



Nacimiento Project Commission Notice of Meeting and Agenda

Thursday, April 26, 2007 – 4:00 pm
Templeton Community Services District Board Room
420 Crocker Street, Templeton CA

- 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 January 18, 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. (none)
- VI. COMMISSION ACTION ITEMS
(No Subsequent Board of Supervisors Action Required)
 - a. (none)
- VII. COMMISSION ACTION ITEMS
(Board of Supervisors Action is Subsequently Required)
 - a. Builder's Risk Insurance Provisions
 - b. Authorization to Advertise for Construction Bids
- 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, June 28, 2007, at 4:00 pm at
Templeton Community Services District offices.**

Nacimiento Project Commission
April 26, 2007
Agenda Item III – Meeting Notes from February 15, 2007

I. Call to Order, Roll Call and Flag Salute

Vice Chairman Romero convened the meeting at 4:00 pm.

Commissioners Present: Vice Chairman Dave Romero, City of San Luis Obispo
Frank Mecham, City of el Paso de Robles
David Brooks, Templeton CSD
Grigger Jones, Atascadero MWC

II. Public Comment – (none)

III. Meeting Notes from January 18, 2007, Meeting

Commissioner Mecham moved approval of the January 18, 2007, meeting notes; Commissioner Brooks seconded the motion; motion passed unanimously.

IV. Project Management Report

John Hollenbeck elaborated on some points from the Project Management Report, specifically that the environmental monitoring request for proposals is in preparation and will be submitted to County Purchasing Dept. as early as next week for advertisement. Mr. Hollenbeck reported a favorable response to the prequalification phase of specialty drilling contractors. The District received eight proposals for the intake and seven proposals for horizontal directional drilling contractors. The evaluation of these submittals is underway.

On the financial front, a credit assessment is underway for Atascadero Mutual Water Company, the cost of which is being shared by all Participants and the results of which will benefit the overall bond rating. The future formation of a County Service Area is under consideration by AMWC.

Alliant Insurances Services is available to advise the District on insurance provisions for the construction contracts.

Mr. Hollenbeck explained the streamlined steps that are underway for easement acquisition and the team's coordinated efforts toward that end. Christine Halley reported that the Army Corps permit may be in hand as early as March 30, 2007, with the Regional Water Quality Control Board 401 permit by April 2, 2007. All Project permits are tracking to be issued by early April 2007. Vice Chairman Romero asked if permit terms would be reflected in the plans and specifications and Mr. Hollenbeck confirmed that this is the case.

Unclear response from the Army National Guard pertaining to the Project NEPA compliance and the Report of Availability has caused some frustration. Mr. Hollenbeck will request an outreach to our state and federal elected officials when appropriate.

Jacobs is assembling a cash flow projection through the construction period for use by the finance team.

Commissioner Brooks asked about security provisions during construction and operations. Mr. Hollenbeck noted that each construction contractor is responsible for securing their own worksites and Mrs. Halley remarked that we must adhere to security standards at the dam pertaining to use of explosives and securing heavy equipment. Further, the Project will presumably fall under the Public



Nacimiento Project Commission
April 26, 2007
Agenda Item IV.a – Project Management Report
(Information Only – No Action Required)

PROJECT RESOURCES

An important aspect of construction will be adherence to promised environmental mitigation measures as recorded in the Final Project EIR and as stated in the Project environmental permits. A team of qualified environmental monitors will be on-site during construction. The District invites fee proposals for this set of services with an informational meeting for interested firms set for April 26, 2007, and proposals due on May 11, 2007. A line item budget of \$1.8 million is established for the environmental monitoring services.

PROJECT ISSUES

Status of Financial Issues

The finance team was scheduled to consult with bond rating agencies in February and March, in particular to review the taxable portion of the bond issuance. The rating agency meetings are to take place in late April and a finance team meeting to discuss steps to bond sale is planned for May.

Project Insurance

John Hollenbeck met with County Risk Management staff and consulted with Alliant Insurance Group regarding insurance provisions for the construction contracts and formulated the following summarized insurance provisions:

Insurance providers to hold an A.M. Best's rating of A-VII or higher

Worker's Compensation Insurance as required by State law and at least \$1,000,000. "Marine Coverages" also required if laws so dictate.

Business Auto Liability at least \$1,000,000 plus appropriate auto pollution coverage.

