

ARCHITECTURAL & ENGINEERING CONTRACTS
TASK ORDER NO. HG-002
Program Management – Cost Allocation and Financing

Task Order No.: HG-002

Contractor: The Hallmark Group

Request for Services under Standard Agreement No. 4600009986

Dated: January 31, 2013

DESCRIPTION OF TASK

This task order provides support for addressing cost allocation and financing issues necessary to secure funds to design and construct the isolated Delta conveyance facility described in the Bay Delta Conservation Plan (BDCP) proposed project, including associated footprint mitigation costs, collectively known as BDCP Conservation Measure 1 (CM1). Tasks are being provided by subcontractor Public Finance Management, Inc. (PFM)

The scope of work is organized to generate key deliverables, with the general objectives of reaching agreement on fair and affordable cost allocations, and establishing reliable financing for implementation of CM1. The deliverables described in this scope of work will require the collective efforts of State and federal water contractors, DWR and the Bureau of Reclamation (collectively, Stakeholders), with the consultant providing support as listed in the subtasks.

This Task Order partially fulfills the original scope of work in contract number 4600009986, Exhibit A, Description A, Deliverables 1, 2, and 4.

SCOPE OF WORK AND DELIVERABLES

Task 1 – Allocation of Responsibility

PFM will work with the Stakeholders to establish an acceptable and fair allocation of responsibility for BDCP implementation costs between the public and the State and federal water contractors.

- 1.1 Work with the State and federal contractors to evaluate the viability of mitigating cost and affordability impacts of low water yield scenarios by utilizing public funds to offset more restrictive initial operating criteria.

Deliverable: Agreement from State and federal government that BDCP public funds for habitat may be used flexibly to develop or buy non-export water supplies from willing sellers, or alternatively, to buy out export demand from willing sellers, if at the end of the decisions tree process, the BDCP initial operating criteria do not sufficiently meet the State's co-equal goal of restoring adequate water supply.

Task 2 – Allocation of Costs between SWP and CVP

PFM will work with the Stakeholders to establish a fair allocation of CM1 costs between State and federal contractors.

- 2.1 Work with State and federal contractors to develop alternative State Water Project (SWP) and Central Valley Project (CVP) cost allocation methods and propose joint recommendation.
- 2.2 Meet with contractors to develop agreement on SWP/CVP cost allocation methodology. PFM will review the agreement with DWR and the Bureau of Reclamation (Reclamation) for viability and consistency with DWR and Reclamation policies.
- 2.2 Meet with contractors, DWR, and Reclamation to develop model for federal participation in/use of CM1 facilities

Deliverable: Agreement among State and federal contractors on methodology for allocating CM1 costs between the SWP and CVP, with confirmation by DWR and Reclamation of viability and consistency with DWR and Reclamation policies.

Task 3 – Allocation of CM1 costs within the SWP

PFM will work with the SWP contractors to establish a fair allocation of CM1 costs and cost recovery methodologies.

- 3.1 Work with SWP contractors and DWR to develop and evaluate cost allocation alternatives, including delivery and cost scenarios with limited participation (“opt in/opt out”)
- 3.2 Identify mechanisms to address SWP contractor affordability issues, including other cost-savings, funding sources, phasing plans, option agreements, etc. (Note: some may be same for CVP contractors.)
- 3.3 Develop pros, cons, and implementation constraints of most promising cost allocation, cost recovery and affordability mechanisms.
- 3.4 Provide guidance and input regarding the financing implications of different cost allocation methodologies, including feasibility and credit issues
- 3.5 Facilitate discussions among contractors and with DWR to reach necessary agreements on SWP cost allocation and cost recovery methodologies for CM1.

Deliverable: Decisions by SWP contractors and DWR on CM1 cost allocation and cost recovery methodologies.

Task 4 – Allocation of CM1 costs within the CVP

PFM will work with the CVP contractors to establish a fair allocation of CM1 costs and cost recovery methodologies.

- 4.1 Work with contractors and Reclamation to develop cost allocation alternatives, including scenarios with limited CVP contractor participation
- 4.2 Identify mechanisms to address CVP contractor affordability issues, including other cost-savings, funding sources, phasing plans, option agreements, etc. (Note: some may be same for SWP).
- 4.3 Evaluate pros, cons, and implementation constraints of most promising cost allocation, cost recovery and affordability mechanisms
- 4.4 Provide guidance and input regarding the financing implications of different cost

- allocation methodologies, including feasibility and credit issues
- 4.5 Facilitate discussions among contractors and with Reclamation to reach necessary agreements on CVP cost allocation and cost recovery methodologies for CM1.

Deliverable: Decisions by CVP contractors and Reclamation on CM1 cost allocation and cost recovery methodologies.

Task 5 – Interim CM1 funding

PFM will work with the Stakeholders to establish interim CM1 funding, for approximately 2 years post the Record of Decision/Notice of Determination.

- 5.1 Work with State and federal contractors to identify CM1 financing alternatives, including separate SWP and CVP financing, combined contractor financing, or other approaches, and develop recommended Interim CM1 Financing Plan
- 5.2 Develop and manage the interim CM1 financing schedule, including tracking the development of all related agreements
- 5.3 Work with bond counsel and water contractor staff, DWR and Reclamation to develop a comprehensive list of agreements that need to be in place before interim financing can be established, and establish processes to develop these agreements
- 5.4 Develop alternatives for organizing interim financing by SWP and CVP contractors, and recommended approach.
- 5.5 Work with bond counsel and water contractor staff to manage financing process including rating presentations and discussions, selecting underwriters, identifying funding sources and evaluating financing structures (e.g. commercial paper, short-term and long-term debt).
- 5.6 Provide financial analysis to evaluate alternatives, including appropriate amount of capitalized interest, variable rate funding, notes, etc.
- 5.7 Negotiate bank agreements at the request of stakeholders.
- 5.8 Conduct briefings and presentations for key stakeholders, including local elected officials, regulatory bodies, business community leaders, state legislators, etc.

