

Date of Hearing: July 2, 2025

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

SB 598 (Durazo) – As Amended March 24, 2025

SENATE VOTE: 36-0

SUBJECT: Public contracts: local water infrastructure projects: Construction Manager/General Contractor project delivery method

SUMMARY: Allows specified local agencies to use the construction manager/general contractor (CM/GC) project delivery method for specified water infrastructure projects. Specifically, **this bill:**

- 1) Allows, upon approval by its governing body, a local agency to use CM/GC project delivery, as defined in existing law governing the use of CM/GC by the Metropolitan Water District of Southern California (MWD), for a regional recycled water project or other water infrastructure project undertaken to alleviate water supply shortages attributable to drought or climate change.
- 2) Requires the local agency to follow the procedures specified in existing law for the use of CM/GC by MWD, except that they shall not be required to complete the report required by those statutes.
- 3) Defines “local agency” to mean a city, county, city and county, or special district authorized by law to provide for the production, storage, supply, treatment, or distribution of any water from any source.
- 4) Provides that the provisions of this bill shall remain in effect only until January 1, 2031, and as of that date are inoperative.
- 5) Specifies that a contract awarded pursuant to this bill before it becomes inoperative, but after the statutes governing the use of CM/GC by MWD become inoperative shall continue in full force and effect until completion, including any subsequently executed changes to the contract, or termination.
- 6) Provides that no reimbursement is required by this bill pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this bill creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

COMMENTS:

- 1) **Author's Statement.** According to the author, "SB 598 would authorize local agencies that provide for the production, storage, supply, treatment, or distribution of water to use the construction manager/general contractor (CM/GC) project delivery method on local water infrastructure projects.

"I have worked my entire life to make California more equitable. Now, in the midst of a seismic change in our economy, we cannot afford to make the same mistakes of the past. A commitment to climate means a commitment to workers as we take bold steps to modernize and fortify our water infrastructure to prepare for the intensifying challenges of climate change.

"SB 598 provides a practical, cost-effective pathway for achieving this goal by allowing local agencies to leverage CM/GC's advantages in project planning and execution. My bill ensures that water infrastructure projects utilize a highly skilled, trained workforce, reinforcing California's commitment to strong labor standards."

- 2) **Background.** The Local Agency Public Construction Act generally requires local agencies to invite bids for construction projects and award contracts to the lowest responsible bidder. Local agencies typically use the traditional design-bid-build method for constructing public works. This approach splits construction projects into two distinct phases: design and construction. During the design phase, the local agency prepares detailed project plans and specifications using its own employees or by hiring outside architects and engineers. Once project designs are complete, local agencies invite bids from the construction community and award the contract to the lowest responsible bidder. Over the last couple of decades, legislators have gradually expanded local agencies' authority to procure construction projects using various alternatives to the design-bid-build project delivery method.
- 3) **CM/GC.** The CM/GC project-delivery method allows an agency to engage a construction manager during the design process to provide assistance to the design team, which can ultimately lead to a more constructible project. When design is nearly complete, the agency and the construction manager negotiate a guaranteed maximum price for the construction of the project based on the defined scope and schedule. If this price is acceptable to both parties, they execute a contract for construction services, and the construction manager becomes the general contractor. CM/GC can reduce costs and/or expedite project completion because of the construction manager's involvement in the design process.
- 4) **CM/GC in California Law.** The Legislature has authorized a number of agencies to use CM/GC, most often for transportation and transit projects. SB 626 (Dodd), Chapter 247, Statutes of 2021, authorized the Department of Water Resources (DWR) to use the design-build and CM/GC project delivery methods for facilities of the State Water Project and outlined extensive parameters for the department's use of these methods.

More recently, AB 1845 (Calderon), Chapter 275, Statutes of 2022, authorized MWD to use CM/GC project delivery (as well as design-build and progressive design-build) for a regional water recycling project or other water infrastructure project undertaken to alleviate water supply shortages attributable to drought or climate change.

AB 1845 outlined extensive requirements for the procurement process that must be followed for each project delivery method, consistent with existing statutory authorizations for other agencies' use of these methods. The bill also required MWD to award progressive design-build or CM/GC contracts on a best value or qualifications basis or to the lowest responsible bidder.

AB 1845 limited the use of these methods to 15 capital outlay projects, and required MWD to submit a report containing specified information about each CM/GC project to the Legislature by January 1, 2027.

AB 1845 required the use of a skilled-and-trained workforce for all work on a project, unless the local agency has entered into a project labor agreement that requires the use of such a workforce. AB 1845 contained sunset dates for each type of project delivery method it authorized.

