



INDIAN RIVER COUNTY
SOLID WASTE DISPOSAL DISTRICT



BOARD MEMORANDUM

Date: January 26, 2017
To: Jason E. Brown, County Administrator
Thru: Vincent Burke, Director of Utility Services
From: Himanshu H. Mehta, P.E., Managing Director, Solid Waste Disposal District
Subject: Notice of 90-Day Option Agreement to Alliance Bioenergy +, Inc.

BACKGROUND:

On January 24, 2017, Commissioner Tim Zorc requested a time-sensitive emergency item be added to the Indian River County (IRC) Board of County Commissioners (BCC) meeting agenda related to Alliance Bioenergy +, Inc. (Alliance Bioenergy) and their interest in obtaining processed yard waste from the Solid Waste Disposal District (SWDD). Mr. Daniel de Liege, Chairman/CEO for Alliance Bioenergy, expressed that they have made an offer for the former Indian River BioEnergy Center operated by INEOS New Planet BioEnergy, LLC (INEOS). The BCC directed staff to draft a 90-day Option Agreement, including several conditions contained within the memorandum as well as additional terms concerning hurricane debris, and bring it back to the February 7, 2017, BCC meeting.

ANALYSIS:

The current interim agreement with INEOS is to process vegetative debris at the landfill vegetative debris site through March 31, 2017. The Indian River County Purchasing Department issued Bid #2017027 for Yard Waste Processing and Disposal Services on January 15, 2017, and the bid is scheduled to open on Friday, February 27, 2017. The bid has two price parameters: 1) Receive vegetative debris from the IRC public, process the materials into mulch and load the mulch and 2) off-site disposal to be verified by SWDD for maximum recycling credits. Within this bid, there is a provision that SWDD would have the option to retain 100% of the processed materials (mulch) for cover material or any other beneficial use. The purpose of this was to reserve future options for a compost facility and/or any future development with the former Indian River BioEnergy Center.

Per BCC direction, the County Attorney's office has prepared the attached 90-Day Option Agreement for Processed Vegetative Waste with Alliance Bioenergy for SWDD Board review and approval which Alliance Bioenergy needs as part of its purchase offer. The agreement includes the following conditions:

- 1) The county is granting an exclusive right and option to a portion of county's processed vegetative waste while retaining up to 40,000 tons of processed vegetative waste per year.
- 2) The county does not guarantee the quality or quantity of processed vegetative waste.
- 3) Alliance Bioenergy will not charge the county any fee for accepting or receiving the county's processed vegetative waste.
- 4) Alliance Bioenergy has 180 days to close on the former Indian River Bioenergy Center. The Option Agreement immediately terminates if Alliance Bioenergy is unable to close on the property, or within 180 days of the execution of the Option Agreement, whichever occurs first.
- 5) Alliance Bioenergy may exercise the option at any time during the option term by giving a 90 calendar days' written notice to the county. The option term begins on the day that Alliance Bioenergy closes on the property and terminates one year from that date. The option term may be extended; however, no more than 18 months from the date of execution of the Option Agreement.
- 6) In the event of a hurricane or other significant act of nature, which impacts the amount of vegetative waste, the county shall retain the right to utilize other methods of disposal of processed vegetative waste.
- 7) Upon exercise of the Option Agreement, the county and Alliance Bioenergy shall have 60 calendar days to enter into a contract for the processed vegetative waste on a mutually agreeable terms.

During the period of October 2007 through March 2011, the SWDD utilized Consolidated Resources Recovery (CRR) for processing and off-site disposal of vegetative debris. From April 2011 through September 2016, INEOS processed and utilized the vegetative debris for the generation of electricity and ethanol. The annual average tons processed over these past 9 years is approximately 58,000 tons per year at an average cost of \$588,000 for base processing and \$199,000 for supplemental processing / hauling services. However, this past fiscal year we received approximately 71,000 tons at a total cost of \$916,000. This cost can be broken down into a processing fee (\$660,000) and a supplemental processing fee (\$256,000). A summary table is provided as an attachment.

The bid process will determine the actual cost impact to the future processing fee; however, the offer by Alliance Bioenergy is to receive the mulch material at no cost to SWDD. Therefore, the cost for off-site disposal would be removed. At this time, the best estimate is that SWDD would save approximately \$256,000 per year in-lieu of paying the supplemental processing fee historically paid to INEOS. However, the actual savings may be less if the current processing costs increase.

As stated on their website Alliance Bioenergy is a publicly traded company, operating through various subsidiaries and their affiliates. An Alliance Bioenergy subsidiary holds the exclusive worldwide license for the patented CTS™ process, developed and owned by the University of

Central Florida, which converts cellulose into commercial grade sugars, fine chemicals and other highly valuable products.

It should be noted that Alliance Bioenergy has not requested any funding from the county. If Alliance Bioenergy is successful in obtaining the former Indian River BioEnergy Center, the proposed relationship would result in Alliance Bioenergy taking SWDD's processed mulch at no charge, which would result in a significant cost savings for SWDD. Furthermore, the bank, ArborOne, along with the U.S. Department of Agriculture, will be making the decision regarding the sale of the former Indian River BioEnergy Center. See attached letter from ArborOne. The proposed action does not result in SWDD "picking a winner" in this process. We are simply trying to assist an interesting party with this process to further the goal of redevelopment of the former Indian River BioEnergy Center. This is distinctly different from a scenario whereby a new business has requested funding from the county. In those instances, more detailed financial evaluations may be warranted. However, a current balance sheet has been provided as an attachment for informational purposes only.

Staff supports the 90-Day Option Agreement as it is in line with our current bid process and to also provide an alternate cost-effective disposal option for our processed vegetative waste should Alliance Bioenergy be the successful owner of the former Indian River BioEnergy Center.

FUNDING:

There is no cost to enter into this Option Agreement at this time. As detailed above, the proposed Option Agreement, if executed, would result in a savings of approximately \$256,000 per year to SWDD, which is subject to the bid process and assuming the processing costs do not change.

RECOMMENDATION:

Staff recommends that the BCC approve and authorize the Chairman to sign the attached 90-day Option Agreement with Alliance Bioenergy +, Inc.

- Attachment 1: Historical Summary of Yard Waste Processing
- Attachment 2: Letter from ArborOne
- Attachment 3: 90-Day Option Agreement with Alliance Bioenergy +, Inc.
- Attachment 4: Alliance Bioenergy Balance Sheet