



**Nacimiento Project Commission  
Notice of Meeting and Agenda**

**Thursday, October 27, 2005 – 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 August 27, 2005  
(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. Construction Cost Estimate for EIR-Described Alignment
    - b. Report on Alternative Forms of Project Governance
  - VI. COMMISSION ACTION ITEMS  
(Commission action only, no subsequent Board of Supervisors action required)
    - a. Proposition 50 Application
  - VII. COMMISSION ACTION ITEMS  
(Board of Supervisors action is subsequently required)
    - a. Amendment to TJ Cross Engineer's Engineering Services Contract
    - b. Consideration of Cayucos as New Participant(s)
    - c. Amendment to ESA's Professional Services Contract
  - VIII. FUTURE AGENDA ITEMS DESIRED BY COMMISSION

Commissioners <b>Harry Ovitt, Chair</b> , SLO County Flood Control & Water Conservation District <b>Dave Romero, Vice Chair</b> , City of San Luis Obispo <b>David Brooks</b> , Templeton CSD <b>Grigger Jones</b> , Atascadero MWC <b>Frank Mecham</b> , City of El Paso de Robles
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Next Commission meeting scheduled for Thursday, December 15, 2005, at 4:00 pm at Templeton Community Services District offices.

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# Nacimiento Project Commission

## October 27, 2005

### Agenda Item III – Meeting Notes from August 25, 2005

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#### I. Call to Order, Roll Call, and Flag Salute

4:00 pm – Commission Vice Chair Romero called the meeting to order; Commissioners Romero, Jones, Brooks, and Mecham present; flag salute and pledge of allegiance performed.

#### II. Public Comment

None

#### III. Meeting Notes from June 2005 Meeting

On motion of Commissioner Jones, seconded by Commissioner Mecham, the meeting notes of June 23, 2005 were approved on a 4-0 vote.

#### IV. Project Management, Schedule, and Budget Reports

John Hollenbeck presented the Project Management Report, emphasizing the cost-sharing benefits of new participants. Heritage Ranch CSD submitted a request to consider an emergency connection to the Nacimiento facilities and Mr. Hollenbeck summarized the Technical Support Group's (TSG) input on the proposal. The TSG advises that such a request be viewed as an overall policy for future similar requests and sees the merits of participating as a full project participant. A meeting with Heritage Ranch CSD is scheduled for next week. Mr. Hollenbeck reported that new participant outreach, especially to the north county, is planned over the coming months. Commissioner Brooks questioned the size and composition of the Commission in the event that new participants are added. Staff agreed to return with a staff report outlining alternatives along this line in October.

An application for \$26 million in Proposition 50 funding has been submitted on behalf of the Nacimiento Water Project. Frank Honeycutt, SLO County Public Works Dept., reported that the required integrated regional water resources plan has been drafted and can be viewed at [www.slocountywater.org](http://www.slocountywater.org). The Flood Control District Board of Supervisors will consider that plan in December plus the State Dept. of Water Resources is to approve a short-list of Proposition 50 application by year's end. Commissioner Romero asked how funds would be distributed in the event that the District succeeded in securing, say, only 50% of the requested funds. Mr. Honeycutt confirmed that each project's funding would be reduced proportionally.

With regard to right-of-way acquisition, Commissioner Jones requested copies of the draft easement language allowing participants to install underground facilities in the Nacimiento easement. Mr. Hollenbeck confirmed that the draft language is under review now and will be included on the upcoming TSG agenda.

With regard to permitting activities, John Moss pointed out that securing federal funding such as Water Resources Development Act funds may automatically "federalize" the project and compel the Army Corps of Engineers to be our federal partner.

Regarding schedule, Mr. Hollenbeck pointed out that the Preliminary Design Report (the first major design submittal) would be submitted after November 2005, but likely earlier than April 2006. The



plan is to allow time for most design elements, especially geotechnical considerations, to be identified prior to issuing the Preliminary Design Report. John Moss asked when the value engineering review would take place, and Mr. Hollenbeck confirmed at the 30%/PDR submittal, concurrent with District review.

Christine Halley reported on a meeting with PG&E service planning, noting that they have made progress in defining necessary upgrades to serve the proposed pump stations. A CEQA determination of impacts resulting from extended power facilities may best be addressed in our upcoming Nacimiento Supplemental EIR.

Commissioner Jones asked when purchase of easements actually took place, i.e. is this activity funded by construction bond issuance or not? Staff agreed to research and report back.

Vice Chair Romero asked that a footnote be added to the budget status table stating that a positive variance means that moneys remain.

Mr. Hollenbeck pointed out that TJCross (Mrs. Halley) may reach their authorized fee by October and he advises an amendment possibly carrying through to the bid phase. This will be on the Commission's October agenda.

#### **V. Commission Information Items w/ Presentations**

No presentations made.

#### **VI. Commission Action Items**

##### **a. Letter of Gratitude to Congressman Thomas**

Vice Chair Romero suggested omitting the word "refreshing" from the letter. At Commissioner Brooks motion, second by Vice Chair Romero, the Commission moved to approve the letter as amended.

#### **VII. Commission Action Items**

None brought forth.

#### **VIII. Future Agenda Items Desired by Commission**

None, other than those brought up during the Project Manager's Report.

Meeting adjourned at 4:55 pm.

Submitted by Christine Halley, TJCross Engineers



Nacimiento Project Commission  
October 27, 2005  
**Agenda Item IV.a – Project Management Report**  
(Information Only – No Action Required)

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**PROJECT RESOURCES**

The project design team is fully assembled at this point and progress is being made on the numerous design elements of the facilities. The following describes changes to Project Resources, and the budget impact is summarized in Agenda Item IV.c.

The need for three sets of services has recently arisen, each of which are to be included in existing consultant contracts and covered by contingent fees:

1. During our recent coordination with Camp Roberts, we learned that it is advisable to conduct an unexploded ordnance (UXO) check in advance of any subsurface work on camp because the military cannot confirm whether or not UXO's are present. The pipeline alignment and related facilities lie outside of any known or mapped munitions areas. Still, it is advisable to conduct such a check as part of orderly project planning and worker safety. An unexploded ordnance check is outside of the work scopes of all team members at this point but may be assigned to B&V or B&V team members. In that event, contingent fees would be used to cover the cost of these services. The military does provide these services on military bases but their resources are deployed overseas. UXB International Inc. out of Virginia submitted a letter proposal to identify UXO in advance of the soils exploration, to provide a surface clearance along the pipeline corridor, and to provide subsurface detection during construction. The cost of these services is on the order of \$150,000. We discussed this with the TSG at the October 13, 2005, meeting. The Project Manager advised the TSG that he had authorized \$23,625 of design contingency for Geomatrix to subcontract USB to conduct surface and subsurface clearance in advance of all geotechnical borings on Camp Roberts. Further discussions regarding entire alignment sweep through Camp Roberts were held, and it was decided to explore having the Contractor take this scope of work by requiring them to utilize a firm like UXB.
2. Bathymetric survey (below the lake surface) is recommended at the proposed intake tower location so that the portals may be properly designed. This was omitted from Cannon & Associates original surveying contract pending direction from the design firm, so a contract amendment, making use of available contingent fees, will be needed. Cannon has requested fee proposals from Reese Surveys and other qualified firms to provide these services and this issue has been discussed with the TSG. A contract amendment using contingent fees for these services is expected.
3. Hamner-Jewell Associates has requested fee proposals for land appraisal services so that easement acquisition may proceed. These services may be authorized under a contract amendment with HJA using contingent fees. Initial budget discussions indicate the appraisal service may exceed the right-of-way budget contingency.



Two amendments to existing contracts are presented in Section VII for Commission direction:

1. Item VII.a pertains to an amendment to TJCross Engineer's contract for project engineering services.
2. Item VII.c pertains to an amendment to ESA's contract for support to prepare a Supplemental Environmental Impact Statement.

