



Legislation Text

File #: 21-0908, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute an amendment to the Southeast Resource Recovery Facility (SERRF) Operations and Maintenance Agreement No. 23336 with Covanta Long Beach Renewable Energy Corporation (Covanta), to adjust contract performance guarantees. (Citywide)

City Council approval is requested to amend SERRF Operations and Maintenance Agreement No. 23336 (Agreement) with Covanta to continue the operation of SERRF. The proposed amendment adjusts performance guarantees to better reflect the age and condition of equipment at the facility and to remove the requirement of a letter of credit provided by the operator and substitute an escrow account of the same value at \$3,750,000. Funds deposited to the escrow account will be administered by a third-party. At the expiration or termination of the agreement, if there are no claims made by the City against the operator, funds held in the escrow account will be disbursed to the operator.

The Agreement with Covanta provides for the operation of SERRF until June 30, 2024. The Agreement also allows either party to terminate the Agreement after June 2021. This termination for convenience provision is necessary because the economic feasibility for either party to continue operation of SERRF through 2024 is uncertain. With the proposed adjustment of the performance guarantees, both the City and Covanta are more likely to continue operations of the facility through June 2024. The term of the Agreement will not change, which is in effect through June 2024. The proposed amendment will be beneficial to the City as it extends the commitment with Covanta for operation of SERRF.

This matter was reviewed by Deputy City Attorney Amy R. Webber on August 2, 2021 and by Revenue Management Officer Geraldine Alejo on August 13, 2021.

City Council action to amend the Agreement is requested on September 7, 2021, to ensure there is no interruption to services.

The requested amendment will result in no additional cost to the City. The total escrow amount of \$3,750,000 will be set-aside from the City's current service fee paid to the operator and is appropriated in the SERRF Fund Group in the Energy Resources Department. All related fees associated with a third-party managing the escrow account will be directly paid for by the operator. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

ROBERT M. DOWELL
DIRECTOR OF ENERGY RESOURCES

APPROVED:

THOMAS B. MODICA
CITY MANAGER