



Nacimiento Project Commission Notice of Meeting and Agenda

**Thursday, August 24, 2006 – 4:00 pm
Templeton Community Services District Board Room
420 Crocker Street, Templeton CA**

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- 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 June 22, 2006
(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. Status of Construction Manager Procurement
 - VI. COMMISSION ACTION ITEMS
(No Subsequent Board of Supervisors Action Required)
 - a. Proposed Concurrent Sewer Construction in North and South River Road
 - b. Easement Acquisition Budget Update
 - c. Adoption of Easement Deed Terms and Conditions
 - 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, October 26, 2006, at 4:00 pm at
Templeton Community Services District offices.**

Nacimiento Project Commission
August 24, 2006
Agenda Item III – Meeting Notes from June 22, 2006

I. Call To Order, Roll Call and Flag Salute

Chairman Ovitt convened the meeting at 4:00 pm.

Commissioners Present: Chairman Harry Ovitt, SLO County Flood Control & Water Conservation District
Frank Mecham, City of el Paso de Robles
David Brooks, Templeton CSD
Grigger Jones, Atascadero MWC

II. Public Comment – (none)

III. Meeting Notes from April 27, 2006 Meeting

Commissioner Mecham moved approval of the April 27, 2006, meeting notes; Commissioner Jones seconded the motion. Passed unanimously.

IV. Commission Information Items

John Hollenbeck delivered the project management report. Dialogue is underway with Potential New Participants in Cayucos per Commission direction from October 2005. The Finance Team is working on the requested schedule for information needed for the bond prospectus. ESA expects to submit the addended environmental impact report in late July 2006. PG&E recently confirmed that there is no planned pole line through Camp Roberts. They intend to extend a new pole line along Lake Nacimiento Drive to “off load” the southern portion of Heritage Ranch, freeing up capacity to serve the planned intake pump station from the San Ardo substation. Project costs associated with this configuration are yet to be confirmed.

Chairman Ovitt asked if a habitat conservation plan were required as part of the Project permitting sequence. Mr. Hollenbeck said no, we are following a Section 7 process and no such conservation plan is required.

Mr. Hollenbeck went on to report that he seeks a response from Monterey County Water Resources Agency on proposed Amendment No. 2 to the master water contract. With regard to Camp Roberts, the project management team needs to prompt the military/Army Corps easement acquisition process along. Chairman Ovitt offered to attend coordination meetings in Sacramento, if needed, during his frequent visits to the State capital. Mr. Hollenbeck mentioned some coordination with Monterey County Water Resources Agency pertaining to use of power from the existing hydroelectric station.

Mr. Hollenbeck went on to discuss the Project budget status as well as “budget risk factors” that exist. He recognized the prominent role that the Project plays in each Participant’s water supply portfolio and expressed an understanding of the need to track costs with care. The Black & Veatch design team forecasts a +\$30 million project cost increase over the stated contractual limit. Possible ramifications of exceeding the stated \$150 million project limit and invoking the opt-out steps are:

- Loss of political support for financing the project
- Construction contractors assess the Project as less reliable
- Possible bond rating increase



- Costs associated with project delay during the opt-out period (estimated at \$400,000 per month)
- Long delay may render the design documents outdated, resulting in the loss of this investment
- Delay would result in even higher costs at future date of construction
- Overarching issue – how would each community meet its water needs?

Mr. Hollenbeck pointed out the benefits of eliminating the opt-out clause and its associated timeline altogether. Commissioner Mecham stated that the public is aware of the general increase in construction costs and is likely expecting a cost overrun on the Nacimiento Project, too. Commissioner Mecham suggested that \$200 million may be the public acceptability threshold. All Commissioners agreed that opting out of the Project would be wrong for communities from a water planning perspective.

Commissioner Jones sees the value of presenting Project cost overruns in terms of impacts on water rates. Commissioner Brooks reiterated the Commission’s willingness to hold special meetings to tend to business items especially if that would move the schedule along.

County Public Works Director Noel King is seeking the counsel of the Finance Team on possible debt ramp-up to keep pace with Participants’ promised utility rate increases.

V. Presentations

Project Engineer Christine Halley reported on the ramifications of applying Federal funding to the Project. She cautioned that securing Water Resources Development Act funding, in particular, would trigger many administrative and procedural steps that are likely to affect easement acquisition, the bidding and professional services contract procurement steps, and represent a hard cost to the Project in terms of dollars and time. The Commission was advised to weigh the benefits to the public against these administrative complexities and delays in completion before applying such Federal funds.

VI. Commission Action Items (No Board of Supervisors Subsequent Action)

Construction Management Procurement - Mr. Hollenbeck outlined the proposed procurement process, recommending that separate procurement steps be followed for construction management services and environmental monitoring. The environmental monitoring contract would later be assigned to the construction manager for subsequent management. Commissioner Jones moved approval for this recommended course of action; Commissioner Brooks seconded; passed unanimously.

Environmental Mitigation Construction Costs - Mr. Hollenbeck observed that the delivery entitlement contract is clear on *how* the Environmental Mitigation Construction Costs are to be shared among Participants, however it is silent on *what* comprises this cost category. He recommended that the following items be tallied as Environmental Mitigation Construction Costs:

1. Pre-construction surveys stipulated in the Project EIR and as permit conditions for San Joaquin Kit Fox and special status bird species, mapping of oak woodlands, etc.
2. Environmental monitoring during construction including project biologists, Certified Industrial Hygenist, qualified Restoration Biologist and Native Plant Horticulturalist, and paleontological and Native American monitoring.
3. Environmental education programs for construction personnel.
4. Required environmental mitigation measures such as emergency repairs to erosion control features, disposal of any hazardous materials encountered, cultural or paleontological resource site data recovery and Phase II testing.
5. Periodic reporting to regulatory agencies.



