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COMMITTEE MEETING
STATE OF CALIFORNIA
INTEGRATED WASTE MANAGEMENT BOARD
SPECIAL WASTE COMMITTEE

JOE SERNA, JR., CALEPA BUILDING
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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMITTEE MEMBERS

Ms. Cheryl Peace, Chair

Ms. Linda Moulton-Patterson

Mr. Carl Washington

BOARD MEMBER ALSO PRESENT

Mr. Michael Papanian

STAFF

Mr. Mark Leary, Executive Director

Ms. Marie Carter, Chief Counsel

Ms. Julie Nauman, Chief Deputy Director

Ms. Holly Armstrong, Staff

Ms. Wendy Reckon, Staff Counsel

Ms. Bonnie Cornwall, Branch Manager, Grants &
Certification Section I

Mr. Mitch Delmage, Supervisor, Waste Tire Division

Ms. Linda Dickinson, Staff

Mr. Nate Gauff, Staff

Mr. James Herota, Staff

Mr. Jim Lee, Deputy Director

Mr. Jon Myers, Assistant Director, Public Affairs

Ms. Selma Lindrud, Committee Secretary

Mr. Bert Wenzel, Staff

Ms. Kristin Yee, Supervisor, Used Oil Recycling Analysis

APPEARANCES CONTINUED

ALSO PRESENT

Dr. Aslam Ali, Yakima Filters

Ms. Jeanet Babauta, L.A. County Department of Public Works

Mr. Michael Blumenthal, Rubber Manufacturing Association

Mr. Doug Carlson, Recycled Tire Engineering & Research
Foundation

Mr. Mark Korte, Tri-C Recycling

Mr. Tom Faust, Redwood Rubber

Mr. Reza Izadi, L.A. Department of Public Works

Mr. Terry Leveille, TL & Associates

Ms. Stacey Miner, Regional Council of Rural Counties,
Rural Counties Environmental Services

Mr. Scott Smithline, Californians Against Waste

Mr. Barry Takallou, CRM Company

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1 PROCEEDINGS

2 CHAIRPERSON PEACE: Good morning. Welcome to
3 the Special Waste Committee. Thank you for all of you who
4 braved this weather to be here this morning.

5 Looks like we are all here, so, Selma, you can go
6 ahead and call the roll.

7 SECRETARY LINDRUD: Moulton-Patterson?

8 COMMITTEE MEMBER MOULTON-PATTERSON: Here.

9 SECRETARY LINDRUD: Washington?

10 COMMITTEE MEMBER WASHINGTON: Here.

11 SECRETARY LINDRUD: Peace?

12 CHAIRPERSON PEACE: Here.

13 And also here on the dais with us this morning is
14 Mr. Paparian. I've asked him to sit up here. He is
15 interested in some of these tire items. And as he used to
16 be on the Special Waste Committee, he has a lot of
17 historical knowledge and viable input on these items. So
18 I'm very glad he's here with us to give us his input here
19 this morning.

20 I want to remind everyone to please turn off your
21 cell phones or put them on meeting mode. There are
22 agendas on the back table as well as speaker slips. If
23 you'd like to address the Committee on an item, please
24 bring your speaker slip to Ms. Lindrud.

25 Members, any ex partes?

1 COMMITTEE MEMBER MOULTON-PATTERSON: I'm up to
2 date.

3 CHAIRPERSON PEACE: I'm also up to date.

4 COMMITTEE MEMBER WASHINGTON: I'm up to date.

5 CHAIRPERSON PEACE: Before we begin, I do want to
6 report I met with Randy Iwasaki and Larry Orcutt from
7 Caltrans last week. We spoke about a variety of issues
8 related to RAC, and it was obvious our two agencies can
9 benefit by sharing our knowledge and our research results.

10 We also agreed we could cooperatively sponsor a
11 RAC Advisory Group with the Waste Board taking the lead.
12 My staff has spoken to Wendy Reckon about this, and she
13 has some suggestions about how we might proceed possibly
14 through an MOU. So I'd like the Tire staff to work with
15 my office in putting this Advisory Group together.

16 Also, we did get a commitment from Randy and
17 Larry to finish the RAC Performance Review Study that was
18 started in 1999 and it's still in draft form. We did get
19 a commitment they would finish that. That's also a good
20 step forward.

21 So with that, I guess we're ready for the Deputy
22 Director's Report, Mr. Lee.

23 DEPUTY DIRECTOR LEE: Thank you, Madam Chair.

24 And good morning, Committee members. My name is Jim Lee
25 with the Special Waste Division.

1 Madam Chair, I only have one item for my Deputy
2 Director's Report I want to bring to the Committee's
3 attention. That has to do with our abandoned orphan used
4 oil eradication efforts. During this past spring and
5 summer, Used Oil Program staff worked cooperatively with
6 large retail auto part stores, local grantees, and the
7 Department of Toxic Substances Control that initiated new
8 management practices to address the persistent problem of
9 abandoned used oil collection centers. This type of
10 initiative is consistent with the Oil Program's proposed
11 implementation plan, which we will discuss with you later
12 as part of our Used Oil allocation item.

13 The abandoned used oil suggested management
14 practice with regards to orphan used oil appears to have
15 reduced the incidents of reported large quantities,
16 greater than 20 gallons, of abandoned used oil at these
17 facilities. In a recent sample of 18 certified used oil
18 collection centers where these management practices were
19 piloted, all but three, approximately 17 percent, reported
20 reduced rates of abandoned used oil.

21 To date, staff has visited or communicated with
22 18 jurisdictions, representing 60 used oil collection
23 sites with reported large quantities of abandoned used
24 oil. We will continue to address this challenging
25 situation and work with all parties involved to implement

1 the best management practice in an ongoing effort to
2 minimize the incidents of abandoned used oil.

3 Madam Chair, with that, unless there's any
4 comments on that particular issue, I propose to move onto
5 today's somewhat lengthy agenda.

6 CHAIRPERSON PEACE: Okay. Go ahead.

7 DEPUTY DIRECTOR LEE: Thank you, Madam Chair.

8 Item B, Consideration of the Scope of Work for a
9 National Product Stewardship Dialogue for Tires Contract,
10 Tire Recycling Management Fund, Fiscal Years 2004-05.
11 Mitch Delmage will make the staff presentation.

12 WASTE TIRE DIVISION SUPERVISOR DELMAGE: Good
13 morning, Madam Chair and Board members.

14 In April of 2002, the Board contracted with the
15 Nevada Automotive Test Center to produce a report
16 entitled, "Increasing Recycled Content in New Tires."
17 This report was published by the Board in May, and the
18 report made recommendations about future efforts. This
19 item presents a scope of work that establishes a national
20 product stewardship dialog for scrap tires, including a
21 structure for a sustained collaborative effort amongst
22 various states, stakeholders, and tire manufacturers.
23 There are over 300 million scrap tires in stockpiles
24 throughout the United States, 280 million being generated
25 each year.

1 While California has diverted 75 percent of their
2 scrap tires and has been able to clean up the large
3 stockpiles and most of the smaller stockpiles, there's
4 still problems out there that need to be solved. These
5 tires created tire hazards, environmental threats, and
6 serious health concerns. Accordingly, government agencies
7 often rank tires as one of their top priorities.

8 Leadership is needed amongst the various states
9 to develop and facilitate a national dialogue in a
10 collaborative effort that will leverage limited
11 stakeholder resources and provide a national approach to
12 tire management. The federal government and many states
13 promote various tire management efforts. These
14 independent efforts are just beginning to come together
15 through various initiatives addressing scrap tires.

16 Coordinating tire management efforts under a
17 national product stewardship umbrella will help provide a
18 unified voice with far greater influence and leveraging
19 ability to provide positive changes. This scope of work
20 provides for the development and implementation of
21 national product stewardship goals and a sustained
22 collaborative effort. The contractor will obtain and
23 review relevant background information, conduct workshops,
24 establish and maintain a website, and prepare a white
25 paper.

1 Staff recommends that the Board approve this
2 scope of work and adopt Resolution 2004-311. If you have
3 any questions, I'd be glad to address them at this time.

4 CHAIRPERSON PEACE: We had a Product Stewardship
5 Workshop several months ago. Can you tell me how this
6 will be different than what happened several months ago?

7 WASTE TIRE DIVISION SUPERVISOR DELMAGE: The
8 Product Stewardship Initiative that we had last July was
9 focused just on California and California issues and
10 problems. One of the things that came out of that is that
11 California doesn't have any tire manufacturers. The
12 manufacturers really were focused more on what could be
13 done in California with respect to managing tires after
14 they leave a car or a truck.

15 We felt that without establishing a national
16 platform that we just didn't have enough leverage to cause
17 positive changes in the industry itself. And so there's
18 already -- there's several initiatives out there already
19 that are going down this path. We want to join with
20 those, take a leadership role, and see if we can not
21 duplicate efforts of other states, gather up that
22 information, work together, and make a positive
23 contribution.

24 CHAIRPERSON PEACE: So you feel there's other
25 states that would want to join us?

1 WASTE TIRE DIVISION SUPERVISOR DELMAGE: There
2 are, I believe, 15 states in the -- what we call the tire
3 cluster under the umbrella of U.S. EPA that are already
4 starting to ask these same questions, bring together the
5 information. We want to be part of that, but more in a
6 leadership role. We feel that by contracting with
7 somebody to pull everybody together would put us in a
8 favorable position.

9 CHAIRPERSON PEACE: We're, right now, the only
10 state that's going to put money into this to try to get it
11 started?

12 WASTE TIRE DIVISION SUPERVISOR DELMAGE: I
13 believe that's correct, yes.

14 CHAIRPERSON PEACE: Once it's started, you're
15 hoping other states will pony up?

16 WASTE TIRE DIVISION SUPERVISOR DELMAGE: We'll be
17 looking for a mechanism to bring money from other states
18 into a larger effort.

19 CHAIRPERSON PEACE: And this effort won't just be
20 focused on recycled content in new tires? It will be
21 focused on a number of things, like --

22 WASTE TIRE DIVISION SUPERVISOR DELMAGE: Smart
23 tire technology, nitrogen, many different things, things
24 that are already underway. The Tread Act is happening at
25 a national level. We need to be able to become part of

1 that dialogue. I believe Mr. Blumenthal from the Rubber
2 Manufacturers Association will be speaking to this issue
3 as well. And he can let you know what's happening
4 already.

5 CHAIRPERSON PEACE: Okay. Any other questions,
6 or we can go to our speaker.

7 Okay. Thank you, Mitch.

8 We have one speaker, Mr. Blumenthal.

9 MR. BLUMENTHAL: Good morning, Madam Chair, Board
10 members. My name is Michael Blumenthal. I'm the Senior
11 Technical Director for the Rubber Manufacturers
12 Association. We are the trade group that represents the
13 United States-based tire manufacturers.

14 I'm here to address the issues in Resolution
15 2004-311. We had to actually speak in opposition to this
16 proposal. From the tire manufacturers' perspective, we
17 have zero problems working with any agency, federal or
18 state, on finding ways to better manage tires. And we've
19 been active in this area for over 14 years.

20 I need to bring to your attention that your --
21 the good intentions of this resolution are based on some
22 incorrect data and assumptions, and that this effort is
23 already ongoing. As was discussed in the July meeting,
24 which was billed as a product stewardship meeting, it was
25 decided that the issues that were going to be looked at

1 would be focused in on California, because California has
2 some unique market conditions and that the efforts would
3 be better focused in on the markets here in California.

4 It was also brought to everybody's attention that
5 currently the U.S. EPA has something called the Resource
6 Conservation Challenge, which is an ongoing effort by the
7 U.S. EPA and a number of state agencies and industry, tire
8 manufacturers, retailers, processors, other trade
9 associations, to address a lot of the issues that you
10 folks are looking to address as well.

11 This process has been ongoing for over a year
12 now, and the exact things that you were talking about are
13 being done through the RCC process. We would welcome the
14 participation from the Waste Board -- from the Integrated
15 Waste Management Board to be part of this ongoing process.
16 We think that many of the institutional issues that we are
17 addressing around the country would also help the markets
18 here.

19 I do need to point out a couple of little details
20 here. On the resolution you say there are 300 million
21 tires in stockpiles. The real number is 275 million.
22 Those numbers keep coming down every year. And we do
23 produce about 290 million tires a year. That number keeps
24 going up, but 80 percent of those tires go to an end-use
25 market. It's not as if there are no markets out there.

1 The low hanging fruit as far as markets have already been
2 taken up.

3 The harder issues that we have to face now are
4 what we call these institutional issues. Many states have
5 regulations that actually restrict the use of tires in
6 asphalt, in civil engineering, as a fuel, in any kind of
7 other applications. This is where we're trying to focus.

8 I realize that you have moneys to focus in on the
9 recycled content of tires, but I do need to let you know
10 that while about 50 million pounds a year of ground rubber
11 go into tire manufacturing, there are a lot of changes
12 that are taking place in the tire industry. And Mitch
13 mentioned the key element of the Tread Act. And the Tread
14 Act is probably the single most important piece of federal
15 activity that the industry has faced in a very long time.

16 It was started three years ago after the
17 aftermath of the Firestone recall, and is changing how
18 tires are being tested. It's changing the ways of looking
19 at the safety factors for tires. And right now the
20 manufacturers -- all manufacturers who sell tires in the
21 U.S. are working with the federal agencies and the federal
22 government on finalizing the issues in the Tread Act. I
23 think to enter in the fray now, I think you're a little
24 bit late for that. You should have been involved probably
25 two or three years ago.

1 As far as recycled content is concerned, I need
2 to remind the Board there are tradeoffs when you put
3 recycled content into tires. You also have a program here
4 going after reducing the rolling resistance on tires. You
5 also have interest in expanding the tread wear, the life
6 of a tire. All three are mutually exclusive. I've
7 mentioned before, I mentioned today, I'll mention it again
8 in the future, you can pick one and go with that, because
9 you can't have a tire that has the lowest possible rolling
10 resistance, the highest tread life possible, and recycled
11 content. That's not going to work.

12 I'd like to make a proposal. We had committed to
13 bringing in some of our tire technology experts and talk
14 to Chairperson Marin about it. I would like to suggest
15 that before, during, or after the February Board meeting
16 we set up a meeting where we can bring in these tire
17 experts, the people who work on tire design and
18 technology, and have an open meeting, Board members,
19 staff, public, anybody who wants to attend, and give them
20 an opportunity to explain tire technology, the impacts of
21 recycled content, and the tradeoffs between longer wear
22 and recycled content, and as well as rolling resistance.
23 I think hearing it from the experts, the imminent experts,
24 people who build tires, who understand the technical
25 complexities, I think, would be beneficial to all involved

1 and may help to clear up some of the misperceptions or
2 some of the lack of knowledge that currently exists.

3 As far as smart tires and tire technology are
4 concerned, these are ongoing activities. Most of the
5 major manufacturers have already signed contracts with
6 companies to provide this smart tire technology. Whether
7 it be a computer chip or a battery-operated monitor, this
8 technology has been mandated by the Tread Act. And I
9 think in the year 2006-2007, all new cars are going to
10 have to have the low pressure monitoring systems on this.
11 This is already going to happen.

12 I'm glad to hear that California wants to get
13 involved, but this has been an ongoing process for the
14 last three years. And a lot of discussions have been
15 made, a lot of scientific data has been exchanged. And
16 they're now in the end game of this process, not in the
17 beginning. So I'm not sure that new involvement is going
18 to have any kind of major impact.

19 These are national issues. These are federal
20 issues. Tire manufacturers must make their tires conform
21 to comply with all federal safety standards, and that is
22 where the focus currently is. Given the fact that the
23 Tread Act is still an ongoing process, we are not sure of
24 what the final outcome is going to be.

25 To try to mandate any kind of new tire technology

1 or requirements for anything that may have an impact on
2 how tires are made and performed in light of the fact of
3 the requirements of the Tread Act and the federal safety
4 standards, I think, is inconsistent with what's going on.
5 And I think that the first and major focus is complying
6 with the federal standards, as has always been our way of
7 doing business.

8 But as far as the workshop is concerned, as was
9 mentioned, there was a product stewardship conference
10 earlier this year. In good faith, tire manufacturers
11 volunteered their time and efforts to work on this to
12 establish it. It was, I think, a useful exercise. I
13 think the things that were raised can certainly help
14 California. But like I said before, California has a
15 unique kind of situation unlike any other state program.

16 And I think you should continue that focus in a
17 market development effort here in California. We
18 encourage that in every other state. As mentioned, we are
19 very willing and anxious to work with the Waste Board on
20 these advance markets. But like I said, there already was
21 the Resource Conservation Challenge. It's an ongoing
22 process.

23 The issues that you raise, they've already been
24 talking about. The issues on trying to centralize
25 information is one of the first things we talked about.

1 These are, like I said, all ongoing activities. We have
2 encouraged and continue to encourage the state of
3 California to become an active member.

4 The next meeting of the RCC Tire Cluster, an
5 actual face-to-face meeting, will be held in conjunction
6 with one of our regional conferences in the state of
7 Arkansas. Right now, we're looking at the week of June
8 6th to have this meeting of the Resource Conservation
9 Challenge. It will definitely be in Little Rock,
10 Arkansas. The timing may change, but certainly that is
11 where it's going to be held. It will be held in
12 conjunction with the state of Arkansas and EPA's Region 4
13 and 6. And we will be the host of that meeting.

14 I would suggest this would be an opportune time
15 for anybody from the Board or from staff to attend and to
16 have their input and to try to take that leadership role.
17 I think it would be most timely and beneficial for all
18 involved.

19 So to recap, to begin a second process at this
20 time to focus in on increasing recycled content is
21 inconsistent with what is currently going on in the
22 marketplace. It's an ongoing process. We've encouraged
23 everybody to be part of that process and continue to
24 encourage them. And be happy to answer any questions that
25 you may have on this topic. Thank you.

1 CHAIRPERSON PEACE: Any questions?

2 DEPUTY DIRECTOR LEE: Madam Chair, I have a
3 couple things I'd like to say in response to that, kind of
4 points of clarification from staff's perspective.

5 First of all, on the product stewardship
6 initiatives that were initiated earlier this year, I think
7 Mr. Blumenthal correctly points out that meeting, in
8 particular, did turn more on market development type of
9 activities. And as such, you know, the manufacturers, you
10 know, weren't engaged. And also the funding for that
11 particular project, that was very limited funding, and so
12 we weren't able to pursue that in the manner that we would
13 like. We think that opportunity presents itself, you
14 know, with this initiative that we have before you today.

15 CHAIRPERSON PEACE: What I remember from that
16 workshop was the Rubber Manufacturers Association and the
17 tire dealers were saying we should do more civil
18 engineering. We should do more RAC. And there's nothing
19 actually that -- we should do more tire burning, but
20 there's really nothing we can do.

21 DEPUTY DIRECTOR LEE: I think that's -- excuse
22 me. I'm sorry, Madam Chair.

23 CHAIRPERSON PEACE: Go ahead.

24 DEPUTY DIRECTOR LEE: I think that's the point.
25 We are working on some of these market development

1 activities, and we are -- like I say, one of the strong
2 focuses of this year's revision of the Five-Year Plan is
3 to look at the RAC and civil engineering. But we also
4 believe that, again, my keeping the manufacturers engaged
5 through a product stewardship effort can also be
6 beneficial. Mr. Blumenthal mentions we have the Tread Act
7 considerations. Some of these elements of smart tire
8 technologies are being considered.

9 We are very much interested in the tire longevity
10 issue. We want to make it very clear we do not see this
11 initiative as being focused on increasing recycled content
12 in tires. You know, I would say as an aside, though, that
13 the manufacturers -- we have had manufacturer testimony
14 before this Board which indicated they could do better in
15 that area. This is some testimony I think that
16 Mr. Blumenthal had to disavow in his comments at a recent
17 workshop. But what I've seen, you know, from various
18 publications, you know, I would think I would concur with
19 him that there are limitations on increasing recycled
20 content in tires without affecting some of these other
21 desirable characteristics, like tire longevity that we are
22 trying to achieve. However, when we've asked the
23 manufacturers for kind of independent verification of
24 that, they have not been forthcoming.

25 So that said, again, I want to clarify we're not

1 pushing for increasing recycled content exclusively with
2 this contract. We are looking at a much broader range of
3 issues. But we do think it would be useful for the
4 manufacturers to be engaged with us, and we think that we
5 can, through California, support, piggyback, not
6 duplicate, you know, existing efforts ongoing as
7 Mr. Blumenthal describes, you know, to hopefully
8 facilitate and expedite these efforts.

9 MR. BLUMENTHAL: Madam Chair, if I may ask --
10 direct a question to Mr. Lee. First off I'll make a
11 statement.

12 Mr. Lee was not totally accurate in what I said
13 earlier. My statements had nothing to do with the amount
14 of recycled content that could be placed into a tire.
15 What I did say was tire manufacturers were not able to
16 tell you which tires contain that recycled content and the
17 exact amount of recycled content in those tires. That is
18 what I said they could not do, not they could or could not
19 put more rubber into tires.

20 The question I have for Mr. Lee is exactly what
21 this not engaged -- tire manufacturers not being engaged
22 means. I mean, during the interviewing portion of the
23 product stewardship project, I think four or five of our
24 companies or the manufacturers were interviewed. We were
25 interviewed. I was interviewed. We had an input. We had

1 five member companies at that particular meeting in July.
2 So not being engaged, I have to question what Mr. Lee --
3 what he meant by that.

4 DEPUTY DIRECTOR LEE: I think by clarifying this
5 Board's position with regards to product stewardship and,
6 as I said, facilitating and expediting, which clearly are
7 efforts that the manufacturers are already engaged in,
8 from my standpoint, can only serve to benefit the process
9 and advance it and, like I said, to demonstrate this
10 Board's commitment to this particular area.

11 CHAIRPERSON PEACE: We do need to keep the
12 pressure on the tire manufacturers to be engaged in trying
13 to source reduce, make longer-lasting tires.

14 But I guess what my question is, when Mr.
15 Blumenthal says there's already a U.S. EPA ongoing effort
16 and RCC process with this Resource Conservation Challenge
17 and things that are happening with the Tread Act, I mean,
18 is what we're trying to do here in any way duplicative of
19 these other things that are going on?

20 WASTE TIRE DIVISION SUPERVISOR DELMAGE: We don't
21 want it to be duplicative. We want to add the strength of
22 California to the effort.

23 If I might go back a step on the manufacturers
24 not being engaged, I believe Michael is correct in saying
25 they did participate and they provided valuable

1 information. But it was mainly on what happens to a tire
2 after it leaves a car. What we need the manufacturers to
3 engage in is what happens before the tire leaves the
4 factory. And that's where we want to be able to
5 investigate further. We believe that by participating
6 with these ongoing efforts, we can add strength to that
7 effort.

8 The Tread Act was passed quite a while ago. And,
9 you know, it's moving along slowly like so many laws. And
10 we hope that the strength of California will help maybe
11 steer that in a more positive direction or any of the
12 other efforts. We just believe that we have these reports
13 that we've done, that we're doing now, and for the most
14 part, they help us in our decisions. But we want to get
15 them out into the national dialogue so they can help in
16 the decisions nationally as well. And we feel this is the
17 platform for it.

18 BOARD MEMBER PAPARIAN: Madam Chair, when
19 Mr. Blumenthal is done, I'd like to add some things.

20 MR. BLUMENTHAL: As to the issues of tire
21 manufacturing, number one, I want to reiterate our offer
22 to bring in the technology experts from at least three,
23 perhaps four, of our members to meet the Board to explain
24 some of the impacts on tire manufacturing on longer-wear
25 tires. I think that would give everybody a good

1 understanding of what is out there. And I would hope that
2 can be arranged, and we can talk to you after this meeting
3 about setting that particular presentation up.

