

City of Coral Gables City Commission Meeting
Agenda Item D-1 and H-4
August 26, 2008
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Donald D. Slesnick, II
Vice Mayor William H. Kerdyk, Jr.
Commissioner Maria Anderson
Commissioner Rafael “Ralph” Cabrera, Jr.
Commissioner Wayne “Chip” Withers

City Staff

City Manager, David Brown
City Attorney, Elizabeth Hernandez
City Clerk, Walter J. Foeman
City Clerk Staff, Billy Urquia

Public Speaker(s)

Mr. Alex Trujillo, President of GOVXU, Inc.

D-1 [Start: 9:52:47 a.m.]

Mayor Slesnick: David, D-1.

City Manager Brown: Mr. Mayor. Today with us is Mr. Alex Trujillo. He is the President of GOVXU, and he is here to present to the City Commission Green Power, Incorporated’s waste-to-fuel solution plant for the City of Coral Gables. This is a revolutionary new process that the City is exploring, that when I actually looked at the product it was hard to believe this is a real, real green item. You can utilize your waste, your garbage that we collect throughout the City and your clippings that we collect throughout the City and through this process turn it into diesel fuel, oil, distilled water, jet fuel and power; and Mr. Trujillo is here to take you through a short powerpoint presentation on the process; and what I am asking for today is for approval to meet with Green Power, Inc. to do a non-binding letter intent outlining the conditions and terms of which we could bring this plant to the City. Mr. Trujillo.

Mayor Slesnick: Before Mr. Trujillo starts I just want to announce to everyone that by request of the applicant we are going to move E-5 up after this presentation. E-5 and E-6 are related. So that will be heard around 10 o’clock as this presentation ends. Mr. Trujillo welcome.

Mr. Trujillo: Thank you very much for having me, I want to thank the Commission, the Mayor, the City Manager for having us here today, this is a revolutionary product my understanding is that you will be seeing it on the screen, and there it is. I am going to be walking you through the slides, realistically the main concern here is to make sure that everyone understands what it is that the Green Power, Inc. Technology does how it would be a benefit for the City of Coral

Gables. So having said that, I would like to show you an overview picture of what the plant actually, physically looks like, the plant exists it is seating in Pasco, Washington State and it is seating on U.S. government property is the Port of Pasco; and it is fully functional, which means that abides by all regulations that the United States and the EPA and organizations such that would enforce on it being that it is on government property. The actual solution is a revolutionary process that was initiated as a process for eliminating waste, prior to the escalation of fuel prices; waste as a by product of urbanization was a large concern in Europe, and all over the world, and in the United States also. Because of it, technology started exploring how to eliminate waste and one of the by products of waste is that waste burns. Anything that burns has hydrocarbons, anything that has a hydrocarbon can have the hydrocarbon chains broken down at a level that you can actually remove the fuel that it is inside the burning materials. What Green Power technologies actually does is that it basically accelerates the process that the earth itself does on the hydrocarbons; and it does it by the use of a catalyst when introducing this catalyst into the process of heating; and through some process of selection there are certain products have to be taken out of urban trash; you end up three distinct fuels, kerosene, diesel fuel and bunker oil. Kerosene is what can be equated to jet fuel and also used for light in lanterns; diesel fuel obviously is diesel as we all know it, and mostly commercial industrial use; and bunker oil is what can be used in ships for their boilers and also can be used by home heating systems. The additional by-product of the plant is that it does generate some electricity. The plant and the proposal as presented to this City only accounts for revenues from the sale of diesel fuel, kerosene, and bunker oil and also the elimination for the City of its own tipping fees or the reduction in the cost of its own tipping fees; and also the ability to get paid by picking up garbage or processing garbage for other municipalities or other organizations. The plant itself can process 8,500 pounds of garbage an hour. It generates 500 gallons of combine fuel, and what I would call the R&D pricing of the fuel runs at about .65 cents a gallon, because it is not necessarily tailored for the City of Coral Gables. When it comes to pricing, we have escalated that price to \$1.52 in our business model and within that business model it still shows a relatively short term payback, that actually has been provide to everyone. The process uses or can consume mix plastics, mono plastics such as pvc's, xp, rubber waste such as tire, sewage, bio-hazard waste, because it does go through a process where it escalates the temperature inside the boiler to around 700 to 800 Fahrenheit. It will eliminate or destroy any biohazard or any bio-waste that is put into it. Light parts from recycle cars, electronic scrap, wood timber, straw waste, organic waste such as trees, greenage, oilage and many more other materials, anything that actually has hydrocarbons in it which is anything that burns. How does the process work? Well after about 30 years from initially a thought of garbage elimination with just a by-product of fuel as something that was of interest, but not its main driver scientist at Green Power developed a catalyst and that catalyst, depolymerization process, the process is the cracking of the hydrocarbon molecules, with the assistance of zeolythical catalyst a close liquid circulation system, the diesel gasses are generated in the circulating liquid and are separated in the distillation column. The easy part of this technology that everything up until the introduction of the catalyst is mechanical in nature and actually pretty much off the shelf. All the products that are easily verifiable shredders, conveyer belts, boiler, cracking tower, cracking tower is what you saw in the initially picture; next to the big tank there is a large tower standing, that is how the fumes elevate when the fumes condense they drop down and depending on the element itself, whether it is a lighter element; such as kerosene or a heavier element it will condense at different levels of that tower, that is how you collect the fuels and separate them. Now as far the process

