



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: DECEMBER 9, 2025**

FROM: PUBLIC WORKS DEPARTMENT **WARDS: ALL**

SUBJECT: APPROVE THE AMENDED AND RESTATED LEASE AND ENERGY SERVICES AGREEMENT WITH RIVERSIDE BIOENERGY FACILITY, LLC, A DELAWARE LIMITED LIABILITY COMPANY, FOR THE RIVERSIDE BIOENERGY FACILITY AT THE REGIONAL WATER QUALITY CONTROL PLANT, FOR A TERM ENDING TWENTY-YEARS FROM THE COMMERCIAL OPERATION DATE AS DEFINED IN THE LEASE AND ENERGY SERVICES AGREEMENT, WITH THE OPTION FOR TWO ADDITIONAL FIVE-YEAR EXTENSIONS, CONCLUDING THE FEASIBILITY PERIOD

ISSUE:

Approve the Amended and Restated Lease and Energy Services Agreement (Amended Lease) with Riverside Bioenergy Facility, LLC, a Delaware limited liability company, for the Riverside Bioenergy Facility at the Regional Water Quality Control Plant , for a term ending twenty (20) years from the Commercial Operation Date as defined in the Amended Lease, with the option for two additional five-year extensions, concluding the Feasibility Period as defined in the Amended Lease.

RECOMMENDATIONS:

That the City Council:

1. Approve the Amended and Restated Lease and Energy Services Agreement with Riverside Bioenergy Facility, LLC, a Delaware LLC, for the Riverside Bioenergy Facility at the Regional Water Quality Control Plant, for a term ending twenty (20) years from the Commercial Operation Date as defined in the Amended Lease, with the option for two additional five-year extensions, concluding the Feasibility Period;
2. Authorize the City Manager, or designee, to execute the Amended and Restated Lease and Energy Services Agreement and including making minor and non-substantive changes, subject to the availability of budgeted funds; and
3. Authorize the City Manager, or designee, to execute any necessary amendments or extensions consistent with the terms of the Amended Lease, including exercising the option to extend for up to two additional five-year terms.

BACKGROUND:

On December 19, 2023, the City Council approved a Lease and Energy Services Agreement (Original Agreement) with Anaergia Services, LLC, a Delaware LLC, doing business as Riverside Bioenergy Facility, LLC (Tenant), for the development and operation of the Riverside Bioenergy Facility (Project) at the Regional Water Quality Control Plant (RWQCP).

Anaerobic digestion is the decomposition of biodegradable materials under low oxygen conditions. It is a key component in the wastewater treatment process at the RWQCP and a common treatment practice for solid waste, including food waste. Anaerobic digestion produces two main byproducts: biogas and digestate. The Project leverages anaerobic digestion to process anaerobically digestible materials (ADM), primarily food waste, and produce biogas. Biogas will be upgraded to biomethane (renewable natural gas or RNG) for injection into the Southern California Gas Company (SoCalGas) pipeline, and digestate for beneficial reuse. The original agreement included a Feasibility Period, commencing January 5, 2024, and extending up to January 5, 2026 (with a potential six-month extension), during which the City and the Tenant conducted studies to assess Project viability, including biogas production, infrastructure suitability, and financial projections.

Subsequent City Council actions supported Project milestones, including:

- On July 2, 2024, approval of a Design-Build Agreement with the Tenant for the rehabilitation of Digester No. 5 in an amount not to exceed \$10,458,800, with a supplemental appropriation of \$8,434,200 from Sewer Working Capital.
- On September 10, 2024, acceptance of a \$10 million grant from CalRecycle under the Organics Grant Program, and award of a Design-Build Agreement to the Tenant for a feedstock reception station at the RWQCP in the amount of \$9,825,000, with a supplemental appropriation in the amount of the grant award.

The Feasibility Period has now concluded. The Tenant has confirmed the project viability based on completed studies and financial projections. Key outcomes include refined design details, cost estimates, anticipated revenues, and environmental benefits, as summarized in the Discussion section below.

The Amended Lease restates and supersedes the Original Agreement in its entirety - incorporating Feasibility Period findings, such as the Technical Memorandum on ADM tipping fees (Exhibit F), revenue-sharing mechanisms (Exhibit G), and updated Premises descriptions (Exhibit B).

