



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: APRIL 8, 2025

FROM: PUBLIC WORKS DEPARTMENT WARDS: ALL

SUBJECT: FIRST AMENDMENT TO THE DESIGN-BUILD AGREEMENT WITH ANAERGIA SERVICES, LLC, A DELAWARE LIMITED LIABILITY COMPANY (LLC), DBA RIVERSIDE BIOENERGY FACILITY, LLC, A DELAWARE LLC, FOR THE REHABILITATION OF DIGESTER NO. 5 IN THE AMOUNT OF \$440,000.00 FOR A TOTAL CONTRACT AMOUNT OF \$9,948,000.00 AND INCORPORATE THE INVESTMENT TAX CREDIT REQUIREMENTS INTO THE CONTRACT

ISSUE:

Approve the First Amendment to the Design-Build Agreement with Anaergia Services, LLC, a Delaware limited liability company (LLC), DBA Riverside Bioenergy Facility, LLC, a Delaware LLC, for the rehabilitation of Digester No. 5, in the amount of \$440,000.00, for a total contract amount of \$9,948,000.00 and incorporate the Investment Tax Credit requirements into the contract.

RECOMMENDATION:

That the City Council:

1. Approve the First Amendment to the Design-Build Agreement with Anaergia Services, LLC, a Delaware limited liability company (LLC), DBA Riverside Bioenergy Facility, LLC, a Delaware LLC, for the rehabilitation of Digester No. 5 in the amount of \$440,000.00 for a total contract amount of \$9,948,000.00 and incorporate the Investment Tax Credit requirements into the contract; and
2. Authorize the City Manager, or his designee to execute the First Amendment to the Design-Build Agreement for the rehabilitation of digester no.5 with Anaergia Services, LLC, DBA Riverside Bioenergy Facility, LLC, including making minor and non-substantive changes.

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 to 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;
3. The Facility would produce biogas and digestate that have a commercial use. The biogas may be injected into a larger distribution system such as Renewable Natural Gas and in later years the digestate may be converted to biochar.

The City would receive rental income from the lease agreement and revenue from the sale of the Renewable Natural Gas 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; (2) approved the Lease and Energy Services Agreement (Agreement) with Riverside Bioenergy Facility, 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 in the amount of \$9,508,000 including a 10% change order authority.

DISCUSSION:

When the Digester 5 project started in July 2024, Anaergia informed staff about an Investment Tax Credit (ITC) in which up to 40% of the cost to rehabilitate Digester No. 5 is available to the City as summarized in the Table below:

Table 1 – Project Cost and Grants

Description	Amount
Design-Build Agreement + Contingencies	\$10,458,800.00
CalRecycle Grant	(\$2,000,000.00)
ITC Benefit (40%)	(\$4,183,520.00)
Anticipated Net Cost to City	\$4,275,280.00

In order for the City to qualify for the ITC benefits, several criteria must be met. Specifically, construction had to begin before the end of 2024, equipment had to be procured and supplied by

the Design-Build entity, a certain percentage of the products used in the Project must be manufactured in the U.S., etc.

To incorporate the ITC requirements into the existing Design-Build contract, an amendment is required to ensure full compliance, and a Change Order in the amount of \$440,000 has been requested to substitute the original foreign products for domestic products.

Purchasing Resolution 24101 Section 1104 Change Orders states that “Modifications to a Purchase Order shall be made only by Change Order. Subject to availability of funds, Change Orders may be utilized for purposes of (2) modifying unit prices...Unless otherwise specifically authorized by the Awarding Entity, Change Orders which cumulatively exceed the following will require Awarding Entity approval...c) 10% of the original contract price for Contracts and/or Purchase Orders previously approved by the Awarding Entity and the total Change Order amount will not exceed \$150,000.”

The Purchasing Manager concurs that the recommended action complies with Purchasing Resolution No. 24101, Section 1104(2) and (c).

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** – Leveraging grant funding for the Project ensures responsible management of the City’s financial resources.
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 \$440,000. Sufficient funds are budgeted and available in the Sewer Fund, Digester 5 Rehab project account 9912423-440301 for this amendment.

Prepared by: Thuy Nguyen, Principal Engineer
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: Jack Liu, Interim City Attorney

Attachment: First Amendment to Design-Build Agreement