itself, it is relatively simple as we described the presentation has been made available to you. The secret of it is the catalyst. The catalyst is a product that was developed by GPI, is a product that is totally owned by GPI, and it is being produced by a GPI manufacturing partner. Any use of this catalyst is guaranteed through an escrow security that holds the formula for the catalyst. Basically, the catalyst becomes the secret ingredient of Coca Cola in this equation or similar to that. Again, we take in solid or liquid waste. We can actually take in used fuel such as cooking oils, grease, anything that has been processed as a fuel and used to a certain degree will still retain some of the hydrocarbons in it. You don't get the total amount of that same fuel back, you get a fraction of it, but it can be processed. It actually would be able to do sewage with additional processing that is not included in the business plan. Sewage is a lot more complex because it is very heavy in water waste or in water as a by product than any water, with the levels of water introduced to the source materials increases the processing. Some of the examples of what products have been yield are wood, plastics, or used oils; used oils would yield you a greater amount of fuel than would say wood and that again goes back to the composition of its molecular structure. One has a higher content of fuel and the other one doesn't, which is one of the reasons why you get explosions with fuel versus explosions with trees. Trees will burn slowly. Fuel will burn quickly because of the concentration of hydrocarbons. The business model, and this is the area that I think is a great benefit to the City of Coral Gables, besides the fact that you can basically see this as a way to recycle your trash and get fuel out of it the business model does require a partnership with GPI. That means that the City of Coral Gables would enter into a partnership with GPI in the creation of a separate entity. That entity would have an investment of \$20 Million, 50 percent of that investment would be provided by the City, 50 percent would be provided by GPI, together the new entity would be structure and revenue would be split accordingly; also any support, any maintenance of the plant, or of the ongoing operation would also be split. An additional part that the City would have to provide is the land and access to the trash. Just as the City of Coral Gables is looking at GPI, GPI took into much consideration in selecting Coral Gables as a City partially because your demographic and your size is the exact size for one plant; your demographic has a combined waste that is more in line with something that could be more predictable than other areas. Therefore, and also you happen to be in the south of Florida which is a good gateway for us and Latin America, and we would like to have something situated down here that can be used as a showcase, not only for other plants in Florida, but in Latin America. For that, the City would get the additional benefit also of receiving 1 percent of all revenues generated by any plant that is ever sold in the State of Florida; and that 1 percent would go directly to this City, besides any revenue that would be gotten by the development of the plant itself and the processing of your fuel. That means that after the city puts up a plant and actually enters into, or actually once they enter in this agreement, everybody that comes in afterwards that puts up a plant you would share in the revenues that they generate and that is guaranteed to you by GPI; and the joint venture that would be developed, again we are talking now based on a template, we are talking also on a conceptual discussion that this presentation puts forth the joint venture is going to require to commit to certain things and GPI to commit to the City and those things are yet to be defined, which is the reason why we are doing this presentation. The presentation is here to ask the City, or to provide information to the City to allow them to make the decision in the non-binding letter of intent, the non-binding letter of intent would stipulate all of the requirements that the City of Coral Gables would have to allow them to go into this joint venture. The plant does process 100 tons per day in a 24 hour period. The plant again generates 500 gallons of combined fuel an hour, which is 12,000 gallons every