4 As far as manufacturer involvement with
5 longer-wear tires, one of the major efforts of the
6 manufacturers in the last three years has been in the tire
7 care and maintenance program, Be Tire Smart, Do Your Part,
8 tire care and maintenance. We recognize that most tires
9 are run underinflated. Underinflated tires, as long as
10 they're not a run-flat tire, have a very negative impact
11 on the tire, on the gas mileage, on the exhaust, and on
12 the wear of the tire. So we launched a national effort on
13 tire care and safety, making people aware to check their
14 tires and rotate their tires, taking care of their tires.
15 Very inexpensive way to deal with tire care that will make
16 that tire last longer no matter what the mileage warranty
17 on that tire is.

18 Our data suggested that over 75 percent of the
19 motorists drive on underinflated tires. That is a
20 tremendous number. So we for the last three years have
21 been working on this, which I think gets tire
22 manufacturers engaged in the up-front portion of tire
23 management, making the product last longer.

24 We have offered to work with the state of
25 California, provide our research on it, provide our data

1 on it, and work together on consumer education. That
2 certainly is the first start. That's reduction. Making
3 the tires last longer certainly is something that we are
4 actually very interested in, and spending considerable
5 effort to make that happen. I think that speaks volumes
6 for where our intentions are and what the manufacturers'
7 commitment happens to be on this issue. And we would
8 continue to do -- we will continue to do this.

9 And as we mentioned before, happy to work with
10 the state of California on their Tire Care and Maintenance
11 Program. So the two together I think, the offer of Tire
12 Care and Maintenance Programs and bringing our company
13 experts in there to talk about tire manufacturing, I think
14 can answer a lot of the questions. And I hope that we can
15 certainly do that. Those are two comments that I had.

16 CHAIRPERSON PEACE: Thank you.

17 Mr. Papanian.

18 BOARD MEMBER PAPARIAN: Are you done?

19 MR. BLUMENTHAL: Yeah. I'm finished.

20 BOARD MEMBER PAPARIAN: Madam Chair, I'd just
21 like to urge the Committee to support the staff
22 recommendation on this. I think in terms of product
23 stewardship efforts, there have been a number of states
24 that have jump-started product stewardship efforts in
25 other areas; Minnesota on paint and electronics; Florida

1 on propane tanks; Massachusetts on smoke detectors that
2 have radio active materials in them. There have been a
3 number of efforts that have been jump-started by the
4 states, and I think this is a chance for us to do that.

5 The RCC challenge that Mr. Blumenthal mentioned,
6 the other product stewardship efforts have been able to
7 work in conjunction with the RCC challenge areas. I know
8 in the electronics area that I was involved in, we did
9 that. And what the product stewardship efforts can offer
10 is that the U.S. EPA has some difficulties -- actually
11 some very serious legal difficulties when it comes to
12 discussing things that could result in federal
13 legislation. So I'm not saying this will. You can't
14 really pre-judge a product stewardship effort.

15 But if it gets to the point where it talks about
16 federal legislation, the RCC challenge can't participate
17 because of the restrictions on federal agencies getting
18 involved in those sorts of discussions. So there's a nice
19 synergy I think between the Resource Conservation
20 Challenge and the product stewardship efforts. And,
21 again, I think the state can take a leadership role, just
22 as other states have in other areas.

23 CHAIRPERSON PEACE: Thank you.

24 Any other comments?

25 Mr. Blumenthal said 80 percent of tires are going

1 to an end use already. But if we could source reduce with
2 taking care of your tires, with smart tire technology,
3 nitrogen film, if we could source reduce by 20 percent I
4 think our tire problem would be solved.

5 If there's no other comments, do we have a
6 motion?

7 COMMITTEE MEMBER MOULTON-PATTERSON: I'd like to
8 move the staff recommendation. I think Mr. Blumenthal
9 made some good points and we'll certainly take those into
10 consideration. But I do agree with Mr. Papanian that this
11 is the way to go. And I'd like to move Resolution
12 2004-311.

13 COMMITTEE MEMBER WASHINGTON: Second.

14 CHAIRPERSON PEACE: We have a motion by Linda
15 Moulton-Patterson and a second by Carl Washington.

16 Take the roll.

17 SECRETARY LINDRUD: Moulton-Patterson?

18 COMMITTEE MEMBER MOULTON-PATTERSON: Aye.

19 SECRETARY LINDRUD: Washington?

20 COMMITTEE MEMBER WASHINGTON: Aye.

21 SECRETARY LINDRUD: Peace?

22 CHAIRPERSON PEACE: Aye.

23 Okay. This passes through Committee. It is a
24 fiscal item, so we will move it to the full Board with
25 full Committee support.

1 DEPUTY DIRECTOR LEE: Thank you, Madam Chair.

2 Item Number 32 is Consideration of the Proposed
3 Applicant Eligibility Criteria, Project Eligibility
4 Criteria, Scoring Criteria, and Evaluation Process for the
5 Tire Product Commercialization Grant Program for Fiscal
6 Year 2004-2005.

7 Pursuant to Board direction at the September
8 meeting, this was a very narrowly focused item to put
9 forth this Commercialization Program. Decisions on
10 substantive revisions were deferred until -- to be
11 resolved through the Five-Year planning process. With
12 that said, we believe we have been responsive to a lot of
13 the recommendations and the comments that we heard, you
14 know, at the various workshops that were held on this item
15 earlier this year.

16 With that preview, I'll turn it over to Linda
17 Dickinson to make this staff presentation.

18 MS. DICKINSON: Good morning, Committee Chair.

19 The purpose of this Competitive Grant Program is
20 to find businesses that will produce new tire-derived
21 product lines or expand existing tire-derived product
22 lines and promote markets for tire-derived products and
23 thereby reduce waste tire disposal and illegal dumping.

24 As Jim indicated, the Five-Year Plan approved by
25 the Board at its May 2003 meeting designated 1.6 million

1 to fund the Tire Product Commercialization Grant Program
2 for five fiscal years beginning 2003-2004.

3 Jim already went over the roundtable discussion
4 meeting that was held in July, and that was brought to the
5 Board, the results of that, in September 2004. And we
6 were directed to defer any significant changes to the
7 Commercialization Program until the Five-Year Plan, the
8 new one, that is being discussed now.

9 For this fiscal year, proposed applicant
10 eligibility -- let me go over that. The Tire Product
11 Commercialization Grants are available to businesses
12 located in California. Companies from out of state may
13 apply for a Tire Product Commercialization Grant.
14 However, the project site must be located in California.
15 Additionally, the applicant must use California-generated
16 waste tires until the end of the grant term and must
17 secure all the required business permits, and licensing
18 and filings for the California location. Only one
19 application may be submitted per business. Any applicants
20 not eligible or deemed ineligible, we'll send their
21 applications back. They will be disqualified.

22 COMMITTEE MEMBER WASHINGTON: So there is no
23 priority for California business? We're still in the same
24 boat where you can be from out of state, but your company
25 has to have their physical address in California.

1 MS. DICKINSON: Well, we've decided to go out and
2 visit the applicants, which we have in the agenda item.
3 The staff will visit the grant applicant's project site
4 that may be funded. And during the visit, staff will
5 verify information contained in the application. So
6 between the application and the award item, staff will go
7 out and visit those applicants that have scored within the
8 award recommendation. And we'll verify what they say. So
9 we'll verify that there is a project site.

10 COMMITTEE MEMBER WASHINGTON: So there's no
11 advantage for a company who is headquartered in California
12 versus a company who is headquartered in Milwaukee, but is
13 doing business in California?

14 MS. DICKINSON: The advantage -- they have to
15 have a site in California.

16 COMMITTEE MEMBER WASHINGTON: Yeah, right. But
17 their headquarters doesn't have to be in California?

18 DEPUTY DIRECTOR LEE: That's correct, Mr.
19 Washington.

20 MS. DICKINSON: Right.

21 So let me get back to the ineligible applicants.
22 For the purpose of the Tire Product Commercialization
23 Grant Program, we have several areas that are indicated in
24 the agenda item that we've made ineligible. And I can go
25 over those areas, but those haven't changed from last

1 fiscal year.

2 We do have something new this year that we've
3 come up with, and Legal staff, we've conferred with them
4 on that. Would you like me to go over what that detailed?
5 Do you want to do that, Marie, or would you like me to go
6 over your iteration of that? I'll go over the explanation
7 and then you can confer.

8 What has occurred is we've come up with something
9 regarding enforcement. If an applicant -- because they're
10 private entities, and they usually have waste tire
11 permits. And we found that if there's an enforcement
12 issue against them, that we haven't disqualified them from
13 applying for a grant. And there's a bright light
14 regarding what kind of enforcement issue.

15 So we've conferred with our Enforcement staff and
16 Legal staff and found that this sentence -- and I'll read
17 that to you. "Applicant has not had a final
18 administrative decision for penalties, permits,
19 revocations, suspensions, hauler penalties, suspensions,
20 or revocations against them in the last" -- and we've come
21 up with two years. And we've found that that would be a
22 good thing to put under ineligible applicants. And that's
23 a high level of making them ineligible for our Grant
24 Program, rather than something as simple as a name change,
25 which can be fixed in like a three-week time period and

1 something as serious as a delinquent permit.

2 So, Marie, would you like to comment on that
3 issue or --

4 CHIEF COUNSEL CARTER: Marie Carter, Legal staff.

5 I think Linda has covered it pretty well. We
6 were concerned that there might be some businesses
7 applying who, because of past activities which was in
8 violation of Board statute or regulations, would cause
9 that company to be ineligible for this grant. And we
10 propose it as something for the Board to consider in this
11 cycle.

12 MS. DICKINSON: We also have proposed project
13 eligibility. Projects must be located and produced in
14 California and be able to consume a minimum of 200,000
15 passenger tire equivalents annually as was indicated in
16 Criteria Number 9, capacity.

17 Eligible projects may produce tire shreds, chips,
18 crumb rubber, or final tire-derived products. Projects
19 using devulcanized are eligible. The records for the
20 Grant must be located in California, and the projects must
21 be retained for a minimum of three years.

22 Something new that we've added to this Grant
23 Program this year is the equipment purchase with Grant
24 funds must remain in California during the term. This
25 isn't new, but the applicant must agree to submit to

1 annual reports to the Board for a minimum of five years
2 after the end of the Grant term. And that was something
3 that was discussed during the roundtable discussion, that
4 we wanted some more evaluation of the project available of
5 what they did regarding the diversion of tires from
6 landfills after we gave them some public funds.

7 COMMITTEE MEMBER WASHINGTON: Let me just try to
8 figure out -- and maybe, Ms. Carter, you can answer. Is
9 it against the law for us to do business with our own
10 companies before we go out to of out state to do business
11 with other companies? It seems like to me we're putting
12 all this onerous on the company that's out of California
13 that you have to have the address, that your equipment has
14 to stay -- that seems like a lot is going on. Why don't
15 we give some consideration for businesses that are already
16 in California priority, then go outside if we need outside
17 help from other states? Is that a law that says we can't
18 do that?

19 CHIEF COUNSEL CARTER: No. These are Board
20 funds. They may use their discretion as they wish.
21 Certainly, if they feel the need is greatest to offer this
22 cycle to businesses that are currently residing in the
23 state, that's appropriate.

24 COMMITTEE MEMBER WASHINGTON: And I guess I'm
25 just trying to get to why there are criteria -- why we're

1 not trying to emphasize, Mr. Lee, to California businesses
2 that you do business with us and your company that's in
3 this business, there are priorities because you're a
4 California-based business.

5 DEPUTY DIRECTOR LEE: I understand the point
6 you're raising, Mr. Washington, and staff considered it
7 very carefully. You know, at the same time, you know, we
8 feel our business is to get rid of as many tires, use them
9 as productively, as productive an end use as we can.
10 Whether or not the manufacturer is here in the state or
11 comes from out of state and establishes a new business,
12 you know, we didn't feel that was our first priority.

13 Secondly, at the same time that we're perhaps
14 considering just limiting this to California-only
15 businesses, we have countervailing initiatives by the
16 Governor to encourage new businesses to site here in
17 California. So, again, staff chose with this particular
18 proposal to concentrate on what we felt was our best
19 effort.

20 COMMITTEE MEMBER WASHINGTON: And I agree with
21 that. But also the Governor doesn't want us to overlook
22 businesses that are already doing business in California.

23 DEPUTY DIRECTOR LEE: Well, again, I think we've
24 been -- as I said, this has been a very narrowly focused
25 item. Right now it's focused on basically the established

1 businesses. You have to be -- to be eligible for this
2 grant cycle, you have to be able to show you're beyond the
3 research stage and able to produce products using a
4 minimum of 200,000 PTEs. So the established companies in
5 our perspective are getting a leg up, if you will.

6 COMMITTEE MEMBER WASHINGTON: Okay. I mean -- I
7 won't continue. All right. Go ahead.

8 MS. DICKINSON: Under this Grant Program, the
9 following are not eligible for Grant funding: The
10 projects that do not consume California-generated waste
11 tires; projects not located within California; and
12 Grant-funded projects not produced in California; projects
13 that are linked to other proposed projects under this
14 Grant Program; and any project that provides financial or
15 other support that promotes or provides for research for
16 the incineration of tires.

17 The maximum amount for each Grant is proposed to
18 be \$250,000, with a match of 50 percent. That hasn't
19 changed.

20 General scoring criteria, the Board approved six
21 general scoring criteria, and a seventh was adopted which
22 requires evidence of recycled content. The recycled
23 content criteria is ten points. And at the November 2001
24 Board meeting, the Board allowed that the Tire Product
25 Commercialization Program could be reduced to ten points.

1 And that's been done in the last three cycles.

2 Three criteria are listed under program criteria;
3 7, production, and 8, capacity, are legislatively required
4 under Public Resources Code 42874. Criteria 9, previous
5 Board Grants seek to give preference to those applicants
6 who have not had a Tire Product Commercialization Grant in
7 the last three fiscal years. For this grant cycle, there
8 is a maximum of the 100 points, which includes 60 points
9 for the general review criteria and 40 program criteria
10 points. You must receive a maximum of 70 points to be
11 eligible for funding.

12 There were four proposed changes under the Tire
13 Product Commercialization Program "need." The language
14 under "need" has been changed for clarity and a need to
15 gain more understanding of the projects that are
16 submitted.

17 Two, criteria under "need." Again to parallel
18 the language under "change," a five-point scoring emphasis
19 was added to the criteria.

20 And, three, criteria in 8, production, civil
21 engineering, and rubberized asphalt concrete projects were
22 given a higher point possibility than molded rubber
23 projects.

24 And four, criteria in 11 from fiscal year
25 2003-2004 located in an RMDZ zone, that was removed as

1 directed by Board members and discussed in the
2 Commercialization Roundtable meeting since the criteria
3 might not add benefit to the Tire Product
4 Commercialization Grant scoring criteria.

5 Under the geographic distribution of funds
6 section, at its November 2001 meeting, the Board approved
7 a geographic distribution of funds, but because more of
8 the waste tire supply is in Southern California, more of
9 the tire recycling businesses are also located in Southern
10 California. However, fiscal year 03-04 was the first year
11 the north/south split ranking was applied to the
12 geographic distribution of funds for this Grant fund. All
13 other years, the funding was distributed by order of
14 highest ranking score.

15 During the last fiscal year, 59.1 percent of the
16 funding went to Southern California businesses, and 40.3
17 percent to went to Northern California businesses.
18 Although statistics seem to show success, it was very
19 close to meeting the 61/39 percent desirable split.

20 Of the total 18 applicants that were reviewed,
21 five of the six Northern California applicants were
22 funded, versus six of the twelve Southern California
23 applicants that were funded. A Northern California
24 business just has to get over the passing range to get
25 funded. It is more difficult and more competitive for

1 Southern California businesses to get funded than a
2 Northern California applicant, because there are typically
3 more Southern California applicants.

4 Thus, staff is proposing that awards for Tire
5 Product Commercialization Grants be made to the highest
6 ranked applications in order of the score and not on the
7 north/south split.

8 Recommendation, staff recommends Option 1, the
9 adoption of Resolution 2004-312 directing staff to use the
10 proposed Applicant Eligibility Criteria, Project
11 Eligibility Criteria, Scoring Criteria, and Evaluation
12 Process for the Tire Product Commercialization Grant
13 Program, Fiscal Year 2004-2005.

14 Questions?

15 CHAIRPERSON PEACE: Well, I have one question on
16 the proposed project eligibility. You're specifically
17 saying in there that projects using devulcanization are
18 eligible. It doesn't say anything about paralysis and
19 gasification and liquefaction. If something came up in
20 those categories, would they be eligible? Has it been
21 determined if they would be eligible or not?

22 DEPUTY DIRECTOR LEE: Madam Chair, our position
23 on that is that the PGL projects would still be
24 ineligible. Right now, this issue is being debated, or
25 it's under consideration by the Board, as part of the

1 report that's being prepared to the Legislature on
2 conversion technology. We feel in deference to the
3 determination the Board would be making as part of that
4 process, it would be premature to discuss the grant
5 eligibility for this particular technology as part of this
6 Grant Program. And, indeed, as I said, since this is kind
7 of an interim effort, you know, pending a complete
8 look-see at this program as part of the Five-Year Plan,
9 we're comfortable with continuing the staff recommendation
10 that the PGL projects not be Grant eligible.

11 CHAIRPERSON PEACE: Also, Linda, under Program
12 Criteria Number 8, did I hear you say that was in statute
13 it had to be this way?

14 MS. DICKINSON: It can be put in there. It can
15 be defined in the statute. But it is also under "need,"
16 we can also use some of the "need" language as statute
17 also. So it's one of the shell definitions under 42872, I
18 believe, c. But I think the definition under "need" can
19 also cover it. So it's not specific to that, but it can
20 lend itself to it, if you understand what I mean by that.

21 WASTE TIRE DIVISION SUPERVISOR DELMAGE: If I
22 might add -- Mitch Delmage with the Special Waste
23 Division.

24 In the statute, it says that during these
25 evaluations of Grant applications that we need to consider

1 markets. In the past, this particular criteria we felt
2 had addressed that issue. What we did to strengthen that
3 was adding under "need" that the applicant has to identify
4 what markets they'll be using and what markets are
5 available for their product. So we are covered under
6 statute by having that "need" category expanded to discuss
7 markets. So --

8 MS. DICKINSON: It's covered under both.

9 WASTE TIRE DIVISION SUPERVISOR DELMAGE: -- this
10 enhances it, but it's not necessarily exclusive to that
11 statute.

12 CHAIRPERSON PEACE: Would we want to give more
13 points to crumb rubber manufacturers when, from what I
14 understand, a lot of them are going out of business
15 because they can't even sell what they're producing?
16 There isn't markets for what they're producing.

17 WASTE TIRE DIVISION SUPERVISOR DELMAGE: Well,
18 our plan -- with the Five-Year Plan, we plan on really
19 putting much more of an emphasis on demands side
20 marketing. The Commercialization Grant Program is more of
21 a push to marketing, you know, making the product. We
22 want to shift our emphasis from pushing the product out,
23 to getting people to buy the products. And we feel that
24 will help establish stronger markets so that these types
25 of businesses can grow and thrive and not go out of

1 business.

2 And that's why we moved up crumb rubber and
3 shreds to emphasize that there are potentially strong
4 markets in RAC and civil engineering. So we moved that up
5 to show that, that we want to support that and production
6 of materials for those two items.

7 CHAIRPERSON PEACE: Does anybody have any
8 questions?

9 COMMITTEE MEMBER WASHINGTON: I heard just the
10 opposite from the crumb rubber manufacturers, that if they
11 had some of these grants that were given to out-of-state
12 companies, and perhaps help keep them in business, that
13 they can participate in some of these things. I mean, I
14 just don't --

15 WASTE TIRE DIVISION SUPERVISOR DELMAGE:
16 Participate in what types of things?

17 COMMITTEE MEMBER WASHINGTON: Well, just some of
18 the Grant Programs that we're giving out, being able to
19 meet some of the criteria outside of these other existing
20 out-of-state companies who are coming in and overshadowing
21 them because they have experience. And they've been given
22 the grants before.

23 And you have some of the local folks who can't
24 meet those same criteria. And, to me, I'm just telling
25 you guys, it just makes no sense to me. We're overlooking

1 companies in our state who can do the business, but
2 because they can't meet certain criteria based on
3 out-of-state companies already getting the business and
4 getting some of these grants, they're pretty much going
5 out of business.

6 WASTE TIRE DIVISION SUPERVISOR DELMAGE: Well,
7 hopefully, because we've given so many points under
8 "need," that an out-of-state company, for instance, would
9 have had to have done their homework very well and would
10 have to demonstrate to staff in their proposal that they
11 not only are coming into California, but they have a
12 market already identified that they would tap into. As
13 Mr. Lee said earlier, we believe that in-state companies
14 already have their markets established and will have a
15 much better chance of showing staff that they're going to
16 meet that particular need.

17 COMMITTEE MEMBER WASHINGTON: And I certainly
18 would like to hear from some of the speakers. I hope we
19 have a couple of speakers who would speak to some of this
20 stuff.

21 WASTE TIRE DIVISION SUPERVISOR DELMAGE: One
22 issue I'd like to bring up under Production, Criteria 8,
23 as we were going through the review process, the final
24 review process, our intention was to put civil engineering
25 and RAC at the top of the pyramid here. However, because

1 tire shreds have many uses other than civil engineering,
2 we found it was difficult to determine from an application
3 that a person would, indeed, be using the tire shreds for
4 civil engineering. There could be market changes. Even
5 though in good faith they put in their application, they
6 have identified a market for civil engineering, they
7 needed to make a lot of tire shreds, that could shift.

8 We have not been able to identify a way of
9 assuring -- not just assuring, but to allow a business to
10 do business. If they get a grant from us and they're
11 producing tire shreds and they intended to use them in
12 civil engineering and got the grant because of that;
13 market changes, and they need to send it to alternative
14 daily cover, or whatever, to stay in business because
15 they've got to sell their product, we don't want to
16 penalize them.

17 So one of the things that we were considering in
18 this criteria is to remove this particular criteria in 8
19 and to take those 15 points and strengthen the "need" so
20 that the markets are more important, and to take that
21 other five points and maybe put that somewhere else in the
22 criteria.

23 CHAIRPERSON PEACE: I like that idea. Thank you.

24 MS. DICKINSON: Also, I needed to add that we did
25 receive two public comments. One was last week from Terry

1 Leveille through the California Tire Report on the item.
2 I'm sure you all received that. And another one was
3 yesterday from Tom Faust that talked about the scoring
4 criteria and its relationship to greenhouse gasses. And I
5 think the Chair received that e-mail as well.

6 CHAIRPERSON PEACE: If nobody has any other
7 comments, we can go to our speakers.

8 COMMITTEE MEMBER MOULTON-PATTERSON: I just --
9 you know, I don't know how exactly we'd do it, but I tend
10 to agree with Carl that there's just got to be a way to
11 encourage California businesses. I know you're trying to
12 entice businesses here and all that, but, you know, I do
13 think that the established California businesses sometimes
14 do lose out. And, I mean, I think that's what former
15 Governor Davis wanted to encourage and certainly Governor
16 Schwarzenegger wants to encourage. So, again, I don't
17 know how we do it, and I know it's difficult, but, you
18 know, I hear you, Carl.

19 CHAIRPERSON PEACE: How much of a problem is
20 this? In all the grants that we've given in the past, how
21 many have been to out-of-state companies?

