City Council
Special Meeting Agenda

JUNE 11, 2020
4:00 p.m.
City of Turlock Yosemite Room
156 S. Broadway, Turlock, California

NOTICE: THIS MEETING WILL BE HELD IN ACCORDANCE WITH EXECUTIVE ORDER N-29-20, ISSUED BY CALIFORNIA GOVERNOR GAVIN NEWSOM ON MARCH 17, 2020, THE RALPH M. BROWN ACT (CALIFORNIA GOVERNMENT CODE SECTION 54950, ET SEQ.), AND THE FEDERAL AMERICANS WITH DISABILITIES ACT.

THIS MEETING WILL NOT BE PHYSICALLY OPEN TO THE PUBLIC.

THE MEETING WILL BE STREAMED ON THE CITY OF TURLOCK WEBSITE AT WWW.CITYOFTURLOCK.ORG AND BROADCASTED ON SPECTRUM CHANNEL 2.

MEMBERS OF THE PUBLIC MAY ALSO PARTICIPATE IN THE MEETING VIA THE FOLLOWING METHODS:

JOIN BY CLICKING ON THE MEETING LINK: https://us02web.zoom.us/j/84924629186

OR

JOIN BY ACCESSING THE ZOOM WEBSITE: https://zoom.us/join
WEBINAR ID: 849 2462 9186

OR

JOIN BY TELEPHONE: 669-900-6833
WEBINAR ID: 849 2462 9186

Mayor
Amy Bublak

Council Members
Nicole Larson
Andrew Nosrati
Vice Mayor
Gil Esquer
Becky Arellano

City Manager
Toby Wells, P.E.
City Clerk
Jennifer Land
City Attorney
Douglas L. White

NOTICE REGARDING NON-ENGLISH SPEAKERS: The Turlock City Council meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

EQUAL ACCESS POLICY: If you have a disability which affects your access to public facilities or services, please contact the City Clerk's Office at (209) 668-5540. The City is committed to taking all reasonable measures to provide access to its facilities and services. Please allow sufficient time for the City to process and respond to your request.

NOTICE: Pursuant to California Government Code Section 54954.3, any member of the public may directly address the City Council on any item appearing on the agenda, including Consent Calendar and Public Hearing items, before or during the City Council's consideration of the item. Members of the public will be allowed three (3) minutes for comments.

AGENDA PACKETS: Prior to the City Council meeting, a complete Agenda Packet is available for review on the City's website at www.cityofturlock.org and in the City Clerk's Office at 156 S. Broadway, Suite 230, Turlock, during normal business hours. Materials related to an item on this Agenda submitted to the Council after distribution of the Agenda Packet are also available for public inspection in the City Clerk's Office. Such documents may be available on the City's website subject to staff's ability to post the documents before the meeting.

0. A. CALL TO ORDER

B. SALUTE TO THE FLAG

C. ROLL CALL

D. DECLARATION OF CONFLICTS

1. APPROVAL OF AGENDA AS POSTED OR AMENDED

This is the time for the City Council to remove items from the agenda or to change the order of the agenda. Matters may be taken up out of order of the established agenda by a four-fifths vote of the City Council.

2. PUBLIC PARTICIPATION – LIMITED TO ITEMS DESCRIBED IN THE NOTICE FOR THIS MEETING

MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE CITY COUNCIL WILL BE GIVEN THE SAME TIME ALLOTMENT FOR COMMENTS (3 MINUTES) AS NORMALLY ALLOWED FOR MEETINGS SUBJECT TO THE PROVISIONS OF EXECUTIVE ORDER N-29-20.

Pursuant to California Government Code Section 54954.3(a), this is the time set aside for citizens to address the City Council concerning any item that has been described in the notice for this meeting, including Consent Calendar items, before or during consideration of that item. You will be allowed three (3) minutes for your comments. If you wish to speak regarding an item on the agenda, you may be asked to defer your remarks until the Council addresses the matter.

3. WORKSHOP:

A. Request to consider and discuss drinking water supply alternatives and direct City staff to proceed with Council recommendations (*Wells*)

- Consider proposal from the City of Modesto and the Modesto Irrigation District to receive treated surface water from the Modesto Regional Water Treatment Plant
- Receive project update and consider moving forward with the Stanislaus Regional Water Authority's Regional Surface Water Supply Project
- Review and consider interim financing alternatives to meet the financial obligations of the Stanislaus Regional Water Authority's Regional Surface Water Supply Project until the approved State Revolving Funds are received in 2021

***Recommended Action*:**
Motion: Providing direction to City staff and the Stanislaus Regional Water Authority (SRWA) Board Members to move forward with the Regional Surface Water Supply Project (RSWSP) and secure interim financing for the Project until the State Revolving Fund (SRF) proceeds are received

4. ADJOURNMENT

The foregoing meeting is hereby called by Mayor Amy Bublak at the above mentioned date and time pursuant to California Government Code §54956.

AMY BUBLAK, Mayor

3A

City Council Staff Report
June 11, 2020

From: Toby Wells, P.E., City Manager

Prepared by: Toby Wells, P.E., City Manager

Agendized by: Toby Wells, P.E., City Manager

1. ACTION RECOMMENDED:

Motion: Consider and discuss drinking water supply alternatives and direct City staff to proceed with Council recommendations

2. SYNOPSIS:

Discuss drinking water supply alternatives for the City of Turlock and provide recommendations for staff to pursue, including:

- Consider proposal from the City of Modesto and the Modesto Irrigation District to receive treated surface water from the Modesto Regional Water Treatment Plant

- Receive project update and consider moving forward with the Stanislaus Regional Water Authority's Regional Surface Water Supply Project

- Review and consider interim financing alternatives to meet the financial obligations of the Stanislaus Regional Water Authority's Regional Surface Water Supply Project until the approved State Revolving Funds are received in 2021

3. DISCUSSION OF ISSUE:

Background

The City of Turlock relies entirely on groundwater for its drinking water supply. Since the late 1980s, the City has investigated diversifying its portfolio of drinking water resources to include treated water from the Tuolumne River.

The City's drinking water supply faces a number of challenges, including but not limited to: declining drinking water supply, increasing levels of contaminants,

increasingly stringent regulatory requirements, and new state regulations for groundwater sustainability.

