

**Open Work Session  
Delmarva Organics Recovery, LLC  
November 1, 2016**

Mr. Weston Young, Director of Public Works and Mr. John Ferretti with Delmarva Organics Recovery, LLC (DOR) came before Council. Mr. Young said they are still finalizing the site plan on exactly what DOR will be leasing. He said there is some forest conversation that they will be working with Mr. Lenox's Office on. There is an in-house bank that they pull from. Mr. Young said previously there were some comments regarding a bond, so they added a provision to section five of the lease. Mr. Joe Holloway thanked Mr. Young for putting the bond provision in the lease. He then asked how do they arrive at the amount of the bond. Mr. Young said the intent is to do what the County does with its public infrastructure. When a subdivision is going to be built and there will be roads, storm drain pipes, etc., they have the developer submit to the County what they believe the value of the infrastructure is and, if the County agrees on that amount, then that is what the bond is issued for. Mr. Joe Holloway asked if they escalate that for things further down the road, to which Mr. Young responded, sometimes, in the case of payment, the asphalt prices change over time. He said, in this case, what they would be looking for is the estimated cost to remove any of the organic material. If the company just ups and walks away there is going to be organic material that has not been processed. He said material that is mid-processing and post processing will have some chemicals involved like sulfuric acid. They will need costs to completely remove all of that. He said they think most of the buildings can be repurposed if there were fully cleaned out. Mr. Young said they mentioned "broom sweep," but that is not legally defined, but it is generally accepted as removing all personal property, trash, and clean-up afterwards. He said he thinks they would request a costs estimate calculated by DOR, then they would confirm the cost estimate with help from a consultant, and then they would request a bond in that amount. Mr. Joe Holloway said that sounds good. Mr. Joe Holloway said in the presentation there are a lot of companies that are considered stakeholders. He said stakeholders are people who have a monetary interest in the business. He asked if all the companies shown as stakeholders invested in the company, to which Mr. Ferretti responded, no, those companies are suppliers of material. They will be looking for those companies to supply manure and other organic materials. Mr. Cannon said in regards to the rent offsets, in the amount of \$24,000 annually, he would not call it an offset as the County is also forgiving about \$75,600 with the tipping fee rate change at 50%. He then asked Mr. Young if that is correct. Mr. Young said in a way the 50% tipping fee would hurt DVO because it takes them longer to meet the rent offset; whereas, if they were paying the full amount, they would hit that offset sooner and then the County would be profiting on all recyclable materials at that point. He said there is some benefit, but what they modeled it after is the construction and demolition processing facility. Mr. Young said they will be increasing the recyclable rate in the County much like construction and demolition processing that came in before. He said the thought is half off of the tipping fee would be tied to their recycling rate of what they generate, similar to the construction and demolition processing. He said the amount of recyclables they will be generating versus what tipping fees they will produce, is to the point where they will get a reduced tipping fee for all things going across the County's scales. Mr. Kilmer clarified that the County is already above what the state requests for the recycling rate, to which Mr. Young responded, yes, for right now. Mr. Kilmer then asked what happens if the County does not meet the state's requirement for recycling, to which Mr. Young responded, just like any other state mandate, if the County does not meet it, they will issue a Consent Order. He said many times the state will work with the County unless they think that the County is being negligent. The state will ask for a transition plan on how the County proposes to get to the new recycling rate. Mr. Young said he thinks the mandatory number is 25% given the County's size and location. The County is consistently above 35% and right now it is at the low 40s and creeping up from there. Mr. Young said the County is covered for now, but the

