



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: OCTOBER 3, 2023

FROM: PUBLIC WORKS DEPARTMENT WARDS: ALL

SUBJECT: THIRD AMENDMENT TO BIOSOLIDS HAULING AND DISPOSAL/REUSE SERVICES AGREEMENT FOR THE RIVERSIDE REGIONAL WATER QUALITY CONTROL PLANT WITH DENALI WATER SOLUTIONS, LLC, A DELAWARE LIMITED LIABILITY COMPANY AUTHORIZED TO DO BUSINESS IN CALIFORNIA WITH A LOCAL GARDEN GROVE LOCATION, INCREASING THE COMPENSATION IN THE AMOUNT OF \$1,499,803.80, FOR A REVISED TOTAL AMOUNT OF \$17,686,014.80

ISSUE:

Approve the Third Amendment to Biosolids Hauling and Disposal/Reuse Services Agreement for the Riverside Regional Water Quality Control Plant with Denali Water Solutions, LLC, a Delaware limited liability company authorized to do business in California with a local Garden Grove location, increasing the compensation in the amount of \$1,499,803.80, for a revised total amount of \$17,686,014.80.

RECOMMENDATIONS:

That the City Council:

1. Approve the Third Amendment to Biosolids Hauling and Disposal/Reuse Services Agreement with Denali Water Solutions, LLC, a Delaware limited liability company authorized to do business in California with a local Garden Grove location, increasing the compensation in the amount of \$1,499,803.80, for a revised total amount of \$17,686,014.80; and
2. Authorize the City Manager, or designee, to execute the Third Amendment to the Services Agreement, including making minor and non-substantive changes.

BACKGROUND:

The City of Riverside Public Works Department, Wastewater Division, is responsible for collecting and treating wastewater for over 93,000 customers within the City limits. Additionally, the City of Riverside provides wastewater treatment service for the Edgemont, Jurupa, and Rubidoux Community Services Districts and the unincorporated community of Highgrove.

The City's Regional Water Quality Control Plant (RWQCP) treatment facility removes organic matter from wastewater to meet regulatory water quality requirements prior to discharge to the

Santa Ana River or reuse as recycled water. The organic matter (biosolids) removed under contract is hauled and beneficially reused as compost to Hinkley, California or as a soil amendment for non-food crops to Arizona. The quality and disposal locations of the biosolids complies with Environmental Protection Agency (EPA) Federal Biosolids regulations. On an annual basis approximately 48,000 tons of biosolids are produced, which requires 2,000 truck trips for disposal.

On August 25, 2015, the City issued Request for Proposal (RFP) No. 1544 seeking a contractor to provide biosolids hauling and disposal/reuse services to the RWQCP.

On April 5, 2016, City Council awarded the biosolid hauling and disposal/reuse services to Denali Water Solutions LLC in the amount of \$5,428,895 for services from April 22, 2016, through December 31, 2018.

On September 25, 2018, City Council approved the First Amendment to the Contract Agreement extending the term through June 30, 2022, in the amount of \$9,957,316 for an amount not-to-exceed \$15,386,211.

On August 16, 2022, City Council approved the Second Amendment to the Contract Agreement with Denali Water Solutions, LLC, to increase the compensation by \$800,000, for total contract amount of \$16,186,211 for terms extension through December 31, 2022.

DISCUSSION:

Market volatility, temporary supply shortages, and a significant Consumer Price Index (CPI) increase created an unexpected rise in unit costs for business operations and biosolids hauling. The hauling of biosolids costs in quarter two of FY 21/22 increased from \$42.13 per ton to \$42.89 per ton, with a budget of \$2,400,000. RWQCP staff received communication from Denali Water Solutions on December 23, 2021, that they were reducing trucking services due to staffing shortages, causing the RWQCP to stockpile biosolids on drying beds. In FY 22/23, the City provided Denali with a Purchase Order of \$800,000 for biosolids hauling for quarters one and two. During this period, the rate for hauling stockpiled biosolids from the drying beds rose jumped from \$42.89 per ton to \$87.82 per ton, partly due to the closure of Nursery Products in Hinkley, California. The closure resulted in all biosolids from the RWQCP to be hauled to Arizona.

In February 2023, the City unexpectedly received invoices from Denali for services rendered from April 2022 through June 2022 that Denali never submitted due to their staff turnover; this prompted an internal audit from the RWQCP Regulatory Compliance staff. During the RWQCP's internal audit of invoices, staff found discrepancies, including duplicate ticket submittals and differences in quantity and amount listed between the tickets and invoices. With the vendor's concurrence, the audit was finalized in July 2023 resulting in additional costs associated with the unanticipated invoices. The Third Amendment to Biosolids Hauling and Disposal/Reuse Services Agreement was created to address the unanticipated additional costs and fully paid services rendered through December 31, 2022.

The Third Amendment complies with Purchasing Resolution 23914, Article Eleven: Purchase Order and Purchase Requisition Procedures, Section 1104 "Change Orders", which states in part that "Modifications to a Purchase Order shall be made only by Change Order. Subject to the availability of funds, Change Orders may be utilized for purposes of ... (6) any other change approved by the Manager ... (e) Any Change Order which extends the time of completion beyond

one year of the original date.”

The Purchasing Manager concurs that the actions are in compliance with Purchasing Resolution No. 23914.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 4 – Environmental Stewardship** and **Goal 4.2 – Sustainably manage local water resources to maximize reliability and advanced water reuse to ensure safe, reliable, and affordable water to our community.**

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

- 1. Community Trust** – Conducting regular water treatment routines ensures wastewater discharges do not negatively impact the community and environment. The RWQCP treatment facility removes organic matter from the wastewater to meet regulatory water quality requirements prior to discharge to the Santa Ana River or reuse as recycled water.
- 2. Equity** – Biosolids Hauling and Disposal/Reuse Services support RWQCP efforts in protecting the public’s health and environment by ensuring wastewater treatment is performed efficiently in compliance with federal, state, regional, and local regulatory requirements.
- 3. Fiscal Responsibility** – Biosolids Hauling and Disposal/Reuse Services support RWQCP efforts in minimizing inefficiencies and developing control methods to maximize reliability and ensure efficient wastewater treatment.
- 4. Innovation** – Biosolids Hauling and Disposal/Reuse Services exemplify a collaborative partnership with Denali Water Solutions, LLC to enhance operational reliability by achieving measurable improvements through proper wastewater treatment.
- 5. Sustainability & Resiliency** – Biosolids Hauling and Disposal/Reuse Services support the implementation of sustainability to treat wastewater that is generated within the City of Riverside and the communities of Edgemont, Highgrove, Jurupa, and Rubidoux at the Riverside Water Quality Control Plant.

FISCAL IMPACT:

The total fiscal impact of the action is \$1,499,803.80. Invoices will be paid with funds that were available in the FY 2022/23 budget, Sewer Fund, Sewer System Treatment, Refuse/Disposal Fees account number 4125200-422700.

Prepared 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

Attachment: Presentation