Since 2011, the City of Turlock has been a member of the Stanislaus Regional Water Authority (SRWA). The SRWA is a Joint Powers Authority of the City of Turlock and the City of Ceres whose purpose is to develop the Regional Surface Water Supply Project (RSWSP) in partnership with the Turlock Irrigation District (TID). Mayor Bublak and Councilmember Esquer currently participate as members of the SRWA Board.

The Cities of Ceres and Turlock are planning to supplement their potable water supplies by diverting surface water from the Tuolumne River and treating it to drinking water standards. The RSWSP includes facilities to convey water from the existing Tuolumne River infiltration gallery to a raw water wet well (recently completed), then to a future surface water treatment plant (WTP), and finished water transmission mains delivering water to Ceres and Turlock. To complete delivery of water to their users, each City will also construct local improvements to connect the new treated surface water supply to local water distribution facilities. These local facilities will be implemented individually by each City.

In 2015, the SRWA and TID approved a Water Sales Agreement by which TID agreed to sell and deliver raw water to the SRWA. The Water Sales Agreement also provides for SRWA and TID to cooperate on the construction of facilities to deliver water through the existing infiltration gallery, including a new wet well, raw water pump station, and raw water delivery pipelines.

Initially, the SRWA had hoped to award the construction contract for the project in October of 2019, but the project encountered an unexpected delay due to a water rights protest that was recently resolved by TID through the granting of pre-1914 water rights for the RSWSP. The Water Sales Agreement has been amended and approved by the parties.

During the public hearing for the Proposition 218 process on December 12, 2017, City Council authorized staff to proceed with the increasing of water rates to fund the SRWA RSWSP. The City's water rate consultant analyzed the impact to water rates based on the estimated total RSWSP Project cost of $278 million with Turlock's share of $171.6 million, as well as other capital improvements to the City's current groundwater system. The adopted rates are shown below.

	Current Rates	FY18	FY19	FY20	FY21	FY22
effective date	*1/1/2017*	*3/1/2018*	*1/1/2019*	*1/1/2020*	*1/1/2021*	*1/1/2022*
Commodity Charge, $ per 1,000 gals.						
Single Family	$ 0.74	$ 0.84	$ 1.00	$ 1.20	$ 1.47	$ 1.76
Multi Res/Com/Ind/Inst*	$ 0.54	$ 0.63	$ 0.75	$ 0.89	$ 1.08	$ 1.28
Landscape	$ 0.75	$ 0.99	$ 1.20	$ 1.45	$ 1.78	$ 2.16
Capacity Charge, $ per mtr. per mo.						
1" or less	$ 24.10	$ 28.00	$ 32.70	$ 38.10	$ 45.20	$ 52.70
1-1/2"	$ 48.20	$ 56.00	$ 65.00	$ 76.00	$ 90.00	$ 105.00
2"	$ 77.20	$ 90.00	$ 104.00	$ 122.00	$ 145.00	$ 169.00
3"	$ 169.00	$ 196.00	$ 229.00	$ 267.00	$ 316.00	$ 369.00
4"	$ 290.00	$ 336.00	$ 392.00	$ 457.00	$ 542.00	$ 633.00
6"	$ 603.00	$ 700.00	$ 816.00	$ 952.00	$ 1,130.00	$ 1,318.00
8"	$ 1,157.00	$ 1,344.00	$ 1,567.00	$ 1,829.00	$ 2,170.00	$ 2,531.00
10"	$ 1,832.00	$ 2,128.00	$ 2,482.00	$ 2,895.00	$ 3,435.00	$ 4,008.00
Customer Charge, $ per acct. per mo.	$ 3.00	$ 3.50	$ 4.10	$ 4.75	$ 5.65	$ 6.55

**Multi Res = Multiple Residential Com = Commercial Ind = Industrial Inst = Institutional*

While the rate impacts are significant, the costs of operating a groundwater-only system will also increase over time. For the typical customer, the incremental cost of surface water is approximately $25 per month.

The SRWA selected the Design/Build procurement method for the balance of the Raw Water Pump Station, the Raw and Finished Water Pipelines, a 15 million gallon per day Water Treatment Plant, and replacement of the Aldrich Road bridge. The use of Design-Build was made available to the SRWA through Senate Bill 373 that added SRWA's Project to the Design-Build Statutes. Following the guidelines of Public Contract Code §§ 22160-22169, the TAC chose to follow a two-step procurement process that included a Request for Qualifications (RFQ), followed by a Request for Proposals (RFP). The selection of Design-Build as the preferred procurement method followed a rigorous evaluation by the Technical Advisory Committee (TAC) and Executive Technical Advisory Committee of project delivery alternatives. Design-Build is a project delivery method that involves a best value-based selection of a Design-Build entity that best meets the project technical requirements and balances risk and cost factors. The selection of Design-Build was chosen for the following principal reasons:

- Design-Build allows for a best value-based selection, including selection of individual team members;
- Selection is based on evaluation of design solutions on specific project issues versus design consultant qualifications utilized in conventional Design-Bid-Build procurement;
- Design-Build provides for a collaborative 30% design and contract negotiation process;

- Single-entity responsibility for both design and construction;
- Risk is allocated to the entity most capable of controlling the risk;
- The contractor and designer are working together in a manner that should bring value to both the design and construction;
- There is typically a reduced number of change orders and claims in Design-Build procurements as compared to Design-Bid-Build.

At its meeting on August 6, 2018, the SRWA Board approved the RFQ and authorized the General Manager to issue the RFQ to interested Design-Build entities. The RFQ requested information regarding team composition, project delivery approach and technical qualifications. Additional pass/fail information included financial qualifications, safety record, conflicts of interest and skilled and trained workforce. The RFQ was sent to five interested Design-Build entities and on September 18, 2018, five Statements of Qualifications (SOQs) were received by the TAC for evaluation. The list of five respondents was subsequently shortlisted by the TAC to three pre-qualified Design-Build entities to be invited to submit Proposals in response to an RFP.

On November 16, 2018, the SRWA Board approved the following actions relative to the next step in the Design-Build procurement process:

- Approved the list of three Design-Build teams to be invited to submit Proposals in response to the RFP;
- Approved the RFP in substantially the form presented for the design and construction of the Project facilities; and,
- Approved the Draft Design-Build Contract and Technical Appendices to be included in the RFP.