6. Support services associated with alleged permit violations including construction delays, work stoppages, or move-arounds that could result from biological or cultural resource discoveries or agency actions.
7. Specialized emissions equipment on construction vehicles such as diesel oxidation catalysts, catalyzed diesel particulate filters, catalytic soot filters, etc.).
8. “Mitigation bank” fees and post-construction compliance such as ongoing vegetation maintenance, wetland replacement, and noxious weed surveys, in particular those performed by outside contractors.

Commissioner Mecham moved approval of such categorization; Commissioner Jones seconded; passed unanimously.

VIII. Commission Action Items (Board of Supervisors Subsequent Action) – (none)

IX. Future Agenda Items Desired by Commission - (none)

Chairman Ovitt adjourned the meeting at 4:34 pm.

Submitted by Christine Halley



Nacimiento Project Commission
August 24, 2006
Agenda Item IV.a – Project Management Report
(Information Only – No Action Required)

PROJECT RESOURCES

Construction Management

Construction management teams submitted statements of qualifications on August 4, 2006. Refer to Agenda Item V.a for more information pertaining to construction management procurement.

Environmental Monitors

A team of environmental monitors (biologists, archaeologists, native Americans, etc.) will be employed during the construction phase to monitor compliance with various permit conditions and adopted environmental plans. A separate procurement for these services is planned, with the environmental monitoring contract to be assigned to the successful construction management team.

The Technical Support Group advised that staff check the applicability of AB 2641 pertaining to native American consultation when approaching the environmental monitoring for the Project. Staff learned that AB 2641 prescribes actions that a landowner would be required to take if a burial ground were discovered on a private property. Existing law governs local agency requirements in this regard and the Nacimiento Project would be covered by existing law. Apparently AB 2641 does not apply.

PROJECT ISSUES

Prospective NWP Participants

Final arrangements are being made with County Service Area 10 representing water purveyors in Cayucos regarding Nacimiento participation. CSA 10 seeks a 25 acre-foot per year (AFY) entitlement for the benefit of CSA 10A (one of three water retailers in Cayucos). Contracts for other related wheeling arrangements along with the Nacimiento delivery entitlement contract will be presented to the Board of Supervisors for execution in the coming months. The 50 AFY Lewis Pollard Family Trust entitlement (delivery to whom was included in the 2004 Project EIR) may be considered as a separate action.

Status of Financial Issues

The Project Finance Committee met on August 10, 2006, with representatives of each Participant plus finance team members participating. The Committee's advice is that all bids should be in hand for the Project prior to bond sale, as opposed to bidding only the portion needed to satisfy the opt-out provision. The District could award the contracts, sell bonds, then issue notices to proceed. This sequence is looked upon as more certain than selling bonds before all construction bids are in hand.

There was some discussion about issuance of the taxable portion of the bond issuance with agreement that a separate follow-up discussion is needed. The Committee also discussed the concept of an increasing bond repayment over time as opposed to a level debt service. Participant representatives



spoke in favor of the level debt service from a customer perception standpoint and the finance team agreed to decide this issue later.

The Committee discussed strategies for meeting the 125% debt service coverage ratio and will research how this was addressed by the City of San Luis Obispo and the Central Coast Water Authority on other water projects.

The steps to bond issuance were described as:

8/14/06	50% design
9/25/06	Follow-up meeting with Participants
12/18/06	100% design
March 2007	Environmental permits issued and land acquisition complete
April 2007	Project goes to construction bid
Summer 2007	Evaluate opt-out based on bids received
3 rd Qtr 2007	Approval of bids and issuance of notices to proceed
4 th Qtr 2010	Project completion

Key steps toward completion of bond financing are:

Fall 2006	Develop bond sizing/cashflow projection model and determine credit strategy
1 st Qtr 2007	Preliminary contact with rating agencies and development of bond legal and disclosure documents
2 nd Qtr 2007	Formal presentations to credit analysts (ideally after opt-out status known)
3 rd Qtr 2007	Approval of bids and bond issuance

The next meeting of the Finance Committee is tentatively set for September 25, 2006, at 2:00 pm.

Water Delivery Entitlement Contract Amendment No. 2

Proposed Amendment No. 2 addresses, among other things, Commission membership and steps to limit the size of the Commission over time. A draft was distributed to the Technical Support Group on June 28, 2006, and will be reviewed by Participant legal staff prior to execution. The intent is to have Amendment No. 2 executed prior to bringing on New Participants such as CSA 10.

Status of Project Delivery Team Activities

Right of way – The appraisal staff reviewed the easement acquisition budget and advised us on the suitability of that dollar amount. This is discussed in Agenda Item VI.b. The first two sets of legal descriptions have been generated by Cannon Associates. Once the Commission approves the Easement Deed terms (Agenda Item VI.c), the appraisers may complete the property appraisals.

Right-of-way specialists Hamner-Jewell hosted a meeting with State of California Dept. of Water Resources and Central Coast Water Authority representatives on July 14, 2006, to discuss access and encroachment issues near the Cuesta Tunnel. It may be possible to arrange for use of the tank site by amending an existing agreement.¹ It may also be possible to use part of the State/CCWA acreage for Nacimiento's required oak mitigation. There was general support for use of an existing, spare communication duct for the Nacimiento fiber optics system and recognition that the facilities' corrosion control systems must be coordinated. The

¹ Agreement allowing for installation of the existing Nacimiento barrel in Cuesta Tunnel.



State/CCWA property appraisal process was briefly reviewed, although acquiring property rights through an amendment to an existing agreement will be pursued first.

For the most part, affected property owners along the pipeline route have been cooperative and have offered good suggestions for facility locating that lessens the impact on their property. Several property owners have sustained concerns about property impacts and Hamner-Jewell and other design team members are evaluating those concerns.

