

City of Fayetteville Staff Review Form

2022-0028

Legistar File ID

2/1/2022

City Council Meeting Date - Agenda Item Only
N/A for Non-Agenda Item

Tim Nyander

1/12/2022

WASTEWATER TREATMENT (730)

Submitted By

Submitted Date

Division / Department

Action Recommendation:

Staff recommends approval of a non-binding Letter of Intent between the City of Fayetteville and Griffin Residuals, LLC for temporary drying services at the Biosolids Management Site.

Budget Impact:

N/A

N/A

Account Number

Fund

N/A

N/A

Project Number

Project Title

Budgeted Item? No

Current Budget

\$ -

Funds Obligated

\$ -

Current Balance

\$ -

Does item have a cost? No

Item Cost

\$ -

Budget Adjustment Attached? No

Budget Adjustment

\$ -

Remaining Budget

\$ -

V20210527

Purchase Order Number:

Previous Ordinance or Resolution #

Change Order Number:

Approval Date:

Original Contract Number:

Comments:



MEETING OF FEBRUARY 1, 2022

TO: Mayor and City Council

THRU: Susan Norton, Chief of Staff

FROM: Tim Nyander, Utilities Director

DATE: January 12, 2022

SUBJECT: **Griffin Residuals, LLC - Letter of Intent for Biosolids Drying As A Service**

RECOMMENDATION:

Staff recommends approval of a non-binding Letter of Intent between the City of Fayetteville and Griffin Residuals, LLC for temporary drying services at the Biosolids management Site.

BACKGROUND:

The biosolids dryer suffered a catastrophic failure on December 13, 2021. It is currently inoperable, and most likely damaged to the extent that it would not be cost-effective nor safe to repair and operate. The City is waiting on an inspection to be performed on the dryer by the manufacturer's representative. Due to this condition, a temporary drying solution is being considered while a long-term plan is formed.

DISCUSSION:

The Jacobs Project Manager for Fayetteville and the Utilities Director visited the Griffin biosolids drying display at the 2021 Water Environment Association in Chicago last October. We were interested in their drying process and took their information. After the dryer malfunction, we contacted Griffin Residuals about a temporary drying solution. A representative visited the Fayetteville BMS on December 22, 2021 and indicated that a successful drying solution was viable.

Under the Letter of Intent, Griffin Residuals is responsible for:

1. Installing the thermal drying equipment and operating the biosolids drying facility for a period of time until the Jacobs staff is adequately trained to take over the operation;
2. Paying for all the utilities consumed in the drying operation (electricity, natural gas, water, and sewer); and
3. Responsible for maintenance of the drying equipment.

The City of Fayetteville is responsible for:

1. Any modifications to the existing building to house the drying equipment;
2. Supplying the appropriate utilities to the drying site; and
3. Paying an agreed to fee for each ton of biosolids processed. This fee is estimated at \$35-\$50 per ton.

This Letter of Intent does not constitute a firm proposal, offer or enforceable agreement to enter into any transactions. It is being proposed in order to have an agreement while due diligence is performed by both parties to determine the projects viability. If determined to be viable, then the City and Griffin Residuals will enter into a definitive agreement, which will be brought before the Water & Sewer Committee for consideration to forward it to the City Council.

With this agreement in place, the City can determine if this specific process is the right long term solution. If so, a buyout amount of the equipment will be determined. If this process is determined not to be the right solution, Griffin Residuals will remove and retain the equipment.

BUDGET/STAFF IMPACT:

There is no budget impact associated with the signing of the Letter of Intent. The due diligence performed to determine viability of the project will be internal.

Attachments:

Letter of Intent



Letter of Intent for Drying Facility and Drying as a Service Agreement

City of Fayetteville, Arkansas

Tim Nyander, Utilities Director, Water and Sewer

2435 S Industrial Drive.

Fayetteville, AR 72701

January 12, 2022

Letter of Intent Provided By:

