

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD PRELIMINARY REPORT ON THE FACILITY COMPLIANCE LOAN PROGRAM

SUMMARY:

This preliminary report is provided as required by the *1999 Budget Act*. Section 1 of Item 3910-001-0387 provides that, "On or before December 1, 2000, the board shall submit a preliminary report to the chairs of the fiscal and pertinent policy committees of both houses evaluating the accomplishments of, and identifying the ongoing needs for, the landfill cleanup loan program authorized in the *1999 Budget Act*. The board shall submit a final report on or before December 1, 2001."

- A. Regarding the achievements of the Integrated Waste Management Board (IWMB) Facility Compliance Loan Program (FCLP), the IWMB has accomplished following:
- 1) Issued a Notice of Funds Available (NOFA) to notify facility operators of the new loan program and encourage potential applicants to pre-qualify for loans.
 - 2) Developed and approved the loan eligibility criteria.
 - 3) Approved and prioritized the eligible cost centers.
 - 4) Approved additional loan criteria.
 - 5) Approved loan application scoring criteria.
 - 6) Evaluated pre-qualification information from 15 jurisdictions.
 - 7) Determined that 14 loan applications (totaling more than \$5 million) were suitable to present to IWMB Loan Committee.
 - 8) Prepared agenda items for the December 12-13, 2000, Board meeting to present for Board consideration those applications approved by the loan committee.
- B. The ongoing need for this program has been demonstrated by the fact that 15 jurisdictions in the state requested more than \$17 million in loans to bring their facilities into compliance with state law and IWMB regulations.

BACKGROUND:

Authority:

The *1999 Budget Act* authorized \$1.44 million for interest-free loans to assist owners and/or operators of solid waste facilities with environmental compliance. The *2000 Budget Act* provided an additional \$1.44 million for these loans. Following the release of the FCLP NOFA in December 1999, the IWMB received pre-qualification loan application requests from 15 jurisdictions totaling more than \$17 million in requests for funding.

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Subsequently, IWMB staff determined that only 14 applications (totaling more than \$5 million) demonstrated a need for funding based upon a tangible environmental threat.

Purpose:

To fund the following possible eligible expenses (as listed in the IWMB's December 1999 NOFA) to bring facilities into compliance:

- 1) Design and construction of environmental monitoring and control systems to remedy landfill gas or water quality problems.
- 2) Purchase of operating equipment to provide daily cover or to assist with litter or vector control at the facility.
- 3) Construction of all-weather internal roads or pads to remedy chronic wet weather operating problems.
- 4) Preparation of Reports of Facility Information either separately or as part of a permit application package to bring the facility into compliance.
- 5) Preparation of closure and postclosure maintenance plans to establish cost estimates for closure/postclosure and reasonably foreseeable corrective action.
- 6) Preparation of a California Environmental Quality Act (CEQA) document for a project that would bring the facility into compliance.
- 7) Funding of under-funded financial assurance mechanisms for facility closure.
- 8) Other uses as determined by the Board.

FCLP Criteria and Procedures:

The IWMB approved the following eligibility criteria for the FCLP:

- a. Applicant must be the owner and/or operator of a permitted solid waste facility.
- b. Applicant must be able to demonstrate an existing or chronic environmental threat resulting in non-compliance at the facility.
- c. Priority will be given to small, publicly operated facilities that primarily service rural areas and that pose a tangible environmental threat.

The IWMB also approved the following eligible cost centers in the priority shown:

- a. Design and construction of environmental monitoring and control systems to remedy landfill gas or water quality problems; odor problems; noise problems; dust problems; and other monitoring and control systems as determined by the IWMB.
- b. Purchase of operating equipment to provide daily cover or to assist with litter and/or vector control at a facility.
- c. Construction of all-weather internal roads or pads to remedy chronic wet weather operating problems.
- d. Other uses as determined by the IWMB.