22 WASTE TIRE DIVISION SUPERVISOR DELMAGE: There's
23 really been very few. But I would like to offer possibly
24 a solution to this. If we removed Criterion 8 and we have
25 15 points to divvy up, I'd suggest that we take ten points

1 and put it under "need" to really strengthen that area and
2 create a new criterion that in-state companies receive a
3 five-point edge, with the remaining five points.

4 CHAIRPERSON PEACE: That sounds like a good idea
5 to me. I like that idea.

6 MS. DICKINSON: Do you want to make it if you've
7 been in the state for two years?

8 COMMITTEE MEMBER WASHINGTON: I mean, I think
9 that we should have something. Because anybody can come
10 in and set up an establishment. So I do agree there
11 should be a minimum time you should have been here in the
12 state. I mean, two years would be perfectly fine with me.
13 That gives you enough time to set up your business and --

14 MS. DICKINSON: By virtue of a business license.

15 COMMITTEE MEMBER WASHINGTON: Exactly.

16 MS. DICKINSON: Or Letter of Corporation.

17 CHIEF COUNSEL CARTER: Madam Chair, could we
18 explore a little bit more the discussion regarding
19 qualifying for a California business at the time of the
20 application? I'm sorry I missed Linda's last comment.

21 MS. DICKINSON: You did get five points for being
22 a business in California. And the eligibility requirement
23 is a business license or a Secretary of State corporation
24 document that is at least in effect for two years.

25 COMMITTEE MEMBER WASHINGTON: With a headquarter

1 address in California.

2 MS. DICKINSON: Right.

3 CHIEF COUNSEL CARTER: What we could do, if you
4 would like because this is an important issue, Legal staff
5 could work with Program before the actual Board meeting,
6 and we could hammer this out to make sure that we've
7 covered all the criteria necessary.

8 COMMITTEE MEMBER WASHINGTON: Great.

9 MS. DICKINSON: Because there's partnerships.

10 CHAIRPERSON PEACE: You'll have that all squared
11 away before the Board meeting?

12 CHIEF COUNSEL CARTER: Yes, we will.

13 CHAIRPERSON PEACE: Okay. Thank you.

14 If there's no other comments, we'll go ahead and
15 listen to our speakers. Our first speaker is Mr. Terry
16 Leveille.

17 MR. LEVEILLE: Madam Chair, Committee members,
18 and Mr. Papanian, really, what I'd like to speak about
19 really is more of what was -- I had a just a couple of
20 items I was going to talk about today, but in this
21 discussion with Board members and staff, they raised a
22 couple of other issues.

23 I do think that some of the criteria -- some of
24 the eligibility and stuff in the scoring has been improved
25 by the staff. I think expanding the "need" section is

1 important. Taking away the points for an RMDZ citing is
2 important and the north/south split. I always felt that
3 was really more for the local government type of grants,
4 the playground and that type of thing, where you've got 40
5 or 50 different cities and counties that are applying for
6 that.

7 I was a little concerned about the discussion
8 about the penalty phase over the last two years, because
9 it wasn't really spelled out for ineligibility. And I
10 think that that needs to be clarified. Does this mean a
11 permit violation? A letter of violation? A fine? Is
12 there any more specificity on that particular issue?

13 WASTE TIRE DIVISION SUPERVISOR DELMAGE: Mitch
14 Delmage, again.

15 As I understand it, what we're looking for --
16 because of due process considerations, we're looking for
17 an administrative order that has no recourse by the
18 offender. So it's gone all the way through the process.
19 I'll let Legal take over before I get in trouble.

20 MS. ARMSTRONG: Holly Armstrong from the Legal
21 Office.

22 A final administrative decision which does have
23 an appeal by the offender and where the appeal process has
24 either been taken and finalized or where the offender has
25 chosen not to appeal, so that the administrative decision

1 has become final.

2 MR. LEVEILLE: And an administrative decision in
3 that case would be some sort of a fine?

4 MS. ARMSTRONG: It could be a penalty, a permit
5 or license revocation, or suspension.

6 MR. LEVEILLE: Okay. I think that that needs to
7 be, you know, as you -- I know you're going to put in a
8 new updated version of this agenda item in next week's
9 Board meeting. It should be clarified a little bit more
10 than just we were talking about.

11 I'm a little bit concerned about pulling off
12 Criteria Number 8 and moving that into the "need" and out
13 of state issue. I think one of the things that has done
14 well for the Board is that they've been able to set some
15 policy priorities. And one of those ways is by focusing
16 on certain types of tire recycling enterprises every year,
17 and it changes from year to year as to what they view --
18 what the Board views as important.

19 I can see right now that, I think, crumb rubber
20 and civil engineering are by far the most important
21 technologies as far as marketability and potential
22 marketability. Crumb rubber, as Mr. Washington was
23 saying, a number of the crumb rubber processors do need to
24 upgrade their equipment so they can compete with
25 out-of-state and out-of-country enterprises and produce a

1 product that is cheaper and more marketable.

2 Civil engineering, likewise, it has the
3 potential -- an unrealized potential, but a significant
4 unrealized potential. And I think to take away that point
5 advantage in those two areas really goes to the detriment
6 of not only the Board's ability to set priorities and what
7 types of products and recycling enterprises they would
8 like to see, but it shortchanges some competitiveness
9 here. It lumps everything. The crumb rubber processors,
10 it would lump them with the molded rubber products, which
11 had enjoyed an advantage for the last few years, and other
12 things.

13 So I really think you want to think about this
14 particular move. I don't know what the concerns are as
15 far as out of state. I can see there might be some issues
16 regarding Interstate Commerce Clause, if you prevent a
17 company that wants to get in on these grants, as long as
18 they found a site in California and are ready to move,
19 like I think one company did last year. So I think it
20 just needs to be thought out a little bit and maybe
21 discussed before the Board meeting next week.

22 The issue of tire shreds, I didn't like seeing
23 just tire shreds, per se. I think that gives a license to
24 anybody that wants to make ADC and deposit that in the
25 landfill the go-ahead, even though -- I mean, you're

1 basically saying tire shreds. You're allowing for some
2 subjectivity in the need portion. If a company says,
3 "Well, we want to make ADC," but there's always ways that
4 a company that's putting in an application can justify a
5 possible market and then flip-flop right over in ADC. And
6 I can't see rewarding that. I think there should be at
7 least a prohibition of rewarding an ADC project in that
8 regard.

9 There's no mention in here about -- and it's
10 something I've written about -- recycled content paper and
11 what these applications -- what percentage of postconsumer
12 recycled content paper will be required on these
13 applications. I know Mr. Paparian in the past has urged
14 that grants and contracts and the like be 100 percent
15 postconsumer content paper. The Playground Cover Grants
16 and the Running Track Grants require that.

17 I went around just calling around to the big
18 three; Office Depot, Office Max, and Staples. Office
19 Depot -- one Office Depot place had 100 percent
20 postconsumer content paper. And I went down there and I
21 said, "Well, how many reams do you have?" He said, "We
22 have three left, but we're discontinuing it because nobody
23 wants it and nobody wants to pay that price."

24 I'm not adverse to having that on there. But the
25 problem is that there's no regulation. There's no

1 monitoring. And if, you know, one applicant, you know,
2 goes to ten different stores to find it just to meet that
3 particular qualification and the other ones just blow it
4 off, you know, it just makes it harder for those that are
5 focused on that. And if there were a type of monitoring
6 or a requirement that if they didn't use 100 percent
7 postconsumer paper that they would be automatically
8 ineligible, that's one thing. But it's never been
9 monitored as far as the staff is concerned. I think that
10 really needs to be taken a look at it.

11 One of your staff people said there was a Kinkos
12 up on Douglas Street that had 100 percent recycled content
13 paper. Well, how many -- and this goes to cities and
14 counties, too. How many are going to be spending hours
15 trying to locate one that has a ream or two of 100 percent
16 recycled content? Currently, and last year, you've always
17 required 30 percent. That's readily available. And so I
18 just think there has to be some consistency there if
19 you're going to hold to that particular requirement.

20 CHAIRPERSON PEACE: Let me just ask staff, how do
21 you know if somebody has been using -- you just take their
22 word for it? Is there any way to verify it?

23 WASTE TIRE DIVISION SUPERVISOR DELMAGE: In the
24 past, we haven't checked. I believe there are tests that
25 you can conduct on paper to determine that.

1 CHAIRPERSON PEACE: When he talks about 100
2 percent postconsumer, that's different than 100 percent
3 recycled.

4 WASTE TIRE DIVISION SUPERVISOR DELMAGE: In the
5 past -- and most of our reports state they're 100 percent
6 recycled, 30 percent postconsumer. This year, we had
7 placed in the requirement that it be 100 percent
8 postconsumer.

9 BOARD MEMBER PAPARIAN: Madam Chair --

10 MS. DICKINSON: I think Holly has some
11 information on it.

12 BOARD MEMBER PAPARIAN: I was going to offer --
13 this may be a Sustainability Committee item that we can
14 look into. I know the paper that this is printed on,
15 that's 100 percent postconsumer. So there is some
16 availability. But if it's not available to the applicant,
17 you know, I agree that could be a problem if they can't
18 find it. But, again, I think it may be something for the
19 Sustainability Committee to look at in terms of overall
20 for all our various types of grants and various types of
21 programs and so forth. I'll commit to do that in
22 conjunction with the staff, if that will help.

23 MS. DICKINSON: What I did is looked on the New
24 Leaf website where we get ours in bulk. And New Leaf
25 sells theirs to Kinkos. So I called Kinkos. They have it

1 available for 5.25 a ream. And like Terry said, they
2 don't have that many -- each Kinkos doesn't have that many
3 reams, because it's expensive and not everybody requests
4 it. When you go down to Kinkos, they don't have a price
5 list, so I couldn't bring you the price list. They just
6 say, "It's available. I can go in the back and get it for
7 you if you want." So that's the availability of it.

8 MS. ARMSTRONG: Our markets and product
9 development folks are putting together a list of where the
10 paper is available. And they're doing some cost
11 differentials. According to Jerry Hart, the cost is not
12 that much greater. And to prepare an application, they
13 would only have to buy one ream of paper. And we could
14 even have them submit the label with the application to
15 demonstrate that it was on 100 percent postconsumer paper.
16 So that's one solution.

17 In the past, we've trusted the integrity of our
18 applicants, when in the instructions, that they compiled
19 with the instructions. And we kind of hate to go away
20 from that. But we could have them supply the label. But
21 we can supply a list of suppliers where the paper is
22 available with the instructions.

23 CHAIRPERSON PEACE: Well, that at least sounds
24 like a good idea, to let them know where it's available
25 and where they can get it. And as long as we're going to

1 make people go to the trouble to find it and pay for it,
2 we should make sure they have the label or something to
3 show they actually did it.

4 DEPUTY DIRECTOR LEE: Madam Chair, like I said,
5 from the staff's perspective, again, we like to make this
6 as easy to administer as possible. You know, certainly I
7 think as part of our application we can identify those
8 areas where the paper can be found. But I'd like to kind
9 of stop short of making this an ineligibility criteria.
10 And if they don't do it -- we're trying to encourage and
11 stipulate the market. And I think by making that a
12 requirement as part of our package, I think, you know, we
13 are doing our part to do that. But I would hopefully not
14 make it any more burdensome on either the grant managers
15 or the potential grant applicants than we have to.

16 CHAIRPERSON PEACE: Any other comments?

17 STAFF COUNSEL BRECKON: Madam Chair, this is
18 Wendy Breckon, Staff Counsel for the Legal Office.

19 I just want to respond to one of the speaker's
20 comments about the Interstate Commerce Clause. He said
21 that might be an issue and perhaps we shouldn't be
22 referring in-state companies because of that institutional
23 issue. There's a market participation exemption to that
24 Interstate Commerce Clause, which means that, as Marie
25 Carter had said, the Board has its own money to spend. It

1 can spend it how it wants. And, really, you can prefer
2 in-state companies if you wish. We're not preventing
3 out-of-state companies from coming to the state.

4 You know, and the Interstate Commerce Clause --
5 if we were doing something like regulating and preferring
6 in-state companies in regulation and saying, well, you
7 know, if you're in California then you can dump, but if
8 you're from out of state, you can't, well, that clearly
9 would be a violation.

10 MR. LEVEILLE: And, well, I would be strongly
11 supportive of maintaining, you know, the in-state thing.
12 I just was concerned -- and, secondly, I was concerned
13 about losing that Criteria Number 8 where you identify
14 markets that you want to target and technologies that you
15 want to uphold to that portion. And I wouldn't have any
16 problem about a requirement if, indeed, you know, it fits
17 under all the available statutes in federal law about
18 having a requirement of the two-year residency here before
19 you could apply for the thing. My main concern really was
20 more of moving that whole Criteria Number 8 into "need"
21 and that interstate -- or that intrastate requirement.

22 And, likewise, I feel the goal of 100 percent
23 postconsumer recycling paper is a good one, and I'd like
24 to encourage it. But I want it applied evenly. And if
25 there's some good idea as to how you can show that, I

1 think that that -- I wouldn't have any problem with that.
2 I think it just needs to be consistent. And you need to
3 make sure that it is abided. And, certainly, you don't
4 want to eliminate an applicant if they don't do it. But
5 at least it should be a portion -- it should be noticed a
6 little bit more clearly that that is a requirement.

7 Finally, I had one issue -- and that was the main
8 reason I was coming up here -- is this whole issue of the
9 banning of pyrolysis, liquefaction, gasification. The
10 purpose of the competitive grant program as staff writes
11 it is to produce new tire-derived product lines.
12 Pyrolysis, as cost ineffective as it has been shown
13 throughout the United States, is a technology that is
14 generally a closed vessel technology. It is not one that
15 has been -- that was the intent of the Legislature, to ban
16 the research or the funding of. That was focused on
17 cement plants and by, you know, association cogeneration
18 facilities.

19 Pyrolysis units for the most part -- as I say, I
20 have never seen one that has been cost effective without a
21 heavy subsidy. They do work. And I think it's wrong to
22 stretch that interpretation of the budget control language
23 of 2003 to include those types of technologies. There may
24 be a technology and a product derived from that technology
25 that may be workable and may be cost effective.

1 And I think it's wrong to -- last year, you held
2 off and you would not make eligible devulcanization or the
3 pyrolysis projects because you were waiting for studies.
4 The devulcanization study came in. Devulcanization is now
5 an eligible project or an eligible technology.

6 The pyrolysis study, we're still awaiting, from
7 what I understand. It was supposed to be available in
8 spring or summer. And you know, I mean, whether that's --
9 even if it said that it was not a very cost effective
10 thing, to disallow somebody from applying for one of these
11 grants, if they can show to the staff -- I mean, you've
12 got to do a lot of persuasion to show to the staff this is
13 a financially feasible thing. Staff are pikers in judging
14 these applications. And I think it would be wrong to ban
15 that type of technology from this application.

16 I've got a client, Dr. Ali, here, who has a
17 project in mind that would include a type of pyrolysis.
18 And I wanted to introduce him and show you that what we're
19 talking about is not what the Legislature was concerned
20 about, which was air emissions. This thing doesn't emit
21 air emissions. It's a closed vessel operation. And I
22 just want you to keep an open mind on that particular
23 thing and not close it off when you take your final vote
24 at the Board next week.

25 Any questions?

1 BOARD MEMBER PAPARIAN: Madam Chair, could I ask
2 him a question?

3 I understand, Mr. Leveille, you're the proponent
4 of removing the RMDZ criteria. That's something that in
5 the Sustainability and Markets Committee we've been trying
6 to look at ways to enhance the RMDZ Program. And we're
7 going to even have a few workshops early part of the year
8 about how to do that.

9 I'm wondering if you would have a problem if we
10 were to put back an RMDZ five points, but as part of that
11 Item 10, the previous Board grants, just another pathway
12 to get that extra five points. If you haven't received a
13 grant in the last two years or if you're in an RMDZ zone,
14 you could get that five points in Item 10. That way, we
15 can -- we're trying to do a whole package of things in the
16 RMDZs to really enhance those businesses that chose to
17 locate in the RMDZs. And it's not an extra five points.
18 It's another pathway to five points.

19 MR. LEVEILLE: The thing about the RMDZs is
20 it's -- almost established businesses -- it's almost a
21 fluke if you happen to be in an RMDZ zone. And one of the
22 reasons why I argued this issue was because there is a
23 company down in Southern California that has been working
24 very diligently with their City Council to allow
25 themselves to be an RMDZ -- in an RMDZ and to expand that.

1 And, you know, most of the state now is almost an RMDZ.
2 There are little pockets of resistance. But for as much
3 lobbying as they have with the City Council, it's fallen
4 on deaf ears for whatever reason. It's the City of Santa
5 Fe Springs.

6 For the life of me, I figure that a company that
7 is in an RMDZ is eligible for low interest loans and is
8 much more benefited by the RMDZ than the likelihood of
9 getting a grant. And I never associated the two. I mean,
10 you're in an RMDZ. You've got an advantage anyway as a
11 recycler. And my thinking is that we should, you know --
12 I would like to see the whole state be an RMDZ so that
13 there wouldn't be these pockets of resistance. But I
14 think it's unfair to punish a company that happens to be
15 located in a site that doesn't -- isn't in an RMDZ to lose
16 points.

17 BOARD MEMBER PAPARIAN: What I was suggesting was
18 not a punishment, but a second way to get the extra five
19 points. And maybe we can hear from some of the other
20 speakers, too. I don't want to dwell on this.

21 MR. LEVEILLE: I still think that any relation
22 with a grant and an RMDZ is unfair. I think they're two
23 separate entities. We'd like to see the state be an RMDZ,
24 but I would have -- you know, still have problems having
25 companies benefiting because they happen to be residing in

1 an RMDZ.

2 CHAIRPERSON PEACE: I think we need to move on.
3 We do have several more items here. I guess there's
4 another meeting in this room at 2:00, so we do need to
5 move this along. I'm going to ask the speakers if they
6 can please limit their comments to five minutes.

7 And our next speaker is Dr. Ali.

8 DR. ALI: Madam Chair and members of the Special
9 Committee, I'm here to request the technology that I have
10 patented to produce activated carbon from waste tires.
11 It's not -- basically, it's not a pyrolysis process. It's
12 a carbonization thermal degradation process which produces
13 activated carbon. Activated carbon is used in the control
14 of pollution.

15 In fact, the technology that I have patented with
16 a small project utilizes about 3 million tires, is capable
17 of producing 74 million water bottles, and 2 million
18 filters. In fact, it produces the plastic content
19 recycling by one-fourth.

20 The technology I have developed over the period
21 of 25 to 30 years -- the first activated carbon plant I
22 licensed to Sri Lanka in 1975 when developing countries
23 had the problem of utilizing coconut shell waste. Today,
24 if you go to India or Sri Lanka, any country, they are
25 almost utilizing 90 percent of coconut shells.

1 So I want to demonstrate that waste tires can be
2 used to produce activated carbon. In fact, least week I
3 was in India. I produced activated carbon. And I am
4 sending the sampling to Brita who are interested to buy
5 activated carbon from us. And I'm in the final stages of
6 setting up a plant in Alberta where Alberta Tire Recycling
7 Management Board has agreed to give us the subsidy for
8 setting up the plant in Edmonton.

9 So I request to exempt the technology for
10 activated carbon from the eligibility criteria and not
11 consider that process as a part of pyrolysis process.

12 CHAIRPERSON PEACE: Thank you.

13 Any questions?

14 Okay. Our next speaker is Mr. Faust.

15 MR. FAUST: Madam Peace, Board members, and Mr.
16 Papanian, this morning as I was making breakfast for my
17 ten-year-old son, I gave him oatmeal. And he didn't want
18 to eat it. And I said, "Well, how about if I re-heat it
19 and make it warm?" And so he said, "Daddy, I told you
20 once I didn't like oatmeal. I don't care what you do, I'm
21 not going to like it. I want this." You know, and so the
22 reason I tell you this story is because, you know, the
23 Board has set up previous grants and policies that they
24 have consistently done and consistently done for year
25 after year. And what they do is tweak them every now and

1 then, and they tweak them and tweak them, and they don't
2 work.

3 And we have -- you know, we have a system where
4 three companies -- crumb rubber companies went out of
5 business this last year. We have a whole rubber recycling
6 business that is just hanging on a thread. You know, by
7 putting a tweak here, putting it in the microwave and
8 warming it up is not going to solve the situation. The
9 existing system needs to be -- just needs to be changed
10 drastically.

11 Now, I've submitted my comments here. Does
12 everyone on the Board have my comments? Okay.

13 Well, what's happened is we've spent a lot of
14 money, millions and millions, on just Band-Aid approaches,
15 cleaning up messes, and whereas we should be concentrating
16 on the markets on stimulating new technologies.

17 I was really interested in seeing this article
18 where Governor Schwarzenegger vetoed what I thought was a
19 beautiful bill for mandating Caltrans to take on the
20 rubberized asphalt. And the reason he cited was global
21 pacts are -- we have to follow our trade pacts. Well, our
22 trade pacts around the world are all saying the Kyoto
23 Accord is law and our most important trading -- at least
24 California's most important trading partner is Japan.

25 That's the reason the Governor was over in Japan,

1 was to restimulate more trade between California and
2 Japan. Well, Japan is the primary -- one of the primary
3 lead nations behind the Kyoto Accord. And as you know,
4 Russia was the last one that signed it. And now it's the
5 de facto law beginning February.

6 Earlier today, we discussed recycling paper. We
7 had a 15-minute discussion on why paper was important --
8 recycled paper should be included in the thing. Well, I
9 say that recycling technologies that take into effect
10 greenhouse gasses is another very, very important factor
11 that's been totally ignored by the Board.

12 We had the rest of the state, the Air Resources
13 Board, and two Governor's have ratified and signed, that
14 the Legislature has passed laws that say we have to take
15 into consideration greenhouse gasses, yet there is zero
16 points allocated for technologies that promote reduction
17 in greenhouse gasses. And, instead, they encourage tire
18 shredding.

19 Well, I'm 100 percent in support of the total --
20 there should be zero points given for tire shredding at
21 all. As Terry Leveille points out, all it does is
22 encourage ADC and other things that don't encourage tire
23 recycling. As a matter of fact, what it does, it hurts
24 the market. Because when you subsidize a low-margin
25 business, what it does is encourages more people to go in

1 it. And what it does, it drives the prices down so it
2 causes more bankruptcies. So what you're doing is you're
3 causing more damage by giving points to anything that
4 has -- for tire shredding. That should be a zero-point
5 item and should be disallowed from anything.

6 It's very important -- so I said if we're really
7 pushing recycled paper, we have to push greenhouse gasses.
8 And my suggestion on page -- on the new scoring criteria
9 thing right here, you know, all the little items that were
10 really -- they don't affect the project or anything. All
11 they are is just restated words that you're just judged
12 and rejudged on the same thing but with different words.
13 So I'm advocating cutting out a lot of those items and
14 creating a new category called greenhouse gas reduction
15 calculation and putting 35 points in there.

16 And then changing Item 8, the Program Criteria.
17 You know, making molded rubber products is extremely
18 important. That follows the law. Public Resources Code
19 40051 states that molded rubber products -- in other
20 words, returning a product to its original form is the
21 highest priority in the state. And all these others are
22 just secondary and tertiary and of absolutely no
23 importance. And they should not be given any points for
24 any civil engineering or bearing or any of those points.
25 That should be a project that's totally taken out from any

1 consideration.