Environmental Permitting – The most significant environmental issue that has arisen recently is the National Guard’s determination on July 12, 2006, that a NEPA document is required in order for the outgrant (easement acquisition) process at Camp Roberts to go forward. This would require that an Environmental Assessment be prepared focusing on the impacts of granting the easement across Camp Roberts. That Environmental Assessment would go through two review cycles by both the California and Federal National Guards and is likely to be accompanied by a Finding of No Significant Impacts. In addition, the NEPA process requires a minimum 30 day public review of the Draft Environmental Assessment followed by another public review of the final.

The Environmental Assessment itself is not voluminous and the bulk of the data already exists from the 2004 CEQA environmental process. ESA proposes to do this work for \$38,900, to be funded from the \$49,600 that remains in contingencies in the ESA contract. The concern with this change of position regarding a stand-alone NEPA document is one of timing. Facing two cycles of state and federal reviews is cause for concern. In light of this, the Technical Support Group advised that Congressman Thomas be alerted right away and that an appeal be made for priority review of the Nacimiento Project NEPA documents. Commission Chair Harry Ovitt signed a letter to Congressman Thomas (attached) and National Guard staff has acknowledged its receipt.

Design Engineering – Black & Veatch addressed comments on the Draft PDR and issued the final design report on July 21, 2006. The 50% pipeline design submittal was delivered in late July 2006. The 50% facility design submittal is scheduled for delivery later this month.

One area of discussion with the TSG pertains to anticipated Nacimiento deliveries in the initial years of project operations and over the 30-year bond term. The pace of deliveries will influence projected energy usage and selection of the pump equipment. The TSG discussed anticipated pace of deliveries and advised that the designers consider the following delivery pattern:

For years 1-10, the likely delivery scenario is:

Paso Robles – 4,000 AFY increasing to 5,000 AFY in about Year 2. Plan summertime peak deliveries as high as 9.03 cfs.

AMWC– Delivery of 2,000 AFY over a four month period in years 1 and 2 for start-up testing, thereafter 700 AFY deliveries typically in a four month period. See note below regarding drought planning.

SLO City – 3,380 AFY steady deliveries.

TCSD – 250 AFY delivered over 4 months increasing to 750 AFY by Year 2.



Reserved Capacity and Drought Event – Deliveries of 75 AFY to Cayucos agencies anticipated in Years 1-5. Deliveries to other New Participants amounting to 1,000 AFY by Year 10. Facilities to be designed with capacity for Reserved Capacity and full Delivery Entitlement, but forecasts of energy usage in Years 1-10 to omit a drought event. The significance of a drought event would be up to 1,500 AFY planned deliveries to AMWC.

For years 11-30, the likely delivery scenario is:

Paso Robles – Sustained 5,000 AFY deliveries with planned summertime peak deliveries as high as 9.03 cfs.

AMWC – 700 AFY deliveries typically in a four month period. Anticipate approximately 3 years of 1,500 AFY deliveries to AMWC, per note below regarding drought planning.

SLO City – 3,380 AFY steady deliveries.

TCSD – Sustained 750 AFY deliveries over 4 month period each year.

Reserved Capacity – Continued ramp-up of Reserved Capacity deliveries from 1,000 to 6,120 AFY to other New Participants by Year 30. Anticipate drought event in this interval with accompanying delivery of 1,500 AFY (delivered over a four month period) to AMWC sustained over, say, 3 years.²

Black & Veatch to use this pace of delivery information in their Project design.

The designers also sought TSG input on the bidding strategy and sequence of construction contract bidding, an issue that should be resolved in advance of contract negotiations with the construction management team. At the August 10, 2006, meeting, the TSG advised that based on the Finance Committee's input, it appears best to be bid in rapid sequence, go through the opt-out step, award, sell bonds, and issue notices to proceed. This strategy will be evaluated by the Project Manager relative to costs for delaying the construction contractors' notices to proceed, and the strategy will be adjusted to minimize any delay costs.

The next design status briefing is scheduled for September 13, 2006, in San Luis Obispo.

Outside Agency Issues

PG&E Coordination. We still await confirmation from PG&E regarding the service planning approach, connection fees, and an assessment of the Savings by Design applicability. A follow-up letter was sent on August 3, 2006. PG&E acknowledged receipt of the letter and said that the pump station Savings by Design reports should be ready for review by August 28, 2006. Service planning has been overloaded since the July heat wave, and has not made much progress on Nacimiento project planning. The design team offered PG&E support and a response to that offer is pending.

² Drought interval referenced from SLO County Flood Control & Water Conservation long-term hydrologic records which indicate droughts occurring on a 50-60 year cycle on the Central Coast. The last recorded drought was 1987-1992.



Monterey County Water Resources Agency. A coordination meeting was held on July 27, 2006. The District advised that geotechnical subsurface work will occur in late August at the intake facility. The District presented a figure of the log boom configuration and advised that a meeting with California Department of Health Services (the governmental agency requiring a 500-foot barrier with the new intake facility) will be conducted to ascertain their approval. The District will issue other configurations to MCWRA for their review. The District submitted to MCWRA a preliminary drawing that illustrates the limits of fee acquisition, permanent easement, and temporary construction easement. MCWRA advised that the lands where the Intake Pump Station is sited (as well as lands where the pipeline is routed) are leased to the concessionaire, and that MCWRA will submit a letter to the District describing the size of the lease that they would like to see relinquished back to MCWRA in the vicinity of the pump station and the pipeline. The District desires to present the preliminary right-of-way drawing to MCWRA's leaseholder but will await the letter from MCWRA prior to forwarding a copy of the drawing. Construction coordination issues were discussed (i.e, shared site by two different contractors) regarding the District's and MCWRA's projects. The District suggested that MCWRA be a technical reviewer of the Conservation Element update, and MCWRA advised they would like to be involved because they have an interest in protecting the watershed. MCWRA also will coordinate a meeting with the County's Planning Department.