## **PROJECT ISSUES**

The purpose of this section of the project management report is to identify other areas that have received specific focus since the last Commission meeting.

### **Prospective NWP Participants**

An update on contacts with potential new project participants is:

- Heritage Ranch Community Services District (HRCSD) – HRCSD identified two project participation alternatives and the Black & Veatch design team is in the process of analyzing these alternatives now. The two alternatives are 1) full participation at 1100 AFY over eleven (11) months, and 2) 150 AFY over five (5) months.  
HRCSD was not part of the project's EIR that was certified in January 2004, thus, should they decide to enter into the project, then the supplemental EIR would be required.
- Camp Roberts and Camp San Luis Obispo - Representatives from both military camps were asked at the September 20, 2005, coordination meeting to respond in writing as to their planned participation in the Nacimiento Water Project. Deliveries of 200 AFY to Camp San Luis Obispo were included in the 2004 project EIR although the Camp did not enter into a delivery contract with the Flood Control District. Each base asks that we assess delivered water costs at varying levels of participation and B&V is underway with that cost assessment.
- Cities of Pismo Beach and Arroyo Grande – A staff meeting with Arroyo Grande took place on October 12, 2005. That city seeks 500-750 acre-feet per year of supplemental water and is underway with an alternatives study that includes the NWP as an alternative and routes for Nacimiento extension to the City or Lopez system. The Public Works Director emphasized membership on the Commission as important to Arroyo Grande. A similar informational meeting with the Pismo Beach Public Works Director is planned for later this month.
- CSA 10A (Cayucos) – Refer to Agenda Item VII.b for considerations affecting Cayucos' participation.
- Templeton CSD - At the TCSD board meeting in September, 2005, the board directed staff to cease pursuing additional Nacimiento deliveries at this time.



**Status of Financial Issues**

An update on the Proposition 50 funding application is addressed in Item VI.a.

There is no recent correspondence to report pertaining Congressman Thomas’ Water Resources Development Funding Act authorization.

**Status of Project Delivery Team Activities**

***Right-of-Way*** Good progress is being made with regard to rights-of-entry for soils exploration with one exception. HJA reviewed comments from the TSG and revised the information booklet that explains the process of acquiring easements across private property. The final booklet is in progress and will be distributed this month. Similarly, TSG comments on the draft Easement Deed are being incorporated.

*Site Access at Lake Nacimiento:* HJA is proceeding with arranging rights-of-entry particularly for the geotechnical work. On September 23, 2005, John Hollenbeck met with Mr. Dan Heath of Lake Nacimiento Resorts (Resorts), Monterey County Water Resources Agency leaseholder at the proposed Intake Pump Station. Shortly thereafter, the Resorts expressed concern regarding site access as documented in a letter from their attorney. District Counsel replied to the Resorts’ attorney with a letter to help provide clarity to the Project’s need for collecting subsurface information to help determine the viability of the site prior to conducting appraisal. Project staff is following these letters with telephone calls to the Resorts’ attorney and to the manager of the Resort to provide additional support in answering the Resort’s concerns.

Consequently, we have stopped activity on the property. Soils work at this location was scheduled for mid-October and progress on design will be delayed if the denial persists. Fortunately, soils borings at this location could proceed even in rainy conditions so further weather delays should not be a factor.

*Easement Acquisition through Participant-Owned Properties:* At the September 8, 2005, Technical Support Group meeting, the Participants were asked if they would grant easement to the Project through lands they own at no cost. The following table provides a status report of this request.

<b>Participant</b>	<b>Initial Response</b>	<b>Final Response</b>
City of Paso Robles	Granted via e-mail 9-12-05 (Project File D.4.1)	None expected
Templeton CSD	Not Applicable – Project does not cross any TCSD-owned lands	N/A
Atascadero MWC	Staff supported via e-mail 9-9-05 (Project File D.4.3). Expected presentation to Board of Directors on 10-13-05	To be determined
City of San Luis Obispo	Communicated via e-mail 9-13-05 (Project File D.4.4). Staff will take to City Council’s 10-4-05 Meeting. Recommended conceptual approval. Final approval in the future following detailed descriptions	To be determined
County of San Luis Obispo	Initially judged acceptable to be granted at no cost per email 10/04/05 (Project File D.2)	None expected

*Easement Procurement Alternatives:* The Commission inquired at the August 25, 2005, meeting about procurement of easements. Land acquisition is defined as part of the “Nacimiento Facilities” in the Delivery Entitlement Contracts and while not explicitly addressed in the contracts, is judged a part of the project design costs because it is budgeted in the design phase portion of the project. Refer to the budget status report (Agenda Item IV.c) for remarks regarding the land acquisition budget and recommendations for updating that budget amount.

Alternatives for acquiring the necessary project easements (pipeline easement, tank and booster station sites, etc.) were crafted to further evaluate the issue, and were discussed at the September 8, 2005, TSG meeting. The TSG explored the advantages and disadvantages of purchases relative to the timing of said purchases and the pertinent terms of the Delivery Entitlement Contracts. The alternatives identified include:

- **Alternative 1 – Escrow Accounts Closing After Opt-Out Date.** Each purchase would have an escrow account opened where the purchase funds would reside until at least one-week following the termination date of the Project opt-out. Should one or more Participants opt-out and the project be put on hold, the accounts would not close. The easements likely would be lost if the escrows do not close.
- **Alternative 2 – Purchase During Design Phase.** This would require committing funds to the acquisition prior to the opt-out date, thus putting Participant’s monies at risk in the event that Participants opt-out.
- **Alternative 3 – Obtain an Option to Purchase.** Logistics of “sealing the deal” for all of these options is numerous. The easement Agreements would contain conditions that provide the District an option to purchase the easement for a set price. The condition would involve the project moving forward after the opt-out period.

Of the range of alternatives considered, Alternative 2 – Purchase During Design Phase offers more advantages to the project. It supports straight-forward easement negotiations, gets money to landowners soonest thus mitigating escalation, values would be based on earliest appraisals, best protects construction schedule by assuring all property rights are in place in advance of bid award, and keeps HJA moving forward with their core work. These advantages out-weigh the risk of spending monies on land acquisition in the event that Participants opt-out of the project, are a part of the sunk funds associated with design phase services.

Based on this evaluation and TSG input, the District is proceeding with land acquisition per Alternative 2 – Purchase During Design Phase and will proceed with appraisals and offers to affected landowners.

**Environmental Permitting** ESA had no crews in the field in September. ESA’s next deployment will be follow-up surveys for route changes and facility locations, and to verify the *Wetland Delineation* with the USACOE, which was completed by ESA and reviewed by the District. ESA is tracking and providing input on recent design refinements, including the Salinas crossing, proposed locations for pump stations and reservoirs, and proposed new route alignments in Paso Robles and Santa Margarita. ESA distributed the *Geotechnical Surveys Resource Avoidance Plan* to the resource agencies in September. The draft *Biological Assessment* was submitted to the District for review. At the request of Camp Roberts staff, they will receive both the *Wetland Delineation* and the *Biological Assessment*, to assist them in

preparing the Environmental Baseline Survey, a step in the process of granting an easement for the NWP.

**Design Engineering** The efforts of the design team are focused on technical memoranda preparation, in particular the project peaking and flow evaluation. B&V prepared a cost allocation tool that is being used to assess the cost impacts of various peak deliveries to existing Participants and forecasting delivered water costs to potential New Participants.

The peaking analysis performed by B&V indicates the pipeline diameters would not significantly change versus the non-peaking alternative. This is beneficial to the original participants, and primarily is the result of a large reserve capacity.