2 CHAIRPERSON PEACE: In the interest of time, one
3 more minute.

4 MR. FAUST: One more minute. Okay.

5 Well, another one of the criteria that I thought
6 was arbitrary was Ms. Dickinson said that they will
7 automatically disqualify a project if they suspect it's
8 part of a larger project. Well, this whole Board knows
9 that that's an indirect slam at ultrasonic devulcanization
10 because that is a 3 1/2 to \$4 million project. And you
11 can break down certain components of that and -- anyway, I
12 disagree with that. So also the limit of \$250,000 is
13 arbitrary.

14 The 50 percent match, the National Science
15 Foundation and other foundations, you know, they have a
16 maximum of 10 percent rather than a 50 percent. When
17 you're bringing new technologies on high ticket items with
18 new technology, it's very costly. And, you know, this
19 state generates 55 million -- if you count all the tax
20 dollars under AB 923, it comes out to over \$50 million a
21 year. And this state should be doing something about
22 creating new technologies for bringing them to market.

23 Please, I urge you to not accept the staff's
24 recommended thing, and instead I urge the Board to
25 seriously consider and adopt the new guide points that

1 I've established right here. Thank you.

2 CHAIRPERSON PEACE: Thank you. Next speaker is
3 Mark Korte.

4 DEPUTY DIRECTOR LEE: Madam Chair -- excuse me,
5 Mr. Korte, just one second. A clarification of Mr.
6 Faust's remarks. Again, we just wanted to redirect and
7 make sure the Board's aware that devulcanization projects
8 are specifically grant eligible. Mr. Faust had indicated
9 that staff was indirectly trying to preclude consideration
10 of projects that he might want to bring forward.
11 Mr. Delmage can enlighten the Board on exactly what the
12 rational for that particular criteria.

13 WASTE TIRE DIVISION SUPERVISOR DELMAGE: Just a
14 small point of clarification. The ineligible projects
15 that are listed as projects that are linked to other
16 proposed projects under this grant program was something
17 that had come up several years ago where the same company
18 essentially got two grants. So that's just to make sure
19 that somebody hasn't come in for a grant under a larger
20 umbrella and then come in for a second grant under one of
21 the subsets of that larger umbrella. So it in no way had
22 anything to do with Mr. Faust's proposal.

23 CHAIRPERSON PEACE: Thank you.

24 MR. KORTE: Okay. Good morning. By the way, do
25 you validate? I'm trying to save up my money for my

1 matching funds. I'm sorry.

2 I want to speak about several things. I'll make
3 it very brief. One is we did move into an RMDZ zone with
4 our eyes open. You know, that was one of the things we
5 took a look at before we moved. So, you know, it wasn't
6 by accident that we're in an RMDZ. I support having some
7 sort of incentive for being there, obviously.

8 I want to applaud the progress that's being made
9 as I see it on this evaluation criteria. I think that the
10 staff recommendations are going incrementally towards
11 where I feel, at least in my opinion, we need to go.

12 One of the other things I'd like to do to enhance
13 the process is perhaps having a Q and A process after the
14 applications are in. In other words, have somebody from
15 the Board that's appointed by the Committee to, in fact,
16 interview, if need be, the grant applicant to get any
17 additional holes plugged in the application. I think what
18 that does is provide good information without worrying
19 about whether they're an expert in writing grants. I
20 think a lot of times money is awarded because of the
21 quality, not of the project, but of the writing for the
22 project. So if you could consider that.

23 The evaluation for proof of additional tires
24 available, I think you're going to find, may be fairly
25 problematic in the evaluation process. If we had access

1 to additional tires for our particular process as a
2 processor not only in granulated rubber, but ADC, and some
3 of the lesser use items, lesser value items, we'll seek
4 that market anyhow without regard to whether we're going
5 to find something new for it. So you know -- and maybe we
6 are looking at a point where we're shuffling tires from
7 one processor to another based on their end use. I don't
8 know. Perhaps that's a natural evolution.

9 We've got the -- I applaud the being able to give
10 some additional points to California businesses. One
11 thing you may want to keep in mind is people like us where
12 we actually changed ownership -- or part of our ownership
13 has changed, and we changed our corporation because of it.
14 We've been around forever in this tire recycling industry.
15 1979 is our genesis. But we changed a person around, two
16 people around. And that's it. But we did change our
17 corporation and our business license because of that.

18 Canadian rubber is still an issue. It's going to
19 be an issue in the future. And I know I keep beating a
20 drum and perhaps a dead horse, but they're in the process
21 of trying to take raw material from California to muddy
22 the waters on some of the protections we put in the past
23 on grant recipients having to use California rubber. I
24 think it's going to be an issue in the future and just
25 wanted to comment on it.

1 And I'm done.

2 CHAIRPERSON PEACE: Okay. Thank you.

3 Next speaker is Scott Smithline.

4 MR. SMITHLINE: Madam Chair, Committee members,
5 Board Member Papanian, good morning. I think we might be
6 in danger of overengineering these criteria a little bit,
7 as I follow this process. And I'd like to take a moment
8 to step back and look at the big picture. I'll make two
9 points.

10 I think Criteria 7 is an important criteria, and
11 I think when it was originally instituted, if I'm not
12 mistaken, the recycled purchase policy, it was awarded
13 greater weight. And I think these are the kind of
14 programs that pull money through the system for recycled
15 products, and I think that's important.

16 But I think, most importantly, is the discussion
17 on Criteria 8. And I'd like to seek a clarification if I
18 may. On page 32-3 of the agenda item near the bottom
19 where it says, "proposed changes to criteria," in the
20 middle of the paragraph it says, "Criterion 8, Civil
21 Engineering and Rubberized Asphalt Concrete projects were
22 given a higher point possibility than molded rubber
23 projects." And when I look at the scoring criteria on
24 Criteria Number 8, I just see, A, crumb rubber and tires
25 shreds. I don't see RAC and civil engineering itemized

1 there.

2 So I'm just wondering, which is actually
3 governing? Is it the agenda item? Because crumb rubber
4 and tire shreds means something different than civil
5 engineering and RAC. So that's question one.

6 And question two is, if we're contemplating
7 removing Criteria 8, I think that's a bigger problem,
8 because I really see Criteria 8 as -- if you remove it, I
9 think you're gutting a lot of the intent of this program.
10 I think you're pulling the hierarchy out of this grant
11 program. I that as a major problem.

12 I'm wondering if we can clarify whether it's the
13 agenda item that's governing or whether it's the language
14 in Criteria 8 in the attachment.

15 WASTE TIRE DIVISION SUPERVISOR DELMAGE: If I
16 might respond, Madam Chair. Mitch Delmage, Special Waste
17 Division.

18 That's exactly the problem we ran into. Crumb
19 rubber is fairly simple. We could have replaced it with
20 RAC, but we thought crumb rubber was important as well.
21 The shreds become the issue. It's very difficult to put a
22 criteria that would require a company to only sell their
23 product for civil engineering applications. It wouldn't
24 make good business sense for somebody to do that without
25 some kind of guarantee over, in this case, an eight-year

1 period, because we have a three-year grant with a
2 five-year follow up. So it would be very difficult for a
3 company to make that kind of commitment to us.

4 Because of that, we thought that this particular
5 grant program will help strengthen the industry at its
6 base, but that where we really need to put the effort on
7 advancing molded rubber products and civil engineering and
8 RAC is in the marketplace. And so during the five-year
9 planning process, that is something we've heard at the
10 workshops, and we will be moving in that direction to put
11 much more of an emphasis on a market demand rather than a
12 market push.

13 MR. SMITHLINE: I guess our concern is that if
14 you remove this criteria, these grant monies could
15 directly be going for tire shreds for ADC or for shreds
16 that are going to a tire-derived fuel use. I see that as
17 conceivably running afoul of the statutory mandate on this
18 Board, at least with respect to TDF. Dollars are
19 essentially refundable. If you're giving grants to
20 companies that are using this grant money to shred tires
21 for TDF purposes, I'm not sure that would be proper.

22 And just to reiterate my prior point, the
23 hierarchy has to be represented in this grant program
24 somewhere. And we're talking about 1.6 million
25 approximately per year program. We need to be able to

1 identify what the priorities are when we're giving away
2 that money to these companies, because this is a grant
3 program. So I think we can't just abandon this criteria.
4 Maybe we need to rework it. But I would urge you to not
5 just abandon this criteria. Thank you.

6 WASTE TIRE DIVISION SUPERVISOR DELMAGE: If I
7 might respond as well. With regard to the TDF, as the
8 Board members are aware, we're not allowed to support that
9 in any way. And so that will be a prohibition. However,
10 there aren't that many uses for tire shreds. If we tell a
11 potential applicant they can't use it for TDF, which they
12 can't, and they can't use it for ADC, then they're very
13 limited in where they can sell their product. And so we
14 don't want to close that door entirely. Although when we
15 review under "need" the markets, that's where we'll give
16 the proper weight to the market that they've identified.

17 MS. DICKINSON: Linda Dickinson.

18 If you do want to place emphasis on it, though,
19 as Mr. Smithline indicated, under production you could
20 give a weighted point system to civil engineering, RAC,
21 and crumb rubber. You could weight them under that and
22 pick your best choice. Say civil engineering, RAC, crumb
23 rubber, and other, and weight them that way.

24 CHAIRPERSON PEACE: Any business can say they're
25 going to be doing civil engineering projects. But if the

1 market doesn't pan out and there doesn't happen to be a
2 lot of civil engineering projects going on, they might
3 have to sell their product for another use.

4 MS. DICKINSON: We do have RAC Grants going on,
5 and we do expect there to be an increase in RAC usage. So
6 I would expect there's going to be an increase in RAC.
7 And that's why we want to build that into the RAC market.

8 CHAIRPERSON PEACE: Okay. Thank you.

9 Our last speaker is Mr. Takallou.

10 MR. TAKALLOU: Good morning, Madam Chair, members
11 of the Board. I would like to talk about the RMDZ. I was
12 just sitting there and listening.

13 In 1997, we wanted to start our tire recycling
14 facility in Southern California. And one of the locations
15 which was very appropriate for us was Santa Fe Springs.
16 We brought our project to RMDZ to the people at the Board
17 here and said, by the way, this area is not RMDZ. And we
18 struck that site out of our options. We went to Compton
19 to be located in RMDZ.

20 In my opinion, you're sending mixed messages
21 here. If you're just encouraging processors to go to RMDZ
22 and now all of a sudden just switch that, you sending a
23 wrong message because one company in this state is not
24 located in RMDZ. That happened in 1997 to our company,
25 and we decided to go to RMDZ. And Santa Fe Springs was

1 one of our choices. But because of our RMDZ, we went to
2 Compton area.

3 And I would support Mr. Papanian in giving some
4 recognition in this grant process for people who are
5 concerned with the requirements already the Board has
6 already established. So the five points Mr. Papanian is
7 recommending, I support that.

8 The second point I want to bring up to you, there
9 was some talks of crumb rubber facilities are going out of
10 business. I'm proud to say I'm a crumb rubber facility in
11 Southern California, and some people say we are the
12 largest in United States now. We're very healthy. And
13 the reason some of the crumb rubber suppliers went out of
14 business is not because of the market. It's because of
15 the internal management or the expectations they had.
16 Some of these companies are being supported by big
17 corporations, mutual funds which they want to make it
18 hundreds of times under money. This is a manufacturing
19 process.

20 The one thing I want to bring it up to you, SB
21 1346, which the Board put in quite of bit of emphasis on
22 RAC -- and Caltrans through their consultant, Dr. Gary
23 Hicks, announced yesterday 25 percent of their projects in
24 this year are going to be rubberized asphalt. I firmly
25 believe we are going to have a shortage of crumb rubber

1 for our RAC projects in this upcoming year. So in one
2 hand if Board putting money and giving grants to the
3 cities and counties to put RAC, and then the rubber
4 suppliers are not there to increase their capacity, so we
5 may actually have to -- not us, but they may have to bring
6 rubber from out of the state. So I encourage the Criteria
7 Number 8 to stay in place because that's really needed
8 for --

9 CHAIRPERSON PEACE: Don't you think that can be
10 addressed, like staff said, under "need?" You get more
11 points under "need" if that's a project that's needed, if
12 the crumb rubber project is needed to produce RAC. Crumb
13 rubber for the RAC projects, you get for points under
14 "need."

15 MR. TAKALLOU: But the "need" right now is very
16 general. The Criteria Number 1 is very general.

17 CHAIRPERSON PEACE: Okay. Go on.

18 MR. TAKALLOU: The last item, Item Number 6, we
19 talked about markets. Establish businesses which they
20 know what they're going to do if they have a market for
21 the product. In this criteria, one of the items it says
22 includes two letters of commitment or intent to purchase
23 product. And also the last bullet, describe grant
24 management experience. Well, somebody really can just
25 come with new experience and just say okay, I don't really

1 need to have a market, five points, you know. And if
2 there's a first-time applicant, so he gets his five points
3 under Criteria Number 10 anyways.

4 So you do not have to have experience. You do
5 not have to have a market. And the company who has the
6 experience and the market will be penalized because the
7 weight on Item 6 -- so what happens if I don't have a
8 market? I don't include letters and I lose 5 points. And
9 that's, I think, you know -- this is oftentimes the
10 problem. People, they get in this business and for their
11 own stake. They get into this business because of this
12 \$250,000 grant. Not only they lose taxpayers' money, they
13 lose their own money as well.

14 And the last item, and this has been -- you're
15 going to also help the grant applicants, the match money.
16 I have seen last year one grant for \$250,000 was proposing
17 one million dollars match, which is good. When you write
18 these and type it on your word processor, you can type
19 whatever you want to type. However, what's wrong if that
20 company can produce at least some evidence he can be in
21 business, or he can actually come up with that -- whatever
22 is that 50 percent match or one million dollars match.

23 And let me give you two examples. In the last
24 round, two grants went to two companies, went immediately
25 out of business. One was in Southern California and one

1 was in Northern California. If you would have just asked
2 their bankers, you know what? Why don't you give me a
3 letter? I can even -- if I accept this grant, I can come
4 up with my match. I don't think that many bankers would
5 have -- or whoever is going to support them is going to
6 open their eyes and say, wait a minute. This is for real.
7 So these two grant applicants who received the grants,
8 they immediately went out of business.

9 And there should be some sort of a checks and
10 balance prior to awarding these grants, if this company is
11 going to be around. And we know in one case the equipment
12 which was purchased with grant money -- and I don't know
13 the status of it -- the equipment was sold to a company in
14 Iowa. It was public information. And I hope some day
15 Waste Management Board can go and get the machine back.

16 CHAIRPERSON PEACE: Did we put in this one that
17 you have to keep the equipment in California for five
18 years?

19 WASTE TIRE DIVISION SUPERVISOR DELMAGE: That's
20 correct.

21 CHAIRPERSON PEACE: Do we have a lien on that
22 equipment?

23 WASTE TIRE DIVISION SUPERVISOR DELMAGE: If he's
24 referring to the Bay Area Tire Recycling, Legal has been
25 addressing that issue.

1 CHAIRPERSON PEACE: That wasn't an issue where
2 they just decided to move their business to somewhere else
3 and take the equipment. This was a company that was going
4 out of business, and that was the best they could do was
5 to sell their equipment to a company in Iowa.

6 MR. TAKALLOU: But that was the equipment that
7 was purchased with California taxpayers' money.

8 CHAIRPERSON PEACE: Yes, it was. But after the
9 company goes out of business, what do you do with it? We
10 tried to at least recoup some of our money by selling it
11 to the only company that wanted it.

12 MR. TAKALLOU: Well, we're a California company,
13 and we are very interested in that equipment, but we never
14 get a chance.

15 WASTE TIRE DIVISION SUPERVISOR DELMAGE: As far
16 as I know, we put the word out it was available to anybody
17 that wanted to buy it.

18 MR. TAKALLOU: We find out -- actually, we talked
19 with Waste Management Board, but we never got any
20 notification. And we find out through other people, you
21 know, back east the equipment was sold. Okay.

22 CHAIRPERSON PEACE: Okay. Was that it?

23 MR. TAKALLOU: Thank you very much.

24 In summary, I would support RMDZ the five points.
25 And in our case, Mr. Terry Leveille brought up Santa Fe

1 Springs, I need to speak up, because I had lost a good
2 location in Santa Fe Springs and it wasn't an RMDZ. Thank
3 you.

4 CHAIRPERSON PEACE: Thank you. Okay.

5 Are there any other comments?

6 I think there's a few things we still need to
7 address on here. When it came to Number 8, we've heard
8 some wanted to keep it and people thought it was okay to
9 eliminate it. Is there a consensus from Committee members
10 on what you want to do?

11 I kind of like getting rid of it. That criteria
12 there only addresses what the intended use is. I think
13 I'd rather just see it go away, put the points in "need,"
14 and base it on what the need is. And then go ahead and
15 put five points towards California, you know, giving more
16 points for businesses that's been in California for a
17 couple years.

18 COMMITTEE MEMBER WASHINGTON: That's fine.

19 CHAIRPERSON PEACE: Does anybody have any
20 comments on that?

21 Also, do you want to address that project
22 eligibility when they talk about pyrolysis and some of
23 those other processes that are out there? Do we want to
24 exclude them? It doesn't really sound like they're
25 excluded in here.

1 DEPUTY DIRECTOR LEE: We can include a specific
2 exclusion pursuant to the comments I made earlier before
3 the Committee.

4 CHAIRPERSON PEACE: Because this, to me, doesn't
5 sound like they're necessarily excluded, but we're going
6 to put them in there more specifically?

7 DEPUTY DIRECTOR LEE: That was what we were
8 proposing so we weren't potentially prejudicing the
9 determinations the Board will be making on this Conversion
10 Technology Report to the Legislature that's going to be
11 subsequent. Also, the report that the staff discussed
12 last year that's looking at the economic viability of the
13 process, the PGL process, among other thing, is not
14 available. So for those reasons, you know, we suggested
15 that we continue the exclusion of those processes for this
16 grant cycle.

17 CHAIRPERSON PEACE: Okay. Does anybody have any
18 other questions or --

19 BOARD MEMBER PAPARIAN: Madam Chair, it was my
20 suggestion that in Item 10 that you give a second way to
21 get five points. And that was if you were in an RMDZ. It
22 was not taking points away from anywhere, but it's another
23 way to get the five points in Item 10 if you're in an
24 RMDZ. And I think that would be consistent with the
25 direction we're trying to take in the Sustainability

1 Committee to really promote the RMDZs.

2 CHAIRPERSON PEACE: But the RMDZ loans, you
3 already do get loans. They already have an advantage if
4 you're in the RMDZ to get the low interest loans. And I
5 just hate to leave somebody out of this process just
6 because they're not in an RMDZ.

7 BOARD MEMBER PAPARIAN: It wouldn't be a matter
8 of leaving them out. It would provide another way to get
9 that five points. So if you're in an RMDZ, you could get
10 that extra five points. Or if you haven't gotten a grant
11 in the last two years, you could get that extra five
12 points.

13 MS. DICKINSON: What happens is the ones that are
14 in it get the five points, which means they have a leg up.
15 That's what happens. So it makes the ones that aren't in
16 it lose five points.

17 CHAIRPERSON PEACE: Lose five points. Right.

18 MS. DICKINSON: And it was only in it last year.
19 That was the first time it was in it. So it gave a
20 disadvantage to the ones that weren't in it, that were
21 long-term businesses.

22 CHAIRPERSON PEACE: Do you see any disadvantages
23 to --

24 MS. DICKINSON: There were some that didn't
25 achieve a passing score because of it.

1 CHAIRPERSON PEACE: Do we have any other feelings
2 on that from any other Committee members?

3 Do you want to give more points to someone that's
4 in an RMDZ?

5 WASTE TIRE DIVISION SUPERVISOR DELMAGE: Madam
6 Chair, if I just might reiterate. If decisions have been
7 made based on choosing an RMDZ over a non-RMDZ, my
8 personal recommendation would be to include it. If
9 somebody is not in an RMDZ and hasn't had a grant, they're
10 going to get the points. You see what I mean? So it's
11 not -- as Mr. Paparian said, it's not a way of giving
12 somebody a big advantage over somebody else. It's just
13 another way to those five points that are set aside for
14 those that haven't had grants before. And I think it is
15 important that we do recognize that a business in an RMDZ
16 is doing something that we, as a Board, support.

17 CHAIRPERSON PEACE: So if we're going to give
18 someone the five points if they're already in an RMDZ or
19 have had --

20 WASTE TIRE DIVISION SUPERVISOR DELMAGE: Not had
21 a grant.

22 CHAIRPERSON PEACE: Have not had a grant in the
23 last three years. Okay.

24 WASTE TIRE DIVISION SUPERVISOR DELMAGE: One
25 thing I'd like to add, Mr. Korte was concerned that

1 because they've changed some corporation information, you
2 know, leaders at the top, I've talked with Legal. They
3 said they can work out the language. So if there's been a
4 business in California and they change leadership or
5 change corporation names or whatever, they'll still get
6 credit for being a California company.

7 CHAIRPERSON PEACE: So if they're in an RMDZ
8 zone, they'll get five points, even if they got a grant
9 last year?

10 WASTE TIRE DIVISION SUPERVISOR DELMAGE: Yes.
11 It's just a push.

12 CHAIRPERSON PEACE: I kind of have a problem with
13 that. I hate seeing these same companies get the grants
14 over and over again.

15 COMMITTEE MEMBER WASHINGTON: If you haven't
16 received a grant in three years, you get five points?
17 Two years.

18 CHAIRPERSON PEACE: It's three.

19 COMMITTEE MEMBER WASHINGTON: Two or three?

20 CHAIRPERSON PEACE: Three. But if they're in and
21 RMDZ zone, they get the five points, whether they got a
22 grant last year or not.

23 WASTE TIRE DIVISION SUPERVISOR DELMAGE: Correct.

24 COMMITTEE MEMBER WASHINGTON: Or they can get ten
25 points if they're --

1 WASTE TIRE DIVISION SUPERVISOR DELMAGE: No.

2 It's only the five points.

3 COMMITTEE MEMBER WASHINGTON: You can only do one
4 or the other?

5 WASTE TIRE DIVISION SUPERVISOR DELMAGE: That's
6 right. That's what makes it workable, I believe.

7 COMMITTEE MEMBER WASHINGTON: That's a little
8 better.

9 CHAIRPERSON PEACE: You think that's more
10 workable from your standpoint than adding another five
11 points?

12 WASTE TIRE DIVISION SUPERVISOR DELMAGE: Correct.

13 CHAIRPERSON PEACE: Well, that's their
14 recommendation. I can go along with that.

15 WASTE TIRE DIVISION SUPERVISOR DELMAGE: The one
16 last thing we had talked earlier --

17 COMMITTEE MEMBER WASHINGTON: Before you go to
18 the last thing. Now, in terms of this change of
19 corporation, I want to be clear that we don't want people
20 going and taking in companies and then say okay we changed
21 presidents and the president moved to Ohio. Now they're
22 headquartered in Ohio.

23 WASTE TIRE DIVISION SUPERVISOR DELMAGE: No.
24 We'll work with Legal to make sure we've got that language
25 as tight as possible.

1 And the one final thing, we just want to get
2 language in there about the final administrative order
3 language as an ineligibility criteria. We'll work with
4 Legal to get the right words for that as well.

5 CHAIRPERSON PEACE: So do you want us to go ahead
6 and make those changes? What does staff feel about how
7 they want to work this? Do you want to make those changes
8 we proposed and still put it on consent? Or do you want
9 to --

10 DEPUTY DIRECTOR LEE: I would think that -- I
11 guess we'll make the changes. We can bring it back and
12 make sure we've captured all of the will of the Board on
13 this and make a very abbreviated presentation as part of
14 the Board meeting, and then ask the full Board to vote on
15 it. As much as I'd like to see it on consent, I think
16 there's a lot of things I want to make sure everybody is
17 on board with.