SRWA issued the RFP to the following shortlist of Design-Build teams on December 21, 2018:

- CDM/Flatiron Waterworks (a joint venture formed by CDM Constructors, Inc. and Flatiron West, Inc.)
- CH2M HILL Engineers, Inc., (a subsidiary of Jacobs Engineering Group, Inc.)
- Garney Pacific, Inc.

The RFP (which was modified through four addenda) included instructions and proposal forms for the preparation of a Design-Build proposal and price, as well as the best value criteria by which the Proposal would be evaluated. The RFP provides for the proposers to be ranked and the highest ranked proposer is referred to as the “Successful Proposer.” Following selection of a Design-Build proposer as the Successful Proposer and completion of Design-Build Contract negotiations, relevant portions of the Proposal will be incorporated into the Design-

Build Contract, therefore, becoming a contractual obligation of the Successful Proposer.

- In compliance with Public Contract Code §22160, the selection process utilized for evaluation of the SOQs and as outlined in the draft RFP is based on a determination of best value. In the SOQ evaluation process (which did not include any price or cost criteria), the TAC applied demonstrated competence and qualifications as the primary selection criteria. For evaluation of the Proposals, the TAC then considered the following (with the relative importance of each criterion in this order): (1) design and technical approach, (2) management approach, (3) technical design and construction expertise, (4) life-cycle cost, and (5) price.

- Ultimately, the SRWA desires a Project that is cost-efficient to operate and maintain, therefore, the TAC also evaluated each proposal from a life-cycle cost perspective. The cost analysis included capital cost, electricity use, chemical use, equipment repair and replacement projections, and labor over a 20-year operating period. Following completion of construction, the contracted Design-Build team will be required to demonstrate compliance with projected electricity and chemical use, in addition to water quality performance requirements, during the acceptance test.

- The TAC evaluated each proposer's Base Design-Build Price.

- The Design-Build Contract is the contract that the SRWA plans to execute with the Successful Proposer. The Technical Appendices to the Design-Build Contract describe design, construction, startup, and other requirements. Proposers considered the requirements contained in the Technical Appendices when they developed their proposals as the contents of the Technical Appendices will be part of the Design-Build Contract and therefore a contractual obligation of the Successful Proposer. Proposers had the opportunity to comment on the draft DB Contract and propose any suggested changes to requirements of the DB Contract and its Technical Appendices during the procurement process.

All three Design-Build teams submitted Proposals on May 7, 2019 to the TAC, which began the review process. Each Proposer was afforded an opportunity to interview with the TAC to present its Proposal concepts in a workshop setting. In addition to the interviews, the TAC met on four separate occasions to discuss the merits of each of the Proposals received. In addition, prior to the Proposal submittal date, all three Proposers were invited to confidential meetings to discuss Alternative Design Concepts and receive feedback from the TAC on which concepts the TAC would consider as part of the Proposal submittals.

In consideration of Proposal content, Alternative Design Concepts and interviews, the TAC ultimately reached a consensus on the Successful Proposer. The following table presents the relative best value ranking of Proposers in accordance with the selection criteria established in the RFP. All three Proposers submitted high-quality Proposals that reflected the best alternatives to satisfy the SRWA criteria of a cost-effective project to meet the established technical criteria. In the end, the TAC concurred the Successful Proposer had the best combination of technical competence, experience, life-cycle cost and schedule to best satisfy the SRWA's goals for the Project.

Table 1. SRWA Relative Best Value Evaluation Ranking of Proposals			
	Bidder 4: CDM Flatiron Waterworks	Bidder 2: CH2M HILL Engineers, Inc.	Bidder 1: Garney Pacific, Inc.
Design and Technical Approach	More Favorable	More Favorable	Less Favorable
Management Approach	More Favorable	More Favorable	Less Favorable
Technical Design and Construction Expertise	Favorable	Favorable	Favorable
Life Cycle Cost	Least Favorable	Most Favorable	Less Favorable
Price	Less Favorable	Most Favorable	Least Favorable
Overall Relative Ranking	**Less Favorable**	**Most Favorable**	**Least Favorable**

CH2M HILL Engineers, Inc. submitted a complete and thorough Proposal that provides for an optimized life-cycle solution that balances collaboration and integration of all members of the Design-Build team. The CH2M HILL team demonstrated a proven method acquired over multiple design-build projects to develop innovative, constructible and quality solutions to achieve the goals established by the SRWA. The General Manager and TAC therefore recommended that CH2M HILL Engineers, Inc. be selected as the Successful Proposer and received authorization from the SRWA Board to negotiate final terms leading to a Design-Build Contract for design and construction of the Project facilities.

Negotiations with CH2M HILL focused on consideration of any proposed Contract language modifications and final technical requirements that were subject to modification or clarification. Additionally, value engineering ideas put forth in the Proposal were fully examined and either accepted or rejected by the TAC and a

final Design-Build price was established as the basis for award of a Design-Build Contract.

The Design-Build procurement process was completed in 2019 and placed on hold pending the resolution of the water rights issue. With the resolution of the water rights issue, the project is now nearing the final stages prior to initiation of construction. The preferred Design-Build operator, CH2M HILL Engineers, Inc. has completed a revised project proposal reflecting the current project details. Prior to final authorization to move forward with the project, the following items need to be considered:

A. City of Modesto / Modesto Irrigation District Proposal

In February of 2020, the City of Modesto presented an offer for delivery of treated surface water from the Modesto Regional Water Treatment Plant (MRWTP) to the City of Turlock, along with preliminary cost estimates. The draft letter specified that Turlock would participate in the treatment plant debt service costs, treatment and delivery costs, and administrative overhead fees, thereby receiving approximately 11,000 acre-feet-per-year. The City of Turlock could either participate as a customer of the MRWTP with the City of Modesto as the water retailer, or as a partner in the MRWTP and therefore assuming future costs for "build-out capacity." City of Modesto staff will present this option for consideration by Council.