Deliverable: Interim CM1 financing plan and completion of necessary supporting agreements.

Task 6 – Project Management and Contract Administration

This task includes the project management and coordination associated with Tasks 1 – 5 above. In addition, this task includes general administrative support, including contract administration, accounting team coordination, and invoice and progress report preparation activities necessary to support this Task Order.

SCHEDULE

The term of this Task Order is February 1, 2013 through July 31, 2013. Work will be performed in accordance with the following schedule.

Deliverable	Target Date
1. Agreement on allocation of responsibility for CM1 implementation costs	February 28, 2013 or 30 days after receipt of NTP from DWR
2. Agreement on allocation of costs between SWP and CVP contractors	March 31, 2013 or 60 days after receipt of NTP from DWR
3. SWP decisions on CM1 cost allocation and cost recovery methodologies	May 31, 2013 or 120 days after receipt of NTP from DWR
4. CVP and Reclamation decisions on CM1 cost allocation and cost recovery methodologies	May 31, 2013 or 120 days after receipt of NTP from DWR
5. Draft Interim financing plan	July 31, 2013 or 180 days after receipt of NTP from DWR

DETAILED COSTS

Hallmark Group shall invoice all services according to Exhibit B, Attachment 1 and Attachment 2, of the contract. The total amount of this Task Order shall not exceed \$107,044.00. The detailed Task Order budget is included in Attachment A.

CONTACT PERSONS

DWR's Task Order Manager:
 Ted Alvarez
 Department of Water Resources
 1416 Ninth Street
 Sacramento, CA 95814
 Phone: (916) 653-6271
 Email: ted.alvarez@water.ca.gov

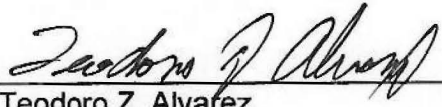
Hallmark Group's Task Order Manager
 Charles Gardner
 The Hallmark Group
 1901 Royal Oaks Dr. Suite 200
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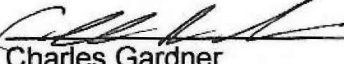
AUTHORIZED SIGNATURES:

Hallmark Group and State agree that these services will be performed in accordance with the terms and conditions of Standard Agreement Number 4600009986.

STATE OF CALIFORNIA
 Department of Water Resources

HALLMARK GROUP


 Teodoro Z. Alvarez
 Contract Manager


 Charles Gardner
 President

2-4-13

 Date

2/4/13

 Date

Task Order HG-002

Agreement No. 4600009986

PFM February 2013 through July 2013

Category	Staff	Billing Category	2013 Rate	Estimated Manhours	Estimated Budget
Task 1 - Allocation of Responsibility					
	Brian Thomas	Managing Director	\$ 325.00	42	\$ 13,650.00
	TBD	Senior Managing Consultant	\$ 275.00	6	\$ 1,650.00
	TBD	Analyst	\$ 200.00	2	\$ 400.00
	Subtotal Task 1				\$ 15,700.00
Task 2 - Allocation of CM1 Costs between SWP and CVP					
	Brian Thomas	Managing Director	\$ 325.00	42	\$ 13,650.00
	TBD	Senior Managing Consultant	\$ 275.00	6	\$ 1,650.00
	TBD	Analyst	\$ 200.00	2	\$ 400.00
	Subtotal Task 2				\$ 15,700.00
Task 3 Allocation of CM1 Costs within the SWP					
	Brian Thomas	Managing Director	\$ 325.00	50	\$ 16,250.00
	TBD	Senior Managing Consultant	\$ 275.00	8	\$ 2,200.00
	TBD	Analyst	\$ 200.00	2	\$ 400.00
	Subtotal Task 3				\$ 18,850.00
Task 4 Allocation of CM1 costs withing the CVP					
	Brian Thomas	Managing Director	\$ 325.00	50	\$ 16,250.00
	TBD	Senior Managing Consultant	\$ 275.00	8	\$ 2,200.00
	TBD	Analyst	\$ 200.00	2	\$ 400.00
	Subtotal Task 4				\$ 18,850.00
Task 5 Interim CM1 Funding					
	Brian Thomas	Managing Director	\$ 325.00	50	\$ 16,250.00
	TBD	Senior Managing Consultant	\$ 275.00	8	\$ 2,200.00
	TBD	Analyst	\$ 200.00	2	\$ 400.00
	Subtotal Task 5				\$ 18,850.00
Task 6 Task Order Management					
	Brian Thomas	Managing Director	\$ 325.00	6	\$ 1,950.00
	TBD	Analyst	\$ 200.00	20	\$ 4,000.00
	Subtotal Task 6				\$ 5,950.00
	Labor Subtotal				\$ 93,900.00
				306	
ODC's					
	Teleconferencing: \$100/ month.				\$ 600.00
	Overnight Delivery: \$50/month				\$ 300.00
	ODC Subtotal				\$ 900.00
Travel					
	Los Angeles to Sacramento: 8 trips				
		Airfare: \$500 per trip			\$ 4,000.00
		Mileage: \$20 per trip			\$ 160.00
		Parking: \$20 per day			\$ 320.00
		Per Diem: \$40 per day			\$ 640.00
		Lodging & tax: \$94 per day			\$ 1,504.00
		Car Rental: \$50 per day			\$ 800.00
		Rental Fuel: \$10 per trip			\$ 80.00
	Travel Subtotal				\$ 7,504.00
Contractor Markup 5% (labor and ODCs)					
					\$ 4,740.00
TOTAL					\$ 107,044.00

Notes