18 CHAIRPERSON PEACE: Do we have a motion to move
19 this item with those proposed changes?

20 COMMITTEE MEMBER WASHINGTON: Madam Chair, I'd
21 like to move adoption of Resolution 2004-312, with the
22 proposed changes that have been added to this item.

23 COMMITTEE MEMBER MOULTON-PATTERSON: Second.

24 CHAIRPERSON PEACE: We have a motion by Mr.
25 Washington, a second by Ms. Moulton-Patterson.

1 And call the roll.

2 SECRETARY LINDRUD: Moulton-Patterson?

3 COMMITTEE MEMBER MOULTON-PATTERSON: Aye.

4 SECRETARY LINDRUD: Washington?

5 COMMITTEE MEMBER WASHINGTON: Aye.

6 SECRETARY LINDRUD: Peace?

7 CHAIRPERSON PEACE: Aye.

8 So we will move this to the full Board with the
9 changes that we've made. And we'll just do a very
10 abbreviated presentation.

11 DEPUTY DIRECTOR LEE: Yes, Madam Chair.

12 CHAIRPERSON PEACE: And with that, I think we're
13 going to take a ten-minute break.

14 (Thereupon a recess was taken.)

15 CHAIRPERSON PEACE: Let's get started. Any ex
16 partes?

17 COMMITTEE MEMBER MOULTON-PATTERSON: I had none.

18 CHAIRPERSON PEACE: I just met Ed Manning from
19 Manning and Associates. And I spoke to Barry Takallou
20 from CRM.

21 COMMITTEE MEMBER WASHINGTON: Thank you, Madam
22 Chair.

23 I, too, said hello to Ed Manning and Sonia
24 Fernandez with Manning and Associates and as well as the
25 County of Los Angeles staff.

1 CHAIRPERSON PEACE: Okay. Let's proceed.

2 DEPUTY DIRECTOR LEE: Thank you, Madam Chair.

3 Item 33, Discussion of and Request for Direction
4 for Promoting the Use of Rubberized Asphalt Concrete.
5 Nate Gauff will make the staff presentation.

6 MR. GAUFF: Good morning, Chair Peace and Board
7 members. I'm Nate Gauff with the Special Waste Division.

8 In this item, what we want to do is we want to
9 talk a little bit about the history of the Board's
10 activities of using rubberized asphalt, and we want to get
11 a direction for how to proceed from here on out.

12 What I'd like to start with is a little history.

13 If you look at Attachment 1 of the Board item, it has a
14 layout of the funding history of all the activities that
15 the Board has funded over the years involving rubberized
16 asphalt. That program started working with Caltrans,
17 initially, 14 years ago. We had two contracts with
18 Caltrans, initially one to buy equipment for them to do
19 rubberized asphalt concrete research. We bought some
20 testing equipment. They also put together some air
21 monitoring testing we asked them to do. Second to that,
22 we had a second contract with their maintenance division
23 to actually go out and pave maintenance strategies out on
24 Highway 16 near Woodland.

25 After those initial contracts, we shifted focus a

1 little bit -- or the Board shifted focus to more funding
2 projects through local governments to use rubberized
3 asphalt. And that occurred basically from the very first
4 year and is still occurring today through the Kuehl Bill
5 Grants.

6 In 1997-98 fiscal year, we shifted focus as far
7 as not only providing financial incentives through the
8 grants, but also to provide or to try, attempt to do more
9 of an outreach to local governments on rubberized asphalt
10 through the Rubberized Asphalt Technology Centers.

11 Initially, we started with a contract with
12 Los Angeles County to perform the duties statewide of the
13 Rubberized Asphalt Concrete Technology Centers, namely, to
14 promote the use of the material, to provide technical
15 training, to develop and maintain a website, and to answer
16 a toll-free hotline and e-mail communication.

17 We subsequently in the year 2000 entered into a
18 contract with Northern California -- or with Sacramento
19 County to split the duties of the Technology Centers to
20 northern and southern. And we've continued on in that
21 mode here over the last five years.

22 In addition, recently we've also re-partnered
23 with Caltrans on a couple of projects. One was looking at
24 a comparative rubberized asphalt paving study that was
25 just recently completed in June of '04 which looks at the

1 three major types of rubberized asphalt processes; namely,
2 asphalt rubber, terminal blend, and dry process.

3 The other recent study that we've entered into
4 with Caltrans is to kind of update or to evaluate the
5 state of the art of using rubberized asphalt. And what
6 they've committed to us is to look at their lab and field
7 experimental design and field measurement procedures.
8 They've also looked at -- they also agreed to look at
9 their recycling of rubberized asphalt to do an
10 investigative or research study on that. And they've also
11 committed to do some training with their own district
12 folks statewide to update their folks on the new
13 information as it's being developed. So that kind of
14 brings us up to where we are today.

15 Like I said, the more recent history has been
16 with the Rubberized Asphalt Concrete Technology Centers.
17 And in 2001, the Board did ask us to do an evaluation of
18 the Centers, which we did. We hired a contractor to
19 perform that.

20 The findings of the report were mixed. They said
21 that some of the things that the Tech Centers did well
22 were responding to inquiries from local governments on an
23 as-requested basis. They did provide some good
24 educational informational materials, provide technical
25 training, and consultation to local governments. They did

1 those things on an as-requested and as-needed basis, and
2 they did a fairly good job of that.

3 Some of the things they needed to improve or that
4 were cited for improvement, were being more proactive and
5 going out and actually uncovering, in a sense, who's not
6 using it, where it's not being used, and trying to get to
7 those folks. That was probably the biggest area of our
8 concern, was getting out there and pushing it, versus
9 allowing people to come and talk to them. They need to go
10 out and push the envelope and get these new local
11 governments, get several new local governments, or many
12 local governments involved in using RAC. So like I said,
13 that's where we are today.

14 In addition to the evaluation report, the Board
15 also asked us to conduct a stakeholder meeting, which we
16 did in September of '04. The basic results from that was
17 that there needed to be more education at the public
18 decision-maker level, the city manager, city councils, the
19 folks that had budgetary authority over what happened at
20 the various local governments, that there needed to be
21 more of an education push at that level.

22 So what we've done in digesting all of this
23 information is we have put together a program. And if you
24 look at Attachment 2 -- and, actually, I think you've been
25 handed a revised Attachment 2. It might not say revised

1 on it, but it's got a shaded area on it. That's the
2 revised attachment.

3 What we've done is, if you look at that center
4 column where it says "method of delivery," taking all the
5 information that we've gathered up to this point through
6 the stakeholders, through the evaluation report, through
7 our own interactions with local governments and industry,
8 we've put together these components to try to basically
9 push our program to the next level.

10 We want to target the specific areas that were
11 shown to be weak; namely, getting to the decision-makers
12 with a marketing program. We feel we can attack that by
13 hiring a marketing firm, one, to identify decision-makers
14 and also prepare a marketing program for influencing the
15 decisions of those decision-makers at the local government
16 level.

17 We also would like to bump up or increase the
18 technical expertise that is evident at the local
19 government level. Through the Tech Centers, they have
20 shown to be very competent technically, but we want to
21 multiply their ability to go out by not only continuing on
22 with what they've done, but also increase that by hiring a
23 rubberized asphalt technical expert to go out. And as
24 these local governments are identified through the
25 marketing program, that we can directly target those local

1 governments with a technical expert to carry out a RAC
2 Technology Transfer Program on our behalf.

3 The third piece of it is we do see a part for the
4 Rubberized Asphalt Technology Centers more in a mode of
5 what they've exhibited up to this point on a part-time
6 basis, allowing them to utilize the things they've shown
7 or allow them to perform the duties they've shown to have
8 some proficiency in as identified through our evaluation
9 report. So we'd like to continue on that relationship.

10 The fourth piece that we'd like to put up for
11 consideration is a public awareness campaign to the public
12 about the benefits of rubberized asphalt. And I think
13 that's keeping with some of the other Board's initiatives
14 in public awareness.

15 One new program we're looking at and we also --
16 so what I've identified is the education and marketing
17 piece: The marketing firm to address the decision-makers;
18 the technical expert to increase the technology transfer
19 that's occurring, a continuing partnership with the
20 Technology Centers, and a public awareness campaign.
21 That's the kind of education and marketing piece.

22 The other piece of this new push is a financial
23 incentives piece. And that's characterized by the two
24 grant programs that are listed. One would be a grant
25 program focused directly to first-time users of the

1 material. We're looking at possibly grants that would be
2 larger than the existing Kuehl Bill type grants, which
3 would, once again, cover more of the differential cost of
4 using the material. We also will put some additional
5 parameters around some testing they would need to do to
6 try to ensure success of each of those projects for the
7 first-time users.

8 The other grant program is what we're calling the
9 RAC Incentive Grants, which would be a Board-funded
10 continuation of the Kuehl-type grants. The Kuehl Bill
11 Grants are scheduled to sunset after 05-06. There is
12 money currently allocated through the Five-Year Plan to
13 fund the Kuehl Bill Grants through 05-06. So this new
14 Incentive Grant Program would actually not start until
15 06-07.

16 So those are the particular pieces that we're
17 looking at the Board giving us direction as if that's the
18 way to go, or if there's some other direction we might
19 want to take. Now, that's the staff's recommendation.

20 A couple other options that are possible as
21 identified in the evaluation report, we could continue to
22 work through the Technology Centers specifically, but they
23 would have to increase their performance in a number of
24 ways. And some of it's, you know, involving a strategic
25 plan and new performance measures. And basically what

1 they're looking at is they would have to probably increase
2 their staffing towards the work centers. I mean, maybe
3 hiring full-time staff and that type of thing to actually
4 go out and increase their effort level on behalf of the
5 Board and to local governments.

6 That's one option that's a possibility that was
7 mentioned through the evaluation report. The reason we
8 don't think that's going to be as effective is that, one,
9 the local government folks are technical. They're
10 technical folks. They're engineers primarily, and that's
11 been their strength. And they've demonstrated that
12 strength in the performance of the Technology Centers.

13 But what we'd like to do is go in a slightly
14 different level with the marketing piece. And right now,
15 we don't see them having the marketing expertise to really
16 carry out an effective program. That's one issue.

17 The other issue would be the staffing, that the
18 Board would, in a sense, have to commit staffing to the
19 entities right now, the Sacramento County and Los Angeles
20 County, so if they made a commitment to hire additional
21 staff, the money would have to be, in a sense, guaranteed
22 so they could go out and recruit for those positions.

23 Along those lines, the folks from Sacramento
24 County have told us that right now they don't have a
25 commitment to hire anybody else from -- they don't have

1 their management's commitment to hire anybody else to
2 increase the staffing level at the Northern California
3 Center. So I just want to make you aware of that.

4 COMMITTEE MEMBER WASHINGTON: What about Southern
5 California?

6 MR. GAUFF: Southern California, I believe, has
7 indicated they would possibly be able to or most likely be
8 able to hire additional staff. Okay. But, once again, I
9 think the issue we have is speaking through expertise for
10 carrying out the program in the areas other than the
11 technical expertise.

12 COMMITTEE MEMBER WASHINGTON: So L.A. folks don't
13 have the expertise to do the --

14 MR. GAUFF: They've had seven years to carry out
15 a program. And the evaluation report that we conducted
16 after five years said it was the marketing, the promotion
17 of the use of rubberized asphalt was not occurring like it
18 should. So, I mean, in a sense, they've demonstrated that
19 maybe that's not their forte. Technically, I think
20 they've been very sound, and I think the report reflected
21 that.

22 The third option --

23 COMMITTEE MEMBER MOULTON-PATTERSON: Excuse me,
24 since we're -- if I might break in right here. 175,000, I
25 can follow what you're saying and all. But could you

1 break that down a little bit to me? What would they do
2 for the 175,000 other than meet with local government?

3 MR. GAUFF: Are you talking about the marketing
4 firm?

5 COMMITTEE MEMBER MOULTON-PATTERSON: Yeah.

6 MR. GAUFF: What we envision at this time -- and
7 this is not -- at this point, you know, is not the
8 definitive answer. But what we envision that the
9 marketing firm would do is they identify the local
10 government decision-makers. That would be one step.

11 The second step would be to develop a specific
12 marketing plan and program they could take to these local
13 government decision-makers to try to influence their
14 decision to support RAC in their local government. That's
15 primarily what we're trying to do. We're trying to
16 influence the decision up to this point -- or at this
17 point to get the decision-makers to help support their
18 technical folks, which also that's another part of our
19 program is to do the technical training. But, mainly, the
20 marketing firm would go out and identify and develop a
21 marketing program specifically to promote the use of
22 rubberized asphalt.

23 COMMITTEE MEMBER MOULTON-PATTERSON: I understand
24 that. It just seemed like a lot to me.

25 MR. GAUFF: We're talking statewide. And like I

1 said, the Southern California Center has been given half a
2 million dollars -- well, actually, they've been given a
3 total of \$1.65 million to do the same type of work. So
4 it's not a small -- I mean, it's not a small process. I
5 mean, we're looking statewide. And if you look at the
6 revised attachment, I mean, we're also proposing to carry
7 out these contracts in the future fiscal years to fund
8 them, because we feel the 175 is going to get us started.
9 But it's certainly not going to carry out the program to
10 the extent we'd like it.

11 COMMITTEE MEMBER MOULTON-PATTERSON: Thank you.

12 COMMITTEE MEMBER WASHINGTON: It just seems to
13 me -- I'm like Board Member Moulton-Patterson, that we
14 have the League of Cities. We have the state county --
15 what' is it called? The county --

16 COMMITTEE MEMBER MOULTON-PATTERSON: CSAC.

17 COMMITTEE MEMBER WASHINGTON: We have CSAC. And
18 to pay somebody 175,000 to get to those folks when, just
19 using Southern California, it's a county government
20 agency -- and I certainly hear you saying that we gave
21 them an opportunity to do it and they haven't produced it,
22 or haven't produced a product which you're looking for for
23 marketing. That just seems like a lot of money to go out
24 for a contract to give to somebody when we can keep that
25 money within our RACs and get the same product.

1 My understanding is the RACs haven't really been
2 given an opportunity and direction. And I've seen in the
3 last six months that the RACs are really trying to rise to
4 the occasion. And certainly with opportunities to say
5 this is the direction we want you to go in from our Board,
6 these are the things we're looking for -- and I know you
7 will provide the tool to help them, but we might be able
8 to do it within themselves to get that type of job done.

9 MR. GAUFF: That may be a possibility. But I
10 will tell you this. As far as I know, since I'm the
11 contract manager for the Tech Centers, they have gone to
12 League of Cities and CSAC conferences every year and
13 interfaced with these folks, and it's been affective to
14 the point it's been affective. I mean, that's all I can
15 say at this point.

16 Once again, the Tech Centers have evolved
17 slightly from the beginning. And I don't think we doubt
18 that. But what has been consistant is that the fact is
19 that there's not enough people getting the message. Or if
20 they are getting the message, it's not coming clear or it
21 they're not being influenced. I mean, what we're seeing
22 is that local governments that use rubberized asphalt are
23 using it. But we don't see the numbers of other local
24 governments that are not using coming on board. At least
25 we don't have any data to support that.

1 And so what we want to do, once again, is we want
2 to focus this in -- we're not throwing away the Tech
3 Centers. What we want to do is continue to use them in
4 the things they've shown their strength. What we want to
5 do is improve the parts of the process that haven't been
6 shown to be effective up to this point. And this is, we
7 think, a new direction that would be beneficial in these
8 specific areas. One, with the marketing firm which is,
9 once again, that's their expertise is to influence
10 decision making.

11 And with the technical expert to supplement the
12 technical expertise that's contained within the Tech
13 Centers, so we can basically have an additional body or
14 firm that can go out and technically train these local
15 governments so there won't be that gap, there won't be
16 waiting. And, basically, we can do it on demand.

17 The technical expert is really -- we'd like to
18 model that similar to what the Board is doing right now in
19 civil engineering with Dr. Dana Humphries where we've got
20 a very, you know, widely respected expert in the subject
21 matter that he's going out and doing the bidding on behalf
22 of the Board as we're identifying them. And we'd like to
23 do the same type of thing with rubberized asphalt.

24 CHAIRPERSON PEACE: Nate, when you're talking
25 about the marketing firm, are they also going to be the

1 ones that would go pinpoint areas of the state where
2 they're going to be doing the biggest road projects?

3 MR. GAUFF: They could assist in that. I think
4 they can assist in that part of the process.

5 You know, there's an ongoing contract right now
6 with -- Sacramento County has got a contract that is
7 starting to develop a database of projects of rubberized
8 asphalt projects here in the state. So that process has
9 already been ongoing for a while. And, you know, data is
10 hard to get. I'm not going to lie. I've dealt with it
11 personally. I've dealt with it in dealing with Caltrans
12 and local governments. And I think, you know, they're on
13 their way to getting that data, to getting that database
14 together on the rubberized asphalt projects. But,
15 certainly, we could use the marketing firm to assist in
16 that effort.

17 CHAIRPERSON PEACE: Okay. As long as we're
18 talking about the public relations plan, I believe Jon
19 Myers has a few comments he would like to make in terms
20 of -- because he deals with these marketing firms and
21 public relation firms. He knows what they can and can't
22 do.

23 PUBLIC AFFAIRS ASSISTANT DIRECTOR MYERS: Good
24 afternoon, Chair and Board members, Committee members. I
25 just wanted to clarify real quick -- Jon Myers from the

1 Public Affairs Office.

2 Just to clarify real quick on some of
3 Mr. Washington's concerns on what it is a firm can do on
4 outreach and education for RAC with public officials.
5 While, yes, it's true we can use CSAC and League of
6 Cities, they're limited to how much they can provide us as
7 well. And their information isn't always 100 percent up
8 to date.

9 We just recently went through an exercise with
10 them in trying to get some letters out, which took us a
11 good amount of staff time just to go back through and
12 update a lot of their information that they provided us.
13 So there's that side of it. And it's really not their
14 expertise and their area to be dealing with our outreach
15 and education efforts. And similar goes with CSAC.

16 What a firm can do -- and I want to clarify also
17 we're calling it a marketing firm. But to be more
18 precise, we're looking at a public affairs, public
19 relations firm to do this effort. And what they bring to
20 the table is really expertise in working with public
21 officials one on one. And I think that's what is kind of
22 needed here, to be able to bring to that public official
23 not just the overall RAC technical side, but, you know, to
24 break it down for them to be able to talk the language of
25 an elected official.

1 And we have some former elected officials up
2 here. We understand what it takes for somebody to come to
3 your office and to be able to break something down quickly
4 for you. Time is always of the essence. And to be able
5 to explain it in a way that's not technical, not over the
6 head of an elected official, and to be able to let you
7 understand the benefits of this project RAC project for
8 this purpose.

9 COMMITTEE MEMBER WASHINGTON: It's interesting,
10 Jon, you say that, because we are elected officials and
11 it's surprising to me no one has ever come to me as a
12 recent former State Legislator and say, "Can you go speak
13 to the League of Cities for us?" Because they would
14 welcome me coming and speaking to them and perhaps get the
15 lingo out to them this is what we're looking for.

16 PUBLIC AFFAIRS ASSISTANT DIRECTOR MYERS: And
17 that's true. And that's --

18 COMMITTEE MEMBER WASHINGTON: And save us
19 \$175,000. You've got Chair Moulton-Patterson who is a
20 former mayor. You've got Chair Marin who is a former
21 mayor. I mean --

22 PUBLIC AFFAIRS ASSISTANT DIRECTOR MYERS: That's
23 very true. And that was just addressed with the last
24 League of Cities conference that was down in Long Beach or
25 down in the south where maybe we can start bringing them

1 different information.

2 However, what comes out over a broad conference
3 is a lot different than what I could bring or somebody can
4 bring you one on one in your office and talking, what can
5 I do for your city, your community, your district, instead
6 of just the broad let me talk to elected officials in a
7 large conference. And that's where I think we're looking
8 at hiring out a firm for this.

9 COMMITTEE MEMBER WASHINGTON: We're full-time
10 Board members. We can do the same thing. I'm always down
11 in some city in Southern California. I mean, I think you
12 can use me in the same effort.

13 PUBLIC AFFAIRS ASSISTANT DIRECTOR MYERS: We're
14 talking a lot of communities. We're talking a lot of
15 cities. I mean, obviously that's at Board discretion if
16 you want to go that route and utilize Board resources --

17 COMMITTEE MEMBER WASHINGTON: We're full-time
18 Board members, and I don't think it would hurt. If we
19 have some areas where we can be beneficial to this Board
20 and save money, we should do that. That's what we're here
21 for.

22 PUBLIC AFFAIRS ASSISTANT DIRECTOR MYERS: Again,
23 that's at your discretion, too. I'm just posing -- I'm
24 with the Public Affairs firm.

25 COMMITTEE MEMBER WASHINGTON: I'm just speaking

1 for myself. I mean, certainly other Board members can
2 speak for themselves. I would be willing any time to
3 go -- and I can almost assure you if I make a call and say
4 I need to speak with the city manager or with the mayor
5 and city manager in one meeting, it would happen.

6 PUBLIC AFFAIRS ASSISTANT DIRECTOR MYERS: I'm
7 sure it would. There's a lot of cities and a lot of city
8 managers out there to do that with.

9 COMMITTEE MEMBER WASHINGTON: We have a lot of
10 relationships, I assure you.

11 CHAIRPERSON PEACE: I think the more people we
12 can get out there with the public relations firm and with
13 us, the more we can hit them from every direction, the
14 more affective it's going to be.

15 MR. GAUFF: I think that's one of the reasons why
16 we took this direction with a specific firm or contract is
17 because we wanted to multiply our resources. I mean,
18 that's been one of the issues up to now, not only through
19 the Tech Centers, but even with staff and what we can do.
20 I mean, we've got a lot of things on our plate. And by
21 hiring a marketing firm, that's what they do. And that's
22 where their resources are going to go on our behalf. And
23 that's why we thought it would be more affective to try
24 that process than to continue on kind of limping the
25 program along with limited staff either through the Tech

1 Centers or through the Board staff.

2 CHAIRPERSON PEACE: Nate, when we talk about a
3 contract with the public relations firm and a contract
4 with a technical expert, there's nothing that says if the
5 L.A. County RAC Tech Center thought they were up to that
6 challenge that they couldn't, you know, put in a bid for
7 that?

8 MR. GAUFF: Well, I think what we're looking at
9 may be slightly different from the way you characterize
10 it, is that we would certainly utilize them as
11 appropriate, and as their workload allowed to be a part of
12 any marketing or technical expert or public relations -- I
13 mean public awareness campaign, you know, that we would
14 certainly utilize them since, once again, they would be on
15 board in this process to assist us. But once again,
16 instead of requiring them to hire new staff or anything
17 like that, we would work with them on an as-requested,
18 as-needed basis to incorporate them into our program, the
19 other parts of the program.

20 CHAIRPERSON PEACE: But when I say when an RFP
21 goes out for these contracts, there's nothing that says
22 L.A. County couldn't -- if they thought they could do this
23 as well as anybody else, they could apply for that
24 contract?

25 MR. GAUFF: Certainly, they could bid on any one

1 of these contracts.

2 COMMITTEE MEMBER WASHINGTON: But it's almost a
3 sure thing they're not going to get it, because you just
4 said that based on their history -- this is the reason why
5 we're doing this is because they haven't come up to par.

