

REPORT TO THE CITY COUNCIL

City of Salinas, California

DATE: August 30, 2016

FROM: Gary E. Petersen, C. A. E., Public Works Director.

THRU: Robert C. Russell, P.E., City Engineer

BY: Frank A. Aguayo, P. E., Senior Civil Engineer

SUBJECT: ADOPT A RESOLUTION APPROVING AMENDMENT No. 1 BETWEEN THE CITY OF SALINAS AND OPTERRA ENERGY SERVICES, INC., TO AMEND THE SCOPE OF WORK FOR THE ENERGY-RELATED IMPROVEMENTS TO CITY FACILITIES (PROJECT NO. 9184), AND ACCEPT PROJECT COMPLETION

RECOMMENDATION:

It is recommended that City Council:

1. Approve a resolution approving Amendment No. 1 to the project scope including numerous additions and reductions as summarized in Table 1 of the Amendment; and
2. Accept Final Project Completion.

BACKGROUND

On October 21, 2014, the City Council entered into a Professional Services Agreement with OpTerra Energy Services Inc., to perform a design-build project to construct the Energy-Related Improvements to City Facilities, Project No. 9184, for the amount of \$24,482,610.

The project called for designing and building solar photovoltaic (PV) panel installations at the Hitchcock Road Animal Shelter, the Industrial Waste Water Treatment Plant, the Salinas Municipal Airport, the Permit Center Parking Structure, Sherwood Hall, and the Sewer Lift Station site. Additionally, the project included light emitting diode (LED) interior and exterior lighting upgrades at most City facilities, industrial process upgrades and electrical switchgear improvements at the Industrial Waste Water Treatment Plant; heating/cooling upgrades at various City facilities; and LED street, parking lot and park lighting fixture replacements.

The scope of the contract included an allowance of \$50,000 for unknown repairs to be made to the electrical switchgear (Energy Control Measure ECM-2) for the aerators and mixers in the aeration lagoon at the Industrial Waste Treatment Plant (IWWTP) off Davis Road. During the course of the work, it was discovered that there was more repair work involved than originally anticipated to repair the electrical switchgear. These units are nearly 50 years old, parts are more

expensive and hard to find. Staff is recommending that the City re-evaluate the electrical switchgear and remove this allowance from the project to deal with it separately utilizing Industrial Waste Water Treatment Plant enterprise funding.

The total project construction cost obtained from OpTerra's schedule of values for the project is \$24,482,610; The project scope adjustments summarized in Amendment No. 1 show a net increase of \$44,650 due to scope additions. In considerations of closing out the project, OpTerra has agreed to credit the City \$44,650 to maintain the original project budget.

OpTerra will continue to monitor and provide preventative maintenance on the solar systems for the next five years which is already approved in the existing contract. After five years, the City has the option to continue with OpTerra or enter into another agreement with another provider.

THE ISSUE

Shall City Council approve a resolution to:

1. Approve Amendment No. 1 adjusting the project scope as summarized in Table 1 of the Amendment; and
2. Accept Final Project Completion?

FISCAL IMPACTS

The project was funded with a not to exceed amount of \$25 Million Bank of America loan. To date, \$24,630,980.77 has been spent and encumbered on construction, construction support, inspection, and administration, leaving an unencumbered balance of \$369,019.23. The unencumbered balance could be utilized to pay for the ongoing maintenance of the solar system. To address the repairs to the Industrial Waste Water Treatment Plant (IWWTP) electrical switchgear (ECM-2) noted above, the IWWTP enterprise funds will be utilized.

Projected and received rebates totaling \$789,462 has been received or approved by PG&E and AMBAG.

TIME CONSIDERATION

City staff and OpTerra request timely approval of project acceptance to initiate year-one monitoring of energy generation from the new systems.

CITY COUNCIL GOALS

This project supports the Council's goals for excellent infrastructure, fiscal sustainability, and economic diversity and prosperity. It also addresses the General Plan goal to address/mitigate Greenhouse Gas impacts on the environment by using more sustainable energy sources.

ALTERNATIVES AVAILABLE TO COUNCIL; IMPLICATIONS OF ALTERNATIVES

Council may:

1. Not adopt a resolution approving amendment No. 1 to adjust the project scope as summarized in Table 1 of the Amendment; **and/or**

2. Not accept Final Project Completion, and provide direction to staff on how to proceed.

Neither of these alternatives is recommended because the project is complete and ready for acceptance.

CONCLUSION AND RECOMMENDATIONS

At its meeting on August 30, 2016, staff recommends the City approve a resolution approving amendment No. 1 between the City of Salinas/the Salinas Public Facilities Financing Authority and OpTerra Energy Services, Inc. to amend the scope of work and accept Final Project Completion.

Back up Pages:
Resolution
Amendment No. 1
Amendment No. 1 Exhibit A

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