



Legislation Text

File #: 18-954, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass the ordinance authorizing the City Manager to execute a lease agreement with Trillium Transportation Fuels for the establishment of a CNG filling station on a portion of the property generally located at 1720 W Jefferson Avenue in Naperville (7 positive votes required)

DEPARTMENT: Department of Public Works

SUBMITTED BY: Richard Dublinski, Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

The City budgets \$1.2 million annually for fuel and averages 490,000 gallons of fuel, both unleaded gasoline and diesel, to run the City's fleet of over 580 vehicles. Over the last several years, staff has been investigating the potential for the City to transition a portion of the fleet from oil-based fuels such as gasoline and diesel to clean alternative fuels such as electric and compressed natural gas ("CNG"). CNG is methane stored at high pressure than can be used in place of gasoline or diesel. CNG produces fewer undesirable gases than gasoline or diesel and is generally cheaper. Providing options for alternative fuels such as CNG could lead to substantial savings for the City in the years ahead as well as a variety of other advantages including positive environmental impacts, public-private partnership opportunities, and economic development chances that are all byproducts of this clean fuel.

To successfully transition to CNG, the City must have access to a local CNG filling station and develop a plan to convert fleet vehicles to run on CNG. Research led to the conclusion that the ideal way for the City to procure a local CNG filling station is through a strategic public-private partnership whereby a private CNG provider would construct and operate a local unmanned CNG station, which would allow quick and convenient fueling like standard gas pumps.

In August of 2015, the City issued an RFP for a design concept and proposal for the CNG station. The City received four responses and after interviews and evaluations, Trillium Transportation Fuels, LLC ("Trillium") was selected to work with the City on the construction and operation of a local CNG filling station that would be unmanned, open 24 hours per day, and available to the public ("Station").

In 2016, the City and Trillium applied for a grant through the Drive Clean Chicago's Station Grant Program for the construction of CNG filling stations. The City's CNG project was awarded the grant qualifying it for reimbursement of up to 30% of station development costs, up to \$300,000. Under the grant program, the CNG station will need to be operational by July 30, 2019.

DISCUSSION:

An advantage of the public-private partnership model staff is recommending with Trillium is that Trillium, not the City, will be responsible for providing the capital for the construction of the Station. The construction costs, estimated at approximately \$2,000,000, along with the ongoing station maintenance costs, will be Trillium's responsibility.

Initially, Trillium was going to have to require the City to commit to long-term minimum CNG purchase agreement to guarantee the feasibility of the Station. However, over the past two years, staff has been working with Trillium to identify other third-parties that would agree to enter into long-term minimum CNG purchase agreements with Trillium to eliminate the City from having to make such a commitment.

Recently, Trillium reached long-term minimum CNG purchase agreements with two local companies, Ozinga and Groot. Now, Trillium no longer needs a long-term commitment from the City. Instead, in exchange for leasing City land to Trillium for the establishment of the Station, Trillium is willing to pay the City fair market value for the lease and guarantee the City a favorable fixed price for CNG.

The City currently owns approximately 8.8 acres generally located at 1720 W. Jefferson Avenue in Naperville on which it operates the Naperville Test Track. There is approximately one acre of land on the northeast corner of the property along West Jefferson that is located outside of the fenced Naperville Test Track area and contains a parking lot that is rarely used. That one acre of underutilized land is an ideal location for the Station due to its proximity to the City's Department of Public Works building and it being in an industrial zoned area. A map of the proposed location is attached.

Anticipated Lease Terms (*final terms being negotiated*)

- Trillium Responsibilities
 - Construction and maintenance of the Station, including:
 - Use of Drive Clean Chicago's Station Grant
 - Costs associated with extension of Nicor gas line to the Station
 - Completion of the City's entitlement and permitting process
 - City administrative approval of final design. An example rendering of a CNG station is attached for reference.
 - Rent of \$1,500 per month payable to the City with annual CPI increases beginning in year four
 - Rent based on comparable sale of City's property on Quincy
 - Favorable fixed CNG cost to City and pass-through to City of anticipated federal rebates (VETC)
 - Property taxes related to the leased property
 - Liability related to the construction, maintenance, and use of the Station and the lease will contain indemnification provisions to that effect
 - Insurance
 - Allow Test Track related use of parking lot as needed
 - Restore the Station to pre-lease condition at upon the termination or expiration of the lease
- City Responsibilities
 - Provide Trillium with use of subject property for operation of the Station

- Certain in-kind contributions including re-purposed storage tanks and limited construction work involving asphalt and concrete
- Payment of all applicable taxes related to CNG fuel purchases
- General Terms
 - 10-year term with extensions only by agreement of the parties
 - Other industry standard terms, including breach and termination provisions

Additionally, the City anticipates negotiating City incentives based upon third party use of the Station, including use by local entities such as the Naperville Park District and School Districts 203 and 204. Another advantage of the public-private partnership model is that the Trillium will market the station and bring additional CNG customers to the station through the private vendor's existing relationships with other local and national CNG fleet customers (e.g. Trillium has contractual relationships for CNG service with UPS, AT&T, vehicle leasing companies and trucking fleets). The vendor's marketing and relationships combined with the Station's location are anticipated to maximize the Station's efficiency and maximize the City's third-party use incentives.

FISCAL IMPACT:

\$1,500 per month with CPI increases in out years; significant fuel savings for use of CNG, estimated as much as 50% or more compared to gasoline or diesel depending on federal rebate incentives and future gasoline and diesel prices (including vehicle CNG conversion costs); and third-party use incentives.