California Environmental Protection Agency
CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD
8800 Cal Center Drive
Sacramento, CA 95826
(916) 255-2200

Wednesday, May 13, 1998
9:30 a.m.
meeting of the

MARKET DEVELOPMENT COMMITTEE

John Amodio, Chair
Wesley Chesbro, Member
Daniel G. Pennington, Member

AGENDA

Note:

- *Agenda items may be taken out of order.*
- *If written comments are submitted, please provide 15 two-sided copies in advance of the Committee meeting and include on the first page of the document the date, the name of the committee, the agenda item number, and the name of the person submitting the document.*
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Important Notice: The Board intends that Committee Meetings will constitute the time and place where the major discussion and deliberation of a listed matter will be initiated. After consideration by the Committee, matters requiring Board action will be placed on an upcoming Board Meeting Agenda. Discussion of matters on Board Meeting Agendas may be limited if the matters are placed on the Board's Consent Agenda by the Committee. Persons interested in commenting on an item being considered by a Board Committee or the full Board are advised to make comments at the Committee meeting where the matter is considered.

Some of the items listed below may be removed from the agenda prior to the Committee meeting. To verify whether an item will be heard, please call Donnell Duclo, Committee Secretary, at (916) 255-2157.

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Notice: The Board or the Committee may hold a closed session to discuss the following: confidential tax returns, trade secrets, or other confidential or proprietary information of which public disclosure is prohibited by law; the appointment or employment of a public employee; or litigation under authority of Government Code Sections 11126 (a)(1), (c)(3),(15), and (e), respectively.

For further information or copies of agenda items, please contact:

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California Integrated Waste Management Board

Market Development Committee

May 13, 1998

AGENDA ITEM 2

ITEM:

CONSIDERATION OF ADOPTION OF PROPOSED REGULATIONS TO THE RECYCLING MARKET DEVELOPMENT REVOLVING LOAN PROGRAM

I. SUMMARY

The Board had previously approved proposed changes to regulations for the Recycling Market Development Revolving Loan Program (Program). On April 8, 1998, the Office of Administrative Law (OAL) approved all but one section of the proposed changes. As a result, staff has made some clarifying changes and sent the regulations out to approximately 125 interested parties for another 15-day public review period that ends on May 8, 1998. Any comments received will be reported at the Committee meeting. This item describes the proposed changes and seeks Board approval of the proposed regulations.

II. PREVIOUS BOARD ACTION

At its May 28, 1997 and November 17, 1997 meetings, the Board approved proposed changes to the Program regulations.

III. OPTIONS FOR THE COMMITTEE

The Committee may:

1. Recommend the Board adopt the proposed regulations and Resolution 98-136.
2. Provide staff with guidance and direct staff to modify the proposed regulations, notice the proposed regulations for an additional 15-day public review period, and return them for consideration by the Market Development Committee at a future meeting.

IV. STAFF RECOMMENDATION

The Committee recommend the Board adopt the proposed regulations and Resolution 98-136.

V. ANALYSIS

Background:

At its December 5, 1996 meeting, the Market Development Committee directed staff to start the Rulemaking process to revise the Program regulations. The Rulemaking process has included the following:

1. Publishing the Notice of the Rulemaking Activity on February 28, 1997, in the California Regulatory Notice.
2. Noticing for a 45-day and two 15-day public review periods.
3. Compliance with the California Environmental Quality Act by filing a Notice of Exemption with the State Clearinghouse on March 21, 1997.
4. Approval of proposed Program regulations by the Board at its May 28, 1997 and November 17, 1997 meetings.
5. Submission of the Rulemaking File and supplemental information to OAL.
6. Approval by OAL of portions of the proposed regulations on September 15, 1997 and April 8, 1998.
7. Noticing for an additional 15-day public review period that ends on May 8, 1998.

The portions of the proposed regulations approved by OAL on April 8, 1998, included:

- The Loan Application, that was revised and incorporated into regulations.
- Several new definitions and clarification of sections, including Eligible Applicants, Tire Recycling Projects, Loan Committee Review, and Board approval.

Portions of section 17935.4 were disapproved by OAL. That section described the process for staff review of applications. Specifically, OAL questioned the lack of specificity of the previously proposed text. Staff, working with the Legal Office and OAL, revised the language in the affected section (Attachment 2) and noticed the proposed regulations for a subsequent 15-day public review period that ends on May 8, 1998. Any comments received during the public review period will be reported at the Committee meeting.

VI. ATTACHMENTS

1. Resolution 98-136.
2. The Revised Text of Regulation for the Current 15-day Public Review Period.

VII. APPROVALS

Prepared By:	Calvin Young	Phone:	255-2476
Reviewed By:	Charles Haubrich	Phone:	255-2471
Reviewed By:	John D. Smith	Phone:	255-2413
Reviewed By:	Caren Trgovcich	Phone:	255-2320
Legal Review:		Date/Time:	5/4/98 10:00 Am

INTEGRATED WASTE MANAGEMENT BOARD

RESOLUTION NO. 98-136

FOR CONSIDERATION OF ADOPTION OF PROPOSED TO THE RECYCLING MARKET DEVELOPMENT LOAN PROGRAM REGULATIONS

WHEREAS, the Board adopted in 1992 regulations in Title 14 of the California Code of Regulations (CCR), including Sections 17930 through 17939, to interpret, make specific and implement the provisions of the Recycling Market Development Revolving Loan Program (Program); and

WHEREAS, the Board has found it necessary to modify these regulations; and

WHEREAS, formal notice of the rulemaking activity was published on February 28, 1997, the California Regulatory Notice Register 97, Volume No. 9-Z; and

WHEREAS, the Board had previously held a 45-day and two 15-day public comment periods to obtain comments on the proposed regulations; and

WHEREAS, the Board, at its May 28, 1997 and November 17, 1997 meetings, approved changes to the Program regulations; and

WHEREAS, a portion of those changes were approved by the Office of Administrative Law on September 15, 1997 and April 8, 1998; and

WHEREAS, the Board proposed additional changes to the regulations and has properly noticed those proposed changes for a subsequent 15-day public review period; and

WHEREAS, comments received during the subsequent 15-day public review period were discussed at the May 13, 1998, Market Development Committee meeting; and

WHEREAS, the Board has fulfilled all of the requirements of Government Code Sections 11340 et. seq.; and Title 1 of the California Code of Regulations, Section 1 et. seq.; and

WHEREAS, the Board has maintained a rulemaking file which shall be deemed to be the record for the rulemaking proceeding pursuant to Government Code Section 11347.3.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby adopts the attached amendments to California Code of Regulations, Division 7, Chapter 4, Article 1.1, Section 17935.4, pertaining to the Recycling Market Development Loan Program.