The FCLP loan criteria approved by a vote of the Board Members provides that applicants must submit one complete copy of the loan application and all supporting

documents with original signatures. IWMB staff will review applications for adequacy and eligibility. Applications that are substantially incomplete, are not associated with permitted facilities, or do not demonstrate a tangible environmental threat will be disqualified. Staff will analyze each remaining application and provide each with a score using the FCLP Scoring Criteria checklist, which was also approved by a vote of the Board Members. Limited by the availability of funds, the applications with the highest scores will be presented to the IWMB Loan Committee for review.

The Loan Committee assists the Board in meeting the goals of the FCLP. It evaluates loan applications and is comprised of a balanced cross-section of individuals from the commercial lending community, both public and private sectors, from throughout the state who demonstrate expertise in financial analysis and credit evaluation.

Applicants must provide adequate documentation of financial need for assistance with compliance problems and demonstrate an ability to repay the loan. Each applicant must demonstrate the ability to secure the loan, either by providing collateral and/or pledging a guaranteed revenue source. In no case will the term of the loan be longer than the economic or depreciable life of the assets used as security. Loans must be repaid within fifteen years and all projects must be completed within 24 months of funding. Funds may not be used to refinance existing loans.

The maximum loan amount under the FCLP is \$500,000 per borrower and applicants may receive only one FCLP loan from this current appropriation.

ACCOMPLISHMENTS:

In October of 2000, the FCLP review panel completed its analysis of the applications and provided scores using the IWMB-approved FCLP Scoring Criteria checklist. Due to fund limitations, the applications with the highest scores will be presented to the Loan Committee for review on December 7, 2000. There are 14 such applications totaling more than \$5 million.

Based upon the FCLP Scoring Criteria results and the Loan Committee's recommendations, staff will recommend to the IWMB specific projects for funding at its December 12-13, 2000 meeting.

Upon approval of the projects by the IWMB, a Loan Agreement will be prepared, sent to the applicant for signature, and returned to IWMB staff. Authorized IWMB staff will sign the Loan Agreement and return a fully executed copy to the borrower. If a loan cannot be executed within 60 days of IWMB approval, the applicant will be disqualified.

The IWMB intends to begin awarding loans in December of 2000. These loans will be used for the installation of:

- Landfill gas monitoring systems;
- Ground water monitoring wells; and,

- Geo-synthetic caps (Heavy-duty polyethylene caps designed to eliminate leachate from landfills).

ONGOING NEEDS:

Currently there are 593 permitted, active solid waste facilities in California and 2,633 identified closed disposal sites. At any given time, about 5% of the active facilities are chronically out of compliance with state standards. The number of closed disposal sites that are out of compliance with post-closure maintenance requirements is estimated to be greater than 5%. Chronic non-compliance is often a result of inadequate budgeting for environmental control systems, e.g., gas control, litter control, odor control, drainage and erosion control.

The FCLP has generated more than \$17 million in requests for compliance loans from 15 jurisdictions – however, only \$5 million in loan requests fell within the scope of the FCLP and only \$2.88 million is available. The loans are available for only permitted active solid waste facilities; if closed disposal sites had been included, the identified need would have been significantly greater than \$17 million. A NOFA solicitation in fiscal year 99-00 identified a significant interest in compliance loans for the maintenance of closed disposal sites.

Unfunded Loan Requests:

These loans are needed for the following types of projects:

- 1) Installation of landfill gas monitoring systems.
- 2) Installation of landfill ground water monitoring wells.
- 3) Installation of Geo-synthetic caps (Heavy-duty polyethylene caps designed to eliminate leachate from landfills).
- 4) Repair of internal roads.
- 5) Installation of odor monitoring equipment.
- 6) Training.
- 7) Installation of solar pumping systems.

Items #1 through #3 above are included in the \$5 million of loan requests that fell within the scope of the FCLP. However, there are only \$2.88 million available. Consequently, there will be more than \$2 million in unfunded loan requests within the scope of the FCLP.

Items #4 through #7 represent the \$12 million of loan applications that were (a) qualified low-priority requests or (b) not within the scope of the FCLP. When the IWMB released its NOFA for the FCLP in 1999, more than \$17 million was requested from potential loan applicants. Only \$5 million was within the scope of the FCLP.