



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: SEPTEMBER 10, 2024

FROM: PUBLIC WORKS DEPARTMENT WARDS: ALL

SUBJECT: ACCEPTANCE OF THE CALRECYCLE CYCLE 7 2021-22 AND 2022-23 ORGANICS GRANT IN THE AMOUNT OF \$10,000,000 AND AWARD A DESIGN-BUILD AGREEMENT TO ANAERGIA SERVICES, LLC, A DELAWARE LIMITED LIABILITY COMPANY (LLC), DBA RIVERSIDE BIOENERGY FACILITY, LLC, A DELAWARE LLC, FOR THE IMPROVEMENTS OF THE FEEDSTOCK RECEPTION STATIONS IN THE AMOUNT OF \$9,825,000 – SUPPLEMENTAL APPROPRIATION

ISSUES:

Accept a grant award in the amount of \$10,000,000 from the Department of Resources Recycling and Recovery (CalRecycle) for the Cycle 7 2021-22 and 2022-23 Organics Grant Program, authorize a supplemental appropriation in the amount of the grant award, and award a Design-Build Agreement to Anaergia Services, LLC a Delaware limited liability company, DBA Riverside Bioenergy Facility, LLC, a Delaware LLC, for the improvements of the feedstock reception stations in the amount of \$9,825,000.

RECOMMENDATIONS:

That the City Council:

1. Approve the acceptance of a grant award in the amount of \$10,000,000, under the Cycle 7 2021-22 Organics Grant Program as administered by the Department of Resources Recycling and Recovery (CalRecycle) for the improvements of the feedstock reception stations at the Regional Water Quality Control Plant (RWQCP);
2. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record an increase in revenue and appropriate expenditures in the amount of \$10,000,000 in the Sewer Fund, Feedstock Reception Station Improvements Project account;
3. Award a Design–Build Agreement for the improvements of the feedstock reception stations to Anaergia Services, LLC a Delaware limited liability company, DBA Riverside Bioenergy Facility, LLC, a Delaware LLC in the amount of \$9,825,000;
4. Authorize the City Manager, or designee, to execute the Design–Build Agreement with Riverside Bioenergy Facility, LLC, including making minor and non-substantive changes, subject to the availability of budgeted funds;and

5. Authorize the City Manager, or designee, to execute all necessary grant documents with Department of Resources Recycling and Recovery, including making minor and non-substantive changes as needed.

BACKGROUND:

Anaerobic digestion is the decomposition of biodegradable materials under low oxygen conditions. It is a common treatment practice for solid waste, including food waste. Anaerobic digestion produces two main byproducts: **biogas** and **digestate**. Biogas is a mixture of methane, carbon dioxide, and small quantities of other gases. Digestate is the non-gaseous material remaining after digestion. Anaerobic digestion is a key component in the wastewater treatment process at the Regional Water Quality Control Plant (RWQCP) and these end products can generate a new funding stream while reducing the impacts on the environment and landfills.

In 2018, the Public Works Department began pursuing a project which would maximize the full potential of the RWQCP. The project would leverage anaerobic digestion at the RWQCP to address regulatory challenges on climate, waste disposal, and biosolids management. The outcome of these efforts is the proposed “Riverside Bioenergy Facility” (Facility). This project represents the first public-private partnership (P3) for the Public Works Department and would leverage industry leaders and technology to develop valuable waste-derived end products through new and enhanced treatment processes. Key components of this partnership include:

1. The private company would lease a portion of the RWQCP for up to 30 years to develop and operate the Facility;
2. The Facility would process food waste and other anaerobically digestible materials from the City and adjoining agencies/region; and
3. The Facility would produce biogas and digestate that have a commercial use. The biogas may be injected into a larger distribution system as Renewable Natural Gas and in later years the digestate would be converted to biochar.

The City would receive rental income from the lease agreement and revenue from the sale of the Renewable Natural Gas (RNG) and biochar. These new funding streams would help maintain and upgrade the sewer system and reduce the overall treatment cost at the RWQCP. The project also aligns with and supports the State’s goals to better protect the environment.