CERTIFICATION

The undersigned Executive Director of the California Integrated Waste Management Board does hereby certify that the foregoing is a full, true and correct copy of a resolution duly and regulatory adopted at a meeting of the California Integrated Waste Management Board held on May 27, 1998.

Dated:

Ralph E. Chandler
Executive Director

Section of Regulations Proposed to be Modified

The appropriate portions of the regulations to be revised (shown in **bold**) are shown below. Other portions of Section 17935.4 are included for context. Underline indicates proposed language. ~~Underline and strike out~~ indicates removal of previously proposed text. ~~Strike out~~ indicates proposed removal of existing language.

17935.4. Process For Board Staff Review.

(a) The Board staff shall prepare an analysis of~~a summary of findings for~~ each application. Applications which meet the following criteria shall be recommended for approval to the Loan Committee:

(1) The Applicant is found creditworthy, and

(2) ~~and the~~The collateral and the source of repayment are ~~sufficient~~ appropriate for the requested loan amount; and

(3) The Applicant has adequately demonstrated the appropriateness of the loan for use in the project as specified in Section 17935.1~~(b)(7)~~ of this Article.

(b) Those applications which fulfill Subsection (a) (1), ~~and~~ (2), and (3) of this section, shall be ranked in order of their ability to meet the priorities identified in Section 17933 as necessary to allocate loan funds, and then shall be presented by Board staff to the Loan Committee along with a complete analysis of the applicant and the project. ~~the summary of findings~~.

(c) **Where additional assistance may be needed from the Loan Committee for a determination, staff may forward those applications and analysis to the Loan Committee without a recommendation.** ~~On a case by case basis, Board staff may also forward to the Loan Committee any applications which do not receive a recommendation for approval.~~

(d) Where the Applicant does not meet the criteria set forth in subsection (a), the Applicant will be notified in writing of its failure to meet the criteria and the process for appeal of the decision.

NOTE: Authority cited: Section 40502, Public Resources Code.

Reference: Sections 42010, Public Resources Code.

California Integrated Waste Management Board

Market Development Committee

May 13, 1998

AGENDA ITEM 3

ITEM:

CONSIDERATION OF APPOINTMENT OF A LOAN COMMITTEE MEMBER FOR THE RECYCLING MARKET DEVELOPMENT REVOLVING LOAN PROGRAM

I. SUMMARY

There is currently one vacancy on the Recycling Market Development Zone Loan Committee (Loan Committee) due to the resignation of a member. This item recommends filling that vacancy.

II. PREVIOUS (BOARD OR COMMITTEE) ACTION

None

III. OPTIONS FOR THE COMMITTEE

The Committee may:

1. Recommend the Board approve the candidates proposed by staff.
2. Modify staff's recommendation and forward the modified list of candidates to the Board for approval.
3. Take no action and provide staff further direction.

IV. STAFF RECOMMENDATION

Staff recommends approval of Resolution 98-138 which appoints Michael Owen to the Loan Committee to fill a vacancy with a term that expires December 31, 2000.

V. ANALYSIS

The Loan Committee meets monthly, as needed, and recommends applications for approval to the Market Development Committee, based upon their financial soundness and their ability to meet underwriting criteria. Regulations for the Recycling Market Development Revolving Loan Program (Program) require that the Board, upon recommendation of the Market Development Committee, appoint a Recycling Market Development Revolving Loan Program Loan Committee of not more than nine members with terms not to exceed three years.

The newly adopted regulations state that the Loan Committee shall be comprised of a balanced cross-section of individuals from the commercial lending community, both public and private sectors; from throughout the state, who demonstrate expertise in financial analysis and credit evaluation. Prior to the resignation of Mr. Pickeral, who represented the private sector from Southern California, the composition of the Loan Committee was: five public and four private sector lenders, geographically disbursed as follows: four northern, three southern, and two central California.

Two candidates have submitted resumes and have been recommended by the local jurisdictions. Both of the candidates displayed the necessary lending experience, interest in the loan program and availability to be members of the Loan Committee. Staff 's recommendation is based on the following criteria:

1. Knowledge of and experience with commercial lending.

Where candidates had acceptable lending experience, the following additional criteria was applied:

a. Candidate contributes toward a more balanced geographic representation of the Loan Committee;
b. Knowledge of recycling industry, markets and the Recycling Market Development Zone Loan Program; and
c. Prominence as an active lender/leader in the lending community.

Mr. Owen is recommended due to his strong commercial lending background in both the private and public sector, prominence as a leading lender in areas covering five Recycling Market Development Zones, and furthering the geographic balance of the Loan Committee due to his location in Southern California. For more information on the recommended Loan Committee candidate, please see Attachment 3.

VI. FUNDING INFORMATION

Amount Proposed to Fund Item: N/A

VII. ATTACHMENTS

1. Resolution 98-138
2. Recycling Market Development Revolving Loan Program Loan Committee Members
3. Background Profile of Loan Committee Candidate

VIII. APPROVALS

Prepared By:	Calvin Young	Phone:	255-2476
Reviewed By:	Charles Haubrich	Phone:	255-2471
Reviewed By:	John D. Smith	Phone:	255-2413
Reviewed By:	Caren Trgovcich	Phone:	255-2320
Legal Review:		Date/Time:	5/4/98 10:00am

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD

Resolution 98-138

CONSIDERATION OF APPOINTMENT OF A MEMBER TO THE LOAN COMMITTEE FOR THE RECYCLING MARKET DEVELOPMENT REVOLVING LOAN PROGRAM

WHEREAS, the Recycling Market Development Revolving Loan Program (Program) was established to assist the Board and local governments in achieving disposal reduction mandates of the Integrated Waste Management Board by providing below-market financing to businesses, not-for-profit organizations and local governments in order to promote the development of markets for recycled and recovered materials; and

WHEREAS, the Board has created the Recycling Market Development Revolving Loan Program Loan Committee (Loan Committee) to assist the Board in meeting the goals of the Program, including the evaluation of loan applications for the Program; and

WHEREAS, the Loan Committee is comprised (California Code of Regulations, Section 17935.5) of a balanced cross-section of individuals from the commercial lending community, both public and private sectors, from throughout the state who demonstrate expertise in financial analysis and credit evaluation; and

WHEREAS, the Board has solicited and received interest from two Loan Committee candidates; and

WHEREAS, Program staff has reviewed the qualifications of the candidates and determined that the candidate recommended satisfies Program requirements and has expressed a desire and an ability to serve on the Loan Committee.

NOW, THEREFORE LET IT BE RESOLVED that Michael A. Owen shall be appointed to the Loan Committee for the term which expires December 31, 2000.