Comprehensive General Liability to vary by specification number, taking into consideration the value of the contract and the perceived risk of third party claims. Recommended values for the Nacimiento Water Project are:

Spec 1 = \$10 million

Specs 2 and 3 = \$25 million

Specs 4 and 5 = \$15 million

Professional Liability Insurance (Errors & Omissions) of at least \$2,000,000 if the Contractor is required to perform professional services, such as architectural, engineering, construction management, surveying, design, etc.,

Aviation Insurance of at least \$5,000,000 is required if any aircraft are used in connection with the Project.

Environmental and Asbestos Abatement Coverage of at least \$5,000,000.



Subcontract Limits Contractors may accept lower insurance limits from subcontractors so long as they are at least \$1,000,000 for each occurrence and \$2,000,000 general aggregate.

Under discussion now is the approach to Builder’s Risk Insurance. Refer to Agenda Item VII.a.

Status of Project Delivery Team Activities

Right of way – Acquiring easements such that construction may proceed continues to be a focus of the design team and Project right-of-way staff. As of April 20, 2007, offers have been made to 33 of the 42 affected private property owners along with coordination efforts with each of the affected 11 public agencies. Fourteen owners have signed right-of-way agreements as of that date. The remaining properties are in various stages of progress, ranging from legal descriptions to appraisals. The status of the overall easement acquisition effort is:

Date	Number of Identified Parcels¹	Completed Legal Descriptions	Appraisals Ordered²	Appraisals Complete	Offers Made³	Agreements Signed
As of Jan 5, 2007	54 (47 private + other)	39	35	28	21	4
As of Jan 31, 2007	56 (42 private + 14 public)	44	39	32	26	4
As of Apr 20, 2007	56 (42 private + 14 public)	45	43	38	33	15

The project team is following through on the Project Manager’s recommendations to expedite the acquisition process with good results. One of the recommendations was to begin the process for court-ordered possession on those that have been in negotiations for quite some time. On April 17, 2007, the Board of Supervisors held the first such “Hearing of Necessity”. Twelve acquisitions were heard by the Board of Supervisors (four of which had accepted offers prior to the hearing).

Two additional hearings have been scheduled for May 8 and June 26, 2007. Any outstanding easements will be heard for court-ordered possession on those dates.

Environmental Permitting – Much progress has been made with regard to securing permits as summarized in the table below. First, the US Fish & Wildlife Service issued their Biological Opinion on March 30, 2007, and the Regional Water Quality Control Board issued their Water Quality Certification on April 5, 2007. The National Marine Fisheries issued their letter of concurrence weeks ago, but we await acknowledgment of minor corrections for our files. The

¹ You may notice that this number changes from time to time. This is due to alignment changes and properties being bought and sold among private parties and public agencies. Of the 56 total, 4 are assigned to the Participants for their turnout construction.

² The Federal government will do its own appraisal; a flat fee will be paid to The Land Conservancy so no formal appraisal needed there either.

³ Offer packages are complete for all District-approved appraisals. Those pending are for appraisals completed in March and some await the answers to detailed questions or corrections to plats before offers can be completed.

Recovery Plan was submitted to the State Historic Preservation Officer last month and we expect their concurrence mid-April, noting that the Army Corps has agreed to proceed with their permit issuance ahead of formal SHPO consultation.

**NACIMIENTO WATER PROJECT - ENVIRONMENTAL REGULATORY PERMIT STATUS
AS OF 4/16/07**

(CHANGES FROM PREVIOUS STATUS ARE IN BOLD)

Agency	Permit Type	Application Date	Status	Est. Permit Issuance Date
USACOE	Nationwide CWA 404	21-Apr-06	Permit being circulated for signature (e-mail 4/17).	20-Apr-07
NMFS	Letter of Concurrence	Consultation initiated on June 27, 2006	DONE Concurrence Letter received.	Minor changes have been agreed to and will be documented by e-mail exchange.
USFWS	Biological Opinion	Consultation initiated on June 27, 2006	DONE Biological Opinion received April 2, 2007.	
SHPO	Letter of Concurrence (Section 106)	Phase II Cultural Resources Assessment updated and submitted to the County on Feb. 13, 2007.	Data Recovery Plan complete on 3/16. Data Recovery Plan forwarded to the SHPO (from the Corps) on April 16. SHPO now has all project documents to make their concurrence determination.	SHPO has 30 days to review and respond. <i>Corps will issue 404 permit without SHPO concurrence.</i>
RWQCB	CWA 401 Certification	21-Apr-06	DONE CWA 401 Certification received April 6, 2007.	
CDFG	Streambed Alteration Permits for all crossings	21-Apr-06	ESA provided additional information in the form of construction drawings in early April. Chairman of the NWC and District 1 Supervisor Ovitt sent a letter on April 4 to CDFG Regional Manager Loudermilk requesting expedited issuance of the SAAs and meeting set for April 23rd.	No anticipated date for completing the process.