City staff and the SRWA staff have reviewed the proposal from the City of Modesto. After thorough analysis, the Modesto alternative is shown to have higher total costs and will take additional time to become operational. This determination is consistent with previous analysis of water supply alternatives. For a comprehensive look at the alternatives that were previously considered in 2015 and updated in 2019, please see the SRWA website at www.stanrwa.org under the Documents tab, Technical Memorandums, Water Supply Alternatives.

http://stanrwa.org/admin/upload/Water%20Supply%20Alternatives%20Evaluation%20Final%20Report%20-%20Revised%20Addendum%20013119.pdf

B. Stanislaus Regional Water Authority's Regional Surface Water Supply Project Update

When the water rate increases were adopted in 2017, the total project costs were estimated based on the preliminary design concepts and the consideration of the market conditions for a project award in 2019 with completion in 2022. The bids for the DB contract were received in may 2019, but were then put on hold. Revised price proposals were received last week updating the 2019 proposal to reflect the current project conditions. SRWA staff is reviewing all of the information provided and expect to present a final contract for approval at a special SRWA meeting later this month.

The SRWA team has been very aggressive seeking grants for the project. Following is a breakdown of the grants awarded to date.

Program	Funding Agency/ Source	Awarded Amount	Potential Award Amount	Application Status
Drought Resiliency (FY18/19) Grant	USBR/ WaterSMART	**$750,000**	--	Agreement signed 4/10
Drought Resiliency (FY19/20) Grant	USBR/ WaterSMART	**$750,000**	--	Awaiting draft agreement
IRWM Grant	DWR/Prop 1	**$5.8M**	--	Notified of Award
Parks & Water Bond Grant	State Board/Prop 68	**$27.75M**	--	Included in Prop 68
Streamflow Enhancement and Fisheries Restoration Grant	CA Wildlife Conservation Board/ Prop 1	TBA	$6M? (TBD)	Anticipated to be due in late 2020
Riverine Stewardship San Joaquin Fish Population Enhancement Grant	DWR/Prop 13	TBA	$19.3M	Submitted Nov. 2019
Grant Totals		**$35.05M**	**$25.3M**	
LOAN FINANCING				
Drinking Water SRF Loan	State Board/SRF	TBD	Balance of project cost	Anticipate Financing Agreement by end of year
N/A	TBD/Bridge Loan	TBD	TBD	In-progress by Cities

The City's water rate consultant has reviewed the City's revised project share reflecting the updated project costs and the inclusion of the grants. The rates adopted in 2017 reflect a total project cost that is now much lower than originally

estimated. As a result, it is highly likely that the final year rate increase may not be needed.

City and SRWA staff will make a presentation, provide the updated project costs and seek Council direction.

C. Interim Financing Options

The water rates adopted in 2017 included provisions for the financing of the project through the State of California's State Revolving Fund (SRF). This funding source provides for low interest costs for the funding of specified projects with State approval. The process for obtaining the final approval is extensive and has been in the works for several years and is nearing the completion. However, there is a gap between when the project costs are expected to begin and when the first payment can be received from SRF.

City staff has been working with existing consultants to determine the most cost-effective bridge financing option. Based on current market conditions as impacted by the COVID-19 virus, the City's most viable interim financing option is the issuance of Bond Anticipation Notes (BANs) through a public sale. The analysis of the option is included in the attached "Comparison of Debt Financing Options for Turlock's Share of the SRWA Surface Water Supply Project." Staff will make a brief presentation and seek Council direction.

4. BASIS FOR RECOMMENDATION:

A. To promote economic growth by ensuring the necessary infrastructure is in place.

B. To provide a reliable, sustainable high-quality water supply for the future prosperity of the City.

5. FISCAL IMPACT / BUDGET AMENDMENT:

Fiscal Impact

Rate increases were adopted in 2017 to provide adequate revenue to finance and operate improvements to the City's drinking water system, including the development of the Regional Surface Water Supply Project. While the rate impacts were significant, the costs of operating a groundwater-only system also increase over time. Unlike its current groundwater-only system, the surface water project allows the City to: diversify and augment its water supply, improve water quality, ensure water reliability, increase groundwater sustainability, and allow for water system operational flexibility. As delineated herein, the adopted rates are sufficient to cover the costs of the project and the required financing.

6. CITY MANAGER'S COMMENTS:

Recommend approval to move forward with the Stanislaus Regional Water Authority Regional Surface Water Supply Project and secure interim financing for the Project until the SRF funds are received.

7. ENVIRONMENTAL DETERMINATION:

N/A

8. ALTERNATIVES:

A. The City Council could elect not to proceed with the SRWA Regional Surface Water Supply Project and explore alternative drinking water supply sources. This alternative is not recommended as the SRWA Project is a secured source of drinking water with a set completion date.

Utilities Department
P.O. Box 642
Modesto, California 95354
209.577.5200
Modestogov.com

February 21, 2020

The City of Modesto has been asked to look at preliminary cost estimates for delivery of treated surface water from the Modesto Regional Water Treatment Plant (MRWTP), to potentially interested regional agencies.

The estimates below represent a "back of the envelope" calculation to determine an equitable allocation amongst the parties of the water treatment plant. We recommend hiring a consultant to assist the cities that agree to move forward in calculating a more accurate cost allocation, determining institutional requirements, and providing technical assistance to develop an agreement. The estimates in the chart below include: Phase 2 debt service, Treatment and Delivery Operating Costs and Administrative Overhead. These costs do not include any "downstream" storage or conveyance pipeline costs to delivery treated surface water to each agency, and is independent of the water rights and allocations needed for the surface water to be treated.

DEBT SERVICE

The City of Modesto is currently receiving the max capacity of 30 million gallons per day (MGD), or 33,600 acre-feet per year (AFY), from Phase 1 MRWTP, which was constructed in 1995. Modesto has been paying the debt service of Phase 1, and will continue to do so until the debt is retired. The basis of the regional estimates is that the interested parties would all participate in the 30 MGD Phase 2 treatment plant costs, which currently includes the Cities of Waterford, Turlock, Ceres and Modesto. The debt service for Phase 2 is **$4,123,146** per year.

