

Cost Estimates for the Brightwater System

King County's Wastewater Treatment Division is committed to ensuring that ratepayers get the best return for their investment in our programs and services. The Brightwater treatment system, the first major upgrade to King County's wastewater treatment system in more than 40 years, is the most complex project the county has undertaken since West Point and South Plant wastewater treatment facilities were built in the 1960s.

As the county begins construction on the Brightwater project, an updated cost estimate, called a *cost trend*, has been prepared so the county can keep citizens informed as to the true cost of this project. Estimating cost on a project of this size becomes more certain as the project progresses because, as bids on contracts come in, estimators are working with actual numbers instead of forecasted ones.

The 2007 cost trend for the Brightwater treatment system is \$1.77 billion which includes inflation. The cost is divided between the conveyance system (\$927 million) and the treatment plant (\$840 million). This figure represents an increase of \$110 million, or 6.4 percent, from the 2004 estimate of \$1.66 billion which assumed inflation of 3 percent per year.

This new cost figure reflects the impact of two major factors:

Inflation: During the past three years we have been in the midst of a construction boom all over the country – and the world. This has meant a greater demand for both materials and labor. The past three years have marked a period of extraordinarily high inflation as measured by the widely used Construction Cost Index, resulting in an increase in costs of about \$61.4 million. The cost of materials like concrete, steel and copper have risen steeply, not least because the U.S. must compete with countries (such as China) that are investing heavily in infrastructure, but also because of a more competitive environment for construction contractors. Although the more recent downtrend in residential construction will mean an easing of cost pressures for materials, and to some extent, construction contractor services, many of the construction contracts were awarded during this period of higher inflation and demand for construction services.

Mitigation: King County earmarked an additional \$50.5 million towards mitigation over the original \$88 million mitigation budget. This increase was largely the result of a mitigation agreement made late 2006 with Snohomish County. Investments in mitigation benefit ratepayers because the agreements we reached with jurisdictions helped settle litigation, allowing King County to obtain permits needed to start Brightwater construction and avoid costly project delays, missed construction seasons, and additional inflation costs down the road.

The remainder of the increase is from scope and pricing refinements on the treatment plant, along with corresponding increases in sales taxes and allied costs.

Cost Savings is a priority

We've been fighting inflation and commodities costs by continuing to look for cost savings measures through the design and construction of the project.

King County remains committed to cost saving measures. The King County Council has hired an independent consultant to provide oversight of the project's scope, schedule, and budget. Additionally, over the last three years, value engineering reviews and design refinements have achieved \$190 million

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in cost savings for the project. With the latest cost trend, conveyance and land costs decreased by about \$37 million and \$1.4 million, respectively, compared to pre-design estimates.

We use private-sector business practices to cut costs and increase employee productivity while providing a high level of service and environmental protection. King County's wastewater utility is an award-winning, well-managed, fiscally responsible agency that delivers on its promise to protect public health and water quality, 24-7.

In early 2008, thanks to its exemplary bond ratings, King County took advantage of lower interest rates to reduce capital borrowing costs that will ultimately save sewer ratepayers \$13 million in 2008 dollars. These savings will help offset the increases in future sewer rates needed to finance the construction of the new Brightwater treatment plant and conveyance systems.

Value you get from wastewater treatment

Transporting and treating wastewater is a 24/7 job. We clean water, remove odors from the air, and create resources from wastewater.

In the 1950s, Lake Washington was too polluted for swimming. Now, thanks to our wastewater system, it's one of the cleanest urban lakes in the world. We can't afford to go back. Our region is growing and we are building a new treatment plant with more capacity. It's one thing when roads don't keep up with growth and traffic backs up. It's another if the wastewater system backs up. We can't afford to wait to build infrastructure.

Our predecessors voted for and paid for this system, and we've benefited from it. It's time to act for the next generation. Our population has outgrown the two plants we built 40 years ago - we need to also build capacity to serve new customers.

Brightwater is a smart long-term investment in regional infrastructure that will serve our growing population, allow economic growth, and protect public health and the environment for decades to come.

For more information or to be added to our mailing list, please contact us:

Phone: 206-684-6799

Email: brightwater@kingcounty.gov

Web site: <http://dnr.metrokc.gov/wtd/brightwater/>

This information is available in alternative formats on request by calling 206-684-1280 or Relay Service 711



King County

Department of Natural Resources and Parks
Wastewater Treatment Division