CERTIFICATION

The undersigned Executive Director, or his designee, of the California Integrated Waste Management Board does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the California Integrated Waste Management Board held on May 27, 1998.

Dated:

Ralph E. Chandler
Executive Director

Recycling Market Development Revolving Loan Program
Loan Committee Members

Member	Location in State	Private/Public Sector	Term Expiration
(Proposed Member) Michael Owen Executive Vice President CDC Small Business Finance Corporation San Diego	Southern	Public	December 2000
Donald Fraser E.V.P. & C.O.O. Famers & Merchants Bank Lodi	Central	Private	December 1998
Michael McCraw President & CEO Cal. Southern Small Business Development Corp San Diego	Southern	Public	December 1998
Lupe Vela Program Administrator Integrated Solid Waste Management Office Bureau of Sanitation City of Los Angeles	Southern	Public	December 1998
Daryl Sutterfield Vice President Tehama County Bank Redding	Northern	Private	December 1999
Eric Watkins Senior Loan Officer Trade & Commerce Agency Sacramento	Northern	Public	December 1999
James R. Baird Chief Executive Officer Bay Area Development Company Walnut Creek	Northern	Public	December 1999
Kurt D. Carpenter, Vice President Union Bank, Sacramento	Northern	Private	December 2000
Fran Aguilera, Deputy Director, Business Finance Services, San Joaquin County Employment and Economic Development Department Stockton	Central	Public	December 2000

Background Profile of Recommended Loan Committee Candidate

Michael A. Owen
Executive Vice President
C.D.C. Small Business Finance Corporation
San Diego

Recommended by local jurisdiction

A public sector (formerly private sector) lender in Southern California. Strong background in U.S. Small Business Administration (SBA) lending and business development (marketing). Formerly the Vice President Area Sales Manager for Bank of America Community Development Bank managing a sales force covering Northern California, Oregon, Idaho, and Alaska. Executive Vice President for one of the largest SBA lenders in California and major small business lender in the San Diego, Riverside, Orange, and Imperial Counties. Received a B.S. in Business Administration (Concentration Finance, Real Estate and Business Law) from California State Polytechnic University, Pomona in 1985.

California Integrated Waste Management Board

Market Development Committee

May 13, 1998

AGENDA ITEM 4

ITEM:

CONSIDERATION OF LEGISLATIVE PROPOSALS TO PROVIDE NEW INCENTIVES TO RECYCLING MARKET DEVELOPMENT ZONES

I. SUMMARY

In August of 1996, staff was directed to investigate incentives to provide to Recycling Market Development Zone Administrators (ZAs) because they needed additional tools to assist, attract, and retain recycling businesses in their zones. To compile the list of possible incentives, staff received input from ZAs and then summarized their requests in an agenda item that was presented to the Board in January 1998. Several recommendations received from the ZAs require legislative action. Staff was instructed to return to the Market Development Committee with a preliminary analysis of those suggested incentives.

This agenda item presents an analysis of those incentives that would require legislative action if approved. These incentives have the potential to encourage greater participation in the RMDZs and are certainly tools the ZAs could use in marketing their local RMDZ programs.

II. PREVIOUS COMMITTEE ACTION

On January 7, 1998 staff presented an item to the Board entitled "Consideration of Incentives to Increase Participation in the Recycling Market Development Zone Program". In it, there were four categories of possible incentives for the Board to consider. Category 3 was a collection of suggestions from ZAs that would require legislative action. Staff was directed to return to the Market Development Committee with analysis of Category 3 incentives.

III. OPTIONS FOR THE COMMITTEE

Committee Members may choose to:

1. Select any number of the incentives in the agenda item and direct staff to forward them to the Legislative and Public Affairs Committee for review.
2. Direct staff to implement options not in the agenda item.
3. Direct staff to take no action.

IV. STAFF RECOMMENDATION

This is a preliminary analysis of the incentives and staff seeks Committee direction; as such, staff is not making any recommendations. Staff is pleased to present the incentives suggested by Zone Administrators and allow for the discussion of these in a public forum. Although no staff recommendation is provided, staff is prepared to provide opinions relative to the pros and cons of each incentive and the relative merits of each.

V. ANALYSIS

Background:

Historically, there has been much discussion about how to increase local jurisdictions' participation in the RMDZ program. There are a small number of zones that are very active and a larger number of zones that are less so. Zone administrators have provided suggestions in many forums, the topic was included in the Zone Evaluation Report, and Board Members, from time to time, have expressed interest in the topic. Staff brought an agenda item to the Board in January 1998 that analyzed numerous incentives suggested by ZAs. Staff was directed at that time to return to the Market Development Committee with a preliminary analysis of those suggestions that would require legislative action if approved. The following are those incentives initially described in the January 7, 1998 agenda item.

1. Enterprise Zone Incentives

ZAs suggested that the Board adopt incentives for the RMDZs that are the same or similar to incentives offered in Enterprise Zones. There are 39 Enterprise Zones (EZs) in California. The EZ program is designed to help create jobs for Californians by targeting economically distressed areas with the following incentives:

a. Hiring Tax Credits
b. Sales and Use Tax Credits
c Business Expense Deduction
d. Net Operating Loss Carry-forward
e Net Interest Deduction for Lenders
f. Employee Tax Credit
g. State Contract Bid Preference Points

1a. Hiring Credit

This incentive allows employers conducting a trade or business inside an EZ to claim a hiring credit for wages paid to a qualified employee. EZ companies earn tax credits by hiring those eligible for, or participating in Job Training Partnership Act (JTPA), and Greater Avenues for Independence (GAIN), or who live in designated low/moderate income census tracts known as Targeted Employment Areas. The credit is based on the lesser of the actual hourly wage paid or 150% of the minimum hourly wage established by the Industrial Welfare Commission.

If adopted, it would be appropriate for this credit to be available only to specified RMDZ businesses whose business activity is consistent with the Board's diversion goals. For example, a composting business would be eligible for the hiring tax credit, while a retail establishment would not, even though both businesses are located in an RMDZ.

1b. Sales and Use Tax Credit

This incentive allows employers conducting a trade or business inside an EZ to claim a State income tax credit for the State's portion of the sales or use tax paid on the purchase of qualified machinery. Combined with manufacturer's tax credits for equipment purchases (6%) this can amount to a total of 14 ¼%. Individuals, partnerships, and limited liability companies have limitations of up to $1 million in qualified machinery costs per year. Corporations have limitations of up to $20 million in qualified machinery costs per year.