24 hours roughly the plant will produce 40 percent of that fuel as diesel, 20 percent as bunker oil, 20 percent as kerosene, and 20 percent as a higher level of kerosene for jet fuel. These percentages of useful fuels will vary based on the garbage mix. Now the plant is also built in a way that you can actually track multiple plants and the identify and isolate certain products to those plants so you can actually get a more predictable mix if you decide to put all the plastics to one; all of the used fuels to another; and all of the greenery to a third or all non-fuel related trash to a third. But then again that maybe something that may not be liable for this City, given that right now we see the total production of waste in the City of Coral Gables, equivalent to just one plant. The plant does emit near zero greenhouse gasses, I believe is 98 percent to 99 percent clear of greenhouses gasses produces less than an automobile. The reason it does this because it captures all of these gasses and some of these gasses are actually used as the fuel for running its turban generator, which is again not something in the business plan, but that turban generator will generate 2.5 megawatts of electricity which has an excess available to either sale back or consume by the City of one megawatt, one megawatt is the equivalent of 400 modern american average homes. The residual liquid that does come out of the plant is water; there is a residual cake that comes out of it this cake is largely composed of ash and small solid particulates like what is remaining in metal of metal, stone or glass. Metal, stone or glass cannot be processed metal, stone or glass are to be removed before the trash is introduced thereby making it the mix much more predictable, the removal of large particulates, is seen as the standard removal of particulates, the way they do it today in any trash processing center; which means you would have to take out gallons of propane tanks, washing machines, anything that would come in there that would be large of that type would have to be removed manually; and again these things are actually recyclable scraps. So, it is not that you end up with all of this trash that you can't use because your metal can be sold, your glass can be sold, your stone can actually be sold along with the cake to companies, would create asphalt out of it. By grinding stone into the residual ash like cake you can create an asphalt product, an asphalt product of commercial quality that has been looked at, has not been developed yet, but has been looked at in a plant up in Pasco in Washington that is partnering with the plant to just take that very same cake for their own use. Additionally, the cake can be used as a layering product for landfill, landfills because of their emissions and their smell would lay gravel or stone. This cake can be sold to waste management or any of the other organizations in the county. And basically that is it.

Mayor Slesnick: Alex, today Mr. Manager you are looking for authority to move forward in further discussions and a letter of intent about those discussions?

City Manager Brown: Right, and bring that letter of intent back to you for in depth detail discussion which would set forth the terms and conditions to enter into then an agreement.

Mayor Slesnick: Because this is obviously a very complicated situation as far as understanding the process, the size, the complexity, the operations, and the financials, but it certainly sounds like something that if you feel comfortable moving forward in discussions.

City Manager Brown: The administration is very excited, this is the future, I mean everybody talks about green and green power and going green this is true going green.

Vice Mayor Kerdyk: Sounds almost too good to be true.

Commissioner Anderson: Yeah, I had the same comment at our meeting.

Vice Mayor Kerdyk: But, I think we would be prudent to move forward and at least explore it.

Commissioner Anderson: Sure, sorry did you? I had a couple of questions, and I have actually discussed this with the Manager and following on the thought of it is almost too good to be true.

Mr. Trujillo: Absolutely.