Camp Roberts. Progress on the Report of Availability (necessary to formalize the easement across Camp Roberts) is held up until the NEPA determination is secured. Refer to Agenda Item VI.d.

* * *



BOARD OF SUPERVISORS

1055 MONTEREY, ROOM D430 • SAN LUIS OBISPO, CALIFORNIA 93408-1003 • 805.781.5450



HARRY L. OVITT
SUPERVISOR DISTRICT ONE

August 15, 2006

The Honorable William M. Thomas
4100 Empire Drive, Suite 150
Bakersfield, CA 93309

Subject: Nacimiento Water Project Request for Review Priority

Dear Representative Thomas:

For years, the San Luis Obispo County Flood Control & Water Conservation District has been in dialogue with the US Army Corps of Engineers and military representatives regarding the \$150 million Nacimiento Water Supply Project and its associated easement across Camp Roberts. Both the Army Corps and the military have represented that the environmental report certified in 2004 was sufficient. Moreover, repeated attempts to secure a federal co-lead in 2002/03 failed, leaving the District unable to secure a National Environmental Policy Act (NEPA) determination during its 2004 environmental reporting phase.

On July 12, 2006, we learned from Mr. Douglas A. Bryceson, Senior Environmental Planner with the California Army National Guard that the Washington, D.C. National Guard Office requires a stand-alone NEPA document in order for the US Army Corps to act on the Camp Roberts easement.

The added cost of this NEPA step is a concern, especially since the Project did not receive the requested federal funding. More worrisome, however, are the schedule implications. The Project is otherwise on track to secure permits and be out to bid in March 2007. A delay in securing the Camp Roberts easement would push this back, resulting in an estimated \$400,000 per month in material inflation alone.

On behalf of the Nacimiento Project Commission, I urge that priority be given to review of the NEPA documents along with preparation of the Report of Availability. Any assistance that you can provide in this regard would be greatly appreciated by our agencies.

Sincerely,

HARRY OVITT
Nacimiento Project Commission Chairman

c: Nacimiento Project Commissioners
John Hollenbeck, Nacimiento Project Manager
Eric Wier, San Luis Obispo County Environmental Specialist
Christine Halley, Nacimiento Project Engineer

Nacimiento Project Commission
August 24, 2006
Agenda Item IV.b – Project Schedule
(Information Only – No Action Required)





Nacimientto Water Project San Luis Obispo County Flood Control and Water Conservation District Project Schedule - Final Design

Final Design Schedule Revision: 1.4
Date: June 30, 2006
B&V File C.2.1

ID	Task Name	Duration	Start	Finish	% Comp.	005												2006												2007												2008											
						u	u	u	e	e	e	c	c	c	e	e	e	a	a	a	e	e	e	c	c	c	e	e	e	a	a	a	e	e	e	c	c	c	e	e	e	a	a	a	e	e	e	c	c	c	e	e	e
1	District Notice to Proceed	0 d	Thu 7/21/05	Thu 7/21/05	0%	1 ⬇ District Notice to Proceed																																															
2	1 - Project Management	496 d	Thu 7/21/05	Thu 6/14/07	29%	➤ 1 - Project Management																																															
46	2 - Project Coordination	583 d	Tue 6/21/05	Thu 9/13/07	46%	➤ 2 - Project Coordination																																															
208	3 - Project Controls - Cost & Schedule Management	487 d	Wed 8/3/05	Thu 6/14/07	59%	➤ 3 - Project Controls - Cost & Schedule Mana																																															
308	4 - Preliminary Design Phase	386 d?	Tue 6/7/05	Tue 11/28/06	86%	➤ 4 - Preliminary Design Phase																																															
513	5 - Final Design - 4 Bid Packages ("X")	238 d	Wed 4/5/06	Fri 3/2/07	38%	➤ 5 - Final Design - 4 Bid Packages ("X")																																															
514	5.1 - 50% Design Submittal (Pipeline)	48 d	Wed 5/10/06	Fri 7/14/06	91%	➤ 5.1 - 50% Design Submittal (Pipeline)																																															
519	5.1 - 50% Design Submittal (Intake + Facilities)	117 d	Wed 4/5/06	Thu 9/14/06	59%	➤ 5.1 - 50% Design Submittal (Intake + Facilities)																																															
527	5.2 - 90% Design Submittal (Pipeline)	75 d	Mon 7/17/06	Fri 10/27/06	0%	➤ 5.2 - 90% Design Submittal (Pipeline)																																															
532	5.2 - 90% Design Submittal (Intake + Facilities)	96 d	Fri 9/15/06	Fri 1/26/07	0%	➤ 5.2 - 90% Design Submittal (Intake + Facilities)																																															
533	Prepare Drawings to 90% Level	40 d	Fri 9/15/06	Thu 11/9/06	0%	□ Prepare Drawings to 90% Level																																															
534	Prepare Specifications to 90% Level	40 d	Fri 9/15/06	Thu 11/9/06	0%	□ Prepare Specifications to 90% Level																																															
535	QC Reviews	20 d	Fri 11/10/06	Thu 12/7/06	0%	□ QC Reviews																																															
536	Constructability & Geomatrix Review(s)	20 d	Mon 11/13/06	Fri 12/8/06	0%	□ Constructability & Geomatrix Review(s)																																															
537	QC Revisions	10 d	Mon 12/11/06	Fri 12/22/06	0%	□ QC Revisions																																															
538	Deliver 90% Design Submittal (Facilities)	0 d	Fri 12/22/06	Fri 12/22/06	0%	12/22 ⬇ Deliver 90% Design Submittal (Facilities)																																															
539	District Review	25 d	Mon 12/25/06	Fri 1/26/07	0%	□ District Review																																															
540	90% Design Review Workshop	0 d	Fri 1/26/07	Fri 1/26/07	0%	1/26 ⬇ 90% Design Review Workshop																																															
541	5.3 - 100% 'Camera Ready' Design Submittal	25 d	Mon 1/29/07	Fri 3/2/07	0%	➤ 5.3 - 100% 'Camera Ready' Design Submittal																																															
542	Prepare Camera-Ready Documents	25 d	Mon 1/29/07	Fri 3/2/07	0%	□ Prepare Camera-Ready Documents																																															
543	Submit Camera-Ready Documents	0 d	Fri 3/2/07	Fri 3/2/07	0%	3/2 ⬇ Submit Camera-Ready Documents																																															
544	5.4 Development of Front End Contract Documents	89 d	Mon 7/10/06	Thu 11/9/06	13%	➤ 5.4 Development of Front End Contract Documents																																															
545	Prepare and Submit Draft with 50% Design	20 d	Mon 7/10/06	Fri 8/4/06	25%	□ Prepare and Submit Draft with 50% Design																																															
546	Prepare and Submit Draft with 90% Design	20 d	Fri 10/13/06	Thu 11/9/06	0%	□ Prepare and Submit Draft with 90% Design																																															
547	6 - Bidding Phase & Award	97 d	Wed 5/23/07	Thu 10/4/07	0%	➤ 6 - Bidding Phase & Award																																															
548	Acquire MCWRA Rights & Bid Intake First - March 2007	0 d	Thu 3/1/07	Thu 3/1/07	0%	3/1 ⬇ Acquire MCWRA Rights & Bid Intake First - March 2																																															
549	Delivery Agreement Article 2 OPT-OUT (Commission Action)	97 d	Wed 5/23/07	Thu 10/4/07	0%	➤ Delivery Agreement Article 2 OPT-OU																																															
550	7 - Construction Phase	655 d	Fri 10/5/07	Thu 4/8/10	0%	➤ 7 - Construction Phase																																															