1c. Business Expense Deduction

This incentive allows businesses operating within an EZ to deduct a portion of the cost of "qualified property" as a business expense in the first year it is placed in service as opposed to depreciating the asset over several years. Tangible personal property (not real estate) which is used for business purposes and is eligible for depreciation or amortization qualifies for this incentive. This includes most equipment and furnishings purchased for exclusive use within an EZ, but not office supplies or other small items which are normally ineligible for depreciation.

1d. Net Operating Loss Carry-forward

This incentive allows businesses operating within an EZ to deduct from their state taxable income 100% of any Net Operating Loss (NOL) incurred in unprofitable years. NOL may be carried forward for 15 years.

1e. Net Interest Deduction for Lenders

This incentive allows lenders a deduction from income on the amount of interest earned on loans made to a trade or business located in an enterprise zone.

1f. Employee Tax Credit

This incentive is available only to employees who work in a designated EZ. Employees may claim a tax credit to reduce the amount of their income tax on wages earned in an enterprise zone.

1g. Bidding Preference on State Contract

This incentive offers businesses preference percentage points when bidding on state contracts for California businesses in the Enterprise Zones and TAPCA (Target Area Preference Contract Act). The State allows a maximum of 15% preference points to businesses locating in those areas.

Pro:

- By using the Hiring Tax Credit incentive, firms can earn up to $26,894 over 5 years in state tax credits for each qualified employee hired.
- The Hiring Tax Credit allows a business to retain income by having a lower tax liability and to use that savings to expand the business and possibly increase diversion activity.
- The Sales and Use Tax Credit is an incentive since it is an opportunity to reduce tax liability.
- Any tax credit or incentive which allows a recycling business to reduce operating costs enables it to be more cost competitive with products made of virgin materials.
- The Business Expense Deduction incentive provides a business the opportunity for up-front expensing of certain depreciable property.
- The Net Operating Loss Carry-forward incentive allows a business to carry-forward losses from previous years into years where the business is profitable to reduce tax liability.
- The Net Operating Loss Carry-forward also encourages a business to undertake activities that are known to have losses in the early years if those losses can be used to offset the tax liability in later years.
- The Net Interest Deduction for lenders reduces the lenders taxable income by allowing the lender to deduct the interest earned from loans made to businesses within the RMDZs.
- The Net Interest Deduction will encourage lenders to lend to recycling-based businesses, since there is a potential for the lenders to increase their profits.
- The Bidding Preference on State Contracts demonstrates that the State provides market support for businesses that produce recycled content products.
- The above incentives demonstrate commitment from the State to encourage recycling related businesses.

Con:

- The proposed incentives will cause a short-term reduction in state and local revenues.
- The Sales and Use Tax (SUT) incentive is limited to companies purchasing manufacturing equipment, not companies leasing equipment.
- The SUT incentive is more beneficial to companies that need a significant amount of equipment to produce products.
- The Business Expense Deduction only applies to qualified property, not manufacturing and other machinery.
- The Employee Tax Credit forms are not user friendly.
- The Bidding Preference on State Contracts is difficult to administer and certify.
- The administration and tracking of the proposed incentives would require significant amount of staff time.

Fiscal Impacts: Data received from the Franchise Tax Board about the EZ program estimates the average revenue loss per EZ per year to be about $1 million due to the tax credits taken. There are 39 enterprise zones for a total of approximately $39,000,000 in lost revenue to the State. (This average pertains to revenue losses seen in the last two – three years. It took the EZ Program several years to get up and running, so the losses were not as great initially.) Approximately one-half of the recycling market development zones are in enterprise zones, so it is estimated there could be an approximate additional loss of revenue of $20,000,000 if the same incentives are applied in RMDZs.

Similar comparisons could be made regarding the administrative costs of the EZ program. Trade and Commerce reports it currently has 3 PYs at an administrative cost of $92,000 per PY to operate the EZ Program If the same or similar EZ incentives are offered in RMDZs, it is estimated that 1.5 py's would be required to administer the program at the Board for a cost of approximately $138,000.

The 1995 EZ Annual Report (most recent available), indicates the filing of 3080 returns for $39,213,824 in Sales and Use Tax Credits and Hiring Credits for the years 1988-1993. During the same time period, there were 102 returns filed for a net operating loss carryover of $9,655,907 and 146 returns filed for a net interest deduction of $69,298,071. Trade and Commerce staff is currently preparing a cost/benefit analysis of the EZ Program, but numbers are not available while preparing this agenda item. Records do indicate that the amount of the credits and deductions used by businesses have grown considerably since the first zones were designated in 1986. The credits used have increased over 21 times from 1986 to 1993 and dramatically so from 1993 to 1997, though specific numbers are not available. Records indicate that since the inception of the program, the EZ program has created 71,000 jobs.

2. Offer tax credits for the purchase of specific secondary materials and for the purchase of products made from recycled materials, including products intended for reuse.

ZAs have suggested that the availability of tax credits for the purchase of specific secondary materials and for the purchase of recycled-content products could make it easier to market the RMDZ program.

Pro:
- Stimulates the use of post-consumer recycled feedstock.
- Promotes the market for recycled content products.
- Assists in the use of post-consumer feedstock to compete with virgin materials.

Con:
- May require product content warranty.
- Difficult to implement for the following reasons:
  1) The need to identify and create a list of eligible recycled content products;
  2) It can be time-consuming for purchasers to document purchase of recycled products;
  3) It is difficult to identify who should receive the tax credit (wholesaler, retailer, or consumer).
- Requires a certification process to ensure the products are made with recycled materials and with appropriate recycled content percentages.

Fiscal Impacts: It is estimated that $5,000,000 from the State's General Fund will be required; this estimate is based on the Board's prior Recycling Equipment Tax Credit Program.

3. Increase the Recycling Market Development Revolving Loan Program (Program) repayment term from 10 years to 15 or 20 years.

Currently, the RMDZ Program can make loans with maturities of up to 10 years. However, loan maturities are usually set commensurate with the items being financed. For example: loans for working capital typically have loan terms between 3 and 5 years; loans for equipment typically have terms between 5 and 7 years; and, loans for real property acquisition and leasehold improvements typically are consistently 10 years. Loans that finance more than one asset usually have blended terms. Also, loan staff has recommended the maximum repayment term for those businesses forecasting a need for such a loan term based upon projected repayment ability.

Extending the Program's loan term beyond the 10-year maximum maturity as set for in PRC Section 42010(d)(2) to fifteen or twenty years would result in lower monthly payments on program loans. Lower payments may enable some borrowers with restricted cash flow to qualify for a loan. Longer terms would also put the loan program in competition with other lenders in the market offering similar loans. Also, longer-term loans would allow for more financing of real property and buildings. The loan program thus far has primarily focused on financing those

business assets that are necessary to produce a product such as working capital, machinery and equipment rather than those fixed (non-production) assets such as land, buildings and other property improvements.