DISCUSSION:

The Project advances the City's goals under the Renewable Resources Management Plan (adopted August 2020) and Envision Riverside 2025 Strategic Plan by enhancing RWQCP capacity for food waste processing, biogas production, and biosolids management, while complying with state mandates such as Senate Bill 1383 (organic waste diversion) and Assembly Bill 1826 (methane reduction).

Key Project Updates from Feasibility Period:

Design Details:

1. **Infrastructure Enhancements:**

- a) Rehabilitation of Digester No. 5 for ADM processing, biogas upgrading facilities for RNG production, and feedstock reception improvements to handle up to 500 tons per day (TPD) of ADM; phased from an initial 250 TPD capacity.
- b) Gas treatment area, compressor utility, and control rooms, restroom and maintenance facilities, and non-exclusive easements for RNG piping to the SoCalGas interconnection point.

2. **Process flow:** ADM reception, anaerobic digestion in Digesters 1-5, biogas collection and upgrading to biomethane, and digestate management (initially dewatering, with future biochar production and associated revenue potential).

Project Costs:

1. **Tenant-funded improvements:** Biogas Upgrading Facility and related infrastructure, estimated at 40.4 million, financed by the Tenant.
2. **City-funded improvements:** Digester No. 5 rehabilitation (\$10.5 million, previously approved) and feedstock reception stations (\$9.8 million, previously approved and grant-funded). The Digester No. 5 rehabilitation qualifies for the Investment Tax Credit under the Inflation Reduction Act, providing a potential benefit of up to 30% of eligible costs, estimated at \$3.1 million through direct pay as a tax-exempt entity, reducing net cost to the City.
3. **Ongoing costs:** Recovered via host fees based on the Technical Memorandum, derived cost-based tipping fee of \$9.64 per wet ton, and covering O&M, capital amortization of \$1.37 million annually for prior investments, and revenue requirements of \$3.32 million for FY 2024/25 allocated to digestion.

Anticipated City Revenues:

1. **Base Rent:** \$1,000/month during construction; \$10,000/month post-Commercial Operation Date.
2. **Host Fee:** Tipping fee applied to all ADM received (\$9.64/wet ton), recovering RWQCP costs for digestion.
3. **Biogas Royalty:** 15% of Net Revenue from RNG sales, defined as gross revenue minus Operating Charge (\$400,000/month), Capital Charge (\$340,000/month), and third-party fees; escalated annually via CPI methodology.
4. **Biochar Royalty:** 5% of net proceeds from potential future biochar sales.
5. **Projected City Revenue:** \$1.5 million annually at Phase I (250 TPD); potentially increasing to \$3 million at full capacity (500 TPD), offsetting sewer rate pressures and providing supplemental funding for infrastructure upgrades at RWQCP.

Project Outcomes:

1. **Anticipated Timeline:** Agua Mansa Organic Separator, Digester No. 5 improvements, and feedstock reception operational by Q1 2026; biogas upgrading by Q3 2027; SoCalGas interconnection and RNG delivery by Q3 2027.
2. **Environmental Benefits:** Diverts up to 182,500 tons/year of organic waste from landfills, reduces methane emissions, produces renewable energy equivalent to powering 5,000 homes, and supports carbon neutrality goals.

The Amended Lease maintains key protections for the City, including restoration obligations, insurance requirements, and dispute resolution via mediation in Riverside County.

FISCAL IMPACT:

There is no immediate fiscal impact with the approval of the Amended Lease beyond previously approved appropriations. Projected revenues of \$1.5-\$3 million annually will offset a portion of future sewer costs. Additionally, the Digester No. 5 rehabilitation project qualifies for the Investment Tax Credit under the Inflation Reduction Act, providing an estimated \$3.1 million benefit through direct pay, further reducing the net City expenditure.

Prepared by:	Edward Filadelfia, Deputy Public Works Director
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Approved by:	Kris Martinez, Assistant City Manager
Approved as to form:	Rebecca McKee-Reimbold, Interim City Attorney

Attachments:

1. Amended and Restated Lease and Energy Services Agreement
2. Presentation