Task Critical Task Progress Milestone ⬇ Summary ➤

Nacimiento Project Commission
August 24, 2006
Agenda Item IV.c – Project Budget
(Information Only – No Action Required)

The latest budget status report is attached. Note that this still reflects a \$2 million easement acquisition budget and may be revised pending Commission direction on Agenda Item VI.b.



**Nacimiento Water Project
Project Budget Reporting
Report Ending Period: 7/31/06**

	Initial Budget	Revised Budget as Approved February 2006	Cost to Date thru 7/31/06	Remaining Budget	Projected Total Cost as of 12/20/05	Projected Variance (Budget Vs. Cost)	Comments
Design Phase Anticipated Costs							
Project Management	\$1,250,000	\$1,875,000	1,220,767	\$654,233	\$1,875,000	\$0	Includes County Project Manager, VE, support staff, consultant support, and legal fees.
Environmental	\$800,000	\$899,667	729,107	\$170,560	\$899,667	\$0	ESA-Includes design assistance, permit applications, agency coordination.
PG&E Service Extension	\$1,100,000	\$1,100,000	5,170	\$1,094,830	\$1,100,000	\$0	Initial estimate to extend power to proposed facilities
Right of Way Consulting Services	\$500,000	\$635,000	275,307	\$359,693	\$635,000	\$0	Hamner-Jewell contract plus allowance for appraisal and title reports by others
Property Acquisition	\$2,000,000	\$2,000,000	25,228	\$1,974,772	\$2,000,000	\$0	Revision under consideration at Aug 06 Commission meeting
Construction Mgt/Constructability Review	\$2,000,000	\$2,000,000		\$2,000,000	\$2,000,000	\$0	Initial CM services authorization
Engineering Design (Includes geotechnical & survey)	\$10,250,000	\$9,650,000	3,409,559	\$6,240,441	\$9,088,800	\$561,200	Black and Veatch Corporation
Finance	\$0	\$115,000		\$115,000	\$115,000	\$0	PFM, UBS, and Fulbright&Jaworski
					Total Variance=	\$561,200	
Design Phase Budget Reserve	\$1,000,000	\$625,333		\$625,333	\$1,186,533		
SUMMARY - DESIGN PHASE	\$18,900,000	\$18,900,000	5,665,138	\$13,234,862	\$18,900,000		
Construction Phase Anticipated Costs							
Project Management	\$2,325,000	\$2,712,500		\$2,712,500	\$2,712,500	\$0	2/05-extended +4 months
							Contingency item (estimated as approximately 4% of construction cost) for pipeline realignment, special construction techniques, and other costs incurred due to unforeseen environmental issues
Environmental Mitigation	\$3,700,000	\$3,720,000		\$3,720,000	\$3,720,000	\$0	
Materials Testing	\$300,000	\$300,000		\$300,000	\$300,000	\$0	
Construction Management	\$4,200,000	\$4,185,000		\$4,185,000	\$4,185,000	\$0	Est. at 4.5% of construction cost, inc design phase work
Environmental Monitoring	\$1,800,000	\$1,800,000		\$1,800,000	\$1,800,000	\$0	Includes cost for cultural and biological monitors during construction
Construction Contracts	\$93,000,000	\$93,000,000		\$93,000,000	\$93,000,000	\$0	
Construction Phase Contingency and Reserve	\$24,231,000	\$23,838,500		\$23,838,500	\$23,838,500	\$0	
SUMMARY - CONST. PHASE	\$129,556,000	\$129,556,000	0	\$129,556,000	\$129,556,000	\$0	
Prior Expenses							
Advance Expenditures	\$513,000	\$513,000		\$513,000	\$513,000	\$0	
Cuesta Tunnel	\$1,031,000	\$1,031,000		\$1,031,000	\$1,031,000	\$0	Includes construction of Nacimiento Water Project pipeline section through Cuesta Tunnel
				\$0	\$0	\$0	
TOTAL PROJECT*	\$150,000,000	\$150,000,000	5,665,138	\$144,334,862	\$150,000,000	\$561,200	

* Rounded to \$100k

Memorandum(s):

Positive Projected Variance indicates costs are under the revised line item budget.