USACOE - US Army Corps of Engineers

RWQCB - Regional Water Quality Control Board

SHPO - State Historic Preservation Officer

NMFS - National Marine Fisheries Service

USFWS - US Fish and Wildlife Service

CDFG - California Department of Fish and Game



Two permits are of concern at this point. First is the streambed alteration permits issued by the California Dept. of Fish & Game. Applications were submitted one year ago, but staff only recently began active review. Commission Chairman Ovitt reached out to the Fresno Regional Manager of the Dept. of Fish & Game for assistance and a meeting to reconcile this issue is set for April 23, 2007. Remember that other Project permits hinge on issuance of the streambed alteration permits and that the District may not advertise for construction bids until all permits are secured, so this is on the critical path.

The Project Manager alerted the Commission early in April to a situation with the Army Corps of Engineers. The Project seeks its 404 permit under the Nationwide Permit Program – a program that is updated every five years. The Program expired on March 19, 2007, and is apparently suspended pending an internal decision regarding NEPA compliance. Thanks to the Commission’s contacts with Representative McCarthy’s office, the Army Corps of Engineers senior staff in Northern California is to issue a Project-specific Environmental Assessment by April 25, 2007, allowing us to proceed.

Design Activities – Black & Veatch’s design efforts in recent months includes responding to final comments on the bid packages, cross-checking permit conditions with the plans and specifications, and cross-checking time-of-year constraints in permits and in agreements with property owners.

One design issue recently discussed with the Technical Support Group is the geotechnical engineer’s finding that native material is generally unsuitable for backfill in the pipe zone. Both steel pipe and ductile iron pipe are flexible conduits which makes the quality of the backfill material in the pipe zone particularly important to successful performance. The primary issue is the high percentage of fines that has been identified in the majority of the native material sampled. While there are some areas where high quality material is available, the majority of the native material is judged to be unacceptable. Prior volume and cost estimates were based on use of native material so this change will impact the cost for construction of the pipeline. Black & Veatch researched the availability of the select material that is needed for backfilling the trench section and found a good number of competitive suppliers. The cost impact of such sand importation is preliminarily estimated to be on the order of \$3 million. This and other Project cost issues are addressed in the Project Budget section.

Black & Veatch has had great response to the three Contractor Workshops, the third of which was held on April 12, 2007. Of particular interest at that workshop was contractors’ perspective on liquidated damages and “tree bounties”.

Construction Management Activities – Ron Drake of Jacobs has set up offices in the District’s Project office and is actively engaged in final review of the bid packages. Jacobs completed their quality control review of the base mapping and alerted the District to deviations in mapping accuracy. They also reviewed the environmental monitoring request for proposals and will participate in the informational meeting for interested environmental monitoring firms.



Outside Agency Issues

PG&E – All applications for Project service have been received by PG&E and no further service planning report was made.

SLO County IT Department – The memorandum of understanding pertaining to joint installation of fiber optics has been drafted by staff and forwarded to County Counsel for review.

Monterey County Water Resources Agency – The long-awaited amendment to the 1959 master water contract was executed by the SLO County Board of Supervisors on April 3, 2007, and by the Monterey County Board of Supervisors on April 10, 2007. This clears one hurdle, paving the way for advertising the construction bids. The next staff coordination call is scheduled for May 17, 2007, and the next elected official's meeting is set for May 31, 2007, in King City. A meeting agenda and invitation to all Commissioners is forthcoming. Last, John Hollenbeck is invited to make a presentation to the MCWRA Board of Directors on May 1, 2007.

Conoco Phillips – In Units G and G1, the proposed Nacimiento waterline crosses several existing Conoco Phillips oil lines. After conferring with Conoco Phillips, a jack-and-bore method of installing the waterline was chosen, which involves placing the waterline in a 36-inch diameter steel casing at a much deeper grade to avoid the oil lines. At Tassajara Creek Road, the drawing was revised to show the Nacimiento pipe installed in a casing that goes over the twin oil pipes on the north side of the road, and under the much shallower twin oil pipes on the south side of the road. This method takes longer to construct than an open-cut trench method and requires k-rail and more traffic control.

Along El Camino Real in front of the oil storage facility, the drawing was revised to show the pipe installed in a casing under the oil lines. There is a 3" private waterline to the north that services Conoco Phillips, parallel to and likely within the trench prism of the proposed 18" pipe. The expectation is that its private waterline cannot be out of service. The drawings now show it to be moved aside and replaced after the installation of the Nacimiento pipeline. A detail has been added to the Unit G drawings to reflect that.