Commissioner Anderson: As we move forward on this, I would look for our staff and our City Attorney as well, to kind of deconstruct this whole process and find if it sounds too good to be true; let's find where it could be the worst case scenarios and address those, because I think this is a very positive thing that we are trying to do; but we have to proceed with an abundance of caution in how we fashion any agreement, so I am looking for staff our City Attorney to look at the worst case scenarios; see how we can better them; how we can solve that problem and move ahead as far as I would like to see what kind of financing options we have. Would your organization take part in the financing, or would we burden the 50, would we take the 50 percent initially? I would like to see what other options are amenable and are acceptable to both parties. And the issue of exclusivity, if we are going to make that much of an investment, and our Coral Gables investment, or our Coral Gables plant would be the showcase, there should be some type of exclusivity in the area. Now I understand that in the State we would be the first, but in order for us to make any profit whatsoever we have to have some time frame where we are it, we are the flagship and we don't have anything around us that would compete with us from the same organization. So those are my three things, and I look forward to seeing what comes up.

Vice Mayor Kerdyk: I would like to just add something to her requests with the addition of our staff professionals, taking a look at the overall concept and the company we are going to deal with. I think it might be prudent for us also to engage the University of Miami to also explore this company and use their expertise in making a determination if this is something that they see as futuristic and where the City needs to go, but I am also like you Commissioner very interested in pursuing this matter and making sure we get all of the right answers to the questions that you have and the rest of the others Commissioners have. Thank you.

Mayor Slensick: Well my concern, as well as the ones that have been expressed already, was specifically with the site and its impact on bordering neighborhoods and so forth; and whether or not effectively plan for that site, so that is another issue that needs to be addressed; and by the way, the site, having said that, the site being discussed is motor and equipment area out on 72 Avenue; the neighborhoods I was referring to are the waterway neighborhoods that are not in the City of Coral Gables, but we are not talking about this is downtown Coral Gables. Let me make that clear. Mr. Withers.

Commissioner Withers: Since we met, I have tried to learn as much about the science of this. It seems pretty interesting I guess, breaking down the carbon molecules and splitting them up etcetera; a couple of questions that I have, the technology of trash to power is not new technology.

Mr. Trujillo: Not at all.

Commissioner Withers: It has been around for a decade at least I guess.

Mr. Trujillo: Absolutely.

Commissioner Withers: I guess your technology is adding that secret catalyst to it that produces the by-products that is where you, I guess, are a level ahead of everybody else, I suppose.

Mr. Trujillo: There are two parts to it, one is that and the other is that that the ones that do have a by-product of fuel that are in our same space need additional refinement process. We do not we go straight to the pump, which makes us a single source.

Commissioner Withers: Understood, and I agree with Don and Maria I think there is really three parts to this David that we really need to look, at one group, and I really don't know why they all couldn't be working simultaneously; but one work is the work with the county. I know that was an open steel building we saw there. We are probably going to have to enclose the building. We are going to adjust the business plan accordingly to that, but the whole neighborhood issue, the whole zoning issue is one track. The business plan is the other track that I want to ask you a question about that. Then the third track, like Commissioner Kerdyk said, does the science really work? I think those are the three different levels of expertise we need, but let me ask you a question about that the joint venture, I suppose. You mentioned the figure 20 million bucks.

Mr. Trujillo: Correct

Commissioner Withers: Now does, I know the City's \$10 million of that is cold hard cash, is your \$10 million, money you are going to borrow? Or is it 10 million in owner's equity that you are putting in? The reason I ask that is because if you were to default on your 10 million and it is borrowed money, then we as the city are responsible for a \$20 million investment overnight, not a \$10 million investment.

Mr. Trujillo: It is a combination, I would say that a large part of it is money that is already capitalized, there is no loan that is going to be taken out for that money. The company is well capitalized, that is why is not looking for funding partners. It is looking for actual partners to develop and produce plants; and there is a part of it that is an owners equity for the rights to use the plant; so in other words that it maybe a part cold hard cash maybe \$8 to \$9 million and there may be another part of that is going to be.

Commissioner Withers: OK, because I am going to want to move as we discuss the business plan, I really want to know what our total exposure is.

Mr. Trujillo: Absolutely.

Commissioner Withers: With you as a partner.

Mr. Trujillo: Absolutely.

Commissioner Withers: Now the 1 percent royalty is that goes to this joint venture or this limited partnership.