Recent Update: 8/15/06

Nacimiento Project Commission
August 24, 2006
Agenda Item V.a – Status of Construction Manager Procurement
(Presentation - No Action Required)

TO: Nacimiento Project Commission
FROM: Christine M. Halley, Nacimiento Project Engineer
VIA: Noel King, Director, Department of Public Works
DATE: August 24, 2006

During the construction phase of the Nacimiento Project, contracts valued between \$125 to \$150 million will be let to licensed construction contractors working at locations that span a 45-mile corridor from Lake Nacimiento to the City of San Luis Obispo's water treatment plant on Stenner Creek Road. The San Luis Obispo County Flood Control & Water Conservation District will retain a construction management (CM) team to oversee construction. The primary role of the CM team will be to review the progress of construction for compliance with the contract documents, to review pay requests, and to work with the construction contractors to advance the project completion.

The CM holds an important responsibility in the Nacimiento Project. The District will look to the CM to advise us on:

- Proceeding with a design and bidding approach that positions the District to *receive the most favorable construction bid*.
- Creating conditions, wherever possible, for the optimal bid climate.
- Participating in the constructability review of the design documents. Give sound direction and guidance to the District on issues relating to insurance provisions, risk allocation, and other construction issues.
- Reducing potential for construction change orders and minimizing the potential for delays.
- Remaining flexible for readily-available materials, especially pipe.

A total of \$6.5 million¹ has been budgeted for CM activities, to be spent over the next 4 years.

¹ \$2 million in the design phase budget for constructability review plus \$4.485 million in the construction phase (including materials testing).



At the Commission’s direction, staff issued a request for qualifications for CM services in July 2006 and qualifications statements were received on August 4, 2006, from:

URS/EPC Joint Venture Los Angeles, CA	Simpson & Simpson Management Consultants Inc. Alhambra, CA
HDR Engineering, Inc. Lake Forest, CA	Jacobs Walnut Creek, CA
Black & Veatch Irvine, CA	

The qualifications statements are under review now, with emphasis on contacting references. Review panelists are examining the submittals now and will meet on August 24, 2006, to agree on a short-list of teams. Short-listed teams will be invited to submit fee proposals and perhaps participate in interviews on September 29, 2006.

Under this schedule, the CM team will be on board in time to participate with Black & Veatch on the constructability review of the various bid packages, and to advise us on the overall bid approach.

Staff is pleased with the caliber of firms responding to the request for qualifications and look forward to retaining a strong CM team member for the Project.

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Nacimiento Project Commission

August 24, 2006

Agenda Item VI.a – Proposed Concurrent Sewer Construction in North and South River Road

(Commission Action Item – No Subsequent Board of Supervisor Action)

TO: Nacimiento Project Commission

FROM: Christine M. Halley, Nacimiento Project Engineer

VIA: Noel King, Director, Department of Public Works

DATE: August 24, 2006

Recommendation

Proceed with concurrent construction of a gravity sewer along North and South River Roads for the benefit of the City of el Paso de Robles under the following approach:

- Paso Robles would provide to the District stamped plans and technical specifications for the proposed sewer facilities. Base mapping used for the Nacimiento waterline would be made available for the City’s use in this design.
- Paso Robles would provide to the District proposed bid items and an engineer’s opinion of probable construction cost for use in bidding the overall Nacimiento Project. The bid items would reflect all foreseeable construction activities associated with the sewerline. Available soils information would be provided, too.
- The District would include the plans and specifications in the appropriate Nacimiento bid package, calling for the general contractor to also install the gravity sewer and appurtenances.
- The District would track actual construction costs based on bid items and any associated change orders.
- Paso Robles would pay for the gravity sewerline based on the following:

Actual Sewerline Construction Cost	Basis of payment
Design Coordination Allowance ¹	0.5% of construction cost
Contract Administration	7% of construction cost
Administration and Other	10% of construction cost

Discussion

On June 29, 2006, the City of el Paso de Robles sent a letter requesting the coordinated installation of approximately 12,000 linear feet of gravity sewerline in North and South River Roads. The sewer is planned along the same corridor as the Nacimiento pipeline and, to minimize impact to the public, the City asks that the work be designed by the City, constructed by the Nacimiento construction contractor, and administered by the Nacimiento construction

¹ Represents compensation for Nacimiento designer’s coordination with City’s design engineer.



management team. A formula for cost-sharing between the Project and the City of Paso Robles needs to be agreed-upon in advance of construction.

In December 2004, the Commission considered a similar issue involving Paso Robles. At that time, the Commission approved a credit to the City pertaining to the installation of a segment of the Nacimiento pipeline associated with the City's 13th Street bridge project. The Commission agreed to credit the City for their costs in installing this pipeline segment, calculated as follows:

Actual Pipe Construction Cost	Basis of credit
Design Allowance	10% of construction cost
Contract Administration	7% of construction cost
Administration and Other	10% of construction cost

The allowances noted are the same percentages indicated in the December 2004 Nacimiento Project Budget Reporting for parallel items. We await a statement from the City documenting the total actual pipe construction cost to confirm the actual credit amount.

