

**REQUEST FOR APPROVAL**

**To:** Mark Leary  
Deputy Director

**From:** Howard Levenson  
Assistant Director

**Request Date:** May 26, 2010

**Decision Subject:** Approval of a Recycling Market Development Zone Loan for Repsco, Inc.  
(Recycling Market Development Revolving Loan Subaccount, Fiscal Year 2009/10)

**Action By:** June 3, 2010

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**Summary of Request:**

This memo requests approval of a Recycling Market Development Zone (RMDZ) loan to Repsco, Inc., which will be relocating its processing facility from Denver, Colorado to Fresno, California (Fresno County RMDZ). This loan project meets the required eligibility criteria established in September 2008 to receive loan funding. The loan application was approved by the Loan Committee on April 22, 2010. If approved by the Deputy Director, this loan will be funded from the Recycling Market Development Revolving Loan Subaccount, Fiscal Year 2009/10.

**Recommendation:**

Staff recommends approval of this RMDZ loan, subject to the conditions and directions specified below in "Deputy Director Action." This project is expected to further increase both local and regional diversion efforts, as well as increase employment and local revenues.

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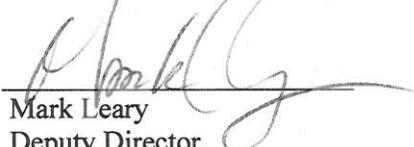
**Deputy Director Action:**

On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby approve the following Recycling Market Development Zone loan in the original principal amount shown next to the Borrower's name, subject to all terms and conditions contained in the loan agreement to be prepared by loan program staff in accordance with applicable regulations, and on such other terms and conditions as duly authorized staff in their sole discretion deems necessary or advisable:

Repsco, Inc. ....\$ 1,340,000

I further direct staff to conduct all acts necessary to fund this loan, including but not limited to the preparation and execution of the loan agreement and other loan documents.

**Dated:** June 1, 2010

  
Mark Leary  
Deputy Director

## **Background Information, Analysis, and Findings**

### **(1) General Background**

The purpose of the Recycling Market Development Zone Loan Program (Loan Program) is to provide low-interest loans to private businesses and not-for-profit organizations to increase diversion of non-hazardous solid waste from California landfills and to promote market demand for secondary and postconsumer materials. Funding for the Loan Program is authorized by Statute in Public Resources Code, Section 42023.1.

In accordance with established procedures, all loan applications are reviewed and evaluated to ensure that the project meets current eligibility and underwriting criteria and has obtained required permits as determined by other pertinent CalRecycle programs. The Loan Committee then considers the fiscal soundness of the proposed loan and approves or declines the loan request. Upon conclusion of this process and Loan Committee approval, a commitment to approve and fund a loan is made by CalRecycle senior management staff.

- **Project Eligibility Criteria** for the RMDZ Loan Program were approved by the California Integrated Waste Management Board in September 2008. Staff has reviewed the application and found that it is consistent with the established criteria. The project proposed by Repsco, Inc. (Repsco) qualifies as a *recycling project* as the company produces a recycled-content finished product from HDPE plastic grind and flake.
- **Interdivisional Reviews** were performed by the following:
  - The Budgets Office confirmed that there are sufficient monies allocated for the current fiscal year to fully fund this loan.
  - Legal counsel for the RMDZ Loan Program was involved in staff discussions evaluating the merits and eligibility of the loan project prior to the Loan Committee meeting. Legal Counsel is not aware of any significant legal issues related to this loan.
  - Waste Compliance and Mitigation Program staff reviewed the project and determined that the company does not require a Solid Waste Facilities Permit.
  - Local Assistance and Market Development Division staff reviewed the project. Based on the information provided in the jurisdiction's Source Reduction and Recycling Element, the feedstock for this project (HDPE plastic) is normally landfilled in the region, despite local efforts to collect and recycle the waste material.
  - Statewide Technical and Analytical Resources Division staff reviewed the project and determined that the equipment proposed for the facility is adequate to process HDPE material and meet production projections.
- The **Loan Committee** initially considered the loan application on March 4, 2010, and requested that the applicant submit additional financial information for loan staff review. The review included an evaluation of the overall loan structure, the ability of the business to repay, and the collateral proposed to secure the loan. The Loan Committee reconvened on April 22, 2010, to conclude its consideration of the loan application. After a thorough discussion with the applicant, the Committee approved the loan request.

