

Agenda Information Sheet

DEPARTMENT: Solid Waste & Recycling Department

CM/ ACM: Mario Canizares

Date: December 5, 2017

SUBJECT

..Title

AN ORDINANCE OF THE CITY OF DENTON TERMINATING THE LEASE AGREEMENT AS AMENDED, TO THE EXTENT THE SAME WAS PROPERLY ASSIGNED, BETWEEN THE CITY AND OPALA, LLC, A TEXAS LIMITED LIABILITY COMPANY; TERMINATING OPALA, LLC'S TENANCY, IF ANY, IN 1301 S. MAYHILL RD. AND 1001 S. MAYHILL RD., BUILDINGS 101 AND 102, DENTON, TEXAS; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

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BACKGROUND

On June 4, 2013, the City of Denton entered into a lease agreement with Master Recycling, Inc. for the use of 1301 S. Mayhill Rd, a 3.5 acre tract of land located on the Solid Waste department's landfill property. This agreement was later amended on October 15, 2013 to include the use of additional Solid Waste facilities located at 1001 S. Mayhill Rd. According to the amended lease agreement, the firm's stated use of these facilities was for the handling, processing, storage, and production of biofuels and associated by-products.

As part of the lease agreement, the City's Solid Waste department agreed to dispose of the liquid by-products associated with the firm's biofuel production process. The agreement allows Master Recycling to dispose of 15,000 gallons of liquid each day so long as the waste is allowable by the department's TCEQ waste disposal permit.

On September 5, 2014, the amended lease was purportedly assigned to Pa'ele, LLC, now known as Opala, LLC; however, the assignment was never approved by the City Council as required by the amended lease agreement. To date, Opala's use of these facilities has been for materials recycling of containerized liquid products.

Due to restrictions in the department's waste disposal permit, Solid Waste is unable to dispose of Opala's liquid waste directly into the landfill. In order to dispose of the liquids associated with Opala's recycling operation, the department must combine the liquid waste with wood products to produce compost. The waste grade compost can then be disposed using the department's landfill. Staff estimates the costs to continue the composting and disposal process to be at least \$208,000 annually.

Because it is uncertain and speculative that the introduction of the post-destruction liquids received from Opala, LLC, provides any benefit to landfill operations for the City's ELR Landfill above that of using water and the financial burden the aforementioned disposal process creates for Solid Waste's rate payers, staff recommends immediate elimination of the department's composting operation related to the landfill including any supporting agreements, activities and spending. Further, staff believes that the amended lease agreement between Master Recycling, LLC and the City of Denton was not properly assigned to Opala, LLC. As a result, staff recommends terminating the amended lease agreement, to the extent it was properly assigned, and Opala's tenancy, if any, in 1301 S. Mayhill Rd. and 1001 S. Mayhill Rd., Buildings 101 and 102.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: **Organizational Excellence**

Related Goal: **1.1 Manage financial resources in a responsible manner**

EXHIBITS

1. Agenda Information Sheet
2. Ordinance

Respectfully submitted:
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Director of Solid Waste