A similar approach is proposed to cost-sharing associated with the North and South River Road gravity sewerline. This would be:

- Paso Robles would provide to the District stamped plans and technical specifications for the proposed sewer facilities. Base mapping used for the Nacimiento waterline would be made available for the City's use in this design.
- Paso Robles would provide to the District proposed bid items and an engineer's opinion of probable construction cost for use in bidding the overall Nacimiento Project. The bid items would reflect all foreseeable construction activities associated with the sewerline. Available soils information would be provided, too.
- The District would include the plans and specifications in the appropriate Nacimiento bid package, calling for the general contractor to also install the gravity sewer and appurtenances.
- The District would track actual construction costs based on bid items and any associated change orders.
- Paso Robles would pay for the gravity sewerline based on the following:

Actual Sewerline Construction Cost	Basis of payment
Design Coordination Allowance ²	0.5% of construction cost
Contract Administration	7% of construction cost
Administration and Other	10% of construction cost

The TSG indicated support for coordinated construction of such public works facilities at their July 13, 2006, meeting and endorsed the cost-sharing formula presented above.

Other Agency Involvement

The recommended concurrent utility construction will involve the City of el Paso de Robles and its design consultants.

² Represents compensation for Nacimiento designer's coordination with City's design engineer.



Financial Considerations

The concurrent sewer construction will result in a billing adjustment to the City of el Paso de Robles, following the formula stated above. The City plans to pay for the sewerline work from the City's sewer capital improvement fund and will not finance this concurrent work through the Nacimiento Revenue Bond issuance.

Results

The result of approving this concurrent utility construction in North and South River Road will be a mitigated impact to the public along North and South River Road, lessening the construction cost to the public as compared to two separate construction projects.

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Nacimiento Project Commission
August 24, 2006
Agenda Item VI.b – Easement Acquisition Budget Update
(Commission Action Item – No Subsequent Board of Supervisor Action)

TO: Nacimiento Project Commission
FROM: Christine M. Halley, Nacimiento Project Engineer
VIA: Noel King, Director, Department of Public Works
DATE: August 24, 2006

Recommendation

Adjust the easement acquisition line item budget from \$2.0 million to \$2.5 million while adjusting the design phase budget reserve from \$1,186,533 to \$686,533.

Discussion

The proposed Nacimiento pipeline and facilities follow for the most part public rights-of-way along the 45-mile corridor. Portions of the pipeline and appurtenances, however, will impact property owned by Monterey County Water Resources Agency, the military, other public agencies, and approximately 65 private properties. An estimated 85 acres of permanent easement are needed for the Project along with an additional 135 acres of temporary, construction easement and staging areas.

In 2002, a line item budget of \$2 million was earmarked for easement acquisition. In the years since the adoption of that line item budget, much progress has been made with regard to identifying necessary easements. The appraisal firm of Reeder, Gilman & Borgquist reviewed the overall Project easement needs and rendered an opinion as to the adequacy of the budget. Their “Preliminary Appraisal Study” dated July 12, 2006, recommended a \$2.25 million acquisition budget. That figure was based on four important assumptions: 1) the permanent and temporary easement acreages mentioned above; 2) an average land value of \$32,000 per acre; 3) that permanent easement could be acquired at 50% of fee value, and; 4) the cost of fee acquisitions at the pump stations and tanks would be in addition to that amount.

Many factors will affect the final easement valuations for each property such as possible severance issues, the final terms of the easement deed (refer to Agenda Item VI.c), and property values at the time of appraisal.

For example, if permanent easement is to be acquired at 70% of fee value, then the estimated budgetary needs increases to \$2.9 million. If the average land value increases by 15%, then the estimated budgetary needs would be \$2.6 million.

Because so many factors could affect the actual costs of easement acquisition, the Project Manager advises that the easement acquisition line item budget be adjusted from \$2.0 million to \$2.5 million. The design phase budget reserve would be adjusted from \$1,186,533 to \$686,533.



The Project team is also proceeding with an alignment that balances impacts to private property owners with construction and ongoing facility maintenance costs. In other words, we seek to minimize the need for easement acquisition where possible.

Other Agency Involvement

Monterey County Water Resources Agency, Camp Roberts, Central Coast Water Authority, State of California Dept. of Water Resources, and other agencies will be impacted by easement acquisition, however this line item budget adjustment is an accounting step that does not directly impact others.

The Technical Support Group supported the proposed line item budget adjustment at their August 10, 2006, meeting emphasizing the variability in actual appraised values.

Financial Considerations

The recommended shift in line item budgets remains within the estimated Design Phase costs of \$18.89 million.

Results

Tracking the line item budgets as the Project progresses supports orderly financial planning for the Project overall.

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Nacimiento Project Commission

August 24, 2006

Agenda Item VI.c – Adoption of Easement Deed Terms and Conditions (Commission Action Item – No Subsequent Board of Supervisor Action)

TO: Nacimiento Project Commission

FROM: Christine M. Halley, Nacimiento Project Engineer

VIA: Noel King, Director, Department of Public Works

DATE: August 24, 2006

Recommendation

Direct staff on the enumeration of rights sought for use in securing Nacimiento Water Project permanent and temporary construction easements.

Discussion

The proposed Nacimiento pipeline and facilities follow for the most part public rights-of-way along the 45-mile corridor. Portions of the pipeline and appurtenances, however, will impact property owned by Monterey County Water Resources Agency, the military, other public agencies, and approximately 62 private properties. An estimated 85 acres of permanent easement are needed for the Project along with an additional 135 acres of temporary, construction easement and staging areas. Acquisition costs alone are estimated to amount to \$2.5 million (refer to Agenda Item VI.b).