ESTIMATED TREATMENT AND DELIVERY COSTS

Currently, the City of Modesto's treated surface water demands are equivalent to what the Phase 1 treatment plant can produce at 30 MGD (33,600 AFY), with any difference made up from the City's groundwater wells. Current treatment and delivery (T&D) costs for Modesto are $16,223,119 annually, regardless of whether Phase 1 or 2 is in operation. This equates to $482.83 per acre foot of treated surface water. With the additional water production, T&D costs will increase. Each city will be allocated costs proportional to the amount of flow delivered. Based on the requested regional demands, it is assumed that the **estimated** T&D costs would be subject to a proportional increase of 17,500 acre feet (AF) ÷ (33,600+17,500) = 0.3431 or 34.31%, which is **$21,789,409** annually or **$425.99 per AF**. Each agency's **estimated** T&D costs are its surface water demands (AF) multiplied by $425.99.

City	Initial Requested Capacity (AFY)	Estimated Treatment and Delivery (T&D)	% of Estimated T&D
Waterford	750	$ 319,493	1.47%
Turlock	11,200	$ 4,771,093	21.90%

Ceres	5,600	$ 2,385,546	10.95%
Modesto	33,600	$ 14,313,278	65.69%

ESTIMATED ADMINISTRATIVE OVERHEAD

Administrative Overhead increases were also assumed to be proportional to the increase of flow. Currently the City Administrative Overhead cost is $824,783. With a 34.31% increase, the estimated Administrative Overhead would be **$1,107,774.** These costs would be allocated in proportion to T&D costs.

City	% of Estimated T&D	Estimated Administrative Overhead
Waterford	1.47%	$16,243
Turlock	21.90%	$242,562
Ceres	10.95%	$121,281
Modesto	65.69%	$727,687

COST ESTIMATES

There are 2 options that Modesto explored, both based on flow. The allocations of costs are based on the requested capacity of each city.

Initial Regional Flows (from Phase 2)

City	Initial Requested Capacity (MGD)	Initial Requested Capacity (AFY)	% of Phase 2 Capacity
Waterford	0.67	750	2.23%
Turlock	10.00	11,200	33.33%
Ceres	5.00	5,600	16.67%
Modesto	-	-	0.00%
Total	15.67	17,550	52.23%
Unused Phase 2 Capacity	14.33	16,050	47.77%

OPTION 1 – CITY OF MODESTO AS THE WATER RETAILER

Option 1 assumes that Modesto is a retailer, and the costs for the Cities of Waterford, Turlock and Ceres are allocated based on initial demands submitted to Modesto. The remaining capacity would stay with the City of Modesto to meet future demands.

City	Estimated Flow (AFY)	Remaining Capacity	Debt Service	Treatment & Delivery costs (Est.)	Administration (Est.)	Total Estimated Costs
Waterford	750	0	$ 92,035	$ 319,493	$ 16,243	***$ 427,770***
Turlock	11,200	0	$1,374,382	$ 4,771,093	$ 242,562	***$6,388,037***
Ceres	5,600	0	$ 687,191	$ 2,385,546	$ 121,281	***$3,194,018***
Modesto	33,600	16,050	$8,054,953*	$ 14,313,278	$ 727,687	***$23,095,918***

***** Modesto's Debt Service includes Phase 1

OPTION 2 – PARTNERSHIP IN THE MRWTP – Phase 2

Option 2 assumes a partnership between the Cities, and projects a growth rate of 1.5% for each City and estimates the amount of "build-out capacity" of treated surface water capacity allocated to each agency, up to the Phase 2 total of 30 MGD. This assumes that all water demands from growth will be met with only flows from the Phase 2 MRWTP.

City	Initial Requested Capacity (AFY)	Estimated Future Capacity (AFY)*	Estimated Future Reserved Capacity (AFY)
Waterford	750	981	231
Turlock	11,200	14,642	3,442
Ceres	5,600	7,321	1,721
Modesto	0	10,327	10,327
Unallocated capacity		330	

* Based on a 1.5% growth rate over 18 years, and assumes future water demands are met with only MRWTP.

The future capacities above are estimates for this exercise. This estimate does not project future T&D or Administrative costs, which will rise relative as labor and materials costs increase.

City	Estimated Future Total Capacity (AFY)	Debt Service	Treatment & Delivery costs	Administration	Total Costs
Waterford	981	$ 120,320	$ 319,493	$ 16,243	***$ 456,056***
Turlock	14,642	$ 1,796,785	$ 4,771,093	$ 242,562	***$ 6,810,440***
Ceres	7,321	$ 898,393	$ 2,385,546	$ 121,281	***$ 3,405,220***
Modesto	44,257*	$ 7,393,062**	$ 14,313,278	$ 727,687	***$ 22,434,027***

* includes 100% Phase 1, & allocated/unallocated capacity from Phase 2
**Modesto's Debt Service includes Phase 1

The City is willing to consider other scenarios in terms of future capacity for each city, which would affect the allocation of debt service, T&D and Administrative costs.

These are just estimates for discussion, and the actual costs and allocations should be verified by an independent financial consulting firm. Please feel free to contact me if you have any questions or comments. Modesto Mayor Brandvold will be setting up a meeting to discuss this further.

