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Title: Actions pertaining to the Fresno-Clovis Regional Wastewater Reclamation Facility Energy Savings and Sustainability Capital Improvements Project (Council District 3):

1. Adopt a finding of Categorical Exemption pursuant to Sections 15302 of the California Environmental Quality Act (CEQA) Guidelines
2. Award a Design Build contract to Alliance Building Solutions, Inc., for a total amount of \$24,234,109, for the Fresno-Clovis Regional Wastewater Reclamation Facility Energy Savings and Sustainability Capital Improvements Project
3. ***RESOLUTION - Authorizing the Director of Public Utilities, or designee, to execute and deliver an installment purchase agreement, an escrow agreement, and equipment schedule (Subject to Mayor's Veto)

Sponsors: Department of Public Utilities

Indexes:

Code sections:

Attachments: 1. Attachment 1- Notice of Exemption, 2. Attachment 2 - Design Build Agreement, 3. Attachment 3 - Financing Authorization Resolution FINAL BMC

Date	Ver.	Action By	Action	Result
12/14/2023	1	City Council	ADOPTED	Pass

REPORT TO THE CITY COUNCIL

FROM: BROCK D. BUCHE, PE, PLS, Director
Department of Public Utilities

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SUBJECT

Actions pertaining to the Fresno-Clovis Regional Wastewater Reclamation Facility Energy Savings and Sustainability Capital Improvements Project (Council District 3):

1. Adopt a finding of Categorical Exemption pursuant to Sections 15302 of the California Environmental Quality Act (CEQA) Guidelines
2. Award a Design Build contract to Alliance Building Solutions, Inc., for a total amount of \$24,234,109, for the Fresno-Clovis Regional Wastewater Reclamation Facility Energy Savings and Sustainability Capital Improvements Project
3. ***RESOLUTION - Authorizing the Director of Public Utilities, or designee, to execute and deliver an installment purchase agreement, an escrow agreement, and equipment schedule (Subject to Mayor's Veto)

RECOMMENDATIONS

Staff recommends the City Council adopt the environmental findings; award the Design Build Contract to Alliance Building Solutions, Inc., (ABS) for Fresno-Clovis Regional Wastewater Reclamation Facility (RWRF) Energy Savings and Sustainability Capital Improvement Project; authorize the Director of Public Utilities, or designee, to execute and deliver an installment purchase agreement, an escrow agreement, and equipment schedule with Alliance Funding Solutions, Inc.; and authorize the Director of Public Utilities, or designee, to execute the Design Build contract on behalf of the City of Fresno (City).

EXECUTIVE SUMMARY

Staff recommends that the City Council award a Design Build Contract to ABS for the purpose of providing a turnkey, full service approach to implementing capital improvement projects at RWRF which will include upgrades to convert to LED efficient lighting; HVAC upgrades and replacements; system controls and monitoring; lighting controls; aeration distribution system optimization; and transformer upgrades for implementation of a robust list of energy related and sustainability services. Additionally, staff shall continue to negotiate the most favorable financing plan on behalf of the City.

Following completion of the energy savings projects, PG&E will provide an incentive rebate in the amount of \$720,972 for realized energy savings through their RAPIDS Wastewater Program. However, participation in the incentive program is contingent upon entering into the Design Build contract prior to December 31, 2023.

BACKGROUND

Council has previously approved similar energy efficiency projects for City Hall and the Municipal Service Center (MSC) in November 2019 and for PARCS and Public Safety in February 2022. The Department of Public Utilities (DPU) follows previous City efforts in their commitment to identify opportunities to save energy, stabilize energy bills, reduce operational costs, and replace aging infrastructure on its facilities.

The Sustainability Division, in close coordination with staff from Facilities Management, Construction Management, DPU, Police, Fire, and PARCS, issued a Request for Qualifications (RFQ) to solicit qualified Energy Service Companies to establish a Qualified Vendors List (QVL) for analyzing energy efficiency opportunities at various City facilities and to provide a turn-key service including evaluation, design, construction, and financing. The City received eleven (11) Statement of Qualifications (SOQ), which were evaluated by City staff from Public Works, Police, PARCS, DPU, and PG&E. Following a comprehensive evaluation and interview process, four firms were placed on the QVL. Staff selected ABS as the vendor to engage for service because they received the highest overall rating by members of the selection committee and their demonstrated success through the City Hall and MSC projects.