The program has had few inquiries over the past five years about the prospect of lengthening the loan term beyond 10 years, most of these inquiries were borne out of a need to finance buildings and other real property improvements as part of a larger identified project. Fortunately, most of these businesses were able to blend the Program loan with other longer term financing to fully fund the projects.

Pro:

- A longer loan term may encourage more Program lending for land, buildings and other improvements.
- A longer loan term may increase the number of loans funded by the Program since borrowers with real property financing needs have typically not used the Program.
- A longer loan term may increase the number of funded loans since the monthly payments will be lower, thus allowing more businesses to qualify for a loan.

Con:

- A longer loan term will lengthen the repayment of funds back to the Revolving Loan Subaccount, thus reducing available funds to be relent to other qualifying businesses, and reducing the amount eventually repaid to the IWMA.
- Longer loan terms may focus the Program on financing real property assets rather than production assets such as working capital, machinery and equipment.
- Longer loan terms may result in the Program financing an asset for longer than its useful life.

Fiscal Impacts: Extending the repayment term to a maximum of 20 years (double the current maximum term of 10 years) could result in a doubling of the average maturity of Program loans to 13 years from 6.5 years. If this occurs, staff estimates that loans closed could be reduced $30 million and the amount repaid to the IWMA reduced by over $3 million.[1]

This longer repayment term reduces the cash flow into the Subaccount for relending to other businesses. In staff's projections a significant amount of repayment is made after the Program's scheduled sunset in 2006, accordingly, those monies would not be available to relend to other businesses.

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[1] Estimates are based on a doubling of the average loan repayment term to 13 years from 6.5 years, no transfers from the IWMA after FY 1999-00, repayment to the IWMA of the interest earnings (SMIF and loan repayments) starting FY 1998-99, and $10 million in lending through FY 2001-02 then reducing to $3.5 million to $2 million (due to the lack of available monies) until the Program's scheduled sunset in 2006. Loan repayments continue beyond the Program's scheduled sunset date and are repaid to the IWMA as received.

4. Reduce the Program Loan Interest Rate

The interest rate for loans is determined by the Board and is based upon the Surplus Money Investment Fund (SMIF). The Board adjusts the rate semi-annually; effective January 1 and July 1 based upon the monthly SMIF rate in effect one month prior to those dates. The rate is set at the time of application and is fixed during the term of the loan. As of the date of this agenda, the rate is 5.7%, and has ranged from 4.5% to 6% during the Program's tenure.

The rate charged on Program loans is well below the rate charged to a bank's typical commercial borrower, which has been in the range of 8.5-11%. The current Program rate appears to be low enough to act as an inducement for some businesses to undertake an eligible project. It is also low enough to provide for smaller payments to enable a business to cash flow a project. Loan staff believes the interest rate would need to be reduced by at least 2% to make a difference to the business owner deciding whether or not to proceed with a project. For example, a five-year $400,000 loan at 5.7% will result in a monthly amortized payment of $7,678. The same loan at 3.7% would require monthly amortized payments of $7,313. As such, the loan with the lower interest rate would cost $4,380 less annually.

Pro:

- A lower interest rate may encourage more businesses to apply to the Program.
- A lower interest rate will lower the monthly payments on a Program loan, possibly qualifying more applicants with smaller projected cash flows.
- A lower interest rate may induce an applicant to borrower more funds for a larger project since the payment would be lower.

Con:

- An interest rate lower than the SMIF rate will further reduce the ability of the Loan Sub-Account to repay the IWMA as mandated in PRC Section 42010(e).
- A lower interest rate will reduce the repayment from borrowers to the Loan Sub-Account, thus reducing the total funds available to new borrowers.
- Reducing the interest rate to qualify borrowers with restricted cash flow may lead to riskier loans and a higher default rate.

Fiscal Impacts: Reducing the Program interest rate by 2% (to 3.7% from the current rate of 5.7%) would reduce the amount of interest earnings on loan repayments and result in an estimated $9.3 million decrease in the ability of the Subaccount to repay the IWMA.[2]

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[2] Estimates based on a reduction in the interest rate on new loans to 3.7% from 5.7%, no transfers from the IWMA after FY 1999-00, repayment to the IWMA of interest earnings (SMIF and interest repayments) starting FY 1998-99, and $10 million in closed loans per year until the Program's scheduled sunset date of 2006. Loan repayments continue beyond the Program's scheduled sunset date and are repaid to the IWMA as received.

5. Provide loans to RMDZ's to develop a micro-loan program at the local level

This incentive involves creating a relending program. The Board would lend (or could grant) funds to a zone (or a local entity operating within the zone), and the zone would make micro-loans typically to microenterprises. A microenterprise is a business with five or fewer employees, including the owner. A micro-loan is a loan in the amount of anywhere from a few hundred dollars up to about $25,000. These loans are usually signature loans, and typically not collateralized.

Along with a micro-loan, the lender usually provides technical assistance to the business owner. Technical assistance can include: balancing a check book, preparation of business and marketing plans, basic accounting and finance sufficient to prepare business financial statements, how to handle employee issues, how to market the product or service, etc. The micro-lender can also provide the business owner access to legal and accounting services.

The technical assistance to the business owner is usually provided over the period of one to two years. The costs to provide this technical assistance far outweigh the funds loaned to microenterprises. It is not unusual that a grant to a microenterprise program operator of a $100,000 be divided 80% technical assistance (including administration costs) and 20% loan funds.

The Program has had many inquiries for a micro-loan program, mainly from interested parties in the rural areas of the State. The Program has been reluctant to provide micro-loans directly to microenterprises due to the extensive technical assistance component required of this group of borrowers, and due to the expectation that the diversion would be very small from a small business. Also, there is an availability of other funding sources for microenterprises, such as the State Community Development Block Program, which funds microenterprise programs in the rural areas of the State.

Pro:

- Micro-loans may promote some diversion in rural areas of the State.
- Micro-loans typically require less loan documentation and collateral from the business owner.

Con:

- Staff believes that smaller businesses needing smaller loans, in general, will create less diversion.
- There is a higher loan risk lending to microenterprises. Fewer dollars will be available to relend with a higher default rate, especially if the micro-loans are made on a signature basis.
- Monitoring a micro-loan relending program will divert staff resources from making direct loans to businesses eligible under current program guidelines.
- Not all RMDZ's have the ability or access to qualified consultants to run a micro-loan program.
- Other financing appears to be available to meet the needs of microenterprises.

