

REQUEST FOR APPROVAL

To: **Howard Levenson**
Deputy Director, Materials Management and Local Assistance Division

From: **Shirley Willd Wagner**
Branch Chief, Financial Resources Management Branch

Request Date: April 28, 2011

Decision Subject: Tire Equipment Loan for Tri-C Manufacturing, Inc.
(Tire Recycling Management Fund, Fiscal Year 2010/11)

Action By: May 17, 2011

Summary of Request: Public Resources Code (PRC) Section 42872 authorizes the Department of Resources Recycling and Recovery (CalRecycle) to approve loans to private businesses in activities and applications that result in reduced landfill disposal of used whole tires.

Staff requests approval of a tire equipment loan in the amount of \$640,000 to Tri-C Manufacturing, Inc. (Tri-C) which is located in the City of West Sacramento (Yolo County). The applicant is a tire equipment manufacturer and a tire recycler. Tri-C is requesting loan funds to purchase equipment that will enable them to reprocess tires from fork lift equipment and off-road vehicles into tire crumb, as well as produce rubber bark for landscaping applications. This loan project meets the required eligibility criteria established in September 2008 to receive loan funding.

The loan application was considered and recommended for approval by the Loan Committee on March 10, 2011. If approved, this will be the third loan to Tri-C funded by CalRecycle and will be funded from the Tire Recycling Management Fund, Fiscal Year (FY) 2010/11. Staff notes that Tri-C has maintained a satisfactory repayment history with CalRecycle, and there is satisfactory collateral to support their loan request.

Recommendation: Staff recommends approval of a FY 2010/11 loan from the Tire Equipment Loan Program to Tri-C Manufacturing, Inc. in the amount of \$640,000.

Deputy Director Action:

On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve a FY 2010/11 Tire Equipment Loan Program loan to Tri-C Manufacturing, Inc. in the amount of \$640,000.

The proposed loan is conditioned upon:

1. The return by the proposed Borrower of a signed loan Commitment Letter within thirty (30) days of the date of the Commitment Letter.

2. The return by the proposed borrower of the signed Loan Agreement and all other required loan documents prior to the expiration of the loan commitment period. The loan commitment is in effect for ninety (90) days from the date of this loan approval. The loan commitment may be extended, for cause, for an additional ninety (90) days. Extension of the loan commitment beyond the second ninety (90) day period may occur only if agreed to by both the CalRecycle and the proposed Borrower.
3. All terms and conditions contained in the Loan Agreement to be prepared by loan program staff in accordance with applicable regulations, and such other terms and conditions as duly authorized staff in their sole discretion deem necessary or advisable.

Dated: 5/17/11



Howard Levenson

Deputy Director, Materials Management and Local Assistance Division

Background and Findings

Statutory Authority:

Public Resources Code (PRC) Section 42872 authorizes the Department of Resources Recycling and Recovery (CalRecycle) to approve loans to private businesses for activities and applications that result in reduced landfill disposal of used whole tires. Funding levels for the Tire Equipment Loan Program are identified in the Five-Year Tire Plan.

Program Background:

The Tire Equipment Loan Program provides loans to California manufacturers who produce tire-derived, recycled content products. Loan funds can only be used to purchase equipment that will be used to reprocess waste tire feedstock and/or manufacture a finished tire-derived product.

Criteria and Process:

The General and Project Eligibility Criteria for the Tire Equipment Loan Program are based on the criteria used in the Recycling Market Development Revolving Loan Program (RMDZ) that were approved by the California Integrated Waste Management Board in September 2008. Staff reviewed the application and determined it is consistent with the established criteria.

All loan applications are reviewed and evaluated in accordance with established procedures to ensure that the project meets current eligibility and underwriting criteria and that required permits have been obtained, as determined by CalRecycle permit staff. The Loan Committee then considers the financial soundness and terms of the proposed loan and recommends that the loan request be either approved or declined. Upon conclusion of this process and Loan Committee approval recommendation, CalRecycle senior management staff reviews the loan request and determines whether to make a commitment to approve and fund the loan.