Sincerely,

Will Wong

COMPARISON OF MID/CITY OF MODESTO VS SRWA COSTS
Turlock Costs Only

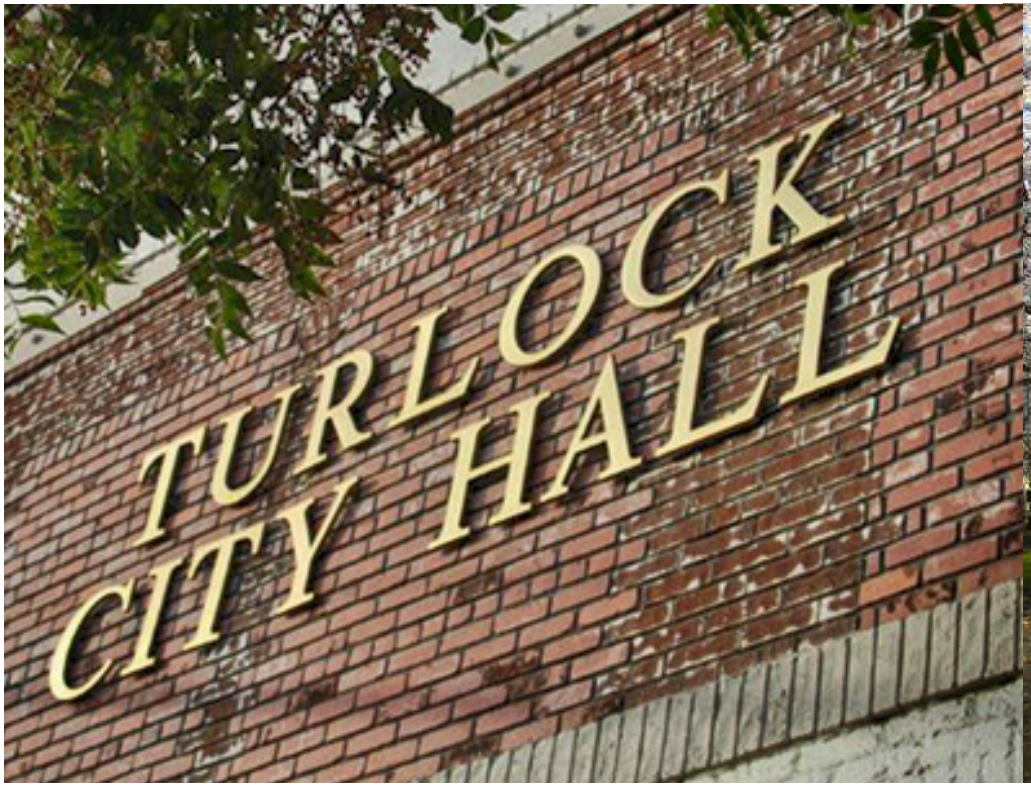
ITEM	SRWA *Turlock Portion*	MID / Modesto *Turlock only*
COSTS		
Facilities to Connect the MID Transmission Line to Turlock Finished Water Pipeline at SRWA WTP Site		
Construction Costs		$ 26,341,000
Soft Costs (legal, environmental, design, ESDC and CM)		$ 7,902,000
Escalation to 2024 (assumed midpoint of construction)		$ 3,192,000
Total Construction Costs		**$ 37,435,000**
Total Regional Improvements [a]	***$ 104,304,000***	***$ 37,435,000***
Wet Well Expenditures Already Spent	$ (2,472,300)	
Total Regional Improvements minus Turlock Wet Well Costs	**$ 101,831,700**	**$ 37,435,000**
Local Improvements (same all scenarios) - Turlock Only	$ 54,290,000	$ 54,290,000
Total Construction Costs	**$ 156,121,700**	**$ 91,725,000**
O&M and Administrative Costs, annual		
City of Modesto O&M and Admin Costs[b] (Turlock only)		**$ 5,013,655**
SRWA O&M Costs/Admin (2020 dollars)	**$3,521,000**	
FINANCING		
Total Grants[c]	$ (23,484,114)	$ -
Cash	$ (25,000,000)	$ (25,000,000)
SRF Financed Loan	$ 107,637,586	$ 66,725,000
Interest rate	2.0%	2.0%
Years	30	30
SRF Debt Service (does not include City of Modesto Phase 2 Debt)	$ 4,788,677	$2,968,522
City of Modesto Phase 2 Debt Service[b] (Turlock only)	$ -	$ 1,374,382
TOTAL DEBT SERVICE, annual	**$4,789,000**	**$4,343,000**
UNIT COSTS		
Total Annual Costs (O&M and Debt Service)	**$8,310,000**	**$9,357,000**
Designed Delivery	*Turlock only*	*Turlock only*
MGD	10	10
AFY	11,209	11,209
PRICE / AF	**$ 494.55**	**$ 556.86**
City of Turlock - number of accounts	18,600	18,600
COST /ACCOUNT / MONTH	$ 37.23	$ 41.92
difference		$ 4.69

[a] SRWA cost based on bid from Jacobs Engineering

[b] City of Modesto Provided Costs in 2-21-20, Option 1, letter from Will Wong, Utilities Dept of Modesto

[c] Grants include: Prop 68: $27.75M, WaterSMART: $1.5M, IRWM: $5.8M (assumes 67% to Turlock; Riverine Grant not included)

1 mgd = 1120.88 AFY



Turlock Water System

Comparison of Debt Financing Options for Turlock's Share of the SRWA Surface Water Supply Project

Materials Prepared May 28, 2020

MONTAGUE DEROSE
AND ASSOCIATES, LLC

SUMMARY

- Due to a delay in execution of the SRF loan for the SRWA Surface Water Supply Project, the City will require interim (bridge) financing for its share of the Project's capital expenditures for a period of 12-15 months. This interim financing would be paid off using SRF loan proceeds. The SRF loan would be repaid in full roughly 30 years after the Project is placed in service

- Based on current market conditions as impacted by the COVID-19 Virus, the City's most viable interim financing option is the issuance of Bond Anticipation Notes (BANs) through a public sale. The BANs would have a fixed interest rate and could be prepaid starting in year two at the City's option

- The alternative to the City's issuance of BANs to be prepaid with the SRF loan would be to issue fixed interest rate water revenue bonds repaid over a term of up to 30 years

- The City's execution of either option would be in compliance with the existing water revenue bond documents, specifically covenants regarding the issuance of additional parity lien debt

- The following analysis shows that the BANs/SRF Loan option is projected to cost $24.3 million less than the water revenue bonds option

BANs Assumptions

- Project Fund: $120.0 million**
- Delivery Date: 9/1/2020
- Principal Repayment: 6 year "bullet" maturity
- Debt Service Reserve Fund: None
- Capitalized Interest: None
- Financing Costs: $540,000
- Underlying Ratings: AA (S&P)
- Interest Rates: as of 5/26/2020
- Prepayment: At par on 12/1/2021

Projected Results

- All-in Borrowing Cost: 1.23%
- Coupon/Yield: 1.15%
- Avg. Annual NDS: $1.4 million
- Total Net Debt Service: $128.9 million
- Present Value of NDS: $114.8 million