The City worked with ABS and their project team to identify various capital improvement projects that involve energy efficiency upgrades throughout the RWRF. ABS developed a scope of work incorporating staff requests and their own project team's recommendations to develop a project that was deemed to be of best value and most accurately addresses the urgent needs of the City. The recommended scope of work generally consists of the following upgrades to the RWRF:

1. Lighting - Interior/Exterior LED upgrades
2. Mechanical - Replacement of undersized chillers, inefficient HVAC units, and inefficient sludge pumps, and installation of variable frequency drivers on Make Up Air units and odor control fans
3. Electrical - Replacement of aging and inefficient transformers
4. Processes - Upgrade and optimization of the aeration distribution system

For this scope of work, the total firm fixed price is \$24,234,109. This price is inclusive of all aspects of the project including engineering, design, equipment purchasing, labor, taxes, permits, staff training, and all other supportive services associated with construction and implementation of the energy conservation upgrades.

This proposal also comes with a performance guarantee which minimizes risk and does not require out of pocket construction capital investment by the City to initiate the program. The energy performance contract guarantee means, if the energy savings that can be used to pay off the loan do not meet the projections, then ABS will write the City a check to make sure the projected savings are met and paid out to the City each year. The energy projects at City Hall and the MSC are currently performing well and exceeding the energy savings goals and requirements. The energy savings are projected over \$30,000,000 in the first 15 years of the project, with additional savings extending well into the future. As an additional incentive, the City is participating in the PG&E RAPIDS Wastewater Program. Based on the project energy savings, PG&E will provide incentives in the amount of \$720,972 for realized energy savings achieved. The full incentive amount will be utilized for principal payments towards the financing agreement with Alliance Fundings Solutions, Inc. However, participation in the RAPIDS Wastewater Program is contingent upon entering into the Design Build contract prior to December 31, 2023.

The project team has negotiated a 5.35 percent interest rate for a 15-year loan as part of the turn-key service with Alliance Funding Solutions, Inc. Alliance Funding Solutions is a separate entity from ABS, where Alliance Funding Solution will provide the financing for the Project and ABS will be the contractor for the Project. Upon finalizing the financing language, the Director of Public Utilities, or designee, will execute the required documents to fund the project.

The City Attorney's Office has reviewed and approved all associated items as to form.

ENVIRONMENTAL FINDINGS

Staff has performed a preliminary environmental assessment of this project and has determined that it falls within the Categorical Exemption set forth in CEQA Guidelines Sections 15302 which exempts the replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced. This project solely replaces existing, inefficient lighting, mechanical, electrical, and process parts and equipment with improved, energy-efficient parts and equipment. Furthermore, staff has determined that none of the exceptions to Categorical Exemptions set forth in the CEQA Guidelines, Section 15300.2 apply to this project.

LOCAL PREFERENCE

Local preference does not apply because the RFQ was issued seeking a design build and was based on a qualitative analysis not based solely on price. However, the contractor, ABS has previously hired

and trained local workers for the projects at City Hall, MSC, and PARCS facilities and will continue to do so for this project at the RWRF. The contract includes a requirement to include locally sourced labor during construction.

FISCAL IMPACT

There is no impact to the General Fund. All proposed construction and permitting costs in the proposed Design Build contract award will be paid back through the savings achieved by the reduction in energy costs due to the efficiency projects, with any minor differences budgeted within the Wastewater Management Division's Enterprise Fund. City staff costs related to administration, project management, and construction management, which are not eligible for the energy financing programs, are budgeted within the Wastewater Management Division's Enterprise Fund. The Project is located in Council District 3.

Attachments:

Attachment 1 - Notice of Exemption

Attachment 2 - Design Build Agreement

Attachment 3 - Financing Authorization Resolution