B&V has submitted the opinion of probable costs for the EIR-described project. This estimate, in September 2005 dollars, is nominally \$30M greater than previous budget estimates. Agenda Item V.a is a presentation of this cost estimate.

**Finance Team** The finance team is actively organizing the design-phase Bond Anticipation Note (BAN) financing for City of San Luis Obispo.

### **Cost Allocation and Billing Model**

B&V has developed a cost allocation tool as mentioned above. The computer spreadsheet model is used to assess peaking and potential new participants.

### **Commission Officer Nominations**

Per the Commission's adopted Rules of Procedures "*At the first regular meeting of the calendar year, a Chair and Vice Chair shall be elected from amongst its members by majority vote of the Commissioners present. Chair and Vice Chair shall preside for one year.*" Therefore, nominations for 2006 Chair and Vice Chair will be accepted at the December, 2005, Commission meeting.

### **Commission Membership**

The Commission inquired at the August 25, 2005, meeting about size limitations to the Commission. Staff crafted alternatives for limiting the size of the Commission and presented the draft options at the October 13, 2005, TSG meeting. Significant discussions on this subject yield no clear direction, and staff concluded to continue this evaluation at the next two TSG meetings. Staff anticipates bringing a report to your Commission in December 2005.

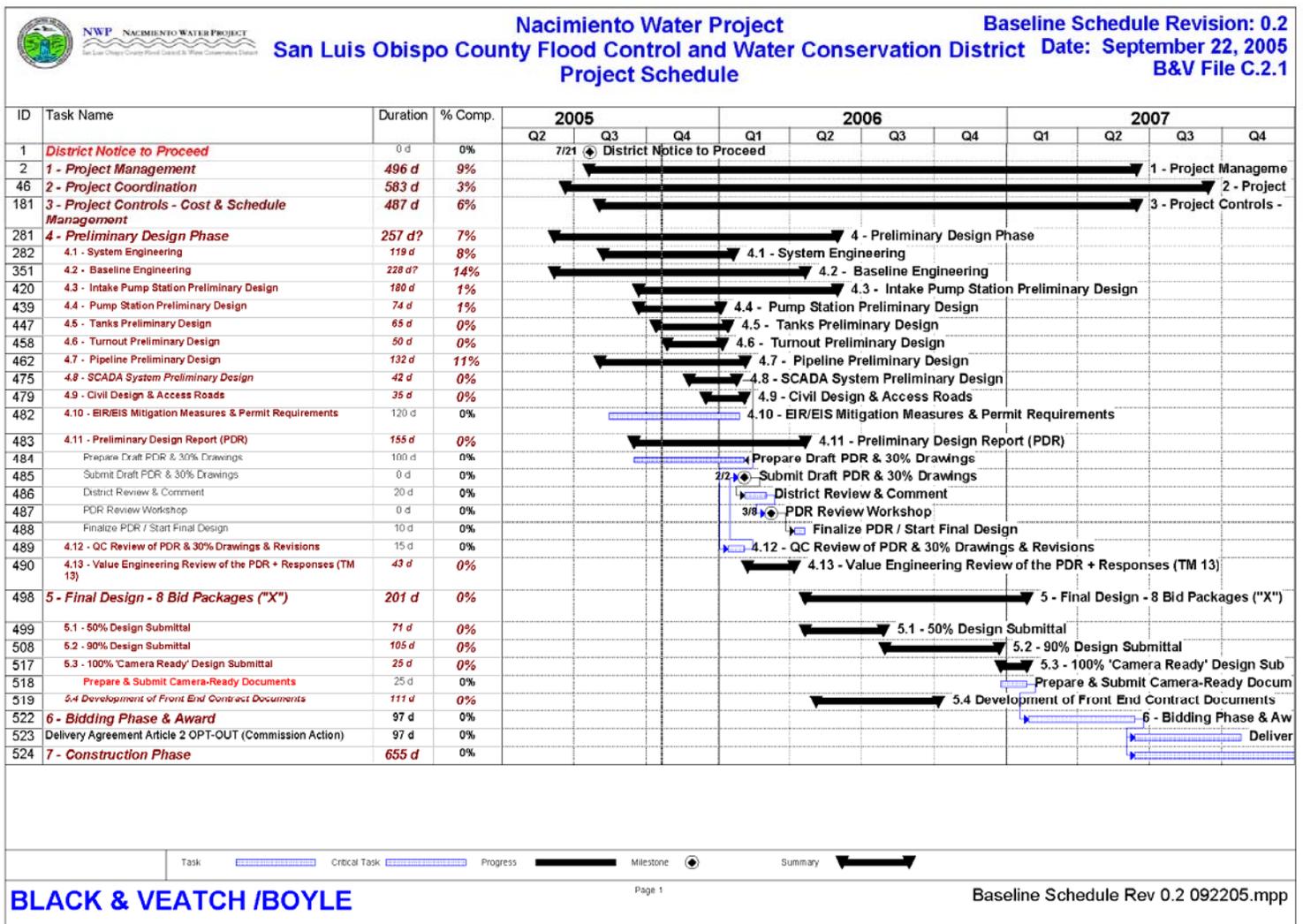


# Nacimiento Project Commission

## October 27, 2005

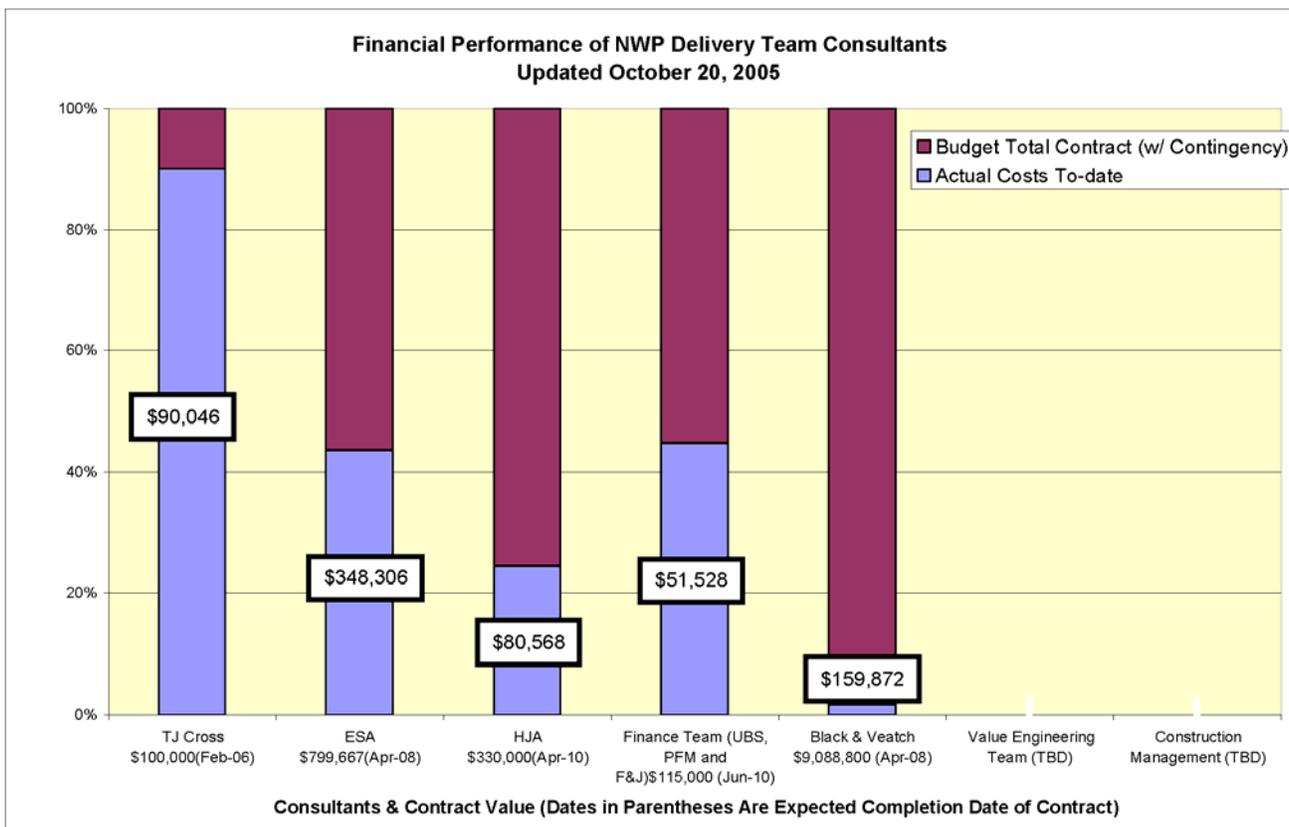
### Agenda Item IV.b – Project Schedule (Information Only – No Action Required)