OPTION 1, PART 1: Bond Anticipation Notes (fixed rate) Issued on 9/1/2020

Projected Fiscal Year Net Debt Service with Present Value

Fiscal Year	Principal	Interest	Debt Service	Capitalized Interest Fund	Net Debt Service (NDS)	Present Value of NDS to 9/1/20 @ 2.00%
Totals: >>	**$ 120,541,083**	**$ 8,317,335**	**$ 128,858,418**	**$ -**	**$ 128,858,418**	**$ 114,775,111**
03/01/2021	-	693,111	693,111	-	693,111	686,249
03/01/2022	-	1,386,222	1,386,222	-	1,386,222	1,352,181
03/01/2023	-	1,386,222	1,386,222	-	1,386,222	1,325,538
03/01/2024	-	1,386,222	1,386,222	-	1,386,222	1,299,419
03/01/2025	-	1,386,222	1,386,222	-	1,386,222	1,273,816
03/01/2026	-	1,386,222	1,386,222	-	1,386,222	1,248,717
03/01/2027	120,541,083	693,111	121,234,194	-	121,234,194	107,589,192

** City's share of the project cost is not net of $23 million State grant awarded to the City

OPTION 1, PART 2: Bond Anticipation Notes Prepaid on 12/1/2021 using SRF Loan (fixed rate)

SRF Assumptions

- BANs Prepayment: $120.3 million on 12/1/2021
- Delivery Date: 12/1/2021
- Debt Service Reserve Fund: None
- Capitalized Interest: 3 payments from 3/1/2022 through 3/1/2023
- Financing Costs: $125,000
- Underlying Ratings: AA (S&P)
- SRF Loan Rate: 1.40%

Projected Results

- All-in Borrowing Cost: 1.41%
- Avg. Annual NDS: $5.0 million
- Total Net Debt Service: $151.5 million (includes BANs)
- Present Value of NDS: $108.8 million (includes BANs)

Projected Fiscal Year Net Debt Service with Present Value

Fiscal Year	Principal	Interest	Debt Service	Capitalized Interest Fund	Net Debt Service (NDS)	Present Value of NDS to 9/1/20 @ 2.00%
Totals: >>	**$ 122,617,360**	**$ 31,076,897**	**$ 153,694,257**	**$ (2,145,804)**	**$ 151,548,453**	**$ 108,843,206**
03/01/2021	-	693,111	693,111	-	693,111	686,249
03/01/2022	-	1,122,272	1,122,272	(429,161)	693,111	679,454
03/01/2023	-	1,716,643	1,716,643	(1,716,643)	-	-
03/01/2024	3,311,954	1,693,459	5,005,413	-	5,005,413	4,707,536
03/01/2025	3,358,642	1,646,765	5,005,407	-	5,005,407	4,614,989
03/01/2026	3,405,995	1,599,413	5,005,408	-	5,005,408	4,524,269
03/01/2027	3,454,015	1,551,393	5,005,408	-	5,005,408	4,435,336
03/01/2028	3,502,712	1,502,696	5,005,408	-	5,005,408	4,348,153
03/01/2029	3,552,096	1,453,312	5,005,408	-	5,005,408	4,262,688
03/01/2030	3,602,175	1,403,232	5,005,407	-	5,005,407	4,178,904
03/01/2031	3,652,961	1,352,446	5,005,407	-	5,005,407	4,096,770
03/01/2032	3,704,463	1,300,944	5,005,407	-	5,005,407	4,016,254
03/01/2033	3,756,691	1,248,716	5,005,407	-	5,005,407	3,937,323
03/01/2034	3,809,656	1,195,752	5,005,408	-	5,005,408	3,859,947
03/01/2035	3,863,367	1,142,040	5,005,407	-	5,005,407	3,784,093
03/01/2036	3,917,835	1,087,572	5,005,407	-	5,005,407	3,709,732
03/01/2037	3,973,072	1,032,336	5,005,408	-	5,005,408	3,636,837
03/01/2038	4,029,087	976,321	5,005,408	-	5,005,408	3,565,376
03/01/2039	4,085,892	919,516	5,005,408	-	5,005,408	3,495,322
03/01/2040	4,143,497	861,910	5,005,407	-	5,005,407	3,426,646
03/01/2041	4,201,915	803,492	5,005,407	-	5,005,407	3,359,324
03/01/2042	4,261,157	744,251	5,005,408	-	5,005,408	3,293,326
03/01/2043	4,321,234	684,174	5,005,408	-	5,005,408	3,228,628
03/01/2044	4,382,157	623,250	5,005,407	-	5,005,407	3,165,203
03/01/2045	4,443,940	561,467	5,005,407	-	5,005,407	3,103,028
03/01/2046	4,506,594	498,814	5,005,408	-	5,005,408	3,042,076
03/01/2047	4,570,131	435,277	5,005,408	-	5,005,408	2,982,324
03/01/2048	4,634,564	370,844	5,005,408	-	5,005,408	2,923,748
03/01/2049	4,699,905	305,503	5,005,408	-	5,005,408	2,866,325
03/01/2050	4,766,168	239,240	5,005,408	-	5,005,408	2,810,033
03/01/2051	4,833,364	172,043	5,005,407	-	5,005,407	2,754,848
03/01/2052	4,901,508	103,899	5,005,407	-	5,005,407	2,700,750
03/01/2053	4,970,613	34,794	5,005,407	-	5,005,407	2,647,717

Revenue Bond Assumptions

- Project Fund: $120.0 million**
- Delivery Date: 9/1/2020
- Principal Repayment: 30 years
- Debt Service Reserve Fund: None
- Capitalized Interest: None
- Financing Costs: $595,000
- Underlying Ratings: AA (S&P)
- Interest Rates: as of 5/26/2020
- Prepayment: At par after 10 years

Projected Results

- All-in Borrowing Cost: 2.77%
- Avg. Annual NDS: $5.9 million
- Total Net Debt Service: $178.3 million
- Present Value of NDS: $133.2 million