goal is to get to zero waste. He is not sure when those thresholds will go up, but the County is looking at probably an 80% conversion rate in the future. The County, by taking measures with working with private entities that could increase the recycling rate, is getting that number up so the County always stays above the state mandated threshold. Mr. Young said he thinks the County is in good shape right now with the measures they are taking both internally and externally. He thinks the County will always stay above that number. Mr. Joe Holloway asked Mr. Ferretti if his company has a project or a facility like this anywhere, to which Mr. Ferretti said they do not have a facility that mirrors this facility exactly. Their technical partner, who is DVO, has built about 100 of these facilities around the country, but not one that is exactly like this one. This facility will be a mixed used facility. They will be able to take manure and other organic materials. He said the key is being able to have enough supply. It is a little different than some of the other facilities that DVO has built. Mr. Joe Holloway then asked if the waste will come from Wicomico County or out of the County, to which Mr. Ferretti responded, it will be a combination of both. They need to get the recipe right. He said the recipe is kind of like your stomach. They have to get the right amount of fats, greases, solids, and everything that goes into it, and as they source the different materials and as they approach the integrators to see what fluids they can get from them, they will need to test those to see what will fit with their digester and then how much manure they will need and then they can begin to add some of the other materials. They want to get the right balance so they can generate the right amount of energy to make it a profitable endeavor. At the same time, they want to be able to create solids that are soluble as fertilizers as well. Mr. Joe Holloway said everyone is interested in getting rid of poultry manure. The gentleman, who spoke to Council a couple of weeks ago, which the County does not have the minutes as the recorder was not operating properly, stated that DOR will only use about a truck load a day of poultry manure. Mr. Young said he recalls that Mr. Whitehead said one of the ten to twelve trucks will be poultry liter and the rest will be gas sludge or organics. Mr. Ferretti said the mass balance right now calls for about 40 tons a day for manure and about 240 tons a day for everything. He said that mixture can change a little bit but that is what their target is. They would like to find more sources of manure, but the source they are going after right now is about 40 tons. Mr. Ferretti said going back to the question on the stakeholders, it may be a misuse of terms but the stakeholders are really all the businesses that are trying to reduce the spread of manure and land application and the gas sludge and land applications, so they are the stakeholders being citizens of the area in trying to make that happen and this being one solution. Mr. Hall said Mr. Ferretti made a comment that they do not have anaerobic digesters similar to the one they are proposing. He then asked if they have organic digesters in operation, to which Mr. Ferrate responded, not his company, but DVO does. Mr. Hall clarified that his company does not at this time, to which Mr. Ferretti responded, no, this is a development project that they are putting together. He said DVO, who is one of the partners, has built about 100 of these in the United States. He said it is proven technology; it is not brand new. Mr. Joe Holloway asked if the manure that is left over when they are done is trucked out or is it packaged. He said he knows that Perdue has a packaging plant in Bridgeville, Delaware. He then asked how is the manure handled. Mr. Ferretti said the manure will most likely be trucked out at a bulk rate, but they do not have a buyer just yet. Mr. Dodd said he thought the gentleman, who previously spoke, said it was all going to digest. Mr. Ferretti said out of the digester, you have a solid waste so you do have a product that is a fertilizer product that can then be sold to other people that are interested in buying it. Mr. Dodd clarified his company has never developed this facility before, to which Mr. Ferrate responded, they formed a development company so they can develop this digester. Mr. Dodd then asked if they have any local experience, to which Mr. Ferrate said DVO, who is handling the technology side, has built a 100 of these digesters so they have a lot of experience. He said Mr. Whitehead, who came before Council previously, has been working on the project. Mr. Ferretti said he has a background in engineering, but he came in to the project as someone who is financing the project, but he has not developed a digester project in the past. Mr. Dodd said he is just trying to get an idea on how successful