Griffin Residuals, LLC

5872 Highway 1389

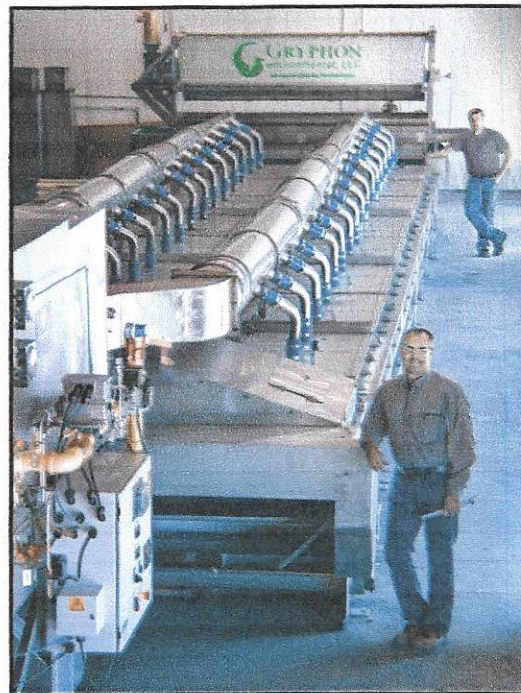
Owensboro, KY 42303

Tid Griffin, CEO

(270) 485-2680; tid@griffinresiduals.com

Site Location:

Fayetteville, Arkansas



The Letter of Intent Agreement is an agreement between Griffin Residuals and The City of Fayetteville to pursue a business relationship. The business relationship is defined, in general, as Griffin Residuals' investments of capital equipment and services at The City of Fayetteville's biosolids processing site to enable the receiving and drying of Fayetteville biosolids following Fayetteville transport from their Paul R Noland (East) and West Side (West) municipal wastewater treatment plants. The business relationship is anticipated to include the use of property and/or buildings at the Fayetteville Biosolids Management Site and a fee-per-ton service model for biosolids dried at the Drying as a Service (DaaS) facility. Both Griffin Residuals and the City of Fayetteville are flexible in developing a mutually-beneficial business model for the chain-of-custody ownership and distribution of dried biosolids yielded from the Drying as a Service facility. The intent of the parties (Griffin and the City of Fayetteville) is to perform due diligence on an expedited implementation of a Drying as a Service facility. The Letter of Intent serves to provide a general outline of the Proposed Transaction and a period of time to conduct Due Diligence so that a mutually-agreeable Drying as a Service Agreement may be developed and executed.

Neither Party is bound to execute a Drying as a Service Agreement under the Letter of Intent Agreement.

TABLE OF CONTENTS

<u>LETTER OF INTENT FOR DRYING FACILITY AND PARTNERSHIP AGREEMENT</u>		<u>3</u>
1.0	EXECUTIVE SUMMARY	3
1.1	<i>Expertise in Biosolids Management – Griffin.....</i>	3
1.2	<i>Advantages of the Project to the City of Fayetteville</i>	3
2.0	PROJECT OVERVIEW	4
3.0	PROJECT DOCUMENTATION AND EFFORTS	5
	<i>Due Diligence Efforts</i>	5
4.0	PROPOSED TRANSACTION	7
4.1	<i>DaaS Facility Implementation:.....</i>	7
4.2	<i>Subsequent Phases:.....</i>	7
5.0	TERMS FOR THE PROPOSED TRANSACTION.....	8
	<i>Terms of Proposed DaaS Agreement.....</i>	8
6.0	TERMS OF LETTER OF INTENT AGREEMENT	9
6.1	<i>Term</i>	9
6.2	<i>Project Due Diligence</i>	9
6.3	<i>Exclusive Negotiating Rights.....</i>	9
6.4	<i>Public Announcements and Confidentiality Agreement.....</i>	9
6.5	<i>Public Announcements and Confidentiality Agreement.....</i>	9
6.6	<i>Governing Law</i>	9
6.7	<i>Miscellaneous.....</i>	9
7.0	LETTER OF INTENT EXECUTION	10

Letter of Intent for Drying Facility and Partnership Agreement

1.0 Executive Summary

This letter of Intent dated January 12, 2022 (the "Effective Date") is intended to memorialize recent discussions between the City of Fayetteville, Arkansas, ("City of Fayetteville", or "Fayetteville"), with principal offices at 2435 S. Industrial Dr., Fayetteville, AR 72701 and Griffin Residuals, LLC ("Griffin", or "Griffin Residuals"), with principal offices at 5872 Highway 1389, Owensboro, KY 42303 (the "Project Owner"). Griffin, together with Fayetteville, (the "Parties"), enter into the Letter of Intent to guide the Parties as they develop a Drying as a Service ("DaaS") project to be located in Fayetteville.