The estimated additional construction cost to approach the Nacimiento pipeline construction as a jack-and-bore installation is now in review and a written request for cost-sharing with Conoco Phillips is in preparation.

Camp Roberts – Since progress on the NEPA determination and related Report of Availability is unknown, staff is pursuing a right of entry that would allow construction to commence on Camp Roberts. No clear direction or timeline has been set forth by the National Guard or Camp Roberts' personnel.

* * *



Nacimiento Project Commission
April 26, 2007
Agenda Item IV.b – Project Schedule
(Information Only – No Action Required)

Attached is the Project schedule depicting progress toward final design. Black & Veatch delivered the 90% submittal on schedule and is progressing toward the May 2007 bid-ready date. Obtaining the California Dept. of Fish & Game streambed alteration permits and the Army Corps Nationwide permit are tracking on the critical path at this point. The 1959 Agreement amendment with MCWRA is in hand and easement acquisition is progressing.

Several things influence the bid schedule:

- District's wrap-up of Division 0 (the up-front contract documents)
- B&V/Boyle's wrap-up of the design
- Uncertainty on receipt of the environmental permits

The following changes in schedule for Project bidding are effective as of March 30, 2007:

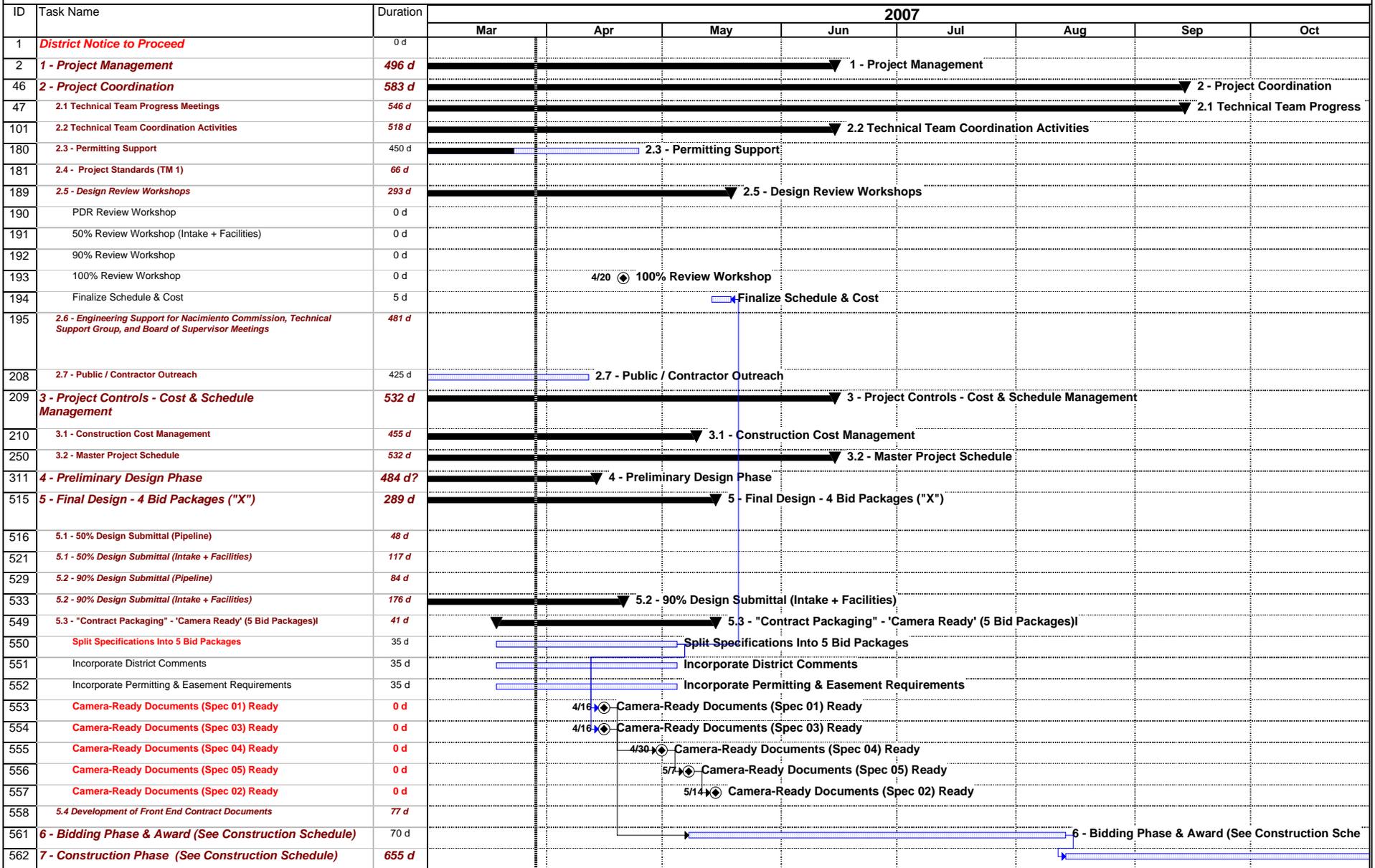
- District to complete review of Division 0 by April 6, 2007 and back check edits by April 13, 2007 (done)
- County Counsel and Public Works Director to sign Division 0 documents and to submit checks back into Cygnet April 16, 2007 (done)
- B&V Submit Specs 1 through 5 drawing cover sheets for Project Manager's signature during the week of April 23, 2007
- B&V completes design by April 25, 2007
- B&V/Boyle begin preparation of camera ready CD's/DVD's - April 26, 2007
- B&V/Boyle submit all camera ready CD's/DVD's to District - May 7, 2007
- At this point in the process, we need the environmental permits or we will put a place-holder in the bidding documents stating that they will be issued under addendum. Then, we will go ahead and print the documents and hold them in waiting for receipt of final permits.
- District begins the reproduction process for all specs
- District goes to the Board of Supervisors on May 22, 2007, to recommend advertising of the Project (pending Commission approval of Agenda Item VII.b)
- Specs 1, 3, 4, and 5 all bid on May 22, 2007
- Spec 2 bids on June 19, 2007 (this date to be discussed with B&V)
- Specs 1 and 3 Open July 12, 2007 (may shift Spec 3 to July 19)
- Spec 4 Opens July 26, 2007
- Spec 5 Opens Aug 2, 2007
- Spec 2 Opens Aug 16, 2007