6 MR. GAUFF: Well, RFPs, RFQs, those types of
7 things are not based on history. They're based on
8 qualifications and what they can propose -- you know, what
9 they can demonstrate to us that they're qualified. I
10 mean, I think that's how we've always looked at those
11 processes. We've never biased ourselves based on their
12 proposal at the time.

13 What I'd like to do is get back to just
14 discussing a little bit of the third option that's here in
15 the item is, in a sense, having Board staff run the
16 program, you know, run the Rubberized Asphalt Program,
17 which, in essence, what that would mean is the Board staff
18 would take over more of the functions of the Tech Centers
19 and we would still hire contractors to do the marking and
20 technical expertise in the public awareness campaign.

21 So you've got basically three options to
22 consider. Like I said, I've laid out -- and our
23 recommended option from staff is, once again, bringing the
24 marketing firm aboard with the contract, contracting with
25 the technical expert, continuing a relationship with the

1 Tech Centers, providing another contract for a public
2 awareness campaign, and then the two grant programs, one
3 which would start in 05-06, the first-time user program,
4 and then the other incentive grant program would start in
5 06-07 after the Kuehl Bill sunsets.

6 Any other questions?

7 CHAIRPERSON PEACE: If we have no other
8 questions, we'll go to our speakers.

9 Mr. Takallou.

10 I do want to remind everybody to keep your
11 comments to three minutes if you can, please, because we
12 need to be out of this room shortly.

13 MR. TAKALLOU: I'm Barry Takallou with CRM. I
14 just want to emphasize we are an L.A. County tire
15 recycler. And, also, I'm the Chair of the RAC Committee
16 for Asphalt Pavement Association, State of California
17 Asphalt Pavement Association.

18 To the credit to L.A. County, for last six months
19 or so, I'm looking, and these people they've done a
20 marvelous job with such a momentum in their Southern
21 California RAC Center. They've been so effective to local
22 agencies. And we, as rubber suppliers, we can actually
23 feel it, because we sell rubber. We know what they are
24 doing.

25 So I wanted to be careful with the Board -- you

1 know, be careful with what changing, just changing
2 direction. This is the county, 53 percent of the
3 consumption is rubberized asphalt by itself. And we do
4 not want a county so forward-thinking, they're so
5 pro-rubber asphalt, just change it and give it to some
6 firm out of the state to come and market our cities and
7 counties how to use rubberized asphalt when we have our
8 own champion sitting in front of us, taking away from our
9 own champion and take the money out of the state. We need
10 to be very careful right now.

11 Because I'm a rubber supplier in this county, and
12 their participation, not only at the local agencies, at
13 the technical level, this is actually the Center who kept
14 our Committee alive. Their participation is not only two.
15 When they come, they come as a group. And I want to
16 emphasize be very careful. The county with the 53 percent
17 of the consumption is rubberized asphalt and they can
18 transmit that to other local agencies. I think they can
19 be the best ambassador to our Southern California local
20 agency. Thank you.

21 CHAIRPERSON PEACE: Thank you. You realize we're
22 not saying we're not going to -- we still want them on
23 board. Of course, we do. We're funding them still in
24 this item at their historical funding level.

25 MR. TAKALLOU: But if L.A. County has interest to

1 participate and to be the ambassador to take this
2 knowledge to other cities and counties in Southern
3 California, I really believe they're going to listen much
4 better to L.A. County than to some marketing firm. That's
5 my belief.

6 And that's already proven with their
7 championship. The other smaller local agencies, they
8 actually came front with rubberized asphalt. I never said
9 L.A. County -- I get around, as you know, with all the
10 asphalt rubber programs around the world. And I've never
11 seen a county with that much upward thinking and how much
12 effort they put on their program. So we have a champion,
13 and I really think we should preserve our champion. Thank
14 you.

15 CHAIRPERSON PEACE: Thank you.

16 MR. GAUFF: Can I respond to that?

17 CHAIRPERSON PEACE: Uh-huh.

18 MR. GAUFF: Like you said, Chair Peace, we're not
19 planning to cut them out of the program. We're planning
20 to continue them in their historic mode, in the things
21 they've shown they've been successful at. I think that's
22 a very wise use of the Board's money in that respect.

23 I think, once again, we've also gotten some
24 performance, albeit in another program with the civil
25 engineering, but we've got some good performance on hiring

1 experts. I mean, I think that's been proven by another
2 part of the Board's program.

3 So I don't think we're just going half-cocked,
4 you know, and trying something new for the sake of trying
5 something new. So I just want to make that clear.

6 And the other thing is I agree they've done some
7 good work down there in Southern California. But the one
8 thing I'm a little hesitant on is the City of L.A. is not
9 using rubberized asphalt, and that's one of the largest
10 jurisdictions down there. That's right in the county.
11 It's been seven years and they're still not using it.

12 CHAIRPERSON PEACE: Okay. Thank you.

13 And our next speaker is Reza Izadi.

14 MR. IZADI: Madam Chair and Board members, I hope
15 you had a wonderful morning, as I did. And I wish you a
16 good afternoon.

17 I'm going to need more than three minutes. I was
18 going to limit my comments for three minutes. However,
19 based on the information that was presented, I may take
20 two or three times as much. I hope you will allow me to
21 present my comments.

22 My name is Reza Izadi. I'm representing the
23 County of Los Angeles, Department of Public Works. And
24 also I'm the Director of the Southern California
25 Rubberized Asphalt Technology Center.

1 If you all recall, I was appointed to this job
2 some time in beginning of July. At that time, I received
3 a copy of the consultant study. We read through it. I
4 started immediately implementing the recommendation.
5 Number one, I hired a full-time staff. And if you allow
6 me, I can introduce her. You have already met her.

7 Jeanet, would you mind standing up and saying
8 hello to Board members in the audience here?

9 She's been with me since July 1, and I have sent
10 correspondence to every Board member, to their advisors,
11 and to staff that she's being assigned to this Center as a
12 full-time. So you were all aware of the record that she's
13 a full-time employee.

14 Then we met with each member of the Board, with
15 their assistant, also with the staff. I presented -- at
16 the time, we had developed a strategic plan draft based on
17 the recommendation, which was from your consultant that
18 was a draft. At the time, I indicated the Department of
19 Public Works County of Los Angeles is in a position that
20 we have unlimited resources, and we're willing to extend
21 to do whatever the Board wishes.

22 In addition to that, I sent you a letter in
23 November indicating I wanted to have the responsibility to
24 be expanded to include -- in addition to rubberized
25 asphalt, I want to go into the civil engineering

1 application. I stated I would like to get into the school
2 playgrounds. As part of that, I submitted \$7 million in
3 projects. They were actual projects, that they were not
4 research-oriented projects. We are still -- we have the
5 resources. We have the expertise. And we can handle
6 anything the Board wishes to do.

7 Now, there are some comments I would like to
8 bring in. As far as we talked about if our workload that
9 Nate brought up, as indicated, we have the resources. We
10 have in-house expertise. In our family, there are 3600
11 people in our family. We have a variety of expertise. We
12 built roads. We built airports. We built dams. We
13 maintain dams. We operate sewer lines. We maintain sewer
14 lines, storm drain. Anything you can think of Public
15 Works needs, and we can provide that.

16 We have one of the largest and most comprehensive
17 outreach program in the nation. It's bigger than the
18 state itself. Some of the Board members are familiar with
19 that. Some of the staff are familiar with them. I can go
20 over the list of those and indicate that these outreach
21 programs, they have been very successful. Of course, we
22 have a public relation group in our staff. We also hired
23 other consultant and contractor to work with us to
24 implement these programs.

25 The programs include -- I just wanted to list

1 them: Storm water, elementary and secondary school,
2 environmental defenders, household hazardous waste and
3 used oil, green waste program, used tire collection
4 events -- we've had several times -- wastewater
5 reclamation. These are part of the outreach program that
6 we have been successfully conducting, and we continue
7 doing them. And I don't see why we are not able to do
8 this thing as far as the rubberized asphalt.

9 COMMITTEE MEMBER WASHINGTON: All that stuff is
10 good. The question staff asked is, why hasn't the City of
11 L.A., which is the largest jurisdiction down in Southern
12 California, have not used RAC in seven years?

13 MR. IZADI: Mr. Washington, I'm very pleased that
14 you asked that question. City of Los Angeles does not
15 accept Caltrans standards. Does not accept anybody's
16 standards. However, we were successful to get to meet
17 with their officials. That was a month ago. Their
18 testing -- the laboratory director, and after that, we met
19 with the street maintenance directors.

20 They have agreed that they will work with County
21 of L.A. We jointly developed a pilot program. We will
22 build a segment somewhere in the city of L.A. and within
23 the county of L.A.

24 As a matter of fact, one of the items I submitted
25 back in November for half a million dollars for a grant --

1 as a matter of fact, one of your staff was so excited
2 about it and he suggested to me, "How about if I put this
3 \$500,000 in your next year's budget so we can implement
4 this?"

5 This is not that I have not communicated this.
6 Every time we went anywhere, we met with city. We
7 notified you by e-mails. Not only you, the staff.
8 Everybody in the Board family.

9 Now as far as my outreach program, I'm glad you
10 asked. As far as the City of L.A., I talked with them.
11 They are very interested to meet with the Board members.
12 I'm in the process of arranging a meeting with them.
13 However, what I was waiting for -- as you all know, I have
14 been communicating with you for the last three or four
15 months. My contract expires end of December. So I didn't
16 know what to do, to wait, find out when the contract is
17 going to be extended or not. If it is going to be
18 renewed, I'm going to continue with this.

19 Now, as far as the outreach program, if you're
20 planning on paying \$175,000, maybe you can give some of
21 that to me. The two events that we have, we had one in
22 Long Beach, which was the League of Cities, and the one
23 with the CSAC was in San Diego. We met over 200 elected
24 officials or city officials. These are I'm talking about
25 city engineers. I'm talking about director of Public

1 Works. I'm talking the Board of Supervisors. I'm talking
2 about mayors. I have their names. I have developed a
3 database. We talked with them, see if they use the
4 product or not. They indicated they used the product.
5 Some of them they use. Some of them, they're interested
6 to meet with us.

7 However, because of my contract situation, I
8 didn't want to go promise to them I'm going to come and
9 talk to them, because if I didn't have my contract, then I
10 wouldn't be able to. I just didn't want to create
11 problems for the county of Los Angeles as far as their
12 credibility indicating that one of their high official
13 came in and talked to us promising to do this and he
14 disappeared.

15 However, we are capable to do any of this work
16 that you have here. And I have the resources and I can
17 handle it, whether with our own resources or hire
18 consultant. We contract for millions of dollars in
19 various contracts. In my own division, which is
20 geotechnical geology, I have contractors on board as I
21 need it. When sometimes we have peak workload, we hire
22 consultant to do the work.

23 Let me see. One other thing is that you
24 indicated that we have not -- the county has not
25 performed. Did you ever think what did you include in

1 scope of work? Was that included for county to do this
2 work or not? If you didn't include in the scope of work,
3 why do you expect them to do this kind of work? This is
4 what I'm asking you, to give me this additional
5 responsibility now.

6 We did what we were supposed to do in accordance
7 with scope of work. You didn't ask them to go do some
8 outreach program. It said you conduct some classes here,
9 conduct some workshop. That's what we did. I'm not doing
10 that. I'm looking, as I discuss with you members, I'm
11 reaching to the decision-makers. And I have identified
12 who they are.

13 And this expert that you talk -- what is it
14 supposed to be? What is expert supposed to be? We have
15 the expertise. We have been building roads for up to
16 hundreds of years. We maintain them. And this product is
17 brand-new. We started with this in '92. Our people, they
18 see that. They go over, maintain it, monitor it. They
19 see what's going on with it. We have the expertise.
20 There are still issues that I don't know whether the
21 experts could handle it or not.

22 One thing I brought up is when you have a road
23 which is paved with rubberized asphalt, what happens if
24 utility company goes in there and digs a trench? Can you
25 go use regular asphalt to patch it? What kind of problem

1 are you going to have? Will this expert be able to tell
2 me that? Even if they tell me, local agencies do not
3 believe in that.

4 City of L.A., the reason I said we do not believe
5 in what Caltrans says, we don't accept theirs. We only
6 use our own standards. We only accept our own testing
7 results.

8 So regardless of what the expert may be in
9 Berkeley, may be in Davis, but they are not going to be
10 that effective. And you paid some \$1.7 million, \$1.1
11 million to Caltrans. You are still waiting for the
12 results.

13 As far as reaching, again, you indicated I'm an
14 engineer. But we were able to arrange a meeting with
15 Madam Chair, and we met with the Acting Director of
16 Caltrans. I asked him if they can adopt us as part of the
17 technical expertise. They were very supportive, very
18 responsive. And we are planning on working with them. So
19 we are met with Caltrans. That was one of the
20 recommendations.

21 We've pretty much -- I have on my own
22 implemented -- starting to implement those recommendations
23 that your contractor told me. I started back in July when
24 I was appointed to this job. And I did that on
25 experimental basis to demonstrate that we have the

1 capability of doing it. Don't look at what my
2 predecessors have done. And, again, they did whatever
3 they were superposed to do in accordance with the scope of
4 work of the contract they had.

5 CHAIRPERSON PEACE: Reza, when we say we still
6 want to do your contract for 225,000, is this not enough
7 money to do what you're starting to do --

8 MR. IZADI: All depends what you like me to do.
9 I can do anything you like, as I indicated. What you
10 need, you need to develop a strategic plan, what you guys
11 want to do first. Then implement the plan.

12 One of the things I was going to ask you is that
13 the -- I support item -- first of all, I was going to
14 thank all of you and the staff for getting these two
15 items, Items 33 and 34, on the Board agenda. I'll support
16 both of them.

17 The only thing is there is the Option 2b which as
18 you indicated, County of L.A. come and bid the job. We
19 would like to see that. What I would like to request the
20 Board is -- if the Board directs the staff and us together
21 develop an action plan for implementation of the tasks
22 involved in the Option 2b and submit it for Board
23 consideration, say, within 90 days from now.

24 CHAIRPERSON PEACE: Do you still have some more
25 to say?

1 MR. IZADI: No. I think I went over nine
2 minutes. Thank you, though.

3 CHAIRPERSON PEACE: Thank you very much.

4 MR. GAUFF: Madam Chair, can I respond to some of
5 these things that have come up in Mr. Izadi's discussion?

6 CHAIRPERSON PEACE: Yes.

7 MR. GAUFF: A couple of things. As far as what's
8 occurred -- once again, I'm the contract manager for the
9 Southern California Tech Center. As far as what's
10 occurred since July/August when full-time staff was hired,
11 from what I've seen, at least what's been communicated to
12 me, there has not been a significant increase in the
13 number of jurisdictions that have been contacted.

14 Like I said, I was aware they were at League of
15 Cities and CSAC. And they've been to those things, which
16 they have historically done. But I didn't see a
17 significant increase in the number of jurisdictions where
18 they went out and promoted the use of RAC. So I want to
19 make that clear. If it's happened, I have not been --
20 that has not been communicated to me. So I just want to
21 make that clear. I think you also received one of their
22 quarterly reports on some of their activities.

23 But in that time frame, the spending has been
24 increased slightly. Okay. So I don't see the results
25 there, you know, regardless of what was supposedly done or

1 not done as far as performance measures and that type of
2 thing. The fact is they've had a historic performance
3 level that they have met cities and have met with local
4 jurisdictions and have attended certain conferences
5 attended by local governments. And, to me, that effort
6 level has been consistent. But the thing that hasn't been
7 consistent is they have full-time staff now. So I just
8 want to bring that up.

9 The second thing is Mr. Izadi talked about not
10 being able to commit based on his contract situation. You
11 know, I was certainly well aware his contract was running
12 out. I offered to compromise in having the Southern
13 California Center become a subcontractor under the
14 Northern California Center's contract because Northern
15 California has excess money or apparently will have excess
16 money through the end of its contract. And in talking
17 with Theron Roschen from the Northern California Center,
18 we all pretty much had an agreement that would be an
19 acceptable way to allow L.A. to continue at least through
20 this fiscal year operating kind of at that historic
21 spending level. And we were told that's not the way they
22 wanted to go.

23 So, I mean, we tried to make a compromise so they
24 could continue on, they could continue to provide the
25 service to local governments throughout the fiscal year

1 until the Board made a decision on the larger program
2 elements, to decide whether they were going to be included
3 or not and to what level.

4 As far as the list of engineering projects, I'm
5 not sure who on the staff told them that we like that
6 half-million dollar project he mentioned. It wasn't me.
7 But they did submit a list of projects that we looked at,
8 that we did talk with industry and to try to gauge a level
9 of merit for the projects or of need for these projects
10 that were proposed. And there were a couple of projects
11 that we agreed had some merit. Okay.

12 However, we subsequently have received a -- I
13 won't call it a counter-proposal, but it's by an industry
14 group through the Rubber Pavements Association through a
15 technical foundation they've established. And they
16 basically said they can do one of the same projects for
17 about one-fourth of the money -- or actually one-fifth of
18 the money, about 20 percent.

19 I think that the project is the utility cut
20 patching, which was mentioned. In the proposal from L.A.,
21 it's listed at \$375,000. And in the proposal from the
22 RPA, through the technical foundation, they actually think
23 they can do basically the same thing for \$35,000. It's 10
24 percent of the cost.

25 So I'm not saying either one is right. But I

1 imagine the truth is somewhere in between. And so it's
2 not that we just discounted all these proposals. We felt,
3 one, some of them didn't have technical merit. There's a
4 rubberized asphalt bike path. We've already done that.
5 The Board has already funded that. We don't need to fund
6 another one, at least in staff's opinion.

7 But I think there's some -- like I said, the
8 truth lies somewhere in between what they proposed and
9 what other people said they can do. I think we can
10 certainly investigate doing some of these projects. And
11 in the next item, which is the contract item for the
12 Southern California Center, we did propose setting aside
13 some of their budget to do research projects. So we, I
14 think, addressed that part of their concern. That's all I
15 have to add.

16 CHAIRPERSON PEACE: With that, we'll let Doug
17 Carlson then from the Recycled Tire Engineering and
18 Research Foundation speak next.

19 MR. CARLSON: Madam Chair, members of the
20 Committee, members of the Board. Thank you very much.
21 Good afternoon. My name is Doug Carlson. I'm with the
22 Recycled Tire Engineering and Research Foundation, which
23 is a nonprofit 501(c)(3) recognized by the IRS to conduct
24 research on materials derived from recycled tire
25 components. Primarily, our initial focus is on crumb

1 rubber materials.

2 Nate Gauff has just referenced a proposal, a list
3 of proposals that were submitted to the Board some time
4 after Thanksgiving indicating some activities that the
5 Board could consider to revitalize RAC outreach programs,
6 RAC programs within the state of California.

7 The purpose of the foundation is to conduct this
8 outreach with a panel of experts that are recognized
9 throughout the world in the use of rubber in asphalt, and
10 also have some new developments with the use of rubber in
11 concrete. The purpose to use the rubber is not to get rid
12 of it, but to enhance the properties of the material that
13 you're engineering and designing. And I think it's very
14 important that experts are available to the public of
15 California to provide the answers they need for their
16 questions.

17 Utility patches are very simple. I know it's
18 been discussed a little bit. But city of Phoenix has been
19 using RAC for over 30 years, and they've done probably 1.5
20 million utility cuts, and they've all been patched. And
21 they all work. And they just use regular material. So I
22 think the engineers in California just need to be provided
23 a workbook, a manual on how to repair a utility patch.
24 Very cheap project, \$35,000.

25 Another issue with RAC -- and it always comes up

1 in California. RAC works very well throughout the world.
2 To use Mr. Faust -- I don't know if he's still here -- but
3 he talked about a microwave earlier. A microwave
4 manufactured in California and a microwave manufactured in
5 Arizona, you expect them to work the same. But, however,
6 when you have RAC manufactured in California and RAC
7 manufactured in Arizona, how can one perform so well and
8 one does not? And I think it comes through the expert
9 that looks at the specification, specifically the city of
10 Los Angeles, and you see there's a natural sand
11 requirement. They allow a natural sand in their spec.
12 Natural sand has got very round edges. It's like a ball
13 bearing. It's like throwing marbles into your pavement.

14 RAC has got a very high liquid component. RAC
15 has got higher asphalt content, so it's more liquid than a
16 regular asphalt concrete. So it cannot accommodate all
17 those ball bearings in the mix. So you have to have
18 100 percent crushed aggregate. And you need an expert to
19 tell the city engineers why they can't use natural sand in
20 their spec, so it requires them to change their spec.

21 And I just want to bring to the Board's attention
22 a list of alternative proposals that industry and academia
23 can support and provide to the Board. That's all I have
24 to say.

25 CHAIRPERSON PEACE: Any comments?

1 This was a discussion item on the direction we
2 think the Board should take. I do have to say --

3 MS. BABAUTA: Good afternoon, Madam Chair,
4 Committee members.

5 I just wanted to respond for just a couple of
6 minutes to carry off where Reza left off and also in
7 response to the staff's comments.

8 As far as the RAC Center's performance, please
9 note that without any specific directions, except for the
10 scope of work, the RAC Centers performed very well. The
11 recommendation -- although the contract was done for
12 Sjoberg Evashenk, the operation of the Centers in 2001,
13 the draft reported was provided only in March 2004. And
14 based on this recommendation outlined in the CEQA -- I'm
15 just going to abbreviate Sjoberg Evashenk Consultants as
16 SEC for the general understanding -- that we went ahead,
17 reviewed their recommendations, and noted that a lot of
18 the activities were outside the existing scope of work for
19 the Centers.

20 And please note that without any direction --
21 specific direction from the Tire staff or the Board for
22 the previous past five years, the Centers are going to
23 perform the way they have been performing because we're
24 thinking we're doing a great job. We're not getting any
25 specific feedback from the Board saying you want more of

1 this or less of this. So we're going to continue to
2 function as we always have been. So that's just to kind
3 of explain our current operation.

4 Now, in response to the March 2004
5 recommendations, the Southern Center, we collaborated with
6 the Northern Center, went ahead, and although we've
7 identified a lot of activities outside the scope of work,
8 we initiated a kind of experimental program having me on
9 board full time and going out, actively seek out
10 decision-makers, because that has only been identified in
11 this SEC report and not stated in any directions from the
12 Board or even listed in the scope of work.

13 So we've just begun, and we've made great
14 strides. For example, even the City of L.A. Now they're
15 even willing to do a pilot program where they're going to
16 completely do the testing, completely do the installation.
17 And where the Center comes on is only as an oversight,
18 because we've been doing it for the last 10, 15 years, so
19 we can provide them the right direction.

20 Please note that the City of L.A. has used
21 rubberized asphalt in the past. It's just that they had
22 certain issues and weren't happy with the performance.
23 We're kind of viewing it's just a quality assurance,
24 quality control factor that the Centers can help the city
25 of L.A. That's for the city of L.A.

1 So we just wanted to note we have made great
2 strides. And we would like to continue to implement the
3 recommendations of the SEC report. One is the strategic
4 plan. Despite what options the Board may decide, we do
5 realize the importance of what the SEC reported stated,
6 that you need a strategic plan.

7 Regardless if you have us, other contractors, you
8 need a plan. It also needs a set of directions, who
9 reports to what? Because what we don't want is duplicate
10 efforts. The Northern Center has done a great job of
11 already making contacts. Even when we were attending
12 CSAC, they said, "Sacramento has been really pushing us to
13 do this, and they've really been doing a great job." So
14 we've already made established contacts. And we want to
15 go ahead and further that. So that's just to note that on
16 the record.

