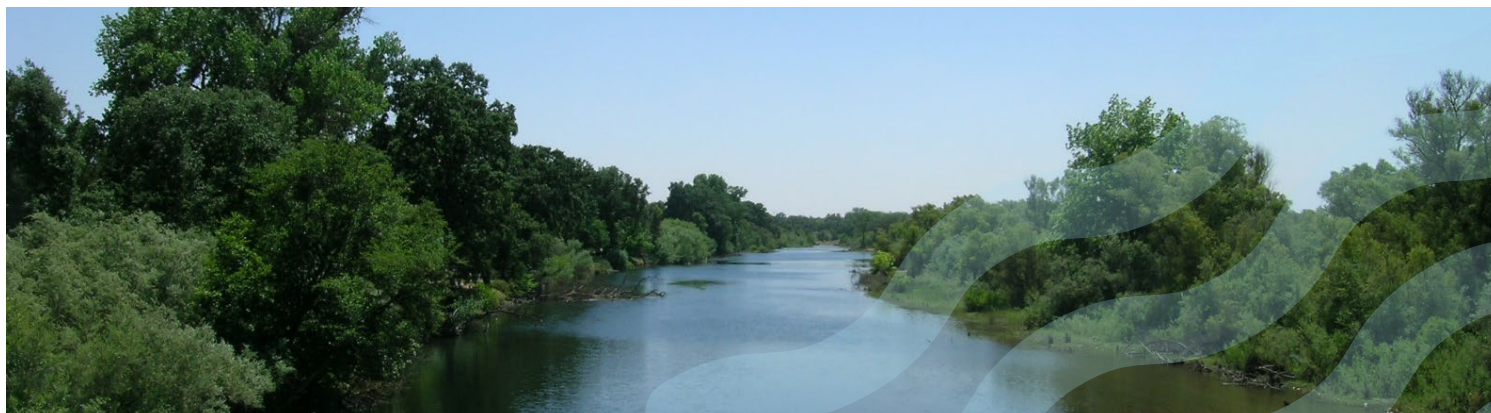


FACT SHEET

Surface Water Supply Project Financing



PROJECT FINANCING

Due to diminishing groundwater supply and declining groundwater quality, the costs for supplying drinking water to the customers in the Cities of Ceres and Turlock are continuing to increase. One of the goals of the Regional Surface Water Supply Project (RSWSP) is to provide a resilient supply of reliable quality water to help stabilize these costs over the long-term. The cities of Ceres and Turlock are entirely dependent upon groundwater produced from aging groundwater supply wells.

The **production capacity from these wells is decreasing** (as groundwater levels continue to decline) and is threatened by contaminants impacting the region's drinking water quality, including nitrates, total dissolved solids, arsenic and the newest identified carcinogen, trichloropropane (TCP). Under the "no project" alternative, **whereby the communities of Ceres and Turlock continue to only use groundwater as the source for their drinking water**, and choose not to build the RSWSP, **the monthly costs to obtain and treat drinking water will continue to increase**. These rate increases for the no project alternative are the result of increasingly stringent groundwater quality regulations and the need to replace or deepen existing wells because of declining groundwater levels.

The cost increase associated with the no project alternative will be substantial, including anticipated increases of up to \$9 a month for Ceres and \$16 a month for Turlock projected over a period of five years (through FY 2022). These projected cost increases for the "no project" alternative also would not include any of the benefits provided by the SRWA project; such as an integrated surface water and groundwater supply system of drinking water, a more reliable and sustainable water supply, and higher more reliable quality raw water.

The SRWA is doing everything possible to identify and obtain other methods of funding for the project to decrease rate impacts to customers. These efforts include obtaining both state and federal grants, and low interest loans.

COST COMPARISON (PER GALLON)



Bottled Water - \$14.08
(typical 16.9 oz)



Project Water - \$0.0032



REGIONAL SURFACE WATER SUPPLY PROJECT COST

Designing and constructing this project is estimated to cost \$288 million. The approximate Project Partner costs are estimated to be: City of Ceres \$100 million, City of Turlock \$182 million, and Turlock Irrigation District \$6 million. This cost estimate includes funding for design and construction of the raw water pumping facility, the raw water transmission main, the water treatment plant and finished water transmission mains for both Ceres and Turlock, and

local system improvements in both cities to integrate this new treated water supply within the distribution systems. Obtaining the funds necessary for the project requires careful planning by the technical team and the Stanislaus Regional Water Authority (SRWA) Board of Directors. Currently, the project team is evaluating a number of funding options, including phased water rate increases for residents of Ceres and Turlock. The SRWA

is doing everything possible to identify and obtain other methods of funding for the project to decrease rate impacts to customers. These efforts include obtaining both state and federal grants, and low interest loans.