Proposed Loan Project:

Tri-C Manufacturing, Inc. is requesting a loan of \$640,000 from the Tire Equipment Loan Program. The proposed loan request will finance the purchase of equipment to expand their current production capacity to process and recycle all types of tires, including large off road tires, and expand their current tire-derived product line at their facility in West Sacramento. The equipment includes a skip steer front end loader, forklift tire peeler, rubber bark machine, band knife splitter, feed system, wheel pusher, granule mill blade inserts, shredder knives, a truck and box trailer. The proposed project will help the company expand its crumb rubber processing capacity.

The company currently employs 16 people. As a result of this proposed expansion, about four new jobs will be created and current production capacity will increase by 4,000 tons (see table below).

Diversions Volumes	Current	Projected Increase	Total
Tons per Year	26,000	4,000	30,000
PTE equivalent	2,600,000	400,000	3,000,000
Jobs Created	16	4	20

This project has the potential to process 30,000 tons per year of waste tires and will contribute to the diversion of that material from the waste stream, thereby assisting the local jurisdiction's compliance with the 50% disposal reduction mandate under the Integrated Waste Management Act, Assembly Bill 939.

Interdivisional Reviews:

Interdivisional reviews were performed by various entities within CalRecycle. Their findings are indicated below:

- The Budgets Office confirmed there are sufficient monies allocated for FY 2010/11 to fully fund this loan.

Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
Tire Recycling Management Fund, FY 2010/11	\$4,000,000	\$640,000	\$3,360,000	Direct Loan

- Legal Counsel for the Tire Equipment 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.
- Staff from the Permitting and Certification Division has reviewed the project and has reported that Tri-C Manufacturing, Inc. operates under a Major Waste Tire Facilities Permit issued on March 23, 2010. There are no known permit violations.
- Staff from the Local Assistance and Market Development Branch has reviewed the project and has reported that discarded truck, passenger, and off road waste tires that will be used in feedstock for this project are normally disposed of in landfills. Staff has also reported that waste tires can be obtained from local landfills and transfer stations in Sacramento County.

- Staff from the Statewide Technical and Analytical Resources Branch has visited the site and provided technical assistance to the business to facilitate the production of tire derived aggregate (TDA) for various civil engineering projects. Staff has reported that TDA and granulated rubber is an expanding market with limited competition at this time.
- The applicant has certified that the project complies with all local, state and federal laws, regulations, requirements and rules, including the California Environmental Quality Act.

Loan Committee:

The Loan Committee met on March 10, 2011 and has recommended this loan be approved for funding.

Applicant Profile:

Tri-C Manufacturing, Inc. (<http://www.tri-cshredders.com>) has been solely owned by Clyde Lamar since 1990. Tri-C Machine Corporation, an affiliate in which Clyde Lamar has 90% stock ownership, operates from the same facility site. Tri-C Machine manufactures and services hydraulic tire shredding equipment. From 2000-2004, Mr. Lamar successfully operated a tire recycling operation. He sold the recycling business in 2004. In October 2008, Mr. Lamar restarted the tire recycling business.

Tri-C Manufacturing works on a highest and best use basis with major focus on crumb rubber and TDA production. Their crumb rubber is sold to manufacturers who produce finished tire derived products such as door mats, flooring products, roof patch, and dock bumpers. It is also sold to construction companies for use as a road base, rubberized asphalt concrete, slurry seals, etc. Tire shreds are used as tire derived aggregate for various civil engineering applications such as erosion control, retaining wall, drainage aggregate, construction embankments on weak compressible foundation soil, noise suppression (used in light train tracks) and in landfills for leachate collection and control and gas venting systems. Recovered steel beads from tires are shredded and baled for sale to steel recyclers and traders. Wheels are separated and sold to steel recyclers and scrap dealers. Reusable tires are sorted, graded and sold to tire dealers.

Prior Loan Experience

Since 2009, Tri-C Manufacturing has received two other loans from CalRecycle:

- April 2009 - an RMDZ loan in the amount of \$1,500,000 was approved for the purchase of equipment costing approximately \$1.4 million; the remaining \$100,000 funded capital improvements.
- January 2010 – a Tire Equipment Program loan of \$635,000 was approved to finance additional equipment that was needed to complete a production line for crumb rubber processing and increase production capacity.