OPTION 2: Water Revenue Bonds (fixed rate) Issued on 9/1/2020

Projected Fiscal Year Net Debt Service with Present Value

Fiscal Year	Principal	Interest	Debt Service	Capitalized Interest Fund	Net Debt Service (NDS)	Present Value of NDS to 9/1/20 @ 2.00%
Totals: >>	**$ 98,129,235**	**$ 80,173,083**	**$ 178,302,318**	**$ -**	**$ 178,302,318**	**$ 133,165,300**
03/01/2021	-	2,211,314	2,211,314	-	2,211,314	2,189,420
03/01/2022	1,484,176	4,385,524	5,869,700	-	5,869,700	5,732,941
03/01/2023	1,560,287	4,309,413	5,869,700	-	5,869,700	5,620,350
03/01/2024	1,640,302	4,229,398	5,869,700	-	5,869,700	5,509,990
03/01/2025	1,724,420	4,145,280	5,869,700	-	5,869,700	5,401,816
03/01/2026	1,812,852	4,056,848	5,869,700	-	5,869,700	5,295,785
03/01/2027	1,905,819	3,963,881	5,869,700	-	5,869,700	5,191,856
03/01/2028	2,003,553	3,866,147	5,869,700	-	5,869,700	5,089,987
03/01/2029	2,106,299	3,763,401	5,869,700	-	5,869,700	4,990,138
03/01/2030	2,214,315	3,655,385	5,869,700	-	5,869,700	4,892,272
03/01/2031	2,327,869	3,541,831	5,869,700	-	5,869,700	4,796,346
03/01/2032	2,447,247	3,422,453	5,869,700	-	5,869,700	4,702,326
03/01/2033	2,572,747	3,296,953	5,869,700	-	5,869,700	4,610,173
03/01/2034	2,704,683	3,165,017	5,869,700	-	5,869,700	4,519,852
03/01/2035	2,843,384	3,026,316	5,869,700	-	5,869,700	4,431,325
03/01/2036	2,989,199	2,880,501	5,869,700	-	5,869,700	4,344,560
03/01/2037	3,142,491	2,727,209	5,869,700	-	5,869,700	4,259,520
03/01/2038	3,303,645	2,566,055	5,869,700	-	5,869,700	4,176,174
03/01/2039	3,473,062	2,396,638	5,869,700	-	5,869,700	4,094,488
03/01/2040	3,651,168	2,218,532	5,869,700	-	5,869,700	4,014,429
03/01/2041	3,838,407	2,031,293	5,869,700	-	5,869,700	3,935,967
03/01/2042	4,014,661	1,855,039	5,869,700	-	5,869,700	3,858,937
03/01/2043	4,178,525	1,691,175	5,869,700	-	5,869,700	3,783,435
03/01/2044	4,349,077	1,520,623	5,869,700	-	5,869,700	3,709,431
03/01/2045	4,526,590	1,343,110	5,869,700	-	5,869,700	3,636,896
03/01/2046	4,711,349	1,158,351	5,869,700	-	5,869,700	3,565,803
03/01/2047	4,903,649	966,051	5,869,700	-	5,869,700	3,496,121
03/01/2048	5,103,798	765,902	5,869,700	-	5,869,700	3,427,824
03/01/2049	5,312,116	557,584	5,869,700	-	5,869,700	3,360,885
03/01/2050	5,528,937	340,763	5,869,700	-	5,869,700	3,295,277
03/01/2051	5,754,608	115,092	5,869,700	-	5,869,700	3,230,974

** City's share of the project cost is not net of $23 million State grant awarded to the City

Direct Comparison of Option 1 (BANs/SRF Loan) with Option 2 (Revenue Bonds)

Option 1: BANs with SRF Loan

- All-in Borrowing Cost: 1.41%
- Total Net Debt Service: $151.5 million

Option 2: Water Revenue Bonds

- All-in Borrowing Cost: 2.77%
- Total Net Debt Service: $178.3 million

Projected Cost Savings

- Reduction in All-in Borrowing Cost: 1.36%
- Gross Savings: $26.8 million
- Present Value Savings: $24.3 million

Projected Fiscal Year Net Debt Service with Present Value

Fiscal Year	Option 1: Net Debt Service on BANs Prepaid with SRF Loan	Option 2: Net Debt Service on Water Revenue Bonds	Projected Cost Savings from Option 1	Present Value of Projected Cost Savings to 9/1/20 @ 2.00%
Totals: >>	**$ 151,548,453**	**$ 178,302,318**	**$ 26,753,865**	**$ 24,322,094**
03/01/2021	693,111	2,211,314	1,518,203	1,503,171
03/01/2022	693,111	5,869,700	5,176,589	5,053,487
03/01/2023	-	5,869,700	5,869,700	5,620,350
03/01/2024	5,005,413	5,869,700	864,287	802,454
03/01/2025	5,005,407	5,869,700	864,293	786,827
03/01/2026	5,005,408	5,869,700	864,292	771,516
03/01/2027	5,005,408	5,869,700	864,293	756,520
03/01/2028	5,005,408	5,869,700	864,292	741,834
03/01/2029	5,005,408	5,869,700	864,292	727,451
03/01/2030	5,005,407	5,869,700	864,293	713,368
03/01/2031	5,005,407	5,869,700	864,293	699,576
03/01/2032	5,005,407	5,869,700	864,293	686,072
03/01/2033	5,005,407	5,869,700	864,293	672,850
03/01/2034	5,005,408	5,869,700	864,293	659,905
03/01/2035	5,005,407	5,869,700	864,292	647,232
03/01/2036	5,005,407	5,869,700	864,293	634,827
03/01/2037	5,005,408	5,869,700	864,292	622,683
03/01/2038	5,005,408	5,869,700	864,293	610,799
03/01/2039	5,005,408	5,869,700	864,292	599,166
03/01/2040	5,005,407	5,869,700	864,293	587,783
03/01/2041	5,005,407	5,869,700	864,292	576,644
03/01/2042	5,005,408	5,869,700	864,293	565,610
03/01/2043	5,005,408	5,869,700	864,293	554,806
03/01/2044	5,005,407	5,869,700	864,293	544,228
03/01/2045	5,005,407	5,869,700	864,293	533,869
03/01/2046	5,005,408	5,869,700	864,293	523,727
03/01/2047	5,005,408	5,869,700	864,293	513,797
03/01/2048	5,005,408	5,869,700	864,293	504,076
03/01/2049	5,005,408	5,869,700	864,293	494,560
03/01/2050	5,005,408	5,869,700	864,292	485,244
03/01/2051	5,005,407	5,869,700	864,293	476,126
03/01/2052	5,005,407	-	(5,005,407)	(2,700,750)
03/01/2053	5,005,407	-	(5,005,407)	(2,647,717)