However, even if funding is secured through grants and low interest loans, the Cities of Turlock and Ceres will need to seek rate increases from residential, commercial and industrial customers.

POTENTIAL RATE INCREASES

Both Ceres and Turlock will need to raise water rates to fund the RSWSP. A preliminary rate evaluation was conducted using the estimated capital Project cost, projected operation and maintenance (O&M) costs, and Ceres and Turlock capital, debt and distribution system O&M costs. The expected rate implications to the average residential customer's monthly bill over the "no project option" are:

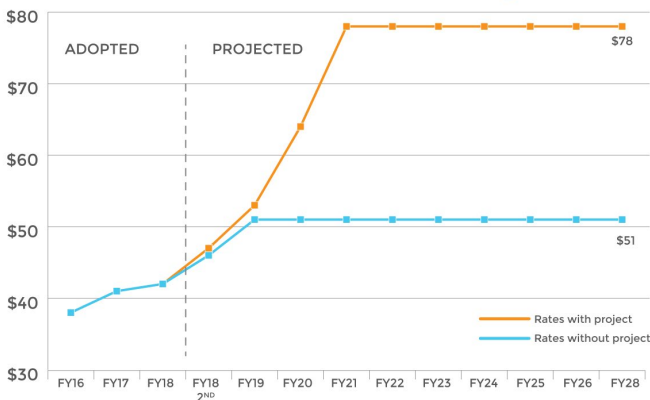
Ceres - The average bill is expected to increase from \$42 per month in FY 2018 to \$78 per month in FY 2022. This represents a \$1 per month increase over the "no project" (groundwater only) alternative in FY 2018, and a \$27 per month increase in FY 2022, when the typical no project bill is expected to be \$51 per month;

Turlock - The average bill is expected to increase from \$43 per month in FY 2018 to \$78 per month in FY 2022. This represents a \$3 per month increase over the "no project" (groundwater only) alternative in FY 2018, and a \$26 per month increase in FY 2022 when the typical no project bill is expected to be \$52 per month.

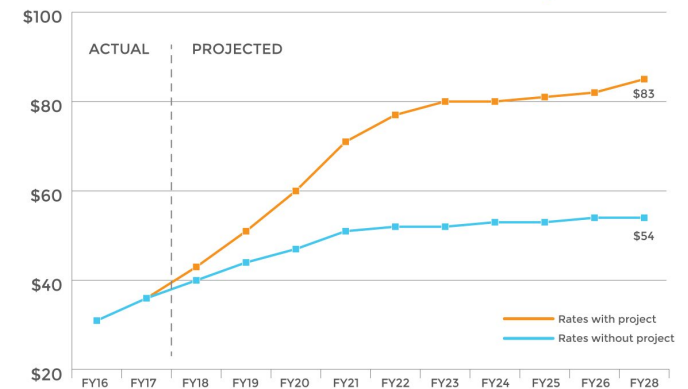
Rate increases for both communities won't be implemented until after the completion of the Proposition 218 process. This process is expected to begin in the fall of 2017. Proposition 218 generally limits public agencies to a five-year rate plan. However, to provide a complete picture, the rate consultant did perform a 10-year rate projection for each city to better understand how water rates may be impacted once the WTP is operational. For Ceres, preliminary rate increases would be minimal for FY 23-27. For Turlock, some inflationary cost increases were calculated which resulted in a gradual increase to rates from \$78 in FY22 to \$83 per month in FY27.

The rate increases associated with the RSWSP will provide the Cities of Ceres and Turlock with the additional benefits of improved drinking water quality, drought resistant water supplies, increased system reliability, improved aquifer replenishment and reliability during periods of drought.

CERES: COMPARISON OF BILL INCREASES, FY16-FY27



TURLOCK: COMPARISON OF BILL INCREASES, FY16-FY27



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