Mr. Trujillo: No, that goes to the City of Coral Gables

Commissioner Withers: It goes to the City, so that revenue stream is not going, because I guess some of the by-products to whatever we sell the fuel for, whatever we sell the electricity for, whatever we sell the water for, whatever we sell this catalyst that has been reused for, that revenue goes back into the limited partnership.

Mr. Trujillo: Correct

Commissioner Withers: So you are sharing on 50 percent of those revenues.

Mr. Trujillo: Correct

Commissioner Withers: I really didn't really review the business plan in its entirety, but is the business plan based on the payback on the City on our 10 million on 50Percent of that revenue or 100 percent of that revenue.

Mr. Trujillo: Well if you look at the excel spreadsheet that has been provided what it does it takes into account the total revenue against the total investment of \$20 million so what you are looking at is really a 24 to 36 month payback of the initial investment which include the 10 million put in by GPI.

Commissioner Withers: OK I understand, so you are looking to get your money out within 3 years also.

Mr. Trujillo: Absolutely, we are fully a partner of yours all the way through, and our interest in finding you as the right partner is as great as your interest in making sure that we work.

Commissioner Withers: Now as you move forward and you don't have to answer this, but as you forward, and you say OK it is working in the City, I know is working in Pasco, as you move forward on this and you go to Naples or your 50,000 people cities with this amount of trash are you going to setup limited partnerships and joint ventures with them the same model.

Mr. Trujillo: Exactly the same one.

Commissioner Withers: OK.

Mr. Trujillo: The only difference is that you are the only one that gets the 1 percent for being the first in what we consider a region which we have designated as a State. You own Florida as being the first one in Florida, which means everyone who puts a plant the total revenue of that 1

percent of it goes to the City of Coral Gables, which kinds of goes to the exclusivity question that you had.

Commissioner Withers: Is there opportunities for private investment from residents and etcetera is it going to be that kind of limited partnership set up?

Mr. Trujillo: From the side of the City, that is completely up to the City, how they want to structure it.

Commissioner Withers: So we could take our \$10 million and set it up as private investment with the City if we wanted to; you have no objection to that?

Mr. Trujillo: No.

Commissioner Anderson: Chip are you talking shareholders kind of things?

Commissioner Withers: Yeah, instead of the City if this really excites people and we do our due diligence and we have almost like a bond issue not a GO bond issue, but almost like a bond issue.

Commissioner Anderson: Got you, where they would be partners

Mayor Slesnick: There is nothing wrong with the GO Bond issue

Commissioner Withers: No, I am not saying there was, I didn't want to open those doors

Commissioner Cabrera: Those were fighting words

Commissioner Withers: It woke Don up, didn't it.

Commissioner Anderson: That is interesting.

Mayor Slesnick: Well, we have a Resolution before us on H-4.

Commissioner Withers: Thanks.

Mr. Trujillo: Thank you.

Mayor Slesnick: The only thing before we move it, or adopt it, or defeat it, I would like to add that the Manager is required to bring back the letter of intent to the Commission.

City Manager Brown: Absolutely.

Mayor Slesnick: Well it doesn't say David, it just says you will be authorized to develop it, and I would like to add to Section 2 Walter, that letter be returned to the Commission for its approval before its signature. Do I have a motion on the resolution in H-4.

Commissioner Anderson: I'll move it.

Mayor Slesnick: It has been moved by Mr. Anderson

Commissioner Withers: I'll second it

Mayor Slesnick: Seconded by Mr. Withers. Any further discussion? Mr. Clerk.

City Clerk Foeman: Commissioner Withers?

Commissioner Withers: Yes.

City Clerk Foeman: Commissioner Anderson?

Commissioner Anderson: Yes.

City Clerk Foeman: Commissioner Cabrera?

Commissioner Cabrera: Yes.

City Clerk Foeman: Vice Mayor Kerdyk?

Vice Mayor Kerdyk: Yes.

City Clerk Foeman: Mayor Slesnick?

Mayor Slesnick: Yes. Alex thank you, and we look forward to further reports and further investigatory reports about all the different things we brought up in this meeting.

Mr. Trujillo: Absolutely, thank you very much and we are very happy to have you as a potential prospective partner.

Mayor Slesnick: Thank you.