



STAFF REPORT

TO: THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
MEETING DATE: SEPT 15 2025
FROM: TOM DUBOIS, CITY MANAGER
SUBJECT: DESIGN-BUILD CONTRACT FOR NEW WASTEWATER PLANT

RECOMMENDATION:

Staff recommends approval of the design-build energy services contract with Schneider Electric.

BACKGROUND:

The City has been evaluating and planning for the future of the wastewater plant for many years. At Council's direction, staff proceeded with the preferred alternative, a tertiary treatment plant with disposal of high-quality recycled water into Sutter Creek. Tonight is potentially a major milestone, the approval of a design-build energy services contract with Schneider Electric, who bid successfully during the RFP process.

Many meetings and steps have been taken by Council to get to this point. Attachment B, a Staff Report from Jan, 2023 contains a timeline and history of the wastewater system. Recent meetings in 2025 have included:

2/18/2025	Update on WW projects including completion of the Carollo project, and plans for I/I projects.
3/17/2025	Contract to hire HydroScience as our WW Engineer/Owner Advocate for new plant construction and approving I/I projects.
5/19/2025	Approval of the Design-Build RFP
8/18/2025	Approval of the advanced Solar and Battery solar components to be eligible for grant funds.

Staff communicated with six wastewater construction firms before issuing the RFP. Two companies submitted complete proposals to our design-build proposal request using the energy savings procurement path under California state law section 4217. We developed a proposal and interview scoring matrix. A six-member team reviewed the received proposals, conducted two days of interviews, and then scored responses according to our defined scoring metric. The metric considered price as well as other objective criteria. Schneider Electric had the winning bid and staff have been working to negotiate the contract before you tonight.

DISCUSSION:

Because we want Council and the public to have time to digest the agreement, we are publishing a version on September 9. There may be minor updates published on the website between Sept 9 and Sept 15 of the contract or the scope of services.

Working with HydroScience, the City started with a design-build contract heavily negotiated by Valley Sanitary District over the course of nearly a year. We used that as our base and then updated several components of the agreement relying on Schneider's more recent engagements, adding clauses dealing with long lead time materials, supply chain costs, cybersecurity, and the future potential to incorporate outside state or federal funding. We also developed a detailed Scope of work relevant to our project in Sutter Creek.

Schneider's proposal included a team of well-qualified experts to address our particular issues, including expertise with our Regional Water Board, with FEMA and floodplains, with local environmental conditions, and with packaged Membrane Bioreactor (MBR) plants. The team felt their proposal best addressed our known design challenges in the most cost-effective, expedient manner.

Design Build Process

Design Build is a collaborative process that involves a single company managing the design and the construction. The company works with City representatives to iterate the design to ensure it works for the site and is cost effective. An Energy Savings Company (ESCO) procurement under California Government Code 4217 allows an agency (the City) to consider cost savings, including energy and avoided capital costs. Because of changing water quality standards, the City expects regulators to issue a new permit, requiring higher quality treatment which would lead to higher energy usage regardless of what alternative was built (creek disposal or continuing to use the ARSA pipeline). By designing for creek disposal, and because we have large, deferred capital expenses associated with the Henderson Reservoir and ARSA pipeline, we anticipate the new plant will save the City over \$30M in the long run in avoided capital costs.

Design-build, when it works well, allows for closer collaboration and a more streamlined process that saves the City money and expedites procurement and construction. In the traditional design-bid-build, we would hire an engineering company to do the design and then put that design out for construction bids. There would be a handoff from one firm to the other and a time delay where the project stopped for the bidding, increasing our total costs. Long lead equipment cannot be procured in this model until a construction contract has been awarded, whereas in design-build, early procurement can begin at approximately the 60% design stage.

Project Phasing

To reduce cost and risk, the city adopted a three-phase approach to Design-Build. Phase 1 is the Assessment and Project Definition stage; Phase 2 is Design (with Phase 2a delivering a 30% design and Phase 2B delivering a 60% design and guaranteed price). Phase 3 is construction. This stepwise approach facilitates timely checkpoints at each stage of project development to confirm the project direction, anticipated costs, and schedules before committing to the next project phase.

