

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: **September 13, 2011**

Decision Subject: Recycling Market Development Zone Loan for Trupart Manufacturing, Inc. (Recycling Market Development Revolving Loan Subaccount, Fiscal Year 2011/12)

Action By: **September 21, 2011**

Summary of Request

Staff requests approval of a Recycling Market Development Zone (RMDZ) loan in the amount of \$290,000 to Trupart Manufacturing, Inc. (Trupart). Trupart is a precision cutting service provider; located in the City of Ventura (Ventura County RMDZ). The company produces a wide range of industrial and consumer end products from customer's source materials or materials that Trupart purchases on a per-order basis; Trupart cuts these materials per its customer's design. This loan request meets the required eligibility criteria for waste prevention projects established in September 2008 to receive loan funding. The proposed loan will finance the purchase of a technically advanced laser cutting machine and allow Trupart to cut more of the materials used in their manufacturing process, such as high density polyethylene plastic, paper, foam, wood and other composite materials, and reduce excess waste, ultimately increasing their finished production line for new customers. Some of these materials contain recycled content, so the laser cutting machine would also help Trupart expand the use of recycled content materials.

The loan application was considered and recommended for approval by the Loan Committee on August 4, 2011. If approved, this loan will be funded from the Recycling Market Development Revolving Loan Subaccount, Fiscal Year (FY) 2011/12. Staff notes that there is satisfactory collateral to support this loan request.

Recommendation

Staff recommends approval of a FY 2011/12 loan from the Recycling Market Development Revolving Loan Subaccount to Trupart in the amount of \$290,000. This project is anticipated to continue local diversion and add one new job.

Budget Office

The Budgets Office confirmed there are sufficient monies allocated for Fiscal Year 2011/2012 to fully fund this loan.

Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
RMDZ Loan Sub Account, FY 2011/12	\$4,855,000	\$290,000	\$4,565,000	Direct Loan

Deputy Director Action

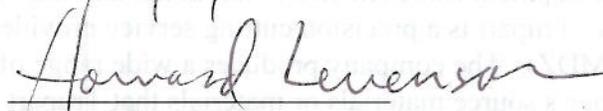
On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve a FY 2011/12 Recycling Market Development Zone loan to Trupart Manufacturing, Inc. in the amount of \$290,000.

This approval is subject to:

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. 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.

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: 9/16/11



Howard Levenson

Deputy Director, Materials Management and Local Assistance Division

Background and Findings

Statutory Authority

Public Resources Code (PRC) Section 42023.1 (f) authorizes the Department of Resources Recycling and Recovery (CalRecycle) to approve RMDZ loans to eligible local governments, businesses and not-for-profit organizations located in designated zones.

Program Background

The RMDZ Program was established by Senate Bill 1322 (Bergeson, Statutes of 1989, Chapter 1096) and codified in Public Resources Code sections 42010-42024. Program regulations are found in Title 14 of California Code of Regulations, sections 17901-17939.5. CalRecycle administers the RMDZ Revolving Loan Program to encourage California-based recycling businesses located within designated zones to site new manufacturing facilities, expand existing operations and processing capabilities, and create additional markets for recycled-content products. This program provides direct, low-interest loans for the purchase of equipment and other related business costs. Since 1993, CalRecycle has approved and funded 167 loans totaling approximately \$115.7 million.

Criteria and Process

The General and Project Eligibility Criteria for the RMDZ Loan Program were approved by the former California Integrated Waste Management Board in September 2008. 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 considers the financial soundness of

the applicant and the 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

Trupart Manufacturing, Inc. is requesting a loan of \$290,000 from the RMDZ Loan Program. The proposed loan will finance the purchase of a technically advanced laser cutting machine and allow Trupart to cut more of the materials used in their manufacturing process,- such as high density polyethylene plastic, paper, foam, wood and other composite materials. Acquiring a more technically advanced laser cutter will also help Trupart increase their production output and reduce excess waste, ultimately increase their finished production line for new customers. As proposed, this project qualifies as a *Waste Prevention project* (Project Eligibility Criteria). According to Trupart’s owner, the business currently discards about 80 tons of waste annually. He estimates that a laser cutter that is capable of making more precise cuts, nesting cut items and getting more cuts from one piece of material would reduce their discards by 50% (down to 40 tons annually).

The RMDZ loan would also help the Trupart expand the use of recycled content materials to produce customers’ orders. Currently the business uses approximately five tons per year of recycled content plastic sheets and paper blanks. The owner estimates that acquiring an advanced laser cutter would enable him to triple his volume, up to 15 tons annually.

The company currently has four employees. As a result of this proposed project, Trupart anticipates hiring one more employee and increase current diversion by 74 tons per year (see table below).

Diversion Volumes	Current	Projected Increase	Total
Tons per Year	12	74	86
Jobs Created	4	1	5

The Zone Administrator for the Ventura County RMDZ supports this project as Trupart has the potential to increase diversion of recyclables such as plastic and paper from local landfills and retain jobs in the Ventura County region. The business projects diversion of approximately 86 tons per year of plastic, paper and cardboard from the local 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 of the proposed loan project were performed by various entities within CalRecycle. Their findings are indicated below:

- 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.
- Staff from the Permitting and Certification Division reviewed the proposed project and determined that it does not require a Solid Waste Facilities Permit.
- Staff from the Local Assistance and Market Development Branch reviewed the proposed project and determined that the feedstock (post consumer material such as plastic, paper, foam, wood and composites) is typically disposed of in landfills.
- Staff from the Statewide Technical and Analytical Resources Branch reviewed the project and determined that the company proposes to purchase equipment that is standard in the manufacturing industry and appropriate for the proposed project.

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 August 4, 2011 and recommends this loan be approved for funding.

Applicant Profile

Trupart Manufacturing (<http://www.trupartmfg.com>) was started in 2004 by Shane Schlosser-Prukop. The business began by cutting custom metal products using water jet cutting equipment. Trupart has expanded into cutting custom designed parts, components and products from post-industrial and post-consumer recyclable materials such as plastic, paper, cardboard, rubber, plywood and foam. Some examples of Trupart's products include:

- Clear plastic parts and components for the food and restaurant industry made from recycled plastic sheets.
- Disposable paper gaskets for oil companies made from recycled cardboard and newspapers. These gaskets are placed between oil pipes to prevent oil spills into electric motors.
- A new specialty water traction shoe attachment for a major outdoor retail company. This component will be attached to hiking boots to ensure better traction in wet weather.

Prior Loan Experience

This is the first RMDZ loan application submitted by Trupart Manufacturing, Inc.