MEMO

Meeting Date: March 21, 2025

To: Board of Directors
From: Director of Engineering and Compliance, David Ramirez, P.E. and Associate Engineer, Caty O'Connor, P.E.
Approved by: General Manager, Felipe Melchor

Subject: Award Contract for Covered Aerated Static Pile Compost Project Equipment to Engineered Compost Systems Inc. of Seattle, WA in the amount of $1,568,200

RECOMMENDATION

That the Board of Directors authorize the award of contract for the Covered Aerated Static Pile Compost Project Equipment to Engineered Compost Systems Inc. of Seattle, WA in the amount of $1,568,200 (contains 20% contingency).

BACKGROUND

The Covered Aerated Static Pile (CASP) Compost Project is a partially-grant-funded project that includes utility upgrades, materials separation and processing equipment procurement, and site improvements to convert the existing windrow compost facility to a CASP compost facility. The CASP process is an advanced method of composting that reduces emissions to the environment, is faster, and requires less operator intervention when compared to the existing windrow process. In a CASP facility, pre-processed green waste material is arranged over perforated piping, a cover material is applied over the active pile, and forced air is distributed into the compost pile(s). The constant availability of air flow allows the microbes in the piles to do their work more efficiently to degrade the organic material without the need for turning.

ReGen Monterey filed the grant application with the Department of Resources Recycling and Recovery (CalRecycle), on December 5, 2019, as part of the Organics Grant Program. After several cycles of grant awards, CalRecycle delivered the ORG6-22-0002 Grant Agreement documents to ReGen for the award of $3 million dollars for the CASP Compost project on October 13, 2022. The ReGen Board of Directors authorized the general manager to execute CalRecycle's Grant Agreement for the CASP Composting Project on October 17, 2022. As stated in the agreement, ReGen is required to initially fund the project ($7 million 2020 cost basis) and seek reimbursement for the grant funds after incurring the capital expenditures to recuperate the $3 million in grant funds. ReGen's final expenses after reimbursement were expected to be $4 million. One such reimbursement expenditure occurred on May 19, 2023, when the ReGen Board approved the Purchase of Two (2) Wheel Loaders for use at the compost site. ReGen applied for and was reimbursed for this expense by the grant funding.

ReGen is currently transferring ownership of the composting permits to its name per the conditions of the Operating and Lease Agreement for Composting Facilities that the Board of Directors authorized on October 18, 2024. Notifications and necessary documentation to complete the transfer of ownership of applicable permits have been submitted to the State of California Central Coast Regional

Water Quality Control Board, the Monterey Air Resources District, CalRecycle, and the County of Monterey County Health Department. Additionally, a California Environmental Quality Act (CEQA) review was completed in July 2024, which resulted in a "common sense" exemption because the CASP process will reduce impacts from that of the windrow composting process.

DISCUSSION

The CASP Project includes specialized equipment including an air-moving blower system, valves, meters, and other technology and monitoring devices. This type of equipment needs to be manufactured specifically for the project and can have long lead time to procure. Staff worked with Tetra Tech to develop an Equipment Procurement Package to procure the specialized equipment needed for the project. The Equipment Procurement Package was advertised in advance of the construction bid to ensure that the equipment arrives on time to meet the construction timeline schedule. A Request for Bids for the Equipment Procurement Package was publicly advertised in the newspaper, on the Builder's Exchange and via email invitations on February 8, 2025 with an estimated value of $1.2 million dollars. During the bid period, ReGen staff issued an addendum to the package which allowed for the submittal of alternative designs for consideration as approved equals. The addendum made clear that any alternatives would be subject to owner and designer approval.

RECEIPT OF BIDS

On March 3, 2025, at 4:00pm, ReGen received and publicly opened (x1) sealed bid. The bid was from Engineered Compost Systems (ECS) in the amount of $1,048,880. The bid was for an alternate system design with similar material throughput. Certain equipment items in the Request for Bid Package were omitted in the ECS bid, while additional items integral to the entire project, though not in the equipment package bid scope, were included.

At the request of ReGen, Parnel Biogas Inc. of Glenpool Oklahoma, who did not submit a bid but had shown initial interest in the project, provided a late quote which allowed staff to compare prices and deliverables with the alternative design bid. The quote was significantly higher than the bid from ECS.