Fiscal Impacts: Staff estimates that whatever amount of money is made available for loans or grants to local entities for microenterprise lending would need to be matched to provide appropriate technical assistance. Accordingly, a $500,000 loan or grant for microenterprise loans would necessitate an additional $250,000 to $500,000 for technical business assistance. Alternatively, the loan or grant could include appropriate monies for necessary technical assistance. Additionally, an undetermined amount of staff time would be necessary to monitor such a relending program. It is therefore estimated that $1,000,000 is needed from the RMDZ subaccount to fund this incentive.

6. Provide grants for new technologies and for companies requesting technical engineering assistance

ZAs have requested that the Board set-up grant programs to fund new technologies and for companies requesting technical engineering assistance. The funds could be used for equipment to sort, chip, grind and otherwise process waste materials and for the manufacture of new products from these recycled feedstocks. A second grant program would provide assistance in analyzing the possibilities for converting existing process trains to another feedstock or other engineering assistance.

Pro:

- This program may support new technologies that have the potential to significantly increase the amount of diversion for secondary materials.
- An increase in technical assistance offered would lessen the gap between "supply and demand" of such assistance.

Con:

- Developing a new grant program will likely take a minimum of 12 to 24 months to receive regulatory authorization and install program staff.
- Considerable additional staff resources would be required to initiate and administer this program.
- New funding sources would need to be identified, as the present Loan Sub-Account does not allow for use of these monies for this purpose.

Fiscal Impacts: It is estimated that $100,000 from the IWMA would be required for a technical assistance grant program and at least $300,000 from the IWMA for the equipment grant program.

VI. FUNDING INFORMATION

N/A

VII. APPROVALS

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Reviewed By:	John D. Smith	Phone:	255-2413
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Legal Review:		Date/Time:	5/4/98 2:00 pm

California Integrated Waste Management Board

Market Development Committee

May 13, 1998

AGENDA ITEM 5

ITEM:

CONSIDERATION OF BOARD ACTIVITIES TO INCREASE RECYCLABLE MARKETS FOR PLASTICS

I. SUMMARY

Plastic makes up approximately 7-10 percent of California's waste stream by weight, but 10-20 percent by volume. Consequently, plastic recycling will play an important role in achieving the final waste diversion increments to meet the 50 percent landfill diversion mandate state-wide. At its March Board meeting, Board members requested a brief update on current Board activities that are being implemented to increase the amount of plastic being recycled. This item provides a brief description of each of these activities.

II. PREVIOUS (BOARD OR COMMITTEE) ACTION

None.

III. OPTIONS FOR THE BOARD OR COMMITTEE

None. Information item only.

IV. STAFF RECOMMENDATION

None. Information item only.

V. ANALYSIS

It is anticipated that plastics will take up an increasing amount of landfill space as other materials are diverted in greater amounts, and as the amount of plastic produced increases. Specifically, plastic production has increased 10 percent a year for the past three decades[1]. Conversely, the overall-recycling rate for plastic, both in California and nationally, remains quite low. Both the Board and US EPA estimate that the overall plastic recycling rate (including packaging, film and durable goods) is about 3 percent.

Background:

To date the Board's market development actions for plastic have focused on:

1. Implementation of minimum content legislation for rigid plastic packaging containers and plastic trash bags;
2. Developing a strategy to promote voluntary recycled content in plastic durable goods;
3. Providing RMDZ loan funding to business that use recycled plastic in their products;
4. Maintenance of a legislatively mandated database of plastic recyclers; and
5. Developing a marketing guide for plastic on the Board's home page to facilitate the exchange of information between end users and suppliers of post-consumer plastic.

These efforts are discussed in more detail below.

Minimum Content Legislation

1. Rigid Plastic Packaging Container Law

Under the Rigid Plastic Packaging Container (RPPC) Law, if the recycling rate for all rigid plastic packaging containers falls under 25 percent, then product manufacturers are required to certify to the Board that the containers they use meet one of the specified alternative compliance options provided in regulation. The Board calculates this rate annually, and for the first time the rate did fall under 25 percent in 1996. In addition, at its April 1998 meeting the Board approved the methodologies for calculating the 1997 and 1998 rates.

In addition to the above, the Board has directed staff to mail certification forms to selected manufacturers of products sold in rigid plastic packaging containers. Based on this initial certification staff will evaluate how many of these companies are selling their products in a container that meets either the source reduced or recycled content compliance option. This information will help the Board to determine whether or not a more comprehensive compliance certification program should be implemented.

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[1] Environmental Science, Sixth Edition, Bernard J. Nevel & Richard T. Wright, Prentice Hall, 1998. Page 523.

2. Plastic Trash Bag Law

The plastic trash bag minimum content law requires trash bag manufacturers to produce bags with a specified amount of recycled resin. Board staff also annually certifies that trash bag manufacturers are in compliance with the law. Staff audited trash bag wholesalers and manufacturers in 1996 to verify information submitted on the annual certifications concerning the use of postconsumer resins. Staff verified that over 7,340 tons of postconsumer resins were used in trash bags in 1996.

Recycled Content in Durable Goods

Board staff targeted durable goods, specifically computers, other electronics and automobiles, for a voluntary recycled content initiative in an effort to increase plastic recycling. These industries are supportive of using recycled materials if they are of the same quality, and are less expensive than virgin resin. Many companies in the computer and automotive industries are now pro-actively pursuing environmental stewardship principles for their products. Consequently, there is now an excellent opportunity to work with these industries to increase their use of recycled plastic. Board staff has been in frequent contact with key members of these industries to explore options for promoting minimum content in plastic durable goods.

A proposed workshop on this topic was developed in 1997; however, it failed to generate the interest on the part of either recyclers or industry that staff had anticipated. The workshop would have offered an opportunity to for businesses to learn about environmental stewardship from companies that are currently recovering and recycling obsolete equipment; products currently being made with a percentage of recycled plastic; and about where they could obtain quality postconsumer resins for use as a manufacturing feedstock. Staff will re-evaluate whether or not there is sufficient interest to hold such a workshop later during this calendar year. Staff is planning to convene a group of stakeholders to assist us in evaluating interest in such a workshop and to identify topics that would generate more involvement by targeted participants.

Therefore, it appears that facilitating contacts between reprocessors and product manufacturers could stimulate demand for recycled plastic. It is important to get the message out that suppliers of recycled plastics can increasingly meet quality and quantity requirements of original equipment manufacturers through highly efficient automated separation of mixed plastic resin types.

For example, the Board recently awarded a $800,000 loan to MBA Polymers, Inc., who is entering into commercial production of engineering grade plastics that can be recovered from old computers and other electronics, and automobile parts. The cost for reprocessing and re-pelletizing this recycled resin is less than the production cost for the same virgin resin. Consequently, this technology demonstrates that there is great potential for increasing recycled content in new plastic durable goods through the expanded use of quality, inexpensive post-consumer resins.