1.1 Expertise in Biosolids Management – Griffin

Griffin's team has developed advanced drying solutions that have been implemented across the country for efficient drying of industrial and municipal wastewater treatment biosolids to Class A solids. Griffin's mission is to invert the economic and ecological impact of waste streams. Griffin's purpose is to provide economic and ecological benefits to all stakeholders in the processing and beneficial use of residuals.

1.2

The Griffin solution presents an environmentally sound, economical means for an expeditious biosolids management program

2.0 Project Overview

Fayetteville owns and operates a biosolids receiving, solar drying, and thermal drying facility in Fayetteville, Arkansas. The facility receives wastewater treatment plant (WWTP) biosolids from Fayetteville's East and West WWTP's and processes the dewatered waste streams with 6 solar greenhouses. The site operated a Phoenix (Fenton technology) dryer until recently, when mechanical failure resulted in the inoperability of the thermal dryer. With growing pressures on municipalities in the United States to find cost-effective disposal methods for biosolids, and the unsustainable practice of landfilling municipal biosolids, the parties are confident that a Drying as a Service facility offers an expedited solution to Fayetteville's biosolids management plan. As an environmentally-sound means of recovering energy and nutrients from the municipal WWTP biosolids, the project is attractive to all stakeholders.

Following onsite meetings and site assessments, Jacobs Engineering, the City of Fayetteville and Griffin believe that adequate material handling, building and utilities are available at the site. Upon initial review, it is planned that the 14,000 – 20,000 wet tons of WWTP sludge will be processed per year by Griffin with a single dryer unit. The process will yield dried Class A (or Class B if to be sent to beneficial use applications that do not require/request the Class A specifications) biosolids. The volume of biosolids is expected to be approximately 15,000 wet tons per year following partial drying with the solar dryer units in operation at the Fayetteville facility. Griffin will be responsible for drying the biosolids so that it may be beneficially used, rather than landfilled as a wet cake with a high moisture content. The existing Fayetteville facility has property adequate for the modifications to the prior dryer building to house a Griffin Drying as a Service facility. During due diligence, it may be determined that an alternative location at the site is more suitable for the dryer installation.

Fayetteville's investments in the Drying as a Service facility are anticipated to include the modifications of the building and a long-term lease of the building and storage pad to Griffin Residuals, support in development of the site, and receiving of the drying application's condensate and wash water. It is anticipated that the building will have utility disconnects located at the building interior. Utilities and infrastructure development will be a focus of the due diligence period. As the property owner, permitting of the site will be by Fayetteville with the full design and process support of Griffin Residuals. It is the impression of the Parties that current permitting is in place for the operation of the proposed Drying as a Service facility. It may be determined, however, that the Drying as a Service facility operate under certain independent permits, Beneficial Use Permits, for example. The parties will collaborate to determine if any additional permits are needed or if any existing permits require alteration during the due diligence period.

Griffin offers its expertise in biosolids thermal drying to assist Fayetteville in the site design processes, including biosolids receiving, risk management, chemical composition data for partially-dried solids from the solar greenhouses, material handling, storing and categorical permitting. Griffin responsibilities will include the CAPEX and installation of all technologies in the Drying as a Service facility. It is the intent of the parties to utilize existing material handling equipment at the site, with minor modifications when needed. During due diligence, the Parties will determine their respective responsibilities for operational costs, including utilities, staff, administration and the beneficial use/logistics for some or all of the dried solids. Fayetteville has adequate staff and experience in thermal drying. It is anticipated that Griffin will operate the facility with its own team while training the Fayetteville staff to operate. The parties will agree on a timeframe and will ensure that the Fayetteville staff assumes operations of the drying unit thereafter. It is further anticipated that Griffin will provide for the maintenance of the equipment including replacement parts and labor for repairs that require special attention and expertise. Griffin and Fayetteville may determine that all or some of the biosolids volumes will not require a transfer of the chain-of-custody to Griffin, as Fayetteville has a both the experience and relationships to manage the distribution of the dried biosolids.