Below is the latest project schedule, Revision 0.2. The Project Design Report is scheduled to be submitted by February 2006 and current indications are that permits are likely to be in hand in time to bid the project beginning in early 2007. Two activities are important to maintaining progress on the project: 1) certifying a supplemental environmental impact report to reflect changes in project design, extension of electrical service, and new participants; and 2) resolving site access issues at the proposed intake tower location. The design team is tailoring strategies to keep these and many other project issues moving forward to avoid delays in the months ahead.



Nacimientto Project Commission  
 October 27, 2005  
**Agenda Item IV.c – Project Budget**  
 (Information Only – No Action Required)

The project budget reporting table (last page of this Item) has been updated to reflect costs-to-date through September 30, 2005. The graphic below illustrates the performance of the various consultant teams based on invoices received and approved as of the date indicated in the graphic. Please note that the values in this graphic may not coincide with those reported in the budget table because the budget table is through close of the financial month, whereas the graphic reflects current information.



As mentioned in the August, 2005, Commission agenda packet, the geotechnical and surveying line items have been merged into the engineering design line item. Both contracts were assigned to B&V so all invoicing and contract management comes through B&V.

**Project Resources Budget Impacts**

The following table summarizes the impact of Project Resource changes described in Agenda Item IV.a

Item	Cost	Impact
UXO Clearance During Geotech Field Work	\$23,625	None. Cost managed in the Design Contingency
Bathymetric Survey of Lake	Pending	None. Cost managed in Design Contingency
Appraiser(s)	Pending	\$90,000 Contingency management expected to be challenging.
TJCross Amendment (see Agenda Item VII.a)	\$220,000	None. Cost managed in Project Management Contingency
ESA Amendment	Pending \$150,000 (estimate)	Exceeds environmental contingency. Recommend funding through Design Phase Reserves.

**Easement Budget**

A line item budget of \$2 million has been designated for land acquisition and is included in the design phase costs now being funded by Participants. That dollar amount was brought forward from the project planning during the mid-1990's and, considering today's land values, may not suffice to cover total acquisition costs. Further, several pipeline realignments have been proposed that reduce construction costs but increase the extent of easements required. Considering all this, staff and the TSG recommend that the project appraiser's scope include an update to this line item budget.

**Construction Budget**

You will hear a presentation on the construction cost estimate for the project. No revisions to the project budget are recommended at this time, rather we put the Commission on notice that construction and land acquisition cost estimates are being revised and may warrant revisions in the months ahead.



ATTACHMENT (\_\_\_\_)  
 Nacimiento Water Project  
 Project Budget Reporting  
 Report Ending Period: 9/30/05

ATTACHMENT (\_\_\_\_)

	Initial Budget	Revised Budget as Approved February 2005	Cost to Date thru 9/30/05	Remaining Budget	Projected Total Cost as of 7/19/05	Projected Variance (Budget Vs. Cost)	Comments
<b>Design Phase Anticipated Costs</b>							
Project Management	\$1,250,000	\$1,875,000	\$656,630	\$1,218,370	\$1,875,000	\$0	Includes County Project Manager, VE, support staff, consultant support, and legal fees.
Environmental	\$800,000	\$800,000	\$234,089	\$565,911	\$799,667	\$333	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	\$425,000	\$104,321	\$320,679	\$425,000	\$0	Hamner-Jewell contract plus allowance for appraisal and title reports by others
Property Acquisition	\$2,000,000	\$2,000,000		\$2,000,000	\$2,000,000	\$0	
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	\$169,158	\$9,480,842	\$9,088,800	\$561,200	Black and Veatch Corporation
Finance	\$0	\$115,000		\$115,000	\$115,000	\$0	PFM, UBS, and Fulbright&Jaworski
					<b>Total Variance=</b>	<b>\$561,533</b>	
Design Phase Budget Reserve	\$1,000,000	\$935,000		\$935,000	\$1,496,533		
<b>SUMMARY - DESIGN PHASE</b>	<b>\$18,900,000</b>	<b>\$18,900,000</b>	<b>\$1,169,368</b>	<b>\$17,730,632</b>	<b>\$18,900,000</b>		
<b>Construction Phase Anticipated Costs</b>							
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	\$3,720,000	\$0	Contingency item (estimated as approximately 4% of construction cost) for pipeline realignment, 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	\$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	
<b>SUMMARY - CONST. PHASE</b>	<b>\$129,556,000</b>	<b>\$129,556,000</b>	<b>\$0</b>	<b>\$129,556,000</b>	<b>\$129,556,000</b>	<b>\$0</b>	
<b>Prior Expenses</b>							
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	
<b>TOTAL PROJECT*</b>	<b>\$150,000,000</b>	<b>\$150,000,000</b>	<b>\$1,169,368</b>	<b>\$148,830,632</b>	<b>\$150,000,000</b>	<b>\$561,533</b>	

\* Rounded to \$100k

Memorandum(s):

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

Recent Update: 10/18/05



Nacimiento Project Commission  
October 27, 2005  
**Agenda Item V.a – Construction Cost Estimate Update**  
(Presentation - No Action Required)

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Under the design team Scope of Work Task 3, Project Controls – Cost and Schedule Management, Black & Veatch (B&V) is to manage the construction cost elements of the Project such that the overall project cost is within the \$150 million contractual limit. As the first step in this process, the design team has developed the Baseline Construction Cost Opinion for the Project, which will form the baseline for comparison with actual conditions as the design and permitting work progresses.

Because the project has just recently begun from the standpoint of design, the Baseline Construction Cost Opinion was prepared for the Project as described in the 2004 project environmental impact report (EIR) along with information developed during B&V's proposal preparation and unit pricing obtained in the interim. All costs are based on the current September 2005 cost level.

Based on the current cost levels, the baseline project construction cost is as follows:

Subtotal Construction Cost	\$116,900,000
Contingency (25%)	<u>\$ 29,200,000</u>
<b>Total Construction Cost – Baseline Project</b>	<b>\$146,100,000</b>
Original Cost Estimate, with Contingency	<u>\$116,838,500</u>
Amount of Cost Savings Needed (Approx.)	<b>\$30,000,000</b>

**Comparisons With Past Estimates**

The increase in estimated Project construction cost compared to estimates made over the last two to three years is largely due to the escalation of costs of materials and labor due to market conditions. This is reflected in the Engineering News Record's (ENR) cost basis adjustment for construction cost in the Los Angeles area, which has risen about 10% in just two years.

In addition, the recent Katrina and Rita hurricane disasters will probably further affect the project construction costs, specifically materials and labor. Estimating the effects of Katrina and Rita on the project cost are yet to be made. These cost effects could be significant if the Katrina and Rita hurricanes damage reconstruction work extends through the project's construction timeframe.