The City could have worked out a lot of the regulatory questions and more detailed design inputs prior to starting this contract, but we would have had to pay those out-of-pocket costs. By including Phase 1 in the

agreement, we have the same company collecting the data to go into the design process and we can finance it as part of the overall project.

Funding

Currently, the plant cost is projected in Schneider's proposal to cost between \$25M - \$41M. We anticipate a 6 – 8-year timeline to complete the project, during which time a firm price will be developed that can be negotiated with the City. City staff must now turn from planning the technical aspects of the plant to a funding strategy.

The City has made an initial application for a loan to fund the project and been told we can anticipate getting a 30-year loan at below market rates for about \$30M. The City added language to the contract to enable us to apply to federal and state grants. Staff will hire a financial advisor and begin to look for an additional \$10M of funding prior to reaching the Contract Agreement phase.

Risks

With approval tonight, Council is approving Phase 1 and Phase 2, which will get us to a guaranteed maximum price (GMP). A construction agreement will be negotiated, and the completed design and construction agreement will come back to Council for approval before moving into the Construction Phase.

We will never have perfect information, and time is money on this project. Staff believe they are striking a good balance between gathering information, planning, and action. By moving the project forward at this point, with about 10 years left on the ARSA agreement, we are giving the City the best shot at creating an affordable plant with a smooth transition, avoiding as much investment in the current system as possible.

Risks include:

1. Regulatory Risk – The Water Board has told us they are supportive of Sutter Creek pursuing a solution independent of the current complex disposal situation. As part of the Schneider team, we are hiring one of the recognized experts in the field to represent us to the Regional and State Water Boards.
2. Floodplain Risk – Many wastewater plants have flood risk because of their locations. We need to work with FEMA to determine an accurate flood plan for existing components and locations that we want to reuse. We are mitigating the risk by hiring a team that includes one of the recognized experts in the field to work for us with FEMA.
3. Funding – Our largest risk. As a small community we do not immediately have the funds available. As your City Manager, my plan is to shift into major fundraiser mode and pursue every available option. We will also streamline planning and evaluation of alternatives, with a bias towards action to try to save costs.
4. Community Backlash – There is a risk that the community may not like part of the plan, for example construction at the site or effluent disposal into the creek. Many communities do this under strict standards, including the City of Jackson. This will be a communication issue for all of us to make sure people understand the approach.
5. Design Risk – Many wastewater plants are unique, custom designs, which can have issues that take awhile to resolve when they become operational. We are mitigating this risk and attempting to save costs by focusing on using the Cloacina packaged plant. Cloacina, <https://www.cloacina.com/>, a company started in 2007 and based in San Luis Obispo, is one of the leading manufacturers of packaged plants. They iterate on their design, manufacturing it in volume. Bill Slenter at HydroScience has worked on multiple plants using this technology. They have a number of operating installations in California producing Title 22 recycled water.

BUDGET IMPACT:

As part of the design-build, iterative process, we will be continuing to refine the project costs, ultimately getting to a GMP. If the City proceeds with construction, all costs will be rolled into the total project cost and will be able to be financed over 30 years. If the City decides not to proceed at any phase, the City will be responsible for paying for work completed up to that point (and will own the work product).

Several decision points with not to exceed costs are included in the agreement before you:

Phase 1 – Not to exceed \$543,107

Phase 2 – Not to exceed \$2.2M (initial estimate, to be revisited after completion of Phase 1)

So, if the city were to proceed through the end of Phase 2 to a 60% design and then decided to stop the project, for whatever reason, we would owe up to approximately \$2.7M.
All funds will come from the Enterprise Wastewater Fund.

RECOMMENDTION:

Staff is excited to reach this point and believes it is in the best interest of the City to move forward with the Design-Build of a new wastewater treatment plant.

We recommend you pass the resolution before you.

ATTACHMENT:

Attachment A – Resolution to Approval Contract

Attachment B – Staff Report from Jan 17, 2023

Attachment C – Design Build Contract for Energy Services – Treatment Plant Project (online)

Attachment D – Attachment 1 – Scope of Services (online)