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

Final Design Schedule Revision: 1.12
Date: March 26, 2007
B&V File C.2.1

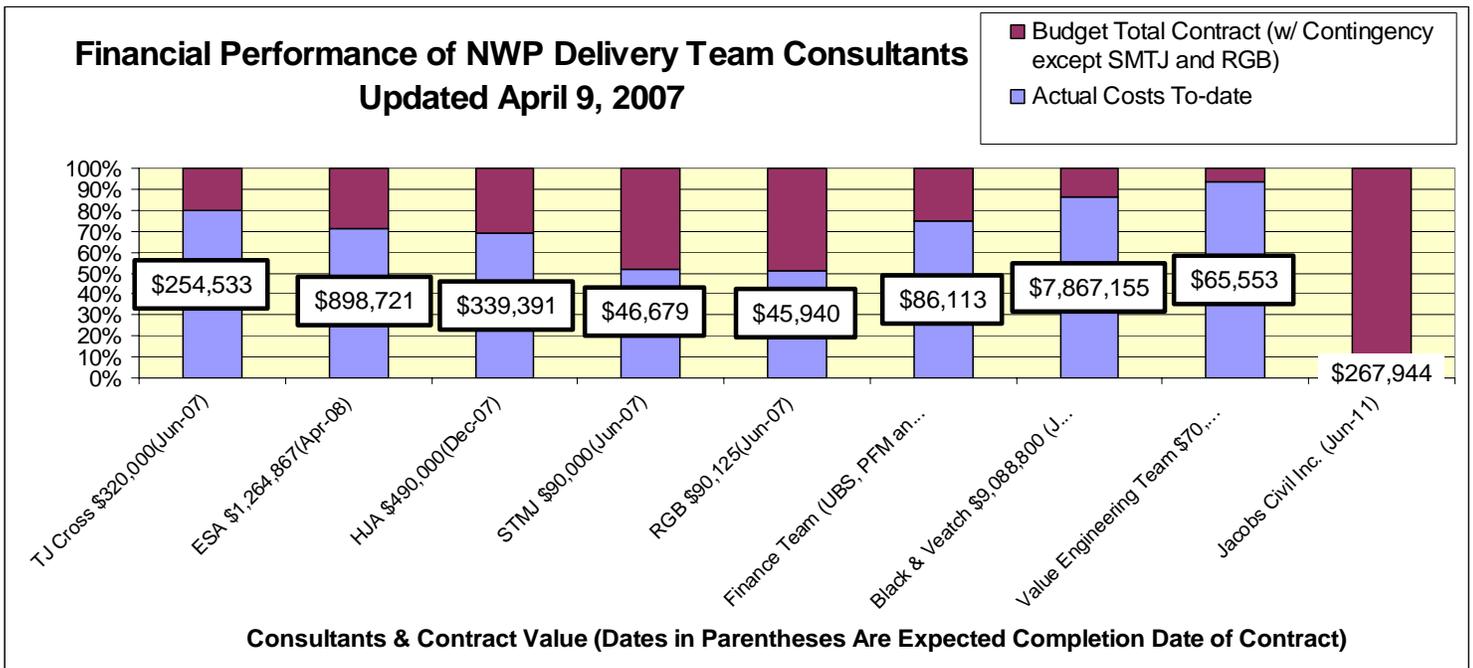


Task █ Critical Task █ Progress █ Milestone ● Summary ▶

Nacimiento Project Commission
 April 26, 2007
Agenda Item IV.c – Project Budget
 (Information Only – No Action Required)

Attached is the Project Budget Reporting for the period ending March 31, 2007.

The graphic below illustrates the financial performance of the Project during the Design Phase.



**Nacimiento Water Project
Project Budget Reporting
Report Ending Period: 3/31/07**

	Initial Budget	Revised Budget as Approved August 2006	Cost to Date thru 3/31/07	Remaining Budget	Projected Total Cost as of 1/18/07	Projected Variance (Budget Vs. Cost)	Comments
Design Phase Anticipated Costs							
Project Management	\$1,250,000	\$1,875,000	1,778,395	\$96,605	\$2,033,000	(\$158,000)	Includes County Project Manager, VE, support staff, consultant support, and legal fees.
Environmental	\$800,000	\$899,667	892,812	\$6,855	\$1,310,000	(\$410,333)	ESA-Includes design assistance, permit applications, agency coordination.
PG&E Service Extension	\$1,100,000	\$1,100,000	5,170	\$1,094,830	\$300,000	\$800,000	11/06-Revised estimate to extend power to proposed facilities.
Right of Way Consulting Services	\$500,000	\$635,000	524,541	\$110,459	\$665,000	(\$30,000)	Hamner-Jewell contract plus allowance for appraisal and title reports by others.
Property Acquisition	\$2,000,000	\$2,500,000	56,258	\$2,443,742	\$2,500,000	\$0	8/06-Revised acquisition budget.
Construction Mgt/Constructability Review	\$2,000,000	\$2,000,000		\$2,000,000	\$735,000	\$1,265,000	Initial CM services authorization.