On December 19, 2023, the City Council (1) awarded RFP No. 2222 for Biogas Upgrade and Digestate Management Facilities to Anaergia Services, LLC a Delaware limited liability company (LLC) doing business as Riverside Bioenergy Facility, LLC, a Delaware LLC (“Anaergia”); (2) approved the Lease and Energy Services Agreement (Agreement) with Riverside Bioenergy Facility, LLC a Delaware LLC for a term ending twenty-years from the Commercial Operation Date as defined in the Agreement, with an option for two additional five-year extensions; and (3) waived the competitive bid requirement pursuant to City Charter section 1109 for future tenant and landlord improvement related to the Lease and Energy Services Agreement, including the rehabilitation of Digester No. 5 for a public utility operated by the City. It was stipulated that staff would return to City Council separately for approval of any expenditures for the rehabilitation of Digester No. 5 and for the construction of the Riverside Bioenergy Facility.

On July 2, 2024, the City Council (1) awarded a Design–Build Agreement for the rehabilitation of Digester No. 5 to Anaergia Services, LLC a Delaware limited liability company, DBA Riverside Bioenergy Facility, LLC, a Delaware LLC in the amount of \$9,508,000; (2) authorized a 10% change order authority in the amount of \$950,800 for the Design – Build Agreement to rehabilitate

Digester No. 5 to Anaergia Services, LLC a Delaware limited liability company, DBA Riverside Bioenergy Facility, LLC, a Delaware LLC for a total contract not to exceed \$10,458,800; (3) authorized the City Manager, or designee, to execute the Design–Build Agreement with Riverside Bioenergy Facility, LLC, including making minor and non-substantive changes, subject to the availability of budgeted funds; and (4) authorized the Chief Financial Officer, or designee, to record a supplemental appropriation in the amount of \$8,434,200 from available Sewer Working Capital to the Digester 5 Rehabilitation expenditure account.

On April 4, 2023, the City Council (1) adopted Resolution No. 23974 authorizing the City Manager, or designee, to submit a grant application to CalRecycle for the 7th Cycle (ORG7) Fiscal Years 2021-22 and 2022-23 Organics Grant Program; and (2) authorized the City Manager, or designee, to execute necessary documents in furtherance of the grant application to CalRecycle for the 7th Cycle (ORG7) Fiscal Years 2021-22 and 2022-23 Organics Grant Program.

On February 28, 2024, the Deputy Director of CalRecycle approved the grant award under the Organics Grant Program 7th Cycle (ORG 7) in the amount of \$10,000,000 to the City of Riverside. The grant aims to further the purposes of the California Global Warming Solutions Act (AB 32) and lower overall greenhouse gas emissions by expanding existing capacity or establishing new facilities in California to reduce organic materials sent to landfills. Hence, this Project is 100% funded by the CalRecycle grant.

DISCUSSION:

The Riverside Water Quality Control Plant (RWQCP) currently owns and operates a Fat, Oil, and Grease (FOG) receiving and processing station. In order to accept food waste and other organic feedstock, the station needs to be upgraded with modifications to its equipment, electrical and instrumentation, piping, storage facilities, and treatment facilities (Project).

Under this Project, Anaergia will secure the necessary permits from the South Coast Air Quality Management District, design and install the upgrades to the receiving station, including its proprietary Organics Polishing System (OPS) to remove residual contaminants and create an organic slurry. The slurry is then pumped into Digester 5 to undergo an anaerobic digestion process. As a result, biogas is the byproduct which feeds the RWQCP's Fuel Cell to produce electricity. The biogas can also be conditioned to remove contaminants and upgraded to RNG and injected into the Southern California Gas Company's pipeline to generate revenue.

The first project with Anaergia is to rehabilitate Digester 5 to accept food waste slurry. This project is the second step in partnership with Anaergia to optimize infrastructure at the RWQCP in respond to regulatory demands, realize efficiencies, address climate change, advance sustainability initiatives, and leveraging grant funds to improve the existing and construct new facilities.