MBA Polymers, Inc. has expressed interest in working with the Board to promote the use of recycled resins in durable goods. Staff will continue to promote recycled content in plastic durable goods by working with MBA Polymers, Inc., and other participants from industry.

RMDZ Loan Funding

In addition to MBA Polymers, Inc., there are over a dozen other businesses that have received a total of $7.6 million from Board RMDZ loan funding to utilize recycled plastic as a manufacturing feedstock. These borrowers have directly engaged in recycling plastic by manufacturing plastic pellets from postconsumer resin, plastic grinding for sale of flake, and by making injection molded products from recycled pellets. As a result, over 136 thousand tons of postconsumer plastic has been diverted as of April 27, 1998, creating some 282 jobs. Please see Attachment 1 for a summary of loans to businesses involved with plastic recycling.

Plastics Information Clearing House

In addition to the above initiatives, Board staff has produced and maintained a directory of plastic brokers and reprocessors, and has recently developed a directory of computer recyclers in the state, as part of the legislatively mandated Plastic Information Clearinghouse. This data is crucial for providing contacts between end-users and suppliers of recycled plastic.

Marketing Guide for Postconsumer Plastic on the Internet

A plastic marketing guide is currently being prepared by staff and will be later adapted into a web page that will be added to the Board's home page. By using the Internet a greater amount of information will be made available to a wider audience than the Board could possibly reach through any other medium. It is hoped that the plastics marketing guide will facilitate contacts between end users and suppliers of post-consumer plastic, and as a result, increase the amount of plastic diverted from disposal.

Fiscal Impacts:

None.

VI. FUNDING INFORMATION

N/A.

VII. ATTACHMENTS

Attachment 1. RMDZ loans to plastic recycling businesses.

VIII. APPROVALS

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Reviewed By:	Caren Trgovcich	Phone:	255-2320
Legal Review:		Date/Time:	5/4/98 2:45pm

Market Development Committee
May 13, 1998

Agenda Item 5
Attachment 1

Plastic Loans Made by the Recycling Market Development Revolving Loan Program
As of April 27, 1998

Company Name	Amount	RMDZ	Loan Use	Tons Diverted	Jobs Created	Material Used	Activity
C and H Electronic Recovery, Inc.	$75,000	San Jose	Equipment, Site Improvements and Working Capital	1,800	2	Glass, Plastic, and Metals -Excess computers	Dismantles the computers into its component parts and sells them for reuse
California Fiberloft, Inc.	$1,000,000	City of Los Angeles	Working Capital	3,700	34	Plastic - (Polyester Staple Fiber (PET)), Paper & Non Ferrous Metal	Manufacture non woven textile products, filter media & replacement heating & air conditioning filters
HI Life Products, Inc.	$1,000,000	Chino Valley	Working Capital	4,000	40	Plastic - Polyurethane	Manufacturers bonded polyurethane carpet cushion
Jacobson Plastics, Inc.	$300,000	City of Long Beach	M&E and Working Capital	980	15	Plastic -Various grades	Manufactures injection molded products from recycled content pellets
Markovits & Fox	$1,000,000	San Jose	Working Capital	85,800	4	Plastic - (PVC & Polyethelyne), Metals - (Ferrous & Non Ferrous)	Operates a processing line which recovers residual metals and plastics from plastic/rubber insulated wire
Marplast, Inc.	$200,000	Ventura County	M&E and Working Capital	225	21	Plastic - HDPE & PPO	Manufacture bottles and other plastic packaging products
Marplast, Inc.	$334,000	Ventura County	Purchase New Equipment	500	15	Plastic - HDPE & PPO	Manufacture bottles and other plastic packaging products
MBA Polymers, Inc.	$1,000,000	Contra Costa	M&E and Working Capital	14,000	13	Plastics	Plastic grinding
McCoy Sanitary Supply Co., dba Amigo Bag & Lining Co.	$60,000	Oakland/ Berkeley	Working Capital	924	21	Plastics - Other (PP Fabric)	Wash & prepare bulk bag liners for reuse
Plastic Form, Inc.	$60,000	City of Los Angeles	M&E	270	2	Plastic - Polystyrene	Manufactures packaging, point of purchase displays & other products
Plastic Works, Inc.	$112,270	Oakland/ Berkeley	M&E and Working Capital	115	7	Plastic - PET & PO	Manufacture poster marques, point of purchase displays and video display racks
Plastopan North America, Inc.	$700,000	City of Los Angeles	Working Capital	720	30	Plastic - HDPE	Manufacture plastic refuse and recycling containers and composters
Productivity California, Inc.	$266,000	Los Angeles County	M&E	5,800	5	Plastic - HDPE, PP & PVC	Manufactures injection molded plastic nursery containers
Talco Plastics, Inc.	$850,000	City of Long Beach	M&E	7,500	50	Plastics - HDPE & Film	Manufactures plastic pellets from postconsumer resin
Talco Plastics, Inc.	$600,000	City of Long Beach	M&E	10,000	10	Plastics - HDPE & Film	Manufactures plastic pellets from postconsumer resin
The Plactory, Inc.	$75,000	Central Coast	M&E	100	13	Plastic - HDPE, Film, & Other	Manufacture products from 100% recycled plastics
Totals	**$7,632,270**			**136,434**	**282**		

California Integrated Waste Management Board

Market Development Meeting

May 13, 1998

AGENDA ITEM 6

ITEM:

CONSIDERATION OF APPROVAL OF RECYCLING MARKET DEVELOPMENT REVOLVING LOAN PROGRAM APPLICATIONS FOR ADVANCE PAPER BOX COMPANY, INC., AND COPP MATERIALS, INC.

I. SUMMARY

This agenda item presents two Recycling Market Development Revolving Loan Program (Program) applications for approval.

II. PREVIOUS COMMITTEE ACTION

None.

III. OPTIONS FOR THE COMMITTEE

The Committee may:

1. Accept staff's recommendation as contained in the attached Resolution.
2. Modify staff's recommendation as contained in the attached Resolution.
3. Take no action and provide staff with further direction.

IV. STAFF RECOMMENDATION

The Committee recommend that the Board approve the loans contained in Resolution 98-137 to:

Advance Paper Box Company, Inc., in the amount of $250,000

Copp Materials, Inc., in the amount of $700,000

V. ANALYSIS

As of April 27, 1998, 61 loans have been closed in the amount of $26.2 million. An additional two active loans in the amount of $1.2 million have been approved by the Board, but are not yet closed.