ReGen Staff, with consulting engineers at Tetra Tech, coordinated with ECS to review the proposed alternate design and request that modifications be made to increase material throughput capacity to be considered as an approved equal. In addition, the scope of the bid was expanded to include the air distribution ducting specific to ECS designs, whose equivalent alternative would otherwise be included in the future construction contract. This allowed Staff to compare the alternative with the anticipated construction costs for the original design. ECS sent an updated quote in the amount of $1,306,880.00 (excludes contingency); this included additions to the alternative design to increase the material throughput and added the air distribution ducting that was not originally included in the Equipment Procurement Package.

Item No.	Description	Pre-Bid Estimate	ECS Bid (approved equal)	Parnel Quote (received late)
1	Bid/ Quote	$1.2 M	**$523,349***	$1.8 M
2	Additional Non-Bid Scope Equipment (Air transfer system ducts and or pipes)	$325,000	**$783,531***	$325,000 (Not a part of Parnel quote. This is and assumed future cost from pre-bid estimate)
3	Additional Non-Bid Scope (to be procured separately)	$0 (included in Item 2)	$ 200,000 (estimate)	$0 (included in Item 2)
	Total expected equipment costs**	$1,525,000	$1,506,880	$2,125,000

* Part of this Board approval: $523,349 + $783,531 + 20% contingency = $1,568,200
**Does not include site construction costs which will be bid separately and require future Board action.

Given the quality, quantity of equipment and savings expected from going with the ECS equipment as well as the project schedule. Staff determined that the alternative design met the approved equal standard allowed in the bid documents.

BIDDER QUALIFICATIONS
Per Engineered Compost Systems' (ECS) qualifications documents, ECS was founded in 1999, and is a leader in the commercial composting industry. ECS provides technical services, compost systems and equipment and product support for commercial compost facilities. ECS has delivered system design and technical consulting services to more than 110 facilities in North America, Europe, and New Zealand. Additionally, ECS has provided compost systems, technology, and on-going technical support to over 70 composting facilities. Together, these operating facilities process over 1.97 million tons of organic waste into compost annually. Just in the last five-years, ECS has delivered ten composting projects in California that process over 600,00 tons of green waste material per year.

Staff had the opportunity to visit an operating facility equipped with an ECS system in Yolo County and discuss the equipment with its operators at Northern Recycling. Due to its success, Northern Recycling is expanding its throughput capacity by installing a second, near identical, ECS system adjacent to its active facility. Additionally, Keith Day Company has visited several ECS facilities, and the technology and system comes recommended by commercial composters.

FISCAL IMPACT
The CASP Compost Project funding is required over three fiscal years (last fiscal year, current fiscal year, and the next fiscal year) as the grant term ends on April 1, 2026. There are $4,000,000 in (non-grant) capital funds for the CASP Compost project in ReGen's approved FY 24-25 budget. This is allocated for project administration, design, permitting, equipment procurement, and construction of site improvements at ReGen's cost.

The grant agreement is organized such that the grant funds are assigned for certain reimbursable expenses. CalRecycle's remaining reimbursable expense budget is $2,222,000. The recommended

award price of $1,568,200 (the expanded quoted price with a 20% contingency) is within the FY 23-24 budget, *and* within CalRecycle's reimbursable expense budget. The 20% estimated contingency is included to cover potential system modifications needed as the site development design is completed. The remaining reimbursable budget after this award is earmarked for electrical equipment water pumps and site construction.

Staff expects to advertise a separate site construction bid in the next few months. This portion of the work will include grading, utilities and other infrastructure for the equipment installation. The site construction portion of the project will be paid out of ReGen's $4 million-dollar non-reimbursable fund budget. Staff will inquire with CalRecycle to see if any savings realized in the reimbursable equipment procurement can be reallocated to site construction costs.

With the Board's approval, staff will fund this equipment procurement and seek reimbursement from CalRecycle per the grant terms. CalRecycle will retain 10% of the expenditure for release at the close of project and grant term agreement in April 2026.

CONCLUSION

Engineered Compost Systems is a reputable compost system design company and equipment manufacturer in the commercial composting industry who has delivered reliable CASP projects in California that help communities expand organics processing to rise to legislative emission-reduction targets. ECS's equipment quote provides a proposed alternate design for ReGen Monterey and is considered an approved equal to that of the Equipment Specifications Bid Package by ReGen staff and consulting Engineers. ECS has demonstrated that it can meet the rigid project deadline and deliver the equipment in a timely manner. Therefore, Staff recommends that the Board of Directors authorize the award of contract for the Covered Aerated Static Pile Compost Project Equipment Procurement Package to Engineered Compost Systems Inc. of Seattle, WA in the amount of $1,568,200.

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