The easement deed language has a direct bearing on acquisition costs and sets conditions on the District's rights during the life of the Project; therefore, it is important that the language reflect foreseeable conditions. County Counsel, the Project right-of-way specialists, and the Technical Support Group each reviewed draft easement deed language. We draw the Commission's attention to two aspects of the language in particular; 1) rights of Participants to make use of easements for future infrastructure needs, and 2) rights of the County of San Luis Obispo to utilize some of telecommunication capacity of the Project's communication lines.

Parallel Projects by Participants. In July and August 2006, staff discussed Participant use of the Nacimiento easements for future non-Project needs. It was agreed that recording the easements with such a broad term may pose concerns to property owners and would drive up acquisition costs. The TSG agreed that if any Participant has funded plans underway to construct facilities within the proposed Nacimiento easement, then the easement deed in specific affected reaches may be negotiated and recorded accurately to also include the Participant's parallel project. In the end, the TSG reported no such funded infrastructure plans affecting private properties, so at this time the Nacimiento easement deed is to be limited to the planned Nacimiento facilities primarily.

Multiuse of Communication Cable. With regard to the communication cable, the County's Information Technology Department (ITD) may request to piggyback on the Project communications system and utilize some of its capacity. The TSG advised that such incremental costs be attributed to those beneficiaries, not the Nacimiento Project. The ITD has



discussed possible uses of the telecommunication capacity to interconnect County facilities, cities and community governmental centers, schools, and emergency service centers. No commercial use of the fiber optics system is proposed and the team is aware that such use would likely affect terms of the easement and property valuation. At this point, the easement deed language is to be written to include the communications lines as part of the District's Facilities to support communication and remote operation of the the Nacimiento Water Project. The County Public Works will coordinate with the County ITD to establish need/desire for upgraded communications. A meeting is scheduled with ITD on August 25, 2006, to further these discussions.

Property Rights Sought by the District. In summary, the rights to be sought for the Nacimiento pipeline and appurtenant facilities crossing private properties are proposed to be:

Permanent Easements

1. Permanent easements will be acquired to survey, install, construct, reconstruct, enlarge, lay, alter, operate, patrol, remove, replace, and maintain District Facilities, consisting of an underground water pipeline, communication conduits and cables, and related facilities. Permanent easement for related facilities may include markers; shutoff valves; air/vacuum valves; blowoff facilities with appurtenances; survey monuments; manholes; turnouts with inline valves, flow meters, pressure regulation valves, and/or energy recovery facilities; surge control devices; test stations including flow, pressure, communication and cathodic protection; buried and aboveground communication conduits, cables, junction boxes, and devices; buried and aboveground electrical conduits, cables, junction boxes, and devices; pull boxes; auxiliary waterlines; communication conduits and cables; and cathodic protection facilities including anode beds; and other related facilities, all which are facilities associated with the delivery and distribution of water to participants of the Nacimiento Water Project.
2. Specific requirements for above-ground facilities will be tailored on a parcel-by-parcel basis.
3. The underground water pipe, communication conduits and other underground facilities will be constructed and installed as one project within the same trenching process. The communication cables may be pulled through the communication conduits at a later date once the trenching operation is complete.
4. District shall have the right of ingress and egress for personnel, vehicles, and construction equipment to, from, and along the permanent easement area at any time. The District shall be responsible for repairing any damages caused by District use thereof.
5. District shall have the right to maintain the height of earth or other fill over District's underground facilities.
6. The permanent easement is subject to all existing improvements existing on the date the easement is granted. The property owner may use the permanent easement area (for example, for agricultural purposes) as long as such use does not endanger the integrity of District Facilities. Use of explosives; buildings, structures, roofs, walls, and other facilities of a permanent nature; trees; vineyards; and any earth cover or stockpile of material are not allowed.



7. As discussed above, no provision is to be included for future installation and maintenance of other Participant infrastructure at this time. Should a Participant desire to have a parallel project installed within a private property at the same time as the Nacimiento pipeline, then the Participant should submit in writing their requests as soon as possible because the design is moving beyond the 50-percent design level. A parallel project would be specifically identified within the Easement Deed, or would have its own Easement Deed prepared and negotiated simultaneously with the private property owner.

Temporary Construction Easements

1. Temporary easements will be acquired to facilitate construction of District Facilities, including the right to place equipment and vehicles, pile earth thereon, and utilize said Temporary Construction Easement for all other related activities. The temporary construction easement shall commence thirty (30) days after the District gives written notice to the property owner and shall terminate one year thereafter. Additional payment will be made to extend the term of the temporary easement. The temporary construction easement will expire in any case by the end of 2012.
2. Upon completion of construction, said temporary construction easement area will be restored to the condition that existed prior to construction.

Both the permanent and temporary easements are assignable by the District.

The above discussion outlines substantially most of the terms and conditions of the property rights that the District will seek for the Nacimiento Water Project. Commission direction to proceed under these terms and consider is sought.

Other Agency Involvement

Easements will be acquired from Monterey County Water Resources Agency, the U.S. Army Corps of Engineers on behalf of the National Guard, State of California Department of Water Resources/Central Coast Water Authority, and private parties. These parties will have the opportunity to review the terms of the easement deed language during the easement negotiation process. In addition, easements will also be acquired for some of the Nacimiento Participants, and currently it is expected that these easements will be obtained at no-cost to the Project.

Financial Considerations

Adoption of the proposed terms and conditions for development of the easement deed language has a bearing on the percent valuation assigned by the appraisers to the easements sought. In other words, broad terms of property rights sought will be associated with higher acquisition costs than narrower, more limited language. The professional appraisers retained as part of this Project will render an opinion as to the valuation associated with the final language.

Results

Directing staff on the enumeration of rights sought for easement acquisition will allow the valuation process to proceed and offers to be extended to impacted property owners in a timely manner.

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