Staff has reviewed the borrowers' applications and found that each is consistent with the Board's criteria for project eligibility. Staff has also analyzed the borrowers' financial condition and found that each credit request meets the RMDZ program internal lending guidelines.

The Loan Committee is scheduled to meet May 7, 1998, to consider staff's analysis of the applications and the credit-worthiness of the applicants. The results of the Loan Committee meeting will be presented at the Market Development Committee meeting.

Summary of Applications:

The applicants have certified that the projects comply with all local state and federal laws, regulations, requirements and rules, including the California Environmental Quality Act. Staff from the Board's Permitting and Enforcement Division (P & E) are reviewing the projects. Additionally, staff from the Division of Diversion, Planning & Local Assistance (DPLA) are reviewing the projects to determine whether the materials used are normally disposed in a landfill. Loan staff will report at the Committee meeting the finding of P & E and DPLA staff.

Advance Paper Box Company, Inc.

Advance Paper Box Company, Inc., (APB) is a paper converter operating in the Los Angeles City RMDZ. Their principal products include folding and rigid paper boxes for the cosmetic, perfume, candy & software industries. APB has requested a $250,000 loan to finance the purchase of a new energy-efficient, automatic platen press. This source reduction project will reduce the waste occurring during the die-cutting process by more precisely positioning the paperboard sheets for trimming. As a result, more boxes are cut from a standard-size sheet of paperboard stock, and fewer sheets of the stock are used to fill the order. A large percentage of APB's paperboard stock is produced from recycled paper. Staff is working with the company to quantify the use of postconsumer and total recycled content of the paper used and will report this information at the upcoming Committee meeting.

Advance Paper Box Company, Inc. was founded in 1924 jointly by Jay Harris, Harry Harris and Alexander Mathas. The Company has grown to its current sales size of $28 million primarily through sales growth and secondarily through the acquisition of competitors. Today the company produces three lines of packaging: folding paper boxes (60%), rigid paper boxes (25%), and plastic vacuum forming (15%). The company bases its reputation on being able to produce innovative, high quality packaging materials for discerning customers.

Copp Materials, Inc.

Copp Materials, Inc., (Copp) is an asphalt and concrete crushing company with its head office located in the Anaheim RMDZ. Copp and an affiliated company, Dan Copp Crushing Corp.,

operate three portable concrete crushing plants for construction and demolition projects involving concrete or asphalt at 12 collecting sites. The crushing plants pulverize the rubble, which is then marketed as recycled aggregate for roadbase to contractors for use in highway projects and property development. The product meets Caltrans specifications for Class II Aggregate Base. Copp has requested a $700,000 loan to purchase a fourth portable jaw crushing plant w/magnet and related equipment. The new equipment will be used at existing locations or other construction/demolition projects as needed.

The company was originally founded in 1954 by Ernest Copp, Dan Copp's father, as Copp Paving Co., Inc., and specialized in grading and paving. In 1970, Ernest Copp was the first local contractor to bring a portable concrete/asphalt crusher into the area. He retired in 1978 and closed his company.

Dan Copp formed the Dan Copp Crushing Corp. that same year to take over Copp Paving Co.'s activities. Dan and his sister, Karen Ayres, have managed the company since its inception. In 1992, Dan and Karen established Copp Materials, Inc., our borrower. The two companies have similar activities. Copp Crushing has two portable crushing plants and Copp has one. Our loan to Copp is for the second plant.

VI FUNDING INFORMATION

Amount Proposed to Fund Item: $950,000

Fund Source:

	Used Oil Recycling Fund
	Tire Recycling Management Fund
X	Recycling Market Development Revolving Loan Account
	Integrated Waste Management Account
	Other (Specify)

Proposed From Line Item:

	Consulting & Professional Services
	Training
	Data processing
	Other (Specify)

Redirection:

If Redirection of Funds: $

Fund Source:

Line Item:

VII. ATTACHMENTS

1. Resolution #98-137

VIII. APPROVALS

Prepared By:	Jeff Ingles	Phone:	255-2472
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Reviewed By:	Karin Fish for	Phone:	255-2269
Legal Review:		Date/Time:	5/4/98 9am

Attachment 1

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD

Resolution 98-137

CONSIDERATION OF APPROVAL OF RECYCLING MARKET DEVELOPMENT REVOLVING LOAN PROGRAM APPLICATIONS FOR ADVANCE PAPER BOX COMPANY, INC., AND COPP MATERIALS, INC.

WHEREAS, the Board is authorized to make loans to recycling businesses located in designated Recycling Market Development Zones that use post-consumer or secondary waste materials from its Recycling Market Development Revolving Loan Account; and

WHEREAS, Board staff s has received two complete loan applications which are ready for consideration; and

WHEREAS, Board staff has determined that the applications are eligible for consideration of loan funding and has recommended to the Loan Committee the approval and authorization of the loans to the eligible applicants; and

WHEREAS, the Loan Committee has considered the credit-worthiness of the eligible applicants and has recommended to the Market Development Committee the approval and authorization of the loans to the eligible applicants; and

WHEREAS, the Market Development Committee has considered the extent to which the eligible applicants meet the goals of the Recycling Market Development Revolving Loan Program and has recommended to the Board the approval and authorization of the loans to the eligible applicants; and

NOW, THEREFORE, BE IT RESOLVED that in accordance with the recommendations of the Board staff, the Loan Committee and the Market Development Committee, the Board hereby approves the funding of the following loans in the following original principal amounts as set forth next to the Borrower's names, subject to all terms and conditions contained in the loan agreements to be prepared by Board staff for each loan in accordance with applicable regulations, and on such other terms and conditions as the Board or its duly authorized staff representative in its or their sole discretion deems necessary or advisable:

BORROWER	AMOUNT
Advance Paper Box Company, Inc.	$250,000
Copp Materials, Inc.	$700,000

RESOLVED FURTHER, that the Board, the Executive Director, its authorized representative, or the Executive Director's designee, be and each hereby is, authorized to do and perform any and all such acts, including execution of the loan agreements to be prepared by Board staff and all other documents or certificates as the Board or its authorized representative in its or their sole discretion deem necessary or advisable to carry out the purposes of the foregoing resolution.

RESOLVED FURTHER, that any actions taken by the Board or the Executive Director, its authorized representative, or the Executive Director's designee prior to the date of the adoption of the foregoing resolutions that are within the authority conferred by those resolutions, are hereby ratified, confirmed and approved as the acts and deeds of the Board.

CERTIFICATION

The undersigned Executive Director, or his designee, of the California Integrated Waste Management Board does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the California Integrated Waste Management Board held on May 27, 1998.

Dated:

Ralph E. Chandler
Executive Director