



FACT SHEET

Update on Truckee River Flood Project Costs



Updated November 11, 2008

Why the cost update?

The US Army Corps of Engineers, our major federal partner, has recently developed new cost estimates for the Truckee River Flood Project. The costs are based on FY 2007 estimates for real estate, concrete, fuel, supplies, and labor. The Corps utilizes an incremental cost estimating methodology. This means that costs are estimated over time as the project plan is developed. Total costs are not fully estimated until preparation of the Chief's Report for Congress which is scheduled about two years from now - September 2010.

What are the new project costs?

The Corps' new costs for the Truckee River Flood Project are shown below. Under Senator Reid's 2005 law for the Truckee River Project (PL 109-103, Section 113), the local share for both versions of the flood plan has remained the same as the last three years - approximately \$400 million.

Revised Costs and Cost Share for the Truckee River Flood Project (\$ millions)

	NED (Corps Plan)	LPP #2 (Local Plan)
Federal Share	\$ 790	\$1,343
Local Share	\$ 424	\$ 313
TOTAL	\$1,215	\$ 1,657

* Note: The LPP #2 incorporates PL 109-103, Section 113 cost sharing formula. LPP#1 (not shown above) uses a more traditional (50-50) cost sharing formula.

Why the increase in costs?

1. Land - The Corps had previously estimated Reno-Sparks land costs at *less than half* what experience in the market has taught us, including some values at less than 10% of actual costs. Overall, the full land package for the project is estimated to cost \$300 - \$375 million, not \$136 million- a 175% increase.
2. Concrete, Fuel, Materials, Labor – Although the Flood Project is designed to work with the natural environment and restore broad swaths of floodplains, a significant amount of concrete and earthwork is required to construct the bridges and floodwalls in downtown Reno, the levees and river terraces in the Meadows, the Huffaker Dam and Spillway (near Rattlesnake Mountain), and the downstream levees. Significant earthwork is also required to implement the river restoration features included in the project.
3. Inflation - While project costs are estimated at a single point in time (2004, 2008, etc.), construction is expected to occur over a period of 15 years. With time, the costs of raw materials and services rise. Since the Corps last cost estimate in 2006, inflation has added some 7% to the totals. Inflation has flattened out recently, but is expected to increase once again.

A note on the Benefit-to-Cost Ratio and Economic Stimulus

The Corps requires any project that receives federal dollars to exceed a benefit-to-cost ratio of one. That is, for every dollar spent, there must be a dollar in damages saved. Any time costs increase, there is a concern that the benefit-to-cost ratio of a project may no longer meet the test. What is often observed, however, is that as project costs rise *so do project benefits*. This is true in the case of the Truckee River Flood Project and our project is still well within the required benefit-to-cost ratios. This means, even at a cost of \$1.2 Billion or more, our project will save the community significant dollars and is worth doing. **Additionally, the Flood Project is expected to provide a significant economic stimulus and to increase employment by 14,000 to 19,000 jobs over the construction period.**