17 And as far as our summary quarterly reports for
18 July and August, please note we were still based on the
19 part-time basis, and I just came on board. So with that,
20 it does take time to take a part-time basis for a RAC
21 Center to turn it around. I mean, it's not even been two
22 or three months. And in the mean time, we knew that our
23 contract is to expire.

24 We knew that the recommendations are out there.
25 And we knew that the Board needed to make a decision. So

1 we were kind of in limbo. But we took our own initiative
2 to go ahead and do a proactive approach until such time
3 that the Board decides in what direction they want the
4 Center or the RAC Program to go. And that's it. Thank
5 you for your time.

6 CHAIRPERSON PEACE: Thank you.

7 MR. GAUFF: Ms. Peace, I don't want to
8 necessarily respond to what was just said, but I do want
9 to also add that we do have an existing allocation of
10 \$600,000 for 04-05 that we need to encumber into projects
11 or contracts or whatever the Board decides. And I just
12 wanted to make you aware that that's on the other handout
13 that I handed out that you've gotten that says "current
14 RAC Program items," which basically lists three items:
15 The RACTC allocation for 600,000; the Caltrans contract
16 funding which is 600,000 for 04-05; and the Kuehl Bill
17 Grant Program which is \$1.2 million for 04-05.

18 And then on the revised RAC components handout,
19 we've got a shaded area that staff's proposing or
20 recommending that that's how that \$600,000 allocation from
21 04-05 be applied. That's for the Board's consideration.
22 So that's one of things we're seeking direction on.

23 CHAIRPERSON PEACE: Do we have any comments from
24 Committee members? This is for discussion.

25 One of the things Jeanet brought up, whoever does

1 the work, we have to have a plan specific direction. And
2 I imagine you are going to be developing those.

3 MR. GAUFF: Well, any contract that we would
4 bring before the Board -- I mean, obviously, we'd have to
5 bring back the scope of work and also the contractor when
6 that selection is made through the staff process. And the
7 Board will certainly have input on all of those items.
8 So, yes, you will have a chance to comment on our scope of
9 work planning process.

10 COMMITTEE MEMBER WASHINGTON: And if the Board
11 was to decide to continue to use RAC to do that, can you
12 still assist them in putting that -- what will you guys be
13 looking for? Sounds like what I'm hearing from them is
14 "We're doing what you asked us to do. If you ask us to do
15 more, we'll do more." So within that same concept, would
16 you be able to provide the same direction for them?

17 MR. GAUFF: Certainly, we can attempt to put
18 together a strategic plan.

19 COMMITTEE MEMBER WASHINGTON: Why do we have to
20 attempt to do it for them? You said --

21 MR. GAUFF: Yes. The answer to your question,
22 yes.

23 COMMITTEE MEMBER WASHINGTON: The word "attempt."

24 MR. GAUFF: The only thing I would say is I'm
25 hesitant that they have been given direction in the past,

1 not necessarily -- at least not the Southern California
2 Center hasn't always been receptive to that direction.
3 But certainly we can work with them.

4 DEPUTY DIRECTOR LEE: Mr. Washington, just to put
5 a little finer point on it. Again, staff has spent a lot
6 time trying to digest this various information. We hired
7 a third-party contractor to go out and give, basically,
8 the Board an independent evaluation of what was happening.
9 We concur with the recommendations of that report. We're
10 trying to be responsive to them.

11 I think as Nate has noted in this item, you know,
12 we envision a role for the Southern California Tech
13 Centers into the future. I think the difference of
14 opinion we have is, you know, our plans for them aren't as
15 ambitious as they have outlined for themselves. But we
16 feel they're an important player as we go forward. But we
17 want to try to build on some of the strengths.

18 Again, we know the success we've had on our civil
19 engineering program using technical experts. We think
20 with the appropriate public relations people on board as a
21 separate contractor, we can have those types of benefits
22 on the outreach efforts as well. So, you know, we support
23 the Option 2 that we brought forward to you today.

24 CHAIRPERSON PEACE: Now I know the RAC Tech
25 Center, since July, you guys really stepped up to the

1 plate and you've done some good work. And we want you to
2 continue to do those things, to meet with local officials,
3 to be an advocate for RAC. The more advocates we have out
4 there, the better it will be for all of us. So we do want
5 you to continue to do those things.

6 But I think we just kind of thought we got to a
7 point that we need to take a new direction. And I think
8 the direction that staff has come up with, contracting
9 with a public relations firm to really give it a good
10 push, hiring on a technical expert that can go to the
11 cities and actually hold their hand through the process,
12 you know, so they aren't so tentative to try to use a new
13 process, you know, I just think it's time for a new
14 direction.

15 And like we already said, if L.A. County thinks
16 they can do a good job with the public relations part,
17 with the technical expert part, by all means, you know,
18 you'll be able to apply for that contract, just as anybody
19 else can.

20 So I agree with staff's recommendation here. And
21 I think it's, you know, a good step for the new direction.
22 I think we need to try it.

23 COMMITTEE MEMBER MOULTON-PATTERSON: Cheryl, I'd
24 just like to say that, you know, when we come to
25 actually -- this is just discussion today; right?

1 DEPUTY DIRECTOR LEE: Yes.

2 COMMITTEE MEMBER MOULTON-PATTERSON: When it
3 comes to making a decision, I certainly might agree with
4 contracting with a marketing firm, but I would like to see
5 some real tight controls put on that. I've seen some
6 marketing campaigns fall really flat. And this is kind of
7 a technical area. I guess what I'm saying is, certainly
8 it would have to be a good firm that would certainly have
9 to be brought up to speed about what we're doing. And I'd
10 really want to see you evaluate results. So that's all I
11 have to say about that.

12 CHAIRPERSON PEACE: Are we all kind of in
13 agreement with this discussion that, yes, this is the way
14 that we like, this is kind of the direction we'd like to
15 go in? Okay.

16 Is there anything else you'd like to say,
17 something you want us to do? This was just a discussion
18 item for the Committee only.

19 DEPUTY DIRECTOR LEE: I just want to make sure
20 that the Committee is aware, as Nate said, we've got the
21 600,000 for this year. And this is a discussion item.
22 But, basically, what I'm hearing is that the Committee
23 is -- approves that the idea of having a separate
24 marketing outreach consultant. They approve of the idea
25 of hiring a technical expert. We would propose to move

1 forward, you know, bringing forth to the Board separate
2 items and scopes of work to move those concepts forward.

3 COMMITTEE MEMBER WASHINGTON: And I would
4 certainly support that in terms of just getting it before
5 this Board as an item. I don't think I'm fully on board
6 with that. But I would support the idea that you guys
7 bring something forward so we can have further discussion
8 with the full Board.

9 DEPUTY DIRECTOR LEE: Thank you, Mr. Washington.

10 CHAIRPERSON PEACE: Okay. With that, we're ready
11 to move on to Number 34.

12 MR. GAUFF: Item 34 is the Consideration of
13 Revision of Scope of Work and Augmentation of Contract for
14 the Southern California Rubberized Asphalt Technology
15 Center and Consideration of Continuation of Los Angeles
16 County as Contractor.

17 In this item in the title it has for two fiscal
18 years. And I think in talking amongst ourselves and
19 staff, that since the Five-Year Plan deliberations are
20 coming up, we're going to back that off to just have the
21 funding for 04-05, since that's the existing money that's
22 available. And that any moneys or any funding allocation
23 beyond 04-05 would have to be considered as part of the
24 Five-Year Plan. So even though this item was written to
25 cover funding for two fiscal years, we're going to cover

1 it -- we're asking that if it's approved, that it only
2 apply for the 04-05 funds. I just want to make that clear
3 from the start.

4 COMMITTEE MEMBER WASHINGTON: And you'll make
5 those changes before the next Board meeting?

6 MR. GAUFF: Yes.

7 CHAIRPERSON PEACE: We do have one speaker.
8 Reza, did you still want to --

9 MR. IZADI: I already made my comments, but we're
10 supportive of this item.

11 CHAIRPERSON PEACE: Okay. Thank you.

12 COMMITTEE MEMBER WASHINGTON: Madam Chair, I'd
13 like to move adoption of Resolution 2004 -- I'm sorry.

14 MR. GAUFF: I just wanted to add, it's not here
15 in the item, but our proposal for how this \$225,000 of
16 funding would be broken down is that we would provide
17 \$150,000 in the contract for items one through five of the
18 scope of work, which is basically kind of the historic
19 spending level of the Tech Center -- of the Southern
20 Center for staff time and materials and that type of
21 thing. And then 75,000 would be devoted to Task 6, which
22 is special projects as directed by the Board.

23 CHAIRPERSON PEACE: At some point if they decided
24 they didn't need to spend that \$75,000 right now for the
25 research project but wanted to spend more of it in the

1 direction that they're going, contacting the different
2 city officials and helping them, could at some point ask
3 some of that money be --

4 MR. GAUFF: Certainly. We've done it in the
5 current contract, so that's not a problem. We can move
6 funds from task to task.

7 CHAIRPERSON PEACE: Okay.

8 COMMITTEE MEMBER WASHINGTON: Madam Chair, I'd
9 like to move adoption of Resolution 2004-313.

10 CHAIRPERSON PEACE: That's with the change that
11 applied only to fiscal year 04-05.

12 COMMITTEE MEMBER MOULTON-PATTERSON: Second.

13 CHAIRPERSON PEACE: We have a motion by Mr.
14 Washington, a second by Moulton-Patterson.

15 Take the roll.

16 SECRETARY LINDRUD: Moulton-Patterson?

17 COMMITTEE MEMBER MOULTON-PATTERSON: Aye.

18 SECRETARY LINDRUD: Washington.

19 COMMITTEE MEMBER WASHINGTON: Aye.

20 SECRETARY LINDRUD: Peace?

21 CHAIRPERSON PEACE: Aye.

22 And that is a fiscal item. It does have changes,
23 so we will move that to the full Board.

24 DEPUTY DIRECTOR LEE: Thank you, Madam Chair.

25 Item Number 35 is Consideration of Proposed

1 Allocations and Concepts for Consulting and Professional
2 Services Contract for Used Oil Fund, Fiscal Year
3 2004-2005; Status Report on the Used Oil Recycling Fund;
4 and Consideration of Proposal to Increase Available
5 Resources for the Used Oil Fund.

6 Madam Chair, this is probably one of the more
7 ambitious items that the Special Waste Division has
8 brought forward. For those Committee members that have
9 been on the Board for the last couple of years, you know
10 this isn't the typical allocation item. And it involves a
11 lot more than the typical allocation item you normally
12 see. That is the allocation of 752,000 in education and
13 outreach funds.

14 But more than that, as separate components of
15 this item, we're going to be discussing our plans for
16 responding to the third-party evaluation that was
17 conducted on the program. We'll be discussing our
18 implementation plan, which we have discussed previously.
19 And then also just bring some issues to the Board's
20 consideration for how we might increase revenues and
21 decrease expenditures in future years.

22 With that, I'll turn it over to Kristin Yee to
23 commence the staff presentation.

24 (Thereupon an overhead presentation was
25 presented as follows.)

1 item, which is the allocation for fiscal year 04-05. And
2 Jim will discuss a few of the proposals that we are trying
3 to bring forward to possibly increase our funds.

4 --o0o--

5 USED OIL RECYCLING ANALYSIS SUPERVISOR YEE: The
6 California Oil Recycling Enhancement Act was passed in
7 1991, and the whole purpose of the Core Act was to
8 actually prevent the improper use of oil and to recycle
9 the used oil so there will not be illegal dumping. So
10 proper disposal does prevent damage to the environment, as
11 well as prevent threats to public health.

12 The whole point of the program, to implement this
13 program, the Board was charged with basically four things.
14 One was to establish and implement the Recycling Incentive
15 Program. That is to allow consumers who are recycling
16 their used oil to receive 16 cents for every gallon of oil
17 they returned.

18 We're also charged to establish a network of
19 certified collection centers. To date, we have over 2600
20 certified collection centers throughout the state of
21 California where consumers, citizens of California, can
22 bring their oil back.

23 We're also charged with implementing a grant
24 program. And every year, our Used Oil HHW Program
25 implements -- have three cycles of grants going on

1 simultaneously in a year. Overall, we implement five
2 different grant programs.

3 Our last charge was to promote a statewide
4 education outreach activity. And two of our biggest
5 promotional statewide outreach activities are
6 advertisement in a DMW, handbook where every single
7 handbook has our used oil recycling -- we promote used oil
8 recycling of oil and filters. It's in seven languages and
9 it reached over 6.9 million citizens of California. We
10 also advertise at our sports events, which is not the
11 major leagues, because that's too expensive to advertise
12 it, but at the minor leagues. And we have targeted sports
13 events because young males do tend to change their own oil
14 between the ages of 18 and 44.

15 The Board has been successful at meeting all of
16 these objectives. And through the comprehensive
17 assessment, it was deemed that we have been successful at
18 performing each of these elements of the program. And
19 it's also set forth in terms of our statute how revenues
20 in our funds should be allocated. So I'm going to turn it
21 over to Bert to give you an overview of that.

22 --o0o--

23 MR. WENZEL: Good afternoon, Madam Chair,
24 Committee members. Bert Wenzel with the Budget Office.

25 The California Used Oil Recycling Fund generates

1 revenue from oil manufacturer fees based on 16 cents per
2 gallon of lubricating oil sold or transferred in the
3 state. Other resources include interest earned on cash in
4 the fund and unexpended funds from prior years.
5 Unexpended funds are included in the fund balance and can
6 be from prior year savings, disencumbered funds from
7 projects, or prior year revenue collected in excess of the
8 amount projected.

9 Public Resources Code Section 48653 authorizes
10 these resources available to the Board to be continuously
11 appropriated. What this means is we can adjust the
12 spending authority annually for specific oil programs to
13 meet the statutory prescribed funding formula. In other
14 words, unlike budget act appropriations, spending is not
15 restricted to a specified authority level for these
16 programs.

17 So what is the funding formula?

18 --o0o--

19 MR. WENZEL: In Public Resources Code, the oil
20 statute establishes a funding formula that prescribes the
21 funding order and the amount available for oil programs.
22 It's based on either a specified amount or determined by
23 formula. When applied, the statutory formula trends used
24 oil fund allocations to a point where annual expenditures
25 equal annual revenue. And I'll show you an example of

1 balance.

2 When applied to the fund, the intent is the
3 expenditure should equal revenues. For example --

4 --oOo--

5 MR. WENZEL: -- with this fund condition, let's
6 assume that revenue is equal to 20 million and primary
7 costs are equal to 15 million. You can see that we start
8 the year with 1,250,000 as the beginning balance. We add
9 20 million as our revenue, and total resources are
10 21,250,000. We subtract our primary costs of 15 million,
11 and net resources are 6,250,000. Eighty percent of net
12 resources in this example is \$5 million, thus total
13 expenditures is 20 million. And we end the year at a
14 1,250,000.

15 Note that in this example the fund begins and
16 ends with the same fund balance, thus the total
17 expenditure is equal to revenue. Since this is true, it's
18 also important to note that allocations for competitive
19 grant outreach programs are the difference between revenue
20 and primary expenditures. This is the most favorable
21 point for the long-term stability of the fund, because
22 funding available for oil programs will remain constant,
23 provided that revenue and primary costs remain relatively
24 unchanged.

25 However, there is an exception to the formula

1 that allows expenditures to exceed revenue. This happens
2 when the fund carries a larger fund balance than it
3 should. As a result, the statutory formula directs
4 adjustments to expenditures in the following year to
5 reduce the higher fund balance and get the money out to
6 cities and counties. Here is an example of how
7 expenditures can exceed revenue.

8 --o0o--

9 MR. WENZEL: In this example, our same
10 assumptions are true. Revenue is 20 million, and primary
11 costs are 15. Instead of beginning the year with
12 1,250,000, as we did, year one begins a year with the
13 larger beginning fund balance of \$10 million.

14 What stands out here is that after fund
15 distribution, the expenditures of 27 million, and revenue
16 is only 20 million. What's happening is the fund balance
17 is supplementing allocations for the competitive grant and
18 outreach programs. Expenditures exceed revenue by 7
19 million, and the fund balance drops by the same amount, 10
20 million to 3 million. Therefore, allocations include the
21 distribution of both the annual revenue, plus additional
22 funds from the fund balance.

23 In year two, 3 million becomes the beginning
24 balance, and total resources for year two are less than
25 year one. The results for allocation of competitive

1 grants and outreach programs are the result of 6.4 million
2 for the competitive grants and outreach programs in year
3 two. However, expenditures of 21.4 million continue to
4 exceed revenue of 20 million.

5 In summary, expenditures that exceed revenue
6 deplete the fund balance annually, and at the same time
7 reduce the allocations for the competitive grants and
8 outreach programs. The trend will continue until the fund
9 balance no longer supports the oil programs and
10 expenditures equal revenue. We know from the previous
11 example that the fund balance will stabilize at 1,250,000.

12 --o0o--

13 MR. WENZEL: So now we take a look at the oil
14 fund balance for fiscal year 04-05. If you focus in on
15 the revenue, we anticipate it being at \$20.6 million.
16 Expenditures are to be 22 million. The fund condition is
17 currently following the trend of the previous example, as
18 it should.

19 We will spend more in 04-05 than we anticipate
20 bringing in. The fund balance is shrinking, and so will
21 our allocations for the competitive grants and outreach
22 programs for future years. We can, however, determine how
23 low the fund balance will drop before it stabilizes. At
24 412,000, the fund balance will no longer supplement the
25 competitive grants and outreach programs.

1 different kind of oil they don't pay the fee on?

2 MR. WENZEL: That's the thinking. But at this
3 point, staff is not really certain at this time.
4 Undoubtedly, there does seem to be -- there doesn't seem
5 to be any correlation between oil sales and exemptions, as
6 you might expect. Therefore, staff feels that this trend
7 warrants further investigation. Jim might have more to
8 say on that.

9 DEPUTY DIRECTOR LEE: Yes, Madam Chair. And we
10 will be undertaking an effort here in conjunction with the
11 Legal and Admin Departments to try to do some additional
12 investigation on this and then to clarify the need for,
13 you know, perhaps going out with a contract concept for
14 next year to more fully explore the situation. So we have
15 both efforts internally and potentially externally to try
16 to shed some additional light on this situation.

17 MR. WENZEL: To finish up here, on the
18 expenditure side, increases in administrative costs.
19 Provisional language in the Budget Act contains language
20 that allows the fund to exceed its administrative cap of 3
21 million to a total of 4.5 million for fiscal year 04-05.

22 Direct appropriations to other agencies. The
23 following direct appropriations are not specifically
24 identified in the oil statute but have been made through
25 the enactment of the Budget Act from the Used Oil Fund.

1 In fiscal year 03-04, Office of Environmental Health
2 Hazard Assessment received a direct appropriation in the
3 amount of 500,000. And the direct appropriation to CalEPA
4 from the Oil Fund this year is authorized for 30,000.

5 To wrap up, in order to create more available
6 money for competitive grants and outreach programs in the
7 future, staff will be considering alternatives to increase
8 the gap between annual revenues and costs. That concludes
9 my piece of the presentation. I'll be happy to answer any
10 questions.

11 USED OIL RECYCLING ANALYSIS SUPERVISOR YEE:
12 Bonnie Cornwall will do the presentation on the new
13 direction this Board is going on based on the
14 comprehensive assessment that was done by CalPoly.

15 BRANCH MANAGER CORNWALL: As Kristin noted,
16 before we present our plan for allocating the funding this
17 year, we want you to understand the context in which we
18 made those decisions.

19 --o0o--

20 BRANCH MANAGER CORNWALL: We've taken our
21 direction from the CalPoly assessment. We presented that
22 in July. There were 70 different recommendations. And
23 from those recommendations, staff have culled, sorted,
24 re-sorted, and come out with seven big themes or
25 strategies that really seem to be the underlying framework

1 there.

2 The primary change in direction in the program,
3 which you'll really begin to see as evidenced in this
4 allocation item and in this criteria for grant programs
5 coming this month and next month, is a shift from a focus
6 on just getting the money out there, to really examining
7 the results of a decade's worth of work in programs where
8 some communities are providing outstanding examples of
9 directions in which we should move forward. We're looking
10 to really shift the emphasis of the program to promoting
11 program improvements. And you'll see this theme
12 throughout what we present in the next several months.

13 --o0o--

14 BRANCH MANAGER CORNWALL: The seven strategies
15 are illuminated here. And I'll let you -- this is
16 Attachment 4 in your item, page 3 of Attachment 4. But
17 rather than go through them each here, I want to discuss
18 them individually.

19 --o0o--

20 BRANCH MANAGER CORNWALL: In the first strategy,
21 we're really looking at maximizing the effectiveness of
22 the core program that's the underpinning of used oil
23 collection, which are the certified collection centers.
24 And what you'll see here is that we're emphasizing an
25 expansion of those centers to address needs of making the

1 centers closer to people that need them.

2 Environmental justice concerns come into play
3 here. We have a current contract that's investigating
4 that. And the criteria for the nonprofit grant will be
5 looking at ways to increase filter collection,
6 particularly in those communities where it's
7 undersubscribed.

8 The second strategy is the big picture, one,
9 looking at promoting source reduction and pollution
10 prevention. One of the concepts we're going to move
11 forward with takes a look at different policy options
12 related to source reduction. Within the Block Grant
13 Program, we also focus on stormwater, which is a
14 multi-media kind of approach and falls under this broad
15 category.

16 --o0o--

17 BRANCH MANAGER CORNWALL: Strategy 3 is promoting
18 the highest and best use of used oil. Again, this will
19 come before you in a contract concept, and also looking at
20 the use of re-refined oil by fleets. This is one example
21 of environmental-preferred purchasing, and something that
22 this program actively promotes.

23 The fourth strategy is increasing the visibility
24 of this program and streamlining the message, looking for
25 consistency in the message. You'll see a contract concept

1 here. And staff are actively working with the local
2 jurisdictions to effectively use the dollars they have
3 available to them.

4 --o0o--

5 BRANCH MANAGER CORNWALL: The fifth strategy is
6 to continually improve the effectiveness and efficiency of
7 our program. The largest focus for us here is in the
8 Block Grant Program. We'll be coming forward with an item
9 in January looking at some of those measures. We'll talk
10 about a couple of them here as strategies to impact
11 revenue.

12 Sixth strategy is seeking opportunities for
13 public and private partnerships, which you'll see
14 throughout our grant programs and the ways we operate here
15 at the Board, whether it's working closely with other
16 divisions, with other BDOs, or agencies.

17 The seventh strategy is the theme that's really
18 going throughout the direction we're moving it, which is
19 promoting program improvements throughout transfer of best
20 practices and working to emphasize those things that are
21 effective out in the community and matching up communities
22 that aren't as successful with those that have been doing
23 an outstanding job.

24 While you'll see evidence of this in the criteria
25 for nonprofit grants and our R&D grants, we also have

1 bimonthly household hazardous waste information exchanges.
2 And as you know, used oil is included under that large
3 umbrella. We hope that those on the Committee and the
4 Board at large can attend some of these meetings where you
5 really see what folks at the local level are doing. And
6 the conference, the annual conference that we have, which
7 is a combination of household hazardous waste and used
8 oil, Kristin will be talking about that.

9 --o0o--

10 USED OIL RECYCLING ANALYSIS SUPERVISOR YEE: This
11 is really the crux of the agenda item. And as Bonnie
12 talked about the importance of our annual conference, with
13 the 752,000 that you have discretion over, what staff has
14 proposed is that 100,000 goes towards our Annual Used Oil
15 HHW Conference. And then 80,000 would go towards our
16 outreach, which is really printing up oil brochures and
17 signs. Twenty-five-thousand would go towards certified
18 collection center.

