



Stanislaus Regional Water Authority

156 S. Broadway, Ste. 230

Turlock, CA 95380

MEMORANDUM

July 16, 2019

To: SRWA Board
FROM: Robert Granberg, General Manager
SUBJECT: SRWA Regional Surface Water Supply Project Cost Update

Pursuant to the discussion regarding SRWA Regional Surface Water Supply Project (“RSWSP” or “Project”) costs at the June 20, 2019 Board meeting, this memorandum presents an updated cost estimate of the Project as of July 2019 compared to the Project cost estimate prepared in Fall 2017. The Fall 2017 project cost estimate established an opinion of probable cost for use by the Cities of Ceres and Turlock (Cities) during their Proposition 218 public processes that set their current individual water rates. This memo does not offer information regarding the current water rates by either City.

Since Fall 2017, the SRWA has substantially advanced the RSWSP on a number of fronts: bidding and construction of the raw water pump station wet well; finalization and certification of the Environmental Impact Report for the Project; completion of numerous technical evaluations in support of permitting, design and construction requirements; issuance of a request for Design-Build proposals (RFP); and receipt and evaluation of proposals from three Design-Build teams to design and construct the balance of the Regional Facilities¹. These and other activities have enabled the SRWA to refine the costs previously estimated in Fall 2017. **Table 1** illustrates the Project elements by comparing the Fall 2017 estimate with current costs (as of July 2019). As shown in the table, the most recent estimate of Regional Facilities costs is lower than the estimate used to establish the Cities’ individual water rates. Further, the table shows that grants secured since Fall 2017 have contributed to a substantial reduction in Project costs. As such, **the total estimated project costs are well below the Fall 2017 estimate and are thus already captured by the Cities’ approved water rates.**

The SRWA’s current schedule indicates that a Design-Build contract will be brought before the Board for consideration in September 2019. The contract will be accompanied by a financing plan indicating how the Cities’ will advance the Project prior to receiving a

¹ Regional Facilities include the balance of the raw water pump station, raw and finished water pipelines, a 15 million gallon per day water treatment plant (WTP), and replacement of the Aldrich Road bridge which will serve all traffic into and out of the WTP.

loan through the Drinking Water State Revolving Fund (DWSRF) program, which is anticipated in early 2020. The DWSRF loan was previously anticipated and, therefore, included in the Cities' water rate analyses. When compared to conventional bond financing, the DWSRF loan is expected save the Cities roughly \$100 million over the term of the loan, due to an interest rate that is approximately one-half of typical municipal bond interest rates.

As the SRWA enters negotiations with the preferred Design-Build proposer, **there will be opportunities to further reduce the Regional Facilities design and construction costs** through additional technical investigations and agreement on contract terms. For example, the preferred Design-Build proposal presented several pre-priced "value engineering" concepts for the SRWA's consideration; in total, these pre-priced concepts have the potential to further reduce the Design-Build price by up to \$6 million. Other opportunities exist for further reductions as the final technical requirements are agreed upon by the SRWA and the Design-Build proposer and formally priced.

Table 1. Comparison of Fall 2017 and July 2019 SRWA Project Costs		
Project Element	Fall 2017 Estimate: Basis for Rate Increase^(a), \$M	July 2019 Estimate^(b), \$M
Program Management, Environmental, Legal, Property Acquisition and Other Related Professional Services	Included in Estimates Below	\$13.13
Capital Costs		
Wet Well Facility	\$7.72	\$8.19
Balance of Regional Facilities	\$238.86	\$178.89 ^(c)
Contract Oversight & Contingency		\$12.61
Local Facilities		
Ceres	\$13.55	\$7.00
Turlock	\$19.03	\$19.03
Subtotal SRWA Project Cost	\$279.16	\$238.85
Grants ^(d)	(\$0.00)	(\$36.55)
Total SRWA Project Cost	\$279.16	\$202.30

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Ceres Total Project Cost	\$100.49	\$76.27^(e)
Turlock Total Project Cost	\$172.91	\$121.48^(e)
TID Total Project Cost	\$5.76	\$4.55^(e)

- (a) Capital cost estimates developed in Fall 2017 were provided to each City for use in developing water rate analyses.
- (b) Based on adopted FY19/20 SRWA Budget and Technical Memorandum titled "Cost Allocations for SRWA Surface Water Supply Project", dated 6/19/19
- (c) Base Design-Build Price from CH2MHill Engineers, Inc, a subsidiary of the Jacobs Engineering Group, dated 5/7/19
- (d) Includes \$30M Proposition 68, \$5.8M IRWMP and \$750K Bureau WaterSmart Grants. These grant totals will be slightly lower than shown after Grantor administrative costs are deducted
- (e) Individual allocations are presented only for budget purposes and actual allocations will follow for the particular work completed in accordance with the Technical Memorandum "Cost Allocations for SRWA Surface Water Supply Project", dated 6/19/19

cc: SRWA TAC