**Strategies to Mitigate Inflationary Increase**

**Pipeline Optimization Analysis** - The B&V statement of qualifications for this project included proposals to reduce construction costs by as much as \$15 million to \$20 million, without reducing deliveries or service levels, when compared to the original baseline project presented in the EIR. B&V has already taken the first step in this cost management process, by performing a pipeline optimization analysis as part of Technical Memo 2 – Project Phasing and Flow Peaking Evaluation. Upon acceptance of Technical Memo 2, the resulting cost savings will be incorporated into the next construction cost update. The pipeline optimization, alone, is expected to save about \$8.0 million in construction costs compared to the baseline estimate of \$146 million.



**Implementing Bid Strategies** - In addition to the above mitigation plan, on October 27, 2005, B&V will commence a series of cost control evaluations that include performing a bidding market assessment, and preparing a construction and contracting plan. Already, as a result of press releases and public notices about the project, we are receiving inquiries from large contractors as far east as Salt Lake City, that are interested in bidding portions of the project. Our goal is to create an optimal bid climate in which the District can receive the benefit of competitive market forces.

**Other Strategies** - The B&V-led design team stands committed to work with the District, through focused interaction with the Technical Support Group and the Project Manager, to identify additional measures to bring the project construction cost within budget, and counteract the potential future escalating material and labor costs that we foresee today as a result of Hurricanes Katrina and Rita.



Nacimiento Project Commission  
October 27, 2005  
**Agenda Item V.b – Report on Alternative Forms of Governance**  
(Presentation - No Action Required)

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**TO:** Nacimiento Project Commission  
**FROM:** Paavo Ogren, Deputy Director of Public Works  
**VIA:** Noel King, Director, Department of Public Works  
**Date:** October 19, 2005

The purpose of this report is to provide a summary of issues relating to the governance of the Nacimiento Water Project (Project) and to provide a framework for discussions with the Nacimiento Commission at their meeting of October 27, 2005. It is focused on the existing approach (A Commission/Lead Agency Approach) to governance that was approved in the Nacimiento Water Entitlement Delivery Contracts (Contracts) and also reviews alternatives to that existing approved approach.

Definitions<sup>1</sup> of “Governance” include the following:

**noun:** the persons (or committees or departments etc.) who make up a body for the purpose of administering something (Example: *"The governance of an association is responsible to its members"*)

**noun:** the act of governing; exercising authority

This report is intended to summarize the following:

- Background on Existing Approach for Project Governance
- Significant Governance Issues Included in the Contracts
- Major Issues Reviewed during Contract Negotiations
- Alternative Approaches to Governance
- Next Steps

Background – Existing Lead Agency/Commission Approach

The governance of the Nacimiento Water Project is illustrated in the organization chart attached as Exhibit “A.” The three groups primarily involved in the Project’s governance are the Technical Support Group, the Nacimiento Project Commission, and the Board of Supervisors of the San Luis Obispo County Flood Control and Water Conservation District (District).

The Technical Support Group (TSG) is primarily responsible for review of items from a technical or staff perspective and the development of recommendations for the Nacimiento Project Commission.

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<sup>1</sup> <http://www.onelook.com/>



The TSG includes representatives of all of the agencies, and the TSG’s review of issues consists of several dynamic efforts. TSG members are high-level agency officials with established experience in developing recommendations for their individual agencies. They are responsible for reporting to their respective agencies on issues facing the project, and in doing so; provide their agencies with insight on how other agencies view specific project issues. At TSG meetings, the members are also responsible for evaluating issues from the overall project perspective – i.e. how to best meet the goals and objectives of the project. Thus, the dynamics of evaluating issues from the perspective of individual agencies while developing consensus for the project as a whole is inherent in TSG dynamics. Review of the Project team’s progress on overall project scope, schedule and budget is also included in the TSG technical efforts.

The Nacimiento Commission, currently represented by elected officials, is responsible for the overall policy direction of the Project through the consideration and approval, disapproval or modification of those items submitted by the Project team after obtaining recommendations from the TSG. The Board of Supervisors likewise maintains the ability to reconsider decisions of the Commission on most (but not all items) but is required to make written findings at a public hearing if the Board’s approval of items differs from Commission approvals. The approvals of the Commission and/or the Board need to conform with the terms and provisions of the Nacimiento Water Delivery Entitlement Contracts (Contracts) that were approved by the agencies.

### Shared Powers

Under this existing approach, the political authority for the Project includes *shared powers*. While the political “persuasive power” of the Commission is also significant, real powers under the Contacts exist between the Project owner (the District) and the agencies that participate in the Project. Under the terms of the Contracts, the shared powers are sometimes defined - to the extent that they could be established during the development of the Contracts. In other instances, Contract terms establish guidance as opposed to contractual rigid requirements – providing the Commission greater flexibility in establishing Project direction. Further modifications to those Contract terms are possible through Contract amendments<sup>2</sup> when it is advisable to do so – such as current consideration to limit the number of actual Commissioners to a reasonable size.

Alternative approaches to the governance of the Project are also possible although many of the significant Contract provisions that have been successfully negotiated between the agencies could be subject to renegotiation or become invalid altogether under forms of governance that steer away from the existing Lead Agency/Commission approach. **In other words, the existing Contracts are tied closely to the existing form of Governance, and modifying one requires modifying the other.**

### Significant Governance Issues Defined in the Contracts

The Contracts establish the terms and conditions that primarily control the implementation and operations of the Project. In contrast to many governmental activities where governing councils or boards have a relatively great degree of legislative freedom in determining policy direction of those activities, the implementation of inter-agency public infrastructure projects is more commonly established through contracts that inherently limit legislative discretion and require implementation in conformity with the Contracts.

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<sup>2</sup> Amendment #1 was approved May 24, 2005 to provide an additional method of funding design phase costs.

In essence, the terms and conditions agreed upon by the agencies establish contractual rights and obligations - and the approach is especially important on long term infrastructure projects so that funding can be obtained and so that the Project's implementation can be better assured. Through Contractual arrangements, the Project is far less susceptible to the risk of subsequent councils and boards reversing the rights and obligations established in the contracts without unanimous consent of all parties. The need to assure that the benefits of the projects continue in perpetuity necessitates these contractual arrangements - although alternative contracts can also support alternative approaches to overall governance.

In the existing Nacimiento Contracts, Article 33 establishes the Nacimiento Commission<sup>3</sup>, while several other Contract terms either establish specific rules or provide guidance on Project details. In its most general sense, the Nacimiento Commission was established to direct and oversee Project activities in accordance with the Contracts. To further the authority of the Commission, Article 33 effectively requires Commission approval on all "substantive matters," including the annual budget. To prevent arbitrary override of Commission approvals by the District's Board of Supervisors, the District's Board is required to develop written findings, approved at a noticed public hearing, if the Board directs activities or approves Project issues in a manner that differs from Commission approval.

### Major Issues Reviewed During Contract Negotiations

The draft Contract terms and conditions were the subject of extensive review by agency representatives prior to their approval by each agency. The following is a list of the major Contract issues/categories that were reviewed and deliberated prior to Contract approval.

#### Contract Issues/Categories

- Water Supply
- Water Quality
- Water Delivery
- Municipal Finance
- Financial Policies
- Governance
- Operations
- Capital Projects
- Other

After significant review and negotiations among agency representatives, it was agreed that the Lead Agency/Commission approach set forth in the Contracts was the best form of governance to include in the contracts. Some of the governance related issues discussed during Contract negotiations included the following:

Utilizing Existing Operations Versus Establishing a New Operating Agency - The long term efficiency of utilizing existing operations instead of creating a new agency or organization with new operating, management and administrative staff was deemed an advantage of the existing approach to governance.

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<sup>3</sup> See exhibit "B" illustrating the voting percentages of Commission members.



Water Rights - Previous litigation relating to the District's Master Nacimiento Contract with Monterey County Water Resource Agency (MCWRA), and the District's designation on the State Water Resources Control Board (SWRCB) water right permit was deemed as an advantage of the existing form of governance and as a disadvantage for alternative approaches to governance.