The Drying as a Service facility project is anticipated to include the installation of 1 Gryphon Model 1050 dryer. The installed drying facility is anticipated to enable approximately 20,000 wet tons (averaging ~20% Total Solids) to be processed annually, defined as the "Biosolids Supply". The Biosolids Supply will be determined during due diligence and may be subject to the amount of solar drying to be conducted prior to thermal drying, operational schedules and the beneficial use applications requirements for Fayetteville's biosolids.

3.0 Project Documentation and Efforts

The Parties shall work in good faith to negotiate and execute definitive documentation and collaborate on due diligence efforts to produce a Drying as a Service Agreement. Such due diligence and definitive documentation will include, but not be limited to, each of the subject matters, inclusive of the terms, outlined below.

Due Diligence Efforts

Overview: Fayetteville agrees to provide reasonable, good-faith efforts to assist Griffin Residuals with, among other things, each of the following in support of the Project and finalizing a Drying as a Service Facility Agreement (collectively the "Project Development"):

- Design plans for the expedited placement of a single dryer by Griffin Residuals, with a goal of being operational in 120 days from the Letter of Intent commencement.
- Review of existing permits for the thermal drying facility.
- Assessment of operational and maintenance staffing of the installed dryer unit, and the level and duration of training to be provided to Fayetteville for the operation of the thermal dryer.
- Assessment of the replacement parts schedule. Griffin to assume the costs of maintenance and repair and a delineation to be determined for the labor and support for maintenance and repairs following Griffin training of the Fayetteville staff.
- If necessary, review of the Arkansas Department of Energy and Environment, Division of Environmental Quality Proof of Concept (or Pilot) Variance regulations for pre-project implementation of drying equipment, and communications with the Division of Environmental Quality to develop and progress on the permitting to operate the Project.
- Proposed building design and engineering/planning. Inclusive of any building modifications to house the Drying as a Service facility dryer, utility connections and utilization of existing wet cake storage, material handling and odor control devices at the site.
- Chemistry and biology assessment of the prospective biosolids with developed Process Flow Diagrams for operational variations associated with partial solar drying and future East and West WWTP upgrades involving dewatering and/or anaerobic digestion.
- Assessment of ideal operating schedules made flexible with Griffin's ability for rapid start-up and shutdown capabilities.
- Drying as a Service facility building design assistance for air exchange, entrance/egress, electrical connections/Amps/expansion, wash water and condensate drainage and return to the Noland WWTP, Biochemical Oxygen Demand (BOD₅) loading of the return, process water availability, natural gas supply and specifications/expandability.
- Review and discussion on the lease of the Drying as a Service building or a like agreement for Griffin Residuals' operation of the Project.

- Preliminary facility design for the development of contractor budgets and bids for site construction of the Drying as a Service facility infrastructure.
- Assistance and cooperation with engineering, including development and establishment of a comprehensive materials management plan and schedule to define the scope of the Project.
- Utility rate assessment for the property and analysis of the natural gas supply to the property.
- Logistics analysis for regional beneficial use applications of the dried biosolids.

4.0 Proposed Transaction

Overview: The Parties are initially reviewing potential Project structures, as follows:

The Project assumes approximately 14,000 to 20,000 wet tons of dewatered, or partially dried by solar green houses, biosolids entering the Drying as a Service facility per year.

4.1 Drying as a Service Facility Implementation:

Griffin Residuals proposes to develop a Drying as a Service Agreement to include the supply of all equipment required to receive, process, store and load for transport the Biosolids Supply. Existing equipment at the site will be used as available. Griffin Residuals' capital responsibilities include the design, installation of thermal drying equipment and operation of the biosolids drying facility for a TBD period of time. It is intended that Griffin will train the Fayetteville staff to operate the facility with current Fayetteville staff. Griffin Residuals will receive a fee for each ton of Fayetteville biosolids processed at the Drying as a Service facility, with established guaranteed monthly minimum and maximum volumes. Griffin Residuals shall have responsibility for all utilities consumed at the Drying as a Service facility and for maintenance and operations of the installed equipment.

Fayetteville will be responsible for the construction of the building to house the Drying as a Service facility and for the supply of the appropriate utilities (power, water, sewer and natural gas) to the Drying as a Service facility building. It is the intent of the parties that Fayetteville provide a long term lease of the building to Griffin Residuals, or like arrangement. Fayetteville would be responsible for receiving and treating the returned condensate and wash water from the Drying as a Service facility.