the project is going to be. He then asked how much revenue will come back to Wicomico County. Mr. Young said at a minimum it will be \$36,000 annually but that can increase once they hit the rent offset, so two-thirds of the \$36,000, which is \$24,000, can be offset through recycling revenue that the County gets and whatever the County gets for the cardboard and metal, the County is only going to credit DOR 80%, so when the County sells the recycling material and is getting \$100 a ton, they will only credit DOR \$80 a ton. Mr. Young said the tipping fee revenue will be used as part of the offset. Once they hit the \$24,000 threshold that will come directly as revenue. Mr. Dodd said the lease shows a guaranteed rent of \$36,000, and the rent offset as \$24,000. He then clarified that the County will get \$12,000, to which Mr. Young responded, at a minimum \$12,000 cash, but DOR is also giving the County recyclables. Mr. Dodd clarified that the County will not be getting the guaranteed \$36,000, to which Mr. Young responded, not in cash. They will be giving the County aluminum, cardboard and metal that DOR could be selling itself. Mr. Dodd said revenue sounds like cash to him, especially where it says the total revenue estimate is \$100,760. Mr. Young said based on those numbers that is what they are looking at. He said it is approximate. It goes back to what they call the mass balance. When they start bringing chicken liter, it will be different than if they are bringing product from Sysco because Sysco is going to come with cardboard and metal that will go toward the County's recycling number and revenue. He said the County will be getting revenue from the recyclables DOR gives the County, and the County will be getting some revenue from the tipping fees. He said the other thing that they are looking at, which is not part of the lease, is the Power Purchase Agreement. The County could purchase electricity from DOR at a cheaper rate than what it pays Delmarva Power for electricity. Mr. Young said that is not direct money, but it is savings in terms of what the County pays for electric each year. Mr. Young said those measures were considered. Mr. Ferrate said if you consider the material coming from Sysco would end up in a landfill, so the good thing is that they are going to extract all the organic material out of that and only inorganics will end up in the landfill. He said someone may say that is a lower tipping fee but, at the same time, it really does a lot to reduce the number of organics going into the landfill. Mr. Dodd said the County is selling aluminum right now anyway. Mr. Young said what complicates it is that while they are pulling product from Wicomico, if they pull it from Sysco that is out of Wicomico. The fact that it is processed here means the County gets the recycling rate, and the County gets the recyclables that could stay in Somerset, Worcester or Sussex County, or wherever. Mr. Young said a tiger separator is a machine that could take an unopened box of Sysco Food and it will separate this is organic, this is the food that was in the cans, this is the metal, this is the cardboard, etc. He said right now if there is an unopened product, such as a recall, it would just be dropped on top of the hill without pulling out the recyclables or the organics. Mr. Ferretti said the tiger separator is a half of a million-dollar investment itself. Mr. Dodd said he likes the ideal, but wants to get an idea of the success. Mr. Ferretti said the anticipation is that DOR will collect a lot more materials that will go beyond the \$24,000 that the County will benefit from. Mr. Cannon said he is pleased that DOR is willing to make a \$25 million dollar investment in Wicomico County plus bring in new jobs. He said Council is just trying to do their due diligence with any questions it may have. Mr. Cannon then clarified that there are no rent increases in the 15 year lease, to which Mr. Young responded, yes, but the rent would increase by the CPI each extension term by 3.5%; a minimum of 7%. Mr. Young said the County has a solar field through Solar City on solid waste property in Delmar at the Delmar Convenient Center and that each year it is estimated to save the County \$40,000 because the County is buying electricity from the solar panels cheaper than Delmarva Power is generating it and getting to the County. Mr. Davis said if he buys the solar panels and it is sitting on his house, he does not think he should have an electric bill. Mr. Young said that is different. He said if the County purchased the solar panels, other than the maintenance, the County would be getting that electricity straight. In this case, Solar City's model is that they will front the cost of installation whether it is on your roof or on the County's property, and the County buys electricity from them at a reduced rate. Mr. Davis asked why the County just does not buy the panels

and get the electricity for free as part of the deal. Mr. Young said it is part of their business model. Mr. Ferretti said it is a significant portion of the cash flow that supports the investment. This is a \$25 million dollar investment and there has to be a return of cash coming back. Mr. Cannon said section 8 of the lease references that the tenant would have access to the Wicomico County landfill scale house during normal operating hours to weigh the tenant's incoming waste loads. He then asked if that should say "operating hours" instead of "operating house". Mr. Cannon further asked if the company would be weighing their own incoming loads. Mr. Young said the County would be keeping track of the loads coming in for their data purposes. He said maybe down the road, they may talk about the wear and tear of the scales, but right now the 10 trucks a day is insignificant compared to what the County has on a normal day-to-day basis, however, the County would share that data. Rather than then create their own scales and have a separate haul road, the County is offering to let DOR use the County's scales for weigh-in and weigh-out. He said with typical transactions, they have to check out and pay and that takes time. This would be weigh-in, weigh-out. Mr. Matt Holloway clarified that DOR will just have access to the scales. Mr. Cannon said the lease says they have access to weigh the tenant's incoming waste loads. Mr. Young said the County will not have any of their staff in the scale house. It will just be County folks, and the County will keep track of their tonnage. Mr. Cannon said the lease says, tenant shall have access, without charge, to the Wicomico County scale house during its normal operating hours to weigh tenant's incoming waste loads only. Mr. Matt Holloway said he thinks the word "house" needs to come out, to which Mr. Young responded, he is correct. Mr. Young said they can only use the scales during working hours. The County is not going open for special hours just for DOR. They have to know when the County is open and abide by those hours. Mr. Joe Holloway asked Mr. Ferretti if they have to jump through hoops with the Maryland Department of Environment, to which Mr. Young responded, his understanding is that the only permit they are required to get is the air permit. They estimate an 18-month construction permit. Mr. Ferretti said they expect to have all of their permits by the middle of April or the beginning of May the latest. He said the application is already in for the air permit, and they have started on the engineering. Mr. Young said they did an application to PJM, which oversees the electrical connection. They have already invested a significant amount of resources in getting these initial permits. Mr. Cannon said the Lease Agreement, section 8, says the landlord, at the landlord's sole expense, shall be responsible for creating any necessary conservation easement resulting from this lease and the facility. He then asked Mr. Young what he is anticipating. Mr. Young said the conservation easement is forest conservation. He said he had some conversations internally about removing the forest conservation if it is required. The County has banks onsite because they were periodically having to cut down trees or planting trees elsewhere for landfill purposes. The borrow pit is the most recent example. They had to remove some trees to open up new areas to dig for soil. They also removed some trees in anticipation of constructing a new cell. They have been handling forest conservation in-house. He thinks one of the agreements is instead of DOR having to find a forest mitigation bank somewhere else in the County and paying them, the County would handle that. Mr. Cannon asked Mr. Young if he knows what the costs entail, to which Mr. Young responded, not yet because it depends on how big their development is and the site plan, which they are still working through. He said whatever the final layout is will determine if forest conservation is needed. Mr. Cannon then asked is it \$100,000 or \$10,000, to which Mr. Young responded, he is not positive. Mr. Cannon said the reason he is asking is because the lease has a clause that the County is exposing itself to an expense, but it does not know what that expense could be. Mr. Young said it is likely very minor given this site is not forested currently, and the fact the County mitigates the tree removal consistently in-house without cost. Mr. Young said he will work with Mr. Lenox's office in what needs to be done. Mr. Young said the building inspector has already looked at an earlier draft of the plans. Mr. Joe Holloway said eight or nine years ago, there were issues at the landfill. He then asked if any of the staff from Delmarva Organics Recovery, LLC has access to any areas of the landfill other than the scales. Will this facility be fenced or