Engineering Design (Includes geotechnical, survey & Design CM)	\$10,250,000	\$9,088,800	7,698,588	\$1,390,212	\$8,988,800	\$100,000	Black and Veatch Corporation 11/06-Revised projected total.
Finance	\$0	\$115,000	0	\$115,000	\$85,000	\$30,000	PFM, UBS, and Fulbright & Jaworski. 11/06-Revised projected total.
New Participant Contribution			(\$49,040)	\$49,040	(\$50,000)	\$50,000	11/06-CSA 10 buy-in.
					Total Variance=	\$1,646,667	
Design Phase Budget Reserve	\$1,000,000	\$686,533		\$686,533	\$2,333,200		
SUMMARY - DESIGN PHASE	\$18,900,000	\$18,900,000	10,906,724	\$7,993,276	\$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.
Environmental Mitigation	\$3,700,000	\$3,720,000		\$3,720,000	\$4,500,000	(\$780,000)	Estimated as \$100,000 per mile for pipeline realignments, special construction techniques, and other costs incurred due to unforeseen environmental issues.
Materials Testing	\$300,000	\$300,000		\$300,000	\$300,000	\$0	
Construction Management	\$4,200,000	\$4,185,000		\$4,185,000	\$5,750,000	(\$1,565,000)	Based on Jacobs construction services fees.
Post-Designer Services by Designer	\$0	\$0		\$0	\$3,200,000	(\$3,200,000)	Black & Veatch's construction phase services.
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	\$137,688,505	(\$44,688,505)	B&V's 50% estimate with contingencies.
District Controlled Contingency							
Construction Phase Contingency and Reserve	\$24,231,000	\$23,838,500		\$23,838,500	\$10,470,245	\$13,368,255	
SUMMARY - CONST. PHASE	\$129,556,000	\$129,556,000	0	\$129,556,000	\$166,421,250	(\$36,865,250)	
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.
TOTAL PROJECT*	\$150,000,000	\$150,000,000	10,906,724	\$139,093,276	\$186,865,250	(\$35,218,583)	