On December 19, 2023, City Council approved the waiver of competitive bidding in accordance with Purchasing Resolution No. 24101, Article Seven, Section 702. Exceptions, Competitive Procurement through the Informal Procurement and Formal Procurement process shall not be required in any of the following circumstances: (n) "When the Awarding Entity waives bidding requirements under and according to the circumstances set forth in Section 1109 of the City Charter, or when it is determined by the Manager to be in the best interests of the City to do so".

The Purchasing Manager concurs with these actions as they comply with Purchasing Resolution No. 24101, Section 702(n).

STRATEGIC PLAN ALIGNMENT:

This item supports **Strategic Priority 4 – Environmental Stewardship** and **Goal 4.6 – Implement** requisite measures to achieve Citywide carbon neutrality no later than 2040. **Strategic Priority 5 – High Performing Government** and **Goal 5.2 – Utilize** technology, data, and process improvement strategies to increase efficiencies, guide decisions and ensure services are accessible and distributed equitably Citywide. **Strategic Priority 6 – Infrastructure, Mobility, and Connectivity** and **Goal 6.3 – Identify** and pursue funding opportunities to develop, operate, maintain, and renew infrastructure and programs that meet the community’s needs.

This item aligns with each of the Cross-Cutting Threads as follows:

1. **Community Trust** – Management and capitalization of the City’s waste streams benefits all City residents, businesses, and visitors by helping to improve environmental quality, stabilize rates, and leverage previous investments in infrastructure.
2. **Equity** – Optimizing infrastructure at the RWQCP to respond to regulatory demands, realize efficiencies, address climate change, and advance sustainability initiatives benefits all City residents and businesses.
3. **Fiscal Responsibility** – Maximizing the benefit of City infrastructure supports Public Works’ efforts to minimize inefficiencies, maximize reliability, and stabilize rates.
4. **Innovation** – Public Works’ Wastewater Division is focused on implementing the newest technologies to maximize sustainability efforts and lead on resource recovery.
5. **Sustainability & Resiliency** – The City’s Regional Water Quality Control Plant has a wealth of opportunity to be a regional leader in leveraging and expanding its existing infrastructure to meet the needs of the present and positioning the City of Riverside to be at the forefront of resource recovery and beneficial reuse efforts nationally.

FISCAL IMPACT:

The total fiscal impact of this action is a supplemental appropriation of \$10,000,000 for the CalRecycle grant, fully offset by grant revenues, and a Design-Build agreement of \$9,825,000 fully funded by the CalRecycle grant. No City matching funds are required for this grant. With Council approval, an increase will be recorded in revenues and appropriations in the amount of \$10,000,000 in the Sewer Fund in the accounts referenced in Table 1. The estimated total project cost including the Design-Build agreement, construction, and contract administration is itemized in Table 2.

Table 1 – Grant Funding Supplemental Appropriation

Fund	Project	Account	Amount
Sewer	RWQCP – Feedstock Reception Station Improvements	Expenditure: 9352200-440210	\$10,000,000
		Revenue: 9352200-334100	\$10,000,000
Net fiscal impact			\$0

Table 2 – Project Costs

Task	Account	Amount
Design - Build Contract and Construction	RWQCP – Feedstock Reception Station Improvements Account No. 9352200-440210	\$9,825,000
Construction Engineering, Inspection, and Survey (In House)		
Construction Materials Testing		\$175,000
	Total	\$10,000,000

Prepared by: Edward Filadelfia, Deputy Public Works Director
 Approved by: Gilbert Hernandez, Public Works Director
 Certified as to availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
 Approved by: Kris Martinez, Assistant City Manager
 Approved as to form: Phaedra A. Norton, City Attorney

- Attachments:
1. Design-Build Agreement between City of Riverside and Riverside Bioenergy Facility, LLC.
 2. Presentation