gated off from other areas of the landfill? Mr. Young said it will be very similar to how Ingenco operates. Mr. Young said Ingenco is the company that the County leases property to that takes the methane generated from the landfill. They have their own premises that is fenced. They have to go through the County's fences to get to it. Mr. Young said there is the potential that they could get out of the County's fence and run around the landfill, but they have cameras. Mr. Young said after hours all the gates are locked, and they have cameras watching. They will know who enters and who exists the landfill. Mr. Joe Holloway said there was a theft at the landfill about 10 years ago where they were driving trucks and stealing diesel fuel after hours and things got carried away. Mr. Young said the fuel tracking system is intense, and they try to keep on top of it to make sure every drop of fuel is accounted for. Mr. Young said if something like that happens again, they would be able to track it and it would come up a lot quicker. Mr. Cannon asked what was the need for the appraisal procedure, which is section 28 of the lease, where it talks about the landlord and tenant shall each pay the cost of the appraiser. He said he does not understand why that language is in the lease agreement. Mr. Ferretti said that section has to deal with if the land was taken by eminent domain. He said section 15(e)(i) cross-references section 28. Mr. Cannon said section 23 has a note, which he is not certain whose note it is, says this section needs discussion. Mrs. Hurley said those notes are from Paul Wilber's office. Mr. Young said that is Roscoe's note. He thinks there was some concerns on the representations and warranties such as the County can confirm that there are no encumbrances. Mr. Young said he also thinks there was an environmental one. He said they lighten up the language in the beginning by saying the knowledge of the County Executive. Mr. Young said they are still finalizing the lease as this draft lease did not include Exhibit A, which is the actual site layout. They are hoping to have a better idea what that is by Thursday or Friday. He said he knows a public hearing needs to happen. There is interest in having the public hearing as soon as possible. The request to Matt Creamer was to have the public hearing three weeks from now as a special meeting, so if any special needs popup they have the two meetings in December to make any changes. Mr. Cannon asked Council if they are willing to have a special meeting on November 29<sup>th</sup> at 10 a.m. Mr. Joe Holloway asked if Council has another special meeting scheduled, to which Mrs. Hurley said the Fire Service Agreement Work Session is scheduled for November 21<sup>st</sup>. Mr. Joe Holloway asked if Council could hold the public hearing that day. Mrs. Hurley said the public hearing notice has to be advertised for three consecutive weeks. Mr. Cannon asked if Tuesday, November 29<sup>th</sup> at 10 a.m. is good for everyone. Mr. Dodd, Aye, Mr. Davis, Aye, Mr. Joe Holloway, Aye, Mr. Hall, Aye, Mr. Kilmer, Aye and Mr. Matt Holloway, Aye. The public hearing will be held on Tuesday, November 29, 2016 at 10 a.m.

*Signatures are on the next page.*

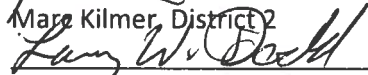
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John T. Cannon, President

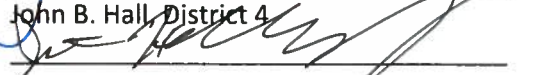
  
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Matt Holloway, Vice President


  
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Ernest F. Davis, District 1

  
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Marc Kilmer, District 2

  
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Larry W. Dodd, District 3

  
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John B. Hall, District 4

  
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Joe Holloway, District 5

  
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Matthew E. Creamer, Council Administrator