- 5) **Bill Summary.** This bill expands the use of CM/GC for a regional recycled water project or other water infrastructure project undertaken to alleviate water supply shortages attributable to drought or climate change, to include all counties, cities and special districts that are authorized to provide for the production, storage, supply, treatment, or distribution of any water from any source. These agencies must follow the procedures and requirements for the use of CM/GC that are outlined in existing law for MWD's use of this contracting method, but exempts these agencies from the reporting requirements that apply to MWD.

This bill contains a sunset date of January 1, 2031. This bill is sponsored by the Water Collaborative Delivery Association.

- 6) **Policy Considerations and Committee Amendments.** The Committee may wish to consider the following:

This bill's provisions are largely modeled after those contained in AB 1845. However, there are a few exceptions. This bill:

- a) Specifically exempts local agencies from the reporting requirement in AB 1845.
- b) Does not limit the number of projects for which a local agency may use CM/GC project delivery. MWD is allowed to use CM/GC for up to 15 projects.
- c) Does not require (or allow) contracts to be awarded on a best value or qualifications basis or to the lowest responsible bidder.
- d) Does not contain a number of definitions in AB 1845 that apply to the use of CM/GC by MWD.

The Committee may wish to amend this bill to include the provisions noted above, in order to maintain consistency among local agencies and provide the Legislature with adequate information for review when this bill's sunset date approaches.

- 7) **Previous Legislation.** AB 1845 (Calderon), Chapter 275, Statutes of 2022, authorized MWD to use design-build, progressive design-build and CM/GC project delivery for a regional water recycling project or a drought response project.

SB 626 (Dodd), Chapter 247, Statutes of 2021, authorized DWR to use design-build and CM/GC project delivery for facilities of the State Water Project, excluding through Delta conveyance, as specified.

SB 1262 (Beall), Chapter 465, Statutes of 2018, eliminated the restriction on the number of projects Caltrans can procure through the CM/GC method.

AB 115 (Committee on Budget), Chapter 20, Statutes of 2017, expanded Caltrans' authority to utilize CM/GC from 12 to up to 24 projects.

AB 2126 (Mullin), Chapter 750, Statutes of 2016, expanded Caltrans' authority to utilize CM/GC from six to up to 12 projects.

AB 1171 (Linder), Chapter 413, Statutes of 2015, authorized regional transportation agencies to use CM/GC contracts, under limited circumstances.

AB 797 (Gordon), Chapter 320, Statutes of 2013, authorized the Santa Clara Valley Transportation Authority and the San Mateo County Transit District to use CM/GC contracting on transit projects.

AB 2498 (Gordon), Chapter 752, Statutes of 2012, authorized Caltrans to use CM/GC on no more than six projects, at least five of which must have construction costs greater than \$10 million.

SB 1549 (Vargas), Chapter 767, Statutes of 2012, authorized the San Diego Association of Governments to use CM/GC contracting on transit projects.

- 8) **Arguments in Support.** The Water Collaborative Delivery Association, sponsor of this bill, states, "SB 598 is essential in providing water agencies with the flexibility and efficiency needed to modernize and expand California's water storage, development, and management systems amid the increasing challenges of water development in California.

"California's water infrastructure faces unprecedented challenges due to climate change-driven extreme weather events. Warmer, wetter winters are increasing the frequency of both droughts and atmospheric river storms, requiring the state to enhance its ability to capture, store, and distribute water efficiently. Traditional design-bid-build methods can be inefficient and costly, delaying the implementation of urgently needed projects. CM/GC offers a more proactive, collaborative approach to address these needs effectively...

"SB 598 ensures that water infrastructure projects utilize a highly skilled, trained workforce, reinforcing California's commitment to strong labor standards. By requiring contractors to employ skilled and trained workers, CM/GC supports apprenticeship programs and prevailing wage requirements, ensuring that public funds are invested in high-quality jobs that sustain local economies. This approach helps promote workforce stability, safety, and efficiency in delivering vital water projects.

“California must take bold steps to modernize and fortify its water infrastructure to prepare for the intensifying challenges of meeting our water needs. SB 598 provides a practical, cost-effective pathway for achieving this goal by allowing local agencies to leverage CM/GC’s advantages in project planning and execution.”

9) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

Water Collaborative Delivery Association [SPONSOR]
Association of California Water Agencies
California-Nevada Conference of Operating Engineers
California Groundwater Coalition
California State Council of Laborers
City of Vernon
District Council of Iron Workers of the State of California and Vicinity
El Dorado Irrigation District
Los Angeles County Sanitation Districts
State Building & Construction Trades Council of California
Stockton East Water District

Opposition

None on file

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