Project Funding - Although the project's credit rating will primarily be based on the financial stability of the water funds operated by participating agencies, the District's overall financial resources, and those indirectly tied to the County of San Luis Obispo<sup>4</sup>, were deemed to be an advantage of the existing approach to governance. In addition, the Board's willingness to contribute property tax revenue, which could exceed \$ 30 million<sup>5</sup> over the anticipated 30 year term of construction bonds, was negotiated within the Contracts and deemed a significant advantage to the current approach.

Authority over Unsubscribed Water - Legislative discretion associated with the unsubscribed portion of the water was deemed to be a significant disadvantage to an alternative form of governance. While the Contracts provide the Commission with approval authority over the buy-in fee that might be charged to new subscribers, the Contracts also require approval from individual participating agencies if a new potential participant was not included in the EIR, (Section 29(c) of the Contracts require approval from participating agencies holding at least 55% of the delivery entitlements). In addition, the land-use authority in unincorporated areas is that of the Board while acting on behalf of the County of San Luis Obispo. Consequently, complete removal of the Board in the water resource decisions would be a significant disadvantage of an alternative form of governance.

In addition, the existing approach to governance was deemed as an advantage because of the *shared powers* for establishing the Project's buy-in fees. Since the Commission will need to approve the buy-in fee and the Board is only able to modify that fee with written findings (which arguably must be legally defensible) the fee setting authority and process currently has appropriate 'checks and balances.'

Operations and Maintenance Budgets - Although the participating agencies did contractually approve a project budget of \$150 million, the annual operating budgets are also subject to Commission review and approval. The Board's ability to alter the Commission's budget action has, however, been deemed by some as a disadvantage to the current form of governance (especially from the perspective of agencies who are paying those costs), but it is nevertheless legally aligned with the rights and obligations that are otherwise established in the Contracts.

Since the District is obligated under the Contract to implement and maintain the Project facilities in accordance with the Contract and industry standards, the District's Board needs discretionary authority to establish the appropriate budget to meet those obligations - or the risk of insufficient funds to meet operating requirements could undermine proper functioning of the

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<sup>4</sup> Although the County of San Luis Obispo is not contractually obligated under the Contracts as is the District, the ex-officio status with the County of San Luis Obispo's elected officials, such as the Treasurer and Auditor, and the general financial security of the County are deemed advantageous when seeking Municipal Obligations to fund the Project.

<sup>5</sup> Based on an annual increase in property tax revenues of 2% per year; annual average increase of 3% would yield greater than \$40 million in property tax allocations; annual average increases of 4% would yield nearly \$50 million.



Project. Since the District is required to maintain separate accounting records for the Project, and the District's budget authority is limited to only those costs that are reasonable and necessary for the District to meet its obligations, mitigating factors do restrict the Board from approving unreasonable and capricious budgets.

### Alternative Approaches to Governance

Alternatives to the current Commission/Lead Agency approach to governance include the following:

Variations to the Lead Agency / Commission Approach - The Whalerock Commission that governs Whalerock reservoir is a Lead Agency / Commission approach between multiple State agencies and the City of San Luis Obispo, which acts as lead agency. This example also includes separate contracts with private and public water agencies located in Cayucos that are not members of or represented by the Whalerock Commission. Variations to Nacimiento's Lead Agency / Commission Approach will have the least likely negative impacts on Project timing and costs as compared to other alternative approaches to governance. Likewise, variations would be the most efficient approach to implementing changes as compared to other alternatives. The disadvantage to these variations is that the scope of change is more limited as compared to other alternative approaches and may not be applicable to some specific changes that might be sought.

A Joint Powers Authority (JPA) - The JPA approach is an alternative that is used in several instances throughout the State. Local examples include the San Luis Obispo Council of Governments (SLOCOG) and the San Luis Obispo County Regional Transit Authority (SLORTA). Since these Joint Powers Authorities have significant discretionary/legislative authority impacting the County of San Luis Obispo and all seven of the incorporated cities, they reflect the type of governmental activity that is more common with JPA's (i.e the JPAs identified have more discretionary authority over general programs, which than can change significantly as time passes, as opposed to specific projects that require stable and predictable operations).

The Central Coast Water Authority (CCWA) which operates and maintains State Water facilities in Santa Barbara County is the nearest example of a JPA on a regional water supply project. The creation of a new entity for State Water operations in Santa Barbara County is nevertheless subject to their contract provisions, and some private purveyors are contractors and not member agencies. The numerous complexities associated with State Water and the operation of over 100 miles of pipeline and a water treatment plant with permitted capacity for approximately 50,000 acre feet of annual deliveries provided the economy of scale to justify a new entity in their example. In addition, when State Water was approved by Santa Barbara County interests, the Board of that County did not support SWP and therefore approved independent operations. The Santa Barbara County Flood Control and Water Conservation District nevertheless retains certain SWP rights with the Department of Water Resources and the CCWA JPA itself does not have full autonomous authority on the SWP project.

A Water Resource Agency - As an alternative to the Lead Agency /Commission approach, Water Resource Agencies typically do not operate single projects. Instead, such is the case in Monterey and Kern Counties, they often cover regional water resource management and include several projects or programs. They also often include separately elected governing Boards. Thus, a potential disadvantage can be the loss of direction and oversight from those agencies that are participating in the Project and paying its costs.



An Independent Zone - Zone 7 of the Alameda County Flood Control and Water Conservation District (ACFC&WCD) reflects a unique alternative. While Zone 7 is governed, managed and operated (substantially) separate from ACFC&WCD, it is still technically a part of the Alameda County District. It (Zone 7) functions as a sub-regional Water Resource Agency implementing multiple programs and projects and acting under a separately elected Board without appointments from those agencies participating in the Project.

### Regional Implications

On September 13, 2005, the Board of Supervisors reviewed and discussed alternative governance approaches to regional water resource management versus the existing role of the San Luis Obispo County Flood Control and Water Conservation District. The Board directed staff to submit 2006-07 budget requests to update the County's General Plan Conservation Element (with its required water component) and directed no change to the District's organization or governance. Since the Board's review focused on overall water resource programs, the governance of specific projects such as Nacimiento was not specifically discussed. Consequently, the Board's decisions do not restrict continuing deliberations on the Nacimiento Project. Nevertheless, the District's long-range efforts to enhance integration of water resource objectives such as conjunctive use programs were deemed an advantage of the District's current form of governance. Simply stated, the regional implications that could develop if the Nacimiento Project was implemented altogether separate from the District could increase challenges of coordinating Project goals with those of other regional activities, and the potential benefits of integration could be decreased.

### Next Steps

Review and consideration of this staff report is the first step in considering alternative approaches to governance; whether those alternatives are modifications to the existing Lead Agency / Commission approach or whether they consider altogether different approaches such as a Joint Powers Authority. The TSG review of this item recommended that future consideration of alternative approaches to governance be based on goals and objectives that are identified and evaluated. Development of those goals and objectives could be pursued through a sub-committee of the Commission, or, proponents of specific goals and objectives can prepare a proposal and evaluation.

The pros and cons of maintaining the existing Lead Agency / Commission approach include the following:

#### Pros:

- Modifications to governance that are consistent with the existing approach can be pursued through amendments to the existing Contracts without "opening" the entire Contracts to renegotiation. For example, current Commission consideration of limiting the size of the Commission in the future is a modification that can be accomplished with a Contract amendment.
- The advantages previously cited in this report, and which support the current approach, will be maintained.
- The time and resources utilized to consider modifications will be less likely to hinder project design and implementation.



- Would be less likely to require approval by Trustees for Municipal Obligations<sup>6</sup>
- More likely to support integration with regional water efforts.