4.2 Subsequent Phases:

Subsequent Phases will be considered during due diligence. Subsequent phases will be considered during due diligence, if applicable.

5.0 Terms for the Proposed Transaction

Terms of Proposed Drying as a Service Agreement

Drying as a Service Agreement: Preliminary Conditions

- The proposed cost for each ton of Fayetteville biosolids processed (based on a wet tons basis, as received at the Drying as a Service facility) is estimated to be \$35-50. The cost is contingent upon completion of, and analysis of, the Due Diligence and the delineation of the project scope between the parties. Pricing adjustments will be made based on determinations for the training of and operation by the Fayetteville staff.
- The Due Diligence outlined within the Letter of Intent shall provide thorough understanding for the parties to determine a clear delineation of project installation and operational responsibilities.
- Biosolids Supply: Approximately 50 wet tons per day, with potential variations pursuant to a Biosolids Supply schedule to be included in, and to be a part of, the Drying as a Service Facility Agreement.
- Partnership Agreement Term: The Parties currently envision the initial Partnership Agreement to be no less than five [5] years.
- A schedule for the buyout of the Drying as a Service Agreement will be provided by Griffin, with considerations for transfer of the equipment to Fayetteville in 3 to 5 years. The price for the purchase of the equipment will be determined during due diligence and subject to the capital investment by Griffin at the site. For consideration, the thermal dryer will have a buyout price of approximately \$1.25MM to \$1.50MM at the end of the third anniversary of the installation, final pricing to be determined during, and subject to due diligence.

6.0 Terms of Letter of Intent Agreement

6.1 Term

The Term of the Letter of Intent (LOI) shall be 120 Days (the "Term"), with the Parties goal to have the due diligence completed swiftly so that installation and operation may commence at the earliest possible date. At the expiration of the Term, exclusivity shall automatically extend if Fayetteville and Griffin are continuing to negotiate definitive documentation of the Project in good faith.

6.2 Project Due Diligence

Griffin Residuals, with full collaboration from the City of Fayetteville, will perform due diligence to determine the Project's viability. Before entering into a definitive agreement, Griffin may request from Fayetteville financial information, copies of permits, utility locations and other information as needed to fully evaluate the Project. Each party is responsible for its own costs associated with the due diligence.

6.3 Exclusive Negotiating Rights

Intentionally Deleted.

6.4 Public Announcements and Confidentiality Agreement

Intentionally deleted.

6.5 Public Announcements and Confidentiality Agreement

The Parties shall each bear their own costs and expenses incurred in connection with execution of this LOI.

6.6 Governing Law

This letter shall be governed by the laws of the State of Arkansas, including without limitation applicable federal law. For any dispute not resolved by good faith negotiations involving senior management of the Parties, the Parties agree to the exclusive jurisdiction of the federal and state courts of Arkansas, located in Washington County, Arkansas.

6.7 Miscellaneous

This letter contains the entire agreement of the Parties and supersedes any previous understandings, commitments or agreements, oral or written. Changes to the Letter of Intent may be made only in writing signed by the Parties.

The failure of either Party to enforce at any time any of the binding provisions of this Letter of Intent, or to require at any time performance by the other Party of any of the binding provisions hereof, shall in no way be construed to be a waiver of such provisions, nor in any way affect the validity of this Letter of Intent or any part thereof, or the right of either Party thereafter to enforce each and every such binding provision.

The Parties agree that other than Section 6, which the Parties agree are binding, this Letter of Intent does not constitute a firm proposal, offer or enforceable agreement to enter into any transactions with respect to the subject matter hereof, is not binding on any of the Parties and imposes no duty or obligation on either of the Parties to proceed with or to negotiate with respect to any or all the proposed transactions. Except as specifically

provided in Sections 6, this Letter of Intent does not give rise to any obligation of one Party to the other Party with respect to the transactions described herein.

7.0 Letter of Intent Execution

If the forgoing terms of this letter are correct and acceptable, so indicate by signing and returning.

Sincerely,

Griffin Residuals, LLC - Project Owner

Signature: _____



Date: _____

1/12/2022

Printed Name and Title: _____

Tid Griffin, CEO

ACCEPTED AND AGREED TO BY:

The City of Fayetteville, Arkansas

Signature: _____

Date: _____

Printed Name and Title: Lioneld Jordan, Mayor

The City of Fayetteville, Arkansas