 Commission Meeting calendar item. Motion to accept calendar, after modifying to exclude references to payment and water delivery dates which are not yet applicable, made by Commissioner Mecham; seconded by Commissioner Jones; Approved 5-0.

Agenda Item V – Business Items

Agenda Item V(a) – 13th Street Bridge / Pipe Segment Construction

Christine Halley introduced item requesting approval of a credit to the City of Paso Robles for installing 2100 linear feet of the Nacimiento Pipeline during the 13th Street Bridge Improvement Project. The total amount to be credited to the City is not yet known because a change order is in process and final approval of the amount is intended to be brought back to the Commission for review and approval. Motion to accept recommendation to credit the City of Paso Robles with the cost for installation of a segment of the Nacimiento Pipeline associated with the city's 13th Street Bridge Project by Commissioner Mecham; seconded by Commissioner Romero; Approved 5-0.

Meeting Adjourned by Chair Ovitt 5:10 pm

End of Minutes for Commission meeting of December 9, 2004.