Cons:

- Changes that might be considered under the existing approach may not meet goals and objectives.

The pros and cons of alternatives to the Lead Agency Commission approach would include the following:

Pros:

- Would increase the options of governance to meet goals and objectives.

Cons:

- Could cause the contracts to be reopened entirely to renegotiation.
- Could hinder existing design and implementation efforts.
- Would likely require approval of Trustees for Municipal Obligations if pursued after construction bonds are issued.
- Less likely to support integration with regional water efforts.

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Exhibit “A”: Existing Org Chart will be inserted for Commission agenda

Exhibit “B”: Existing Chart illustrating voting structure of Commission will also be inserted.

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<sup>6</sup> Trustees for Municipal Bonds would only be involved in governance issues after construction bonds are sold if the Lead Agency / Commission approach were changed to an alternative form of governance or if some other substantial change to the Contracts were considered that the Trustees believe might deteriorate the Projects ability to repay the Bonds.





# Project Team Organization Chart

**Governing Authority**

District's Board of Supervisors

Nacimiento Project Commission

Technical Support Group

**Project Manager**

John R. Hollenbeck, PE  
 San Luis Obispo County Flood Control and Water Conservation District

- Overall Project Administration
- Review of Team Recommendations
- Responsible for Reporting to Commission
- Management of Team Leaders

**Project Engineer**

Christine Halley, PE  
 TJ Cross Engineers

- Project Scope, Schedule and Budget Recommendations
- Design Team Oversight
- Tech. Support to PM

**Design Team  
Black & Veatch**

Project Manager  
Steve Foellmi, PE

Complete Project Design and Bidding Support

Subconsultants

- Boyle Engineering, Design
- Jacobs, Underground
- Geomatrix, Geotechnical
- Cannon, Surveying

**Environmental Team  
ESA & District**

ESA Project Manager  
Tom Roberts

District Liaisons  
Mark Hutchinson & Eric Wier

- CEQA, NEPA
- Environmental Permits

**Right Of Way  
Hamner-Jewell Associates**

Project Manager  
Lillian Jewell

- Acquisitions, Rights of Entry, Coordination

**Finance Team  
PFM, UBS and Fulbright & Jaworski**

District Liaisons  
Will Clemens and Paavo Ogren

- Municipal Obligations

**Others to be Determined**

Value Engineering (Consultants)

Construction Management (Consultant)

Construction (Contractors)

**Other District Support**

- Engineering
- Accounting
- Clerical/Office Space
- Legal

# Nacimiento Water Project

## Nacimiento Project Commission

### Voting Rights as of October 2005

	# of Commissioners	District Vote	Entitlement (AFY)	Participatnts Vote	Total Votes
San Luis Obispo County Flood Control and Water Conservation District	1	20.00 %		33.23 %	<b>20.00%</b>
City of El Paso de Robles	1		4,000	28.08 %	<b>33.23%</b>
City of San Luis Obispo	1		3,380	16.61 %	<b>28.08%</b>
Atascadero Mutual Water Company	1		2,000		<b>16.61%</b>
Templeton Community Services District	1		250	2.08%	<b>2.08%</b>
	5	20.00 %	9,630	80.00 %	<b>100.00 %</b>

	Minimum Voting Combinations for Passing Vote*				
Flood Control I	20.00 %	20.00 %	20.00 %		
Paso	33.23 %			33.23 %	33.23 %
SLO		28.08 %	28.08 %	28.08 %	
AMWC		16.61 %			16.61 %
TCSD			2.08%		2.08%
	<b>53.23 %</b>	<b>64.69 %</b>	<b>50.16 %</b>	<b>61.31 %</b>	<b>51.92 %</b>

\* Some actions require greater than a simple majority vote. Refer to current version of Bylaws and Rules of Procedures.

Nacimiento Project Commission  
October 27, 2005  
**Agenda Item VI.a – Proposition 50 Application**  
(Commission Action Required)

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**TO:** Nacimiento Project Commission  
**FROM:** John Hollenbeck, Nacimiento Project Manager  
**VIA:** Noel King, Director, Department of Public Works  
**Date:** October 19, 2005

**Recommendation**

Authorize the Commission Chair to send a letter in support of the Proposition 50 funding application for the project.

**Discussion**

An application for \$26 million in Proposition 50 funding was submitted on behalf of the Nacimiento Water Project. The required integrated regional water resources plan has been drafted and can be viewed at [www.slocountywater.org](http://www.slocountywater.org). The Flood Control District Board of Supervisors will consider that plan on December 6, 2005, plus the State Dept. of Water Resources is to approve a short-list of Proposition 50 application by year's end.

A presentation on the status of the application, the related integrated regional water resources plan, and the anticipated schedule for confirming funding will be made at the October Commission meeting. In advance of the Board of Supervisor's consideration of this item, a letter in support of the funding application (attached) may be sent by the Commission.

**Other Agency Involvement**

The San Luis Obispo County Flood Control and Water Conservation District submitted a Proposition 50 funding application on behalf of Flood Control District Zone 3 (the Lopez Water Treatment Plant Upgrade), the Los Osos Community Services District (wastewater collection, treatment, and disposal project), and the Nacimiento Water Project. Affected agencies have submitted similar letters to the Board in support of this application and some outreach to State-level elected officials is underway.

**Financial Considerations**

Securing \$26 million in Proposition 50 funding would lessen the contributions of local agencies in support of Nacimiento project implementation.

**Results**

Securing Proposition 50 funding for the project will further contribute to the financial feasibility of the Nacimiento Water Project.





**NWP NACIMIENTO WATER PROJECT**

San Luis Obispo County Flood Control & Water Conservation District

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**San Luis Obispo County FC&WCD**

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

**Commissioners**

Harry Ovitt, SLO County FC&WCD  
Frank Mecham, City of Paso Robles  
David Brooks, Templeton CSD  
Grigger Jones, Atascadero MWC  
Dave Romero, City of San Luis Obispo

October 28, 2005

San Luis Obispo County Board of Supervisors  
County Government Center, Room 207  
San Luis Obispo, CA 93408

Subject: Nacimiento Project Commission Endorsement of the Proposition 50 Funding Application

Honorable Board Members:

The Nacimiento Project Commission is comprised of elected officials from the four project participants and the San Luis Obispo County Flood Control and Water Conservation District. Representatives of each agency that will both receive water deliveries from the project and be responsible for funding the project are seated on the Commission. Opportunities to best manage project costs and to seek supplemental funding sources rank high on the Commission's priorities.

At our meeting of October 27, 2005, the Nacimiento Project Commission passed a motion endorsing the District's application for Proposition 50 funding. We appreciate the effort put forth by District staff in the preparation of the application packet and we look forward to full operations of this important water resource project.

Sincerely,

Harry Ovitt, Chair  
Nacimiento Project Commission

Nacimiento Project Commission  
October 27, 2005  
**Agenda Item VII.a – Amendment to TJ Cross Engineer’s  
Engineering Services Contract**  
(Commission Action Required; Subsequent Board Action)

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**TO:** Nacimiento Project Commission  
**FROM:** John R. Hollenbeck, Nacimiento Project Manager  
**VIA:** Noel King, Director, Department of Public Works  
**Date:** October 5, 2005

**Recommendation**

Endorse a staff recommendation to the Board of Supervisors to execute a contract amendment with TJCross Engineers to extend project engineering support services to the Nacimiento Project through mid-2007.