19 That's really kind of the backbone of our
20 program. And what we do is provide signage to any new
21 certified collection center that comes on board or
22 replaces old ones. Also we're doing a pilot and trying to
23 make signs out of different colors with different messages
24 to reach the different targeted groups in the community.

25 We also propose, which is our largest allocation,

1 is 106,000 for our DMV handbook. As I mentioned earlier,
2 the areas -- we printed every single one of the DMV
3 handbook in different languages.

4 And, lastly, in terms of our invoice items, it's
5 15,000 for our partnership sponsorship. And what that is,
6 this is to fund -- gives us the ability to participate in
7 different kinds of events, such as the Farm Expo with the
8 autorama or any other event we might think is important
9 for us to have a presence.

10 But before I discuss the three contract concepts,
11 I wanted to show you some examples of our applications.

12 --o0o--

13 USED OIL RECYCLING ANALYSIS SUPERVISOR YEE: This
14 is one that's in Spanish. That's in all of our DMV
15 handbooks for the Spanish-speaking community. And it
16 promotes the recycling of used oil and filters.

17 --o0o--

18 USED OIL RECYCLING ANALYSIS SUPERVISOR YEE: This
19 is a printup in our boating handbook through the DMV.
20 What this is promoting is also to not dump oil in the
21 stormwater drainage.

22 --o0o--

23 USED OIL RECYCLING ANALYSIS SUPERVISOR YEE: Now
24 going into our contract concept. Our first contract
25 concept is extended oil change. And what has been

1 happening is most people change their oil every 3,000
2 miles. What we're trying to promote is what's on their
3 warranty. A lot of the new vehicles you can really change
4 your oil between 5- and 7,000 miles. And this also, as
5 Bonnie had mentioned earlier, it fits in with our Strategy
6 Number 2, which is source reduction.

7 Our second contract concept is to analyze the
8 funds that are being used by our grantees for education
9 and outreach. What we're trying to do is see how they're
10 using the funds, where is it being used, and is it really
11 promoting more recycling of used oil? And we want to be
12 able to identify where funds are best used and to be able
13 to highlight those projects and to be able to share it
14 with those low-performing grantees. Again, this fits with
15 our Strategy Number 4, which is identification of the best
16 programs and to be able to transfer those methods to the
17 other grantees that are low performance.

18 Our third contract concept is the blending of
19 used oil. Again, that fits with our Strategy Number 3,
20 which is the promotion and highlighting of the best use of
21 our used oil. And that would be dealing with our
22 stakeholders to determine what is the feasibility of
23 blending our used oil that we collect right back into
24 crude oil. Is it environmentally good? Is it marketable?
25 And those are the issues we're going to try to identify.

1 So those are the three contract concepts that we proposed
2 with the \$752,000.

3 --o0o--

4 USED OIL RECYCLING ANALYSIS SUPERVISOR YEE: And
5 then this last allocation from the 752, is we continue to
6 support the student assistance at \$36,000 and the Recycled
7 Product Trade Show at \$50,000. And that is kind of the
8 total of the distribution of our 752.

9 Jim Lee is going to talk about different ways in
10 which we can perhaps increase our funding for the Used Oil
11 Program.

12 DEPUTY DIRECTOR LEE: This is information from
13 Attachment 6. We're handing out some additional
14 information on the Farm and Ranch Program kind of to
15 supplement what is in the agenda item to highlight some of
16 the pros and cons with regards to that program. And I'm
17 not handing out anything on the CalMAX, WRAP, or Recycled
18 Product Trade Show. It's my understanding the virtues of
19 those programs are well known to the Board members and
20 don't require any elaboration on my part.

21 First of all, I want to preface my remarks by
22 saying that, number one, this is not an exhaustive list.
23 These were basically some examples of some things we think
24 that there may be some reconsideration necessary on. I
25 also want to make sure that it's understood that there is,

1 DEPUTY DIRECTOR LEE: With regards to the
2 Recycled Product Trade Show, CalMAX, and WRAP, these are
3 programs which staff supports. It's not that we feel that
4 these programs, you know, aren't worthy of the Board's
5 attention and support. However, again, it gets to a
6 situation of how much can we afford, you know, as we go
7 into the future? And so it's not that we're asking for a
8 reduction there, but just rather these being
9 continuously -- basically continually appropriated
10 baseline expenditures. Perhaps that we can look at them
11 on a year-to-year basis as we go forward.

12 With regards to some of the revenue items, I
13 think we've already discussed how we are proceeding. We
14 will be bringing back to the Board in January a proposal
15 to eliminate the advances to the grantees on the Block
16 Grants. Basically, we feel we can earn the interest on
17 the \$10 million, and that will help us with our, again,
18 deteriorating fund situation.

19 And, secondly, as I already indicated in my
20 earlier remarks, we want to undertake some internal
21 efforts initially to verify revenues and exemption claims
22 to start the preparation of regulations to help us address
23 this, identify these problem areas, and hopefully reverse
24 some of the disturbing trends that we've noted in the
25 presentation so far.

1 So with that, Committee members, again, that
2 concludes our presentation. We'd ask the Board for
3 approval of our allocation item and any direction that you
4 would propose to give us on potential changes for the
5 program in years hence.

6 CHAIRPERSON PEACE: I think we have one speaker,
7 Mr. Hemminger.

8 You've changed, Jim.

9 MS. MINER: My name is Stacy Miner. I'm the
10 Grant Program Administrator for Regional Council of Rural
11 Counties, the Rural Counties Environmental Services. I
12 work with Jim. He had to leave for another meeting.

13 We had concerns on eliminating the advances for
14 rural counties who need the Block Grant advance. We
15 represent four rural counties and five rural cities. We
16 administer their Block Grant on their behalf. So
17 eliminating the advance would make it prohibitive for us
18 to administer the grant on their behalf. And more than
19 likely, they would not participate in the Block Grant
20 Program on their own.

21 Jim said he'll be submitting a letter with our
22 comments to this issue before your next Board meeting.
23 Thank you.

24 USED OIL RECYCLING ANALYSIS SUPERVISOR YEE: What
25 staff proposes is that while we eliminate the advances,

1 currently all of the grants that are at 20,000 or less are
2 not receiving the advances. So if there is a community or
3 grantee that believes they have to have the advance in
4 order to support the program, all they need to do is
5 provide documentation of the need, and we'll be willing to
6 do the advances. So kind of on an as-a-request basis.

7 Because we've also gotten comments from a lot of
8 our grantees that are greater than 20,000 that doing the
9 interest payment on the advancements has been a nightmare
10 for them. So the cost to track that interest payment in
11 terms of what they've gained in the interest are sometimes
12 offset.

13 BRANCH MANAGER CORNWALL: Let me add, certain
14 grantees have declined funding over the \$20,000 limit so
15 they won't have to track that advance money. So we think
16 that's somewhat egregious. And, again, to reiterate what
17 Kristin said, if communities have cash flow problems, as
18 we do currently with our competitive grants, if there's a
19 compelling need, we're happy to advance funding.

20 CHAIRPERSON PEACE: Can I ask maybe a naive
21 question? If I change my own oil and I took it back to
22 the used oil center, do I get paid money for returning it?

23 USED OIL RECYCLING ANALYSIS SUPERVISOR YEE: If
24 you request it, you get four cents for every quart that
25 you turn in.

1 CHAIRPERSON PEACE: Okay.

2 USED OIL RECYCLING ANALYSIS SUPERVISOR YEE: So
3 the certified collection center is required to reimburse
4 the consumer who brings in used oil and requests
5 reimbursement.

6 CHAIRPERSON PEACE: If I don't request that I be
7 reimbursed, the money stays --

8 USED OIL RECYCLING ANALYSIS SUPERVISOR YEE: The
9 majority of the time, from what I understand, the majority
10 of the consumers that goes in and returns the oil, because
11 it's such a small amount, 16 cents, they don't request it.
12 They're just happy someone is willing to take their used
13 oil. Because in the past they used --

14 CHAIRPERSON PEACE: Does it stay in our fund, or
15 does the used oil center keep the money?

16 BRANCH MANAGER CORNWALL: Generally, what happens
17 is the certified center does not file a claim with the
18 Board to get the money. So the money essentially stays in
19 the program. And that's why the dollar amount requested
20 for claims doesn't keep going up and up and up. So, yes,
21 in effect, the money stays within the program.

22 CHAIRPERSON PEACE: Can individuals do this? Or
23 if I'm a Jiffy Lube and I collect all this oil, can I then
24 turn it into the center and ask to be reimbursed for all
25 this oil I'm turning it? Or does it only work for

1 individuals?

2 BRANCH MANAGER CORNWALL: The Jiffy Lubes
3 generally are industrial generators, depending on the
4 volume of oil they collect. But Jiffy Lubes serve as
5 certified collection centers, and they file claims to the
6 Board for the oil they collect from individuals. So if
7 there doesn't happen to be a Kragen nearby your home, but
8 there's a Jiffy Lube that's a certified center, you would
9 just take it to that Jiffy Lube or any other independent
10 entity that operates as a collection center.

11 USED OIL RECYCLING ANALYSIS SUPERVISOR YEE:
12 There's really two different types of claims. There's
13 claims from businesses that have entered into our program
14 to be a certified collection center. That's one incentive
15 is they also get reimbursed 16 cents for every gallon. If
16 they participate in our program to be a certified
17 collection center -- because one of the requirements is
18 they have to accept used oil from the public. So that's
19 one way of getting reimbursement. But there's also the
20 reimbursement from the general public who recycles the
21 used oil. These are two different claims.

22 CHAIRPERSON PEACE: Are there any questions or
23 discussion?

24 I see we have the resolutions, and we can go
25 forward with that. But you also have a little sheet in

1 here, little worksheet. Did you want us to go over that?

2 DEPUTY DIRECTOR LEE: Well, again, that's what I
3 highlighted in my comments, Madam Chair. Like I said,
4 these are just to bring some things to the Board's
5 attention. We would hope -- it's especially on the
6 revenue items we would have your full support. The
7 expenditure items are brought basically for your
8 edification. And like I said, we understand and support
9 the needs for both those programs.

10 But like I say, I guess what we're advocating is,
11 you know, our fund condition. We're facing some
12 difficulties. And, you know, these two programs, even if
13 you were not to fund them, aren't going to resolve our
14 problems. But we are trying to change the kind of mindset
15 with regards to not only these, but many other
16 expenditures and statutory restrictions we have, which are
17 basically getting to the point it's very difficult to run
18 the fund for what it was intended to be used for.

19 EXECUTIVE DIRECTOR LEARY: Madam Chair, if I
20 could, I'd just like to emphasize what Jim has just said.
21 I'd really seek the Committee's support and ultimately the
22 Board's support. And we have some ideas and some
23 strategies in mind to increase revenue for this program. I
24 think items one and two under increasing revenue offer
25 some opportunities for us to really reinvigorate the fund

1 condition, and allow us to sustain and maybe even increase
2 some of those expenditures that we're already making
3 internally to ourselves and other programs to support
4 them. So I'd like to, again, petition and lobby for the
5 Board's support on our efforts to increase revenue so that
6 we can really have your blessing to focus on these areas.

7 CHAIRPERSON PEACE: As I look at all of these, I
8 would be a yes on number one, yes on number two, yes on
9 number three. I would probably want to, at this point,
10 leave alone the RAC and the Trade Show. Probably leave
11 those alone.

12 But I think we need to re-evaluate the Farm and
13 Ranch just in general. I think we need to look because we
14 take money from the Tire Fund and the Oil Fund. And
15 sometimes it's undersubscribed from what I understand.
16 They're trying to get more people. So maybe we can
17 re-evaluate that whole Farm and Ranch thing, not just for
18 Oil, but re-evaluate the whole Farm and Ranch Program.

19 EXECUTIVE DIRECTOR LEARY: Certainly bring it
20 forward if you'd like, if that's the wish of the
21 Committee.

22 CHAIRPERSON PEACE: Any other thoughts?

23 EXECUTIVE DIRECTOR LEARY: Not the value of the
24 program, but the funding. Is the one-third/one-third
25 split appropriate? Or is there another mix of funding,

1 and does it need to be maintained at the million-dollar
2 level? I'm not reading into your signal here that you in
3 any way don't support the efforts of the Farm and Ranch
4 Program. I think that's a very valuable effort of the
5 Board's. It's the fund mix --

6 CHAIRPERSON PEACE: The funding.

7 COMMITTEE MEMBER WASHINGTON: The formula.

8 CHAIRPERSON PEACE: How it's funded, if that's
9 how much we need.

10 COMMITTEE MEMBER MOULTON-PATTERSON: But we'll be
11 looking into that. We're not giving you the go-ahead to
12 do that today.

13 EXECUTIVE DIRECTOR LEARY: That's right. You're
14 asking us to bring it forward again as subject of further
15 discussion.

16 COMMITTEE MEMBER MOULTON-PATTERSON: I guess from
17 my point of view, the most effort should be on verifying
18 these revenues and seeing how some of these oil companies
19 or whoever is getting out of them. That's would be number
20 one to me.

21 CHAIRPERSON PEACE: And oil use is going up. The
22 revenues should not be going down.

23 COMMITTEE MEMBER WASHINGTON: And I, too,
24 support, as Chair Peace, one, two. And I would like to
25 leave the CalMAX, WRAP, and Trade Show together as a

1 whole. And leave those whole. And hopefully we can keep
2 the Farm and Ranch, but just in a different formula or
3 resources. And hoping we can stick it there and leave it
4 there forever.

5 CHAIRPERSON PEACE: Are there any questions you
6 guys have?

7 DEPUTY DIRECTOR LEE: No, Madam Chair.

8 CHAIRPERSON PEACE: Any other questions?

9 Do we have a motion? This is for approval of the
10 \$752,000.

11 COMMITTEE MEMBER MOULTON-PATTERSON: I'll move
12 it, Resolution 2004-314, move approval.

13 COMMITTEE MEMBER WASHINGTON: Second.

14 CHAIRPERSON PEACE: Okay. We have a motion by
15 Ms. Moulton-Patterson, a second by Washington.

16 Substitute to previous roll.

17 DEPUTY DIRECTOR LEE: Thank you, Madam Chair.

18 Agenda Item 36 is --

19 CHAIRPERSON PEACE: Jim, we're moving this --
20 it's a fiscal item, so we are moving it to the full Board.
21 We're moving it to the full Board because it is a fiscal
22 item with full Committee support. And then you'll
23 probably just do an abbreviated presentation at the full
24 Board, or what do you prefer? Is that what you prefer to
25 do? Okay.

1 BRANCH MANAGER CORNWALL: This was an abbreviated
2 presentation.

3 CHAIRPERSON PEACE: And you know, you've put a
4 lot -- the Oil staff has put so much work into this. That
5 is a big item. A lot of thought went into this. And I
6 really appreciate all the work that Bonnie and Kristin and
7 everybody have done on this item.

8 DEPUTY DIRECTOR LEE: Agenda Item 36,
9 Consideration of the Scoring Criteria and Evaluation
10 Process for a Joint Solicitation of the Used Oil Nonprofit
11 Grant Program, 6th Cycle, Fiscal Year 2004-2005; and Used
12 Oil Research Testing and Demonstration Grant Program, 4th
13 Cycle, Fiscal Year 2004-05. James Herota will make the
14 staff presentation.

15 (Thereupon an overhead presentation was
16 presented as follows.)

17 MR. HEROTA: Good afternoon, Madam Chair, Board
18 members. I'll be presenting the agenda item for
19 Consideration of the Scoring Criteria and Evaluation
20 Process for Joint Solicitation of the Used Oil Nonprofit
21 Grant Program, 6th Cycle, Fiscal Year 04-05; and the Used
22 Oil Research Testing and Demonstration Grant Program, 4th
23 Cycle, Fiscal Year 04-05.

24 The proposed joint solicitation is an effort to
25 streamline grant procedures by releasing two grant

1 solicitations at the same time.

2 --o0o--

3 MR. HEROTA: As a result, there would be fewer
4 Board agenda items and reduction in waste by reducing
5 paper and printing resources.

6 --o0o--

7 MR. HEROTA: Board staff recommends allocating
8 \$2.2 million from the Used Oil Recycling Fund for these
9 grants to be split evenly at \$1.1 million each.

10 --o0o--

11 MR. HEROTA: The nonprofit grant is a competitive
12 grant to provide funds for nonprofit agencies to assist
13 local governments in their efforts to reduce improper used
14 oil disposal. Up to \$200,000 will be available for each
15 grant.

16 --o0o--

17 MR. HEROTA: The priority program criteria for
18 the cycle is worth ten points, and applicants can select
19 one of the four project areas: Developing partnerships
20 with retail stores that sell lubricating oil while
21 collecting used oil and filters from the public; projects
22 that employ community-based social marketing techniques
23 that educate immigrant communities about proper used oil
24 and filter disposal practices; projects that develop
25 marina programs for the recycling of used oil filters,

1 bilge pads, or used oil and collection infrastructure;
2 board projects that promote used oil and filter recycling
3 to small businesses.

4 --o0o--

5 MR. HEROTA: Staff proposed funding at least one
6 applicant from each of the four options as long as the
7 application passes the minimum point threshold of 70
8 points.

9 --o0o--

10 MR. HEROTA: The Research and Demonstration Grant
11 is a competitive grant to provide funds to nonprofit
12 agencies, businesses, or any entity that develops
13 collection technologies, end uses for recycled or used
14 oil. The total funding allocated for 04-05 is \$1.1
15 million. \$200,000 will be available for each grant,
16 although regional or technology grants are eligible for up
17 to \$300,000.

18 --o0o--

19 MR. HEROTA: The priority program criteria
20 through the Research and Demonstration Grant is worth ten
21 points. Applicants can select from one of the four
22 priority program criteria: Projects that can increase the
23 recycling of used oil filters or used oil plastic
24 containers through developing new technology and markets;
25 projects that provide outreach to educate immigrant

1 communities about used oil and filter disposal

2 practices --

3 --o0o--

4 MR. HEROTA: -- projects promoting oil source
5 reduction strategies or used oil and filter recycling; or
6 projects that establish agricultural used oil and/or
7 filter collection programs.

8 --o0o--

9 MR. HEROTA: There are 85 possible points for the
10 general criteria for both grants.

11 --o0o--

12 MR. HEROTA: As with the most recent
13 Board-approved Opportunity Grant 7th cycle, we propose a
14 39-month grant term, which would allow grantees 36 months
15 to complete grant activities. Staff requests an exemption
16 for the permit license checklist requirements.

17 Grantees are contractually obligated to set forth
18 in the grant agreement to comply with all applicable laws,
19 ordinances, regulations, and permits. Staff also
20 recommends against splitting the awards proportionately
21 according to the state's north/south population due to the
22 uneven distribution of eligible applicants. Staff also
23 proposes to reduce the number of points of the recycled
24 content policy to ten points.

25 --o0o--

1 MR. HEROTA: Each grant program would provide
2 five points for applicants conducting grants in a
3 community not included in grants awarded within the prior
4 grants cycles for the nonprofit 5th cycle and the Research
5 Demonstration Grant 3rd cycle.

6 --o0o--

7 MR. HEROTA: Proposals must obtain a minimum of
8 70 percent of the general criteria points to be eligible
9 to receive any program criteria points.

10 --o0o--

11 MR. HEROTA: Staff recommends the Board approve
12 option 1 and approved Resolution 2004-315.

13 This concludes the presentation.

14 CHAIRPERSON PEACE: Questions?

15 The only thing I had, there was some comments
16 among staff on whether that you would -- on Item Number 7,
17 the evidence of recycled content purchasing policy,
18 whether you wanted to look into seeing if that should be
19 an eligibility requirement instead of a scoring criteria.

20 BRANCH MANAGER CORNWALL: At this point we'd like
21 to -- we've been working closely with Jerry Hart and the
22 markets, and we think we have a good proposal to move
23 forward with that for the next grant cycle which will be
24 coming forth in January. So we thought it's kind of late
25 in the game to change it.

1 CHAIRPERSON PEACE: Oh, yes, for this time.

2 BRANCH MANAGER CORNWALL: We will come forward in
3 January with the HHW grant. We think we have the good
4 pilot project idea to look at that as eligibility.

5 CHAIRPERSON PEACE: I'm just concerned if we
6 decide to go with an eligibility requirement that we do
7 give the people out there a heads-up on this, like at
8 least a year ahead of time and let them know it will be
9 changing.

10 BRANCH MANAGER CORNWALL: What we're thinking is,
11 as in the discussion item that was presented several
12 months ago, it doesn't need to be an all or nothing
13 proposal. So what we've been talking about is looking at
14 a criteria -- the eligibility would use the same scoring
15 worksheet that we have been using under the general
16 criteria. And whether the 10, 15 point range, there's
17 four categories we look at. So rather than having
18 everybody either get the full 15 points or zero, we would
19 look at a sliding scale.

20 There was a concern that people should adjust
21 over time. So we've been talking about perhaps for this
22 year we'd look at them getting 10 out of the 15 points or
23 12. We're still working out what's best there. And then
24 each year, if we so choose, the Board chooses, you could
25 ratchet that up. But, initially, it would start out so

1 that we're really looking for folks that are moving along
2 in that direction.

3 We think it really increases the visibility and
4 priority that the Board places on these programs and the
5 Governor places, raises the visibility particularly for
6 local elected officials, and gives us opportunities to
7 work with the communities and promote the purchasing and
8 business practices. But we'll come forward with lots more
9 information on that in January. Stay tuned.

10 CHAIRPERSON PEACE: So you kind of ease them into
11 an eligibility?

12 BRANCH MANAGER CORNWALL: Yes.

13 COMMITTEE MEMBER MOULTON-PATTERSON: Madam Chair,
14 would you like a motion?

15 CHAIRPERSON PEACE: Yes, I would.

16 COMMITTEE MEMBER MOULTON-PATTERSON: I'd like to
17 move Resolution 2004-315.

18 CHAIRPERSON PEACE: And I'll second that.

19 We have a motion by Ms. Moulton-Patterson, and a
20 second from Ms. Peace. I believe with two people we can
21 still put that on consent. Okay. We're going to put that
22 on consent.

23 DEPUTY DIRECTOR LEE: Thank you, Madam Chair.

24 CHIEF COUNSEL CARTER: Madam Chair, I don't think
25 I heard a vote.

1 COMMITTEE MEMBER MOULTON-PATTERSON: Aye.

2 CHAIRPERSON PEACE: We need to take a vote. Aye
3 for me, too. Two ayes.

4 Any other comments? Okay. I guess this meeting
5 is finally adjourned.

6 (Thereupon the California Integrated Waste
7 Management Board, Special Waste and Market
8 Development Committee adjourned at 1:58 p.m.)

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1 CERTIFICATE OF REPORTER

2 I, TIFFANY C. KRAFT, a Certified Shorthand
3 Reporter of the State of California, and Registered
4 Professional Reporter, do hereby certify:

5 That I am a disinterested person herein; that the
6 foregoing hearing was reported in shorthand by me,
7 Tiffany C. Kraft, a Certified Shorthand Reporter of the
8 State of California, and thereafter transcribed into
9 typewriting.

10 I further certify that I am not of counsel or
11 attorney for any of the parties to said hearing nor in any
12 way interested in the outcome of said hearing.

13 IN WITNESS WHEREOF, I have hereunto set my hand
14 this 16th day of December, 2004.

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TIFFANY C. KRAFT, CSR, RPR
Certified Shorthand Reporter
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