### **(2) Loan Description**

Repsco has built itself up as a leader in the plastic slip sheet manufacturing industry. Plastic slip sheets are a practical, economical and environmentally sound alternative to wood pallets and fiber slip sheets. Repsco has been producing this product since the 1980's. Today, the company is considered the second largest producer of plastic slip sheets in the United States, producing about 4.4 million plastic slip sheets

annually. The company also produces tier dividers, cap sheets and liner sheets. Repsco states that their advantages over the competition include: producing a high quality product, providing excellent customer service, establishing good working relationships with their suppliers and distributors, and offering a 100% buyback program for used slip sheets.

Long established in Denver, Colorado, the business is moving to California to be closer to their feedstock suppliers and end customers. Major customers are Dell Computers, Hewlett Packard, and distributors in the food and packaging industry. Relocating the business will reduce freight costs to existing customers and position Repsco closer to a larger pool of other HDPE manufacturers and potential new end customers. The target date to complete the relocation is December 1, 2010.

Paul Bennett and two other partners bought Repsco in 1997. In 2008, Mr. Bennett became the sole 100% owner. He has almost 40 years experience in the areas of finance, product marketing and sales. He is responsible for the ongoing business development and financial direction of Repsco, feedstock purchase, and developing new markets. Although the business has key management staff and long-time employees at the Denver facility, it is still undetermined how many may relocate to Fresno. Mr. Bennett is committed to spending a significant amount of time at the facility established in Fresno, hiring new employees from the region, and ensuring the facility is operating at a profitable level. Repsco does have industry personnel on contract to advise Mr. Bennett about strategic growth, production efficiencies and sales. These consultants will continue to be available to the Fresno business.

Although this is the first time the business is applying for an RMDZ loan, Repsco was awarded a Market Development and Expansion grant by the Department of Conservation (DOC) in the amount of \$995,240 in December 2008. Repsco planned to utilize grant funds to purchase some equipment for the proposed Fresno processing facility; however, the funds were never disbursed due to a Stop Work Notice placed on the grant in 2009. This Notice was lifted in early May 2010, thus allowing Repsco access to desired grant funds.

Since Repsco now has two sources of funding for their proposed project, the RMDZ loan request is now \$1,340,000. Loan funds will be used to purchase other needed equipment that the grant cannot fund (such as an extruder system), facility improvements and refinancing of onerous debt. The loan rate will be fixed at four percent (4%).

Based on communications with Mr. Bennett, the following diversion and job increases would occur as a result of this loan:

Diversion Volumes	Current	Projected Increase	Total
Tons per Year	4,000	2,000	6,000
Jobs Created	0	20	20

(Note that while the existing facility is in Colorado, the current tonnage of 4000 tons reflects the fact that Repsco receives recycled plastic feedstock from several California companies. Moving to Fresno will decrease freight costs and enable additional plastic feedstock to be received.)

**(3) Summary**

This project will assist in the implementation of CalRecycle's 2009 Strategic Directive #6 by providing an RMDZ loan to assist in the development of viable, sustainable markets to divert materials from landfills.

This loan will also result in residual benefits to stakeholders and the State:

- The Zone Administrator for the Fresno County RMDZ supports this project as it has the potential to increase local landfill diversion and create more jobs in the region.
- As this loan project contributes to the diversion of waste from the local waste stream, it will be assisting the local jurisdictions' compliance with the 50% disposal reduction mandate under the Integrated Waste Management Act, Assembly Bill 939.
- This project will support existing and new markets for HDPE plastic produced by California manufacturers. As mentioned earlier, plastic slip sheets are a practical and environmentally sound alternative to wood pallets. The product has a wide application potential with the large number of transportation, food and warehouse industries located in the state. Since the slip sheets are 100% HDPE plastic, it can be completely recycled back through a remanufacturing process, which promotes further recycling and reprocessing of a recovered material.