* Rounded to \$100k

Memorandum(s):
Positive Projected Variance indicates costs are under the revised line item budget.
Recent Update: 4/17/07

Nacimiento Project Commission
April 26, 2007
Agenda Item VII.a – Builders Risk Insurance
(Commission Action Item – Subsequent Board of Supervisor
Action Required)

TO: Nacimiento Project Commission
FROM: John R. Hollenbeck, P.E., Nacimiento Project Manager
VIA: Noel King, Director, Department of Public Works
DATE: April 26, 2007

Recommendation

We recommend that the Commission endorse the District entering into negotiations with Alliant Insurance Company to procure a builders risk insurance product to cover the entire Nacimiento Water Project. Staff would procure this product through the County's insurance program.

Discussion

During the construction build-out period, builders risk insurance is used to protect the project owner/contractors from financial loss arising from the damage to materials installed or stored on the project site. Typical events that are covered under a builders risk policy include theft of materials, vandalism, windstorm, collapse, and fire. A builder's risk insurance policy will include sub-limits for property that is stored off-site as well as property in transit. Coverage can also be placed to insure events such as earthquake, flood and damage during testing.

Either the project owner or the prime contractor can purchase the builders risk insurance. It is recommended that the owner purchase the builders risk for projects that are constructed utilizing a multiple prime contractor approach. The reason behind this recommendation is that the owner can secure coverage for the entire project, while each prime contractor only has an insurable interest in the portion of the project that is under their individual contract. If each prime contractor secures separate builders risk coverage, there will most likely be multiple insurers involved that could lead to inconsistencies in the coverage provided to the project owner, and coverage questions in the event of a loss that damaged materials installed by different prime contractors.

By having the District obtain a policy to cover the entire Project, that item will be eliminated from each individual contractor's bid, and it is estimated that this approach will save 10- to 15-percent on the overall cost for builders risk insurance.

Other Agency Involvement

This issue was discussed at the April 2007 Technical Support Group meeting and that group indicated their support for the recommended action. San Luis Obispo County's



insurance is obtained through Alliant Insurance Company, and the County's Risk Management Department would assist in procuring the builders risk product through the County.

Financial Considerations

The Project is funded by the Nacimiento Participants per the Nacimiento Project Water Delivery Entitlement Contracts executed by the Board of Supervisors in August 2004, for the initial participants, and in October 2006, for the new participant. Costs associated with construction contractor's insurance requirements are included in the engineer's opinion of probable construction cost included in the Nacimiento Water Project design phase budget.

If the first-year's insurance premium were procured during the design phase, which we propose, there are sufficient budget reserves to cover this cost. Beyond that, the costs would be paid during the construction phase through the sale of the bonds. The following identifies the estimated range of cost for the builders risk insurance if the Project procures this product, assuming a \$150-million construction value, a \$35-million loss limit per event, and three years of premiums.

Without Flood and Earthquake: \$300,000 to \$400,000 (years 2008 – 2010)

With Flood and Earthquake: \$900,000 to \$1,000,000 (years 2008 – 2010)

Each of these two options would be discussed, and negotiated, with the insurance broker, and the results of that negotiations will be reviewed with the Technical Support Group before bringing this item to the Board of Supervisors. If Technical Support Group consensus can not be reached, we would bring the item back to your Commission a second time.

Results

Approval of this recommendation would protect the public's investment in elements of the Project that are under construction, providing a source of funds in the event that damage is sustained prior to the Project's completion, and reduce overall Project cost to a relative small extent.

* * *

Nacimiento Project Commission
April 26, 2007

Agenda Item VII.b – Authorization to Advertise for Construction Bids
(Commission Action Item – Subsequent Board of Supervisor
Action Required)

TO: Nacimiento Project Commission

FROM: John R. Hollenbeck, P.E., Nacimiento Project Manager

VIA: Noel King, Director, Department of Public Works

DATE: April 26, 2007

Recommendation

Forward a recommendation to the Board of Supervisors that we advertise for construction bids for Nacimiento Water Project Construction Specifications Nos. 1 through 5 including liquidated damage amounts and an incentive for early completion as stated herein.