**Discussion**

Since August 2004, TJCross Engineers, Inc. has been providing project engineering and management services for the Nacimiento Project, particularly as the Nacimiento Project Commission was established and the design team assembled. Under the direction of Project Manager John Hollenbeck, Mrs. Christine Halley, and TJCross Engineers assists the district with the varied and numerous project management activities, reviews design team deliverables, and helps assemble meeting packet materials for numerous project meetings. At the District’s request, TJCross proposes to extend engineering support services for the project through the design and bid phase as follows:

- Contact potential New Participants especially in the North County and establish the level of interest in receiving Nacimiento deliveries.
- Work with the Public Works Department environmental staff to address New Participants in supplemental CEQA determinations.
- Work with the District’s Project Manager and design team to review design submittals and contribute to the basis of design.
- Assist in agenda packet preparation for Nacimiento Project Commission, Technical Support Group, and staff meetings. Organize meetings with third parties (MCWRA, PG&E, etc.).
- Oversight of cost allocation approach and incremental cost calculations.
- Write requests for value engineering, construction management, environmental monitoring, and other professional service qualifications statements, arrange interview panels, and coordinate the consultant selection process.
- Assist in managing the professional contracts associated with project execution.
- Participate in construction contractor outreach and bid evaluation.
- Extend other project management activities and coordinate the many project activities with the District’s Project Manager.
- Other project related services as needed.



Mrs. Halley has been working under a \$100,000 authorization since January 2005. Remaining budget as of September 23, 2005 is \$12,000. The proposed additional fee of \$220,000 would extend services as outlined above at an average of 18 hours per week dedicated by Mrs. Halley.

### **Other Agency Involvement**

The Nacimiento participating agencies include the cities of Paso Robles and San Luis Obispo, the Atascadero Mutual Water Company, and the Templeton Community Services District. Numerous environmental resource agencies and other regulatory agencies will be involved in permitting for the Project. The Monterey County Water Resources Agency will also be involved in project implementation.

### **Financial Considerations**

The support services of TJCross Engineers is included in the design phase budget “Project Management” line item of \$1,875,000. That total dollar amount includes TJCross’ support, District labor (including the Project Manager), value engineering, District overhead allocation, and other activities. The proposed contract amendment will be managed within the Project Management line item contingency.

### **Results**

Consistent project management will contribute to the efficient delivery of the overall project.



# Nacimiento Project Commission

October 27, 2005

## Agenda Item VII.b – Consideration of Cayucos as New Participant(s) (Commission Action Required; Subsequent Board Action)

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**TO:** Nacimiento Project Commission  
**FROM:** John Hollenbeck, Nacimiento Project Manager  
**VIA:** Noel King, Director, Department of Public Works  
**Date:** October 17, 2005

### Recommendation

Support Cayucos' participation in the project per the conditions stated below.

### Discussion

Three Cayucos entities are identified in the Project EIR and Exhibit "B" of the Water Delivery Entitlement Contracts (Contracts) and which have the ability to participate in the Project at this time. Those entities, and the quantity of water identified in the EIR for each, are listed below.

San Luis Obispo County Service Area No. 10, Zone A	80 AFY
Lewis Pollard Family Trust	50 AFY
Morro Rock Mutual Water Company	30 AFY

Article 29(C) of the Contracts identifies how to address requests from potential New Participants. That language basically states that the entities listed above, because they were addressed in the project EIR, can enter into a Like-Contract for delivery of water provided that they pay the required fees. (Potential New Participants NOT addressed in the EIR would also require the approval from Participants representing at least 55% of delivery entitlements.)

Considering terms set forth in Article 29 and other pertinent terms of the Delivery Entitlement Contracts, the Commission is asked to support Cayucos' participation in the project. Specifically, the Commission is asked to approve participation in the Nacimiento Water Project for the three Cayucos entities identified in the EIR and Exhibit "B" of the Contracts under the following conditions:

1. That representation on the Commission be in compliance with Commission direction regarding membership in effect at the time.
2. That the Cayucos participation by Lewis C. Pollard Family Trust is consolidated under one of the water purveying entities from Cayucos.
3. That the Cayucos interests pay lump-sum for their proportional share of design costs immediately upon final approval of Contracts and that this payment be additive to the Design Phase Budget.



Approval at this time is needed so that the Cayucos entities can begin final preparation of contracts among the Cayucos participants. The Cayucos participants will also need an exchange agreement with the City of San Luis Obispo since Cayucos will not take direct deliveries of Nacimiento water but will exchange its Nacimiento Water for Whale Rock water.

### **Other Agency Involvement**

Commission direction in this regard affects San Luis Obispo County Service Area No. 10A and Morro Rock Mutual Water Company. A private entity, the Lewis Pollard Family Trust, is also affected. The City of San Luis Obispo is also affected in their role of exchange partner.

### **Financial Considerations**

Welcoming New Participants to the project will shed some of the financial burden associated with Reserved Capacity Costs among more entities. No additional design or construction costs are expected to result from Cayucos' participation as capacity is already planned in the project.

### **Results**

Adding New Participants is a positive step toward full use of this water resource project and in sharing costs among all participants.



Nacimiento Project Commission  
October 27, 2005  
**Agenda Item VII.c – Amendment to  
ESA’s Professional Services Contract**  
(Commission Action Required; Subsequent Board Action)

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**TO:** Nacimiento Project Commission  
**FROM:** John Hollenbeck, Nacimiento Project Manager  
**VIA:** Noel King, Director, Department of Public Works  
**Date:** October 19, 2005

**Recommendation**

Authorize staff to negotiate increased scope of work, with a maximum not-to-exceed fee of \$150,000, to prepare either an Addendum to the Final Environmental Impact Report (FEIR) as a minimum, or prepare a full Supplement to the FEIR (SEIR) as a maximum, and upon successful negotiation, present the Contract Amendment to the District’s Board of Supervisors for approval.

**Discussion**

A subsequent Environmental Impact Report (EIR) is needed for the project to address the potential environmental impacts of several issues including: pipeline alignment refinements, participant turnouts, changes in location of pump stations and reservoirs, installation of electrical transmission lines across Camp Roberts, and service to new participants. Most of these changes benefit the Project economically and/or environmentally. Other changes may result in higher levels of effects to certain resources. The subsequent EIR would supplement the Project’s Final EIR adopted by the District’s Board of Supervisors in January, 2004.

At this point in understanding project change, ESA (our design phase environmental consultant) advises that an Addendum to the EIR may be all that is needed. An Addendum is simpler and less costly than a Supplement. However, we cannot conclusively determine the type of EIR until the issues with the changes are more thoroughly studied.

ESA’s preliminary estimate for an Addendum or Supplement to the FEIR ranges from \$75,000 to \$150,000.00. Staff requests the Commission’s approval to allow staff to negotiate a sole source contract with ESA to prepare the subsequent EIR for the Project, up to the maximum value stated above. This will reduce delays and keep environmental permitting on schedule.

If Heritage Ranch CSD (presently not included within the FEIR document) participates in the Project, there may be significant environmental issues such as growth inducement that will need to be addressed in the subsequent EIR. Heritage Ranch’s participation may cause an increase in the cost of the subsequent EIR beyond the maximum estimates stated above. These additional costs would be borne by Heritage Ranch. If this occurs, staff will return to the Commission for additional authorization.



## **Other Agency Involvement**

The proposed changes in the project will be addressed in either an Addendum or a SEIR, and affect the cities of Paso Robles, Atascadero and San Luis Obispo, and unincorporated areas of the County including: Camp Roberts, Templeton, and Santa Margarita. In addition, state and federal agencies which may be consulted during preparation of, or may use the subsequent EIR include: California Department of Fish & Game, Regional Water Quality Control Board, California Department of Water Resources, U.S. Fish & Wildlife Service, National Marine Fisheries Service, and the U.S. Army Corps of Engineers.

## **Financial Considerations**

Black & Veatch has identified 15 possible pipeline alignment changes, and in aggregate they account for a potential project construction cost savings of \$1.7 million. In addition, several of the proposed changes will positively affect environmental conditions.

## **Results**

Positive economic and environmental impacts created by design modifications are driving a need for modifications to the Project's FEIR.