Discussion

Bidding Prerequisite. In February of this year, the Nacimiento Project Commission endorsed the steps to commence construction for the Project, giving staff direction on the sequence of permit, financing, and right-of-way steps. As of this date, final design documents are to be delivered by the Black & Veatch/Boyle Engineering design team during the week of April 23, 2007, at which point final reproduction will commence. Jacobs’ constructability review is complete as is the District’s review of the up-front “Division 0” documents. Amendment No. 2 to the 1959 master water contract with Monterey County Water Resources Agency has been fully executed, giving the District rights to release water as-planned from the proposed intake facility. Further, permit issuance is tracking well and we expect to have all permits necessary to commence construction in April. Copies of the environmental permits will be included within the bid documents, or a placeholder will be placed in the bid documents stating that the permits will be issued under addendum. If the permits are not received in time for the planned advertisement date (see below), print the bid documents and hold them in waiting for receipt of final permits.

Bid Phase Schedule. It is the Project Manager’s recommendation that the Commission recommend that the Board of Supervisors on May 22, 2007, advertise the Project’s five construction contracts as follows:

Spec	Name	Advertise for Bid	Bid Opening
1	Intake	May 22, 2007	July 12, 2007
2	Facilities	June 19, 2007 (pending discussion with B&V)	August 16, 2007 (pending discussion with B&V)
3	Pipeline – North	May 22, 2007	July 12, 2007 (may shift to July 19, 2007)
4	Pipeline – Central	May 22, 2007	July 26, 2007
5	Pipeline – South	May 22, 2007	August 2, 2007



This sequence would allow us to have bids in hand, to revise the engineer's estimate of total Project costs, and to bring that cost information forth to Participants for an "opt-out" decision in the July/August 2007 timeframe.

Liquidated Damages. Your TSG considered setting liquidated damages (LDs) for each construction contract. LDs are cost reimbursement to the District levied against the Contractor for late completion of a construction contract. The LDs are higher when the impact of a delay to the District and/or public is also great. Contractors will evaluate the time allowed under each contract to complete the work compared to the LDs and may adjust their bid in anticipation of LDs being levied.

The TSG discussed this at the April 12, 2007, meeting reviewed a preliminary value of LDs for each of the five construction contracts as listed on the attached table. The TSG's experience is that if the construction completion time is unreasonable, then the contractors will include an allowance for paying liquidated damages in their bids. The design team met with the Project Manager earlier this month to review progress of the construction work given the environmental and other timing constraints, and laid out the completion times also listed in the attached schedule. The Project Manager is satisfied that these allowed times are reasonable for this Project, thus, staff does not expect the contractors will include LDs in their bids.

At this time, LD values are not complete. The Project Manager, working with the Designers and the District's accounting department are finalizing the LD values. It is expected that Specs 1 and 2 will have the largest LDs because that work is on the Project's critical path for completing the Project. Specs 3, 4, and 5 are not on the critical path, but will have LDs associated with project completion milestones. The District does not intend to limit the LDs for any of the construction contracts.

Incentive Program. The Project Manager recommends a strategy for the Commission to consider that balances the LD approach with a monetary incentive for early completion. Under this arrangement, each construction contractor would be eligible for pre-determined daily dollar amount for each day that work is complete ahead of schedule. There would be a maximum limit to the total value of the incentive that the contractor could receive. Both Participant staff and Jacobs' construction managers report that this is favorably received by construction contractors. The TSG and the Project Manager recommend offering \$500,000 incentive, allocated as shown below, for early completion. The daily values are still under consideration by the Project Manager.

Spec	Name	Incentive Value (maximum)
1	Intake	\$75,000
2	Facilities	\$225,000
3	Pipeline – North	\$100,000
4	Pipeline – Central	\$50,000
5	Pipeline – South	\$50,000



Other Agency Involvement

This issue was discussed at the April 12, 2007, Technical Support Group meeting and that group indicated their support for the recommended action.

Financial Considerations

The Project is funded by the Nacimiento Participants per the Nacimiento Project Water Delivery Entitlement Contracts executed by the Board of Supervisors in August 2004, for the initial participants, and in October 2006, for the new participant. The costs of bid advertisement are included in the Project’s design phase budget. Costs associated with timely completion of each construction contract are included in the engineer’s opinion of probable construction cost.

Since LDs represent compensation for quantifiable costs associated with delay in completion, the recommended action to set LDs is considered cost-neutral to the Project. Similarly, bonuses for early completion relate to quantifiable cost savings and when capped, should also be cost-neutral.

Results

Advertising for construction bids for Nacimiento Water Project, including liquidated damage amounts and bonuses for early completion as stated herein, is a positive step in advancing the Project. This action will also allow the District and Participants to refine the total Project cost estimate and better forecast the delivered water costs to participating communities throughout the County.

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