

REQUEST FOR APPROVAL

To: **Scott Smithline**
Director

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

Request Date: June 13, 2018

Decision Subject: Awards for the Greenhouse Gas Reduction Organics Grant Program, Greenhouse Gas Reduction Fund, Fiscal Year 2017–18

Action By: June 19, 2018

Summary of Request

Staff requests approval of grant awards for the Organics Grant Program (Program) for fiscal year (FY) 2017–18. The Department of Resources Recycling and Recovery (CalRecycle) conducted a supplemental application solicitation for the 15 eligible but unfunded applicants from the FY 2016–17 Program cycle. CalRecycle received 12 eligible supplemental applications requesting \$34,409,601 (including performance payments) in funding for this competitive grant program. The request seeks approval for eight grant awards to the applicants who received passing scores, totaling \$24,731,250. In addition, staff seeks approval to award two partially funded projects from the FY 2016–17 cycle totaling \$378,191, for a combined total award of \$25,109,441 for the Organics Grant Program, FY 2017–18 (see Table 1). Additional participants that provide a food waste prevention and rescue portion of the project are listed in Table 1 and will be subject to the same conditions of award.

Recommendation

Staff recommends approval of 10 grant awards as listed below for \$25,109,441.

Table 1. Recommended Awards

| Applicant | County | Participant | Total Award |
|--|---------|--|-------------|
| Recology Yuba-Sutter (<i>partially funded</i>) | Yuba | | \$ 216,865 |
| West Coast Waste (<i>partially funded</i>) | Madera | | 161,326 |
| Waste Management of Alameda County, Inc. | Alameda | Alameda County Community Food Bank | 3,000,000 |
| Upper Valley Disposal Service | Napa | Sacramento Food Bank and Family Services | 1,250,000 |

Table 1. Recommended Awards - Continued

| Applicant | County | Participant | Total Award |
|--|----------------|--------------------------------------|---------------------|
| Contra Costa Waste Services | Contra Costa | Food Bank of Contra Costa and Solano | 4,000,000 |
| Burrtec Waste Industries, Inc. | Riverside | | 3,000,000 |
| Arakelian Enterprises, Inc. dba Athens Services | San Bernardino | | 3,000,000 |
| Best Way Disposal Company, Inc. dba Advance Disposal Co. | San Bernardino | | 2,481,250 |
| CR&R Incorporated | Riverside | | 4,000,000 |
| Santa Barbara County | Santa Barbara | | 4,000,000 |
| Total | | | \$25,109,441 |

Funding

The FY 2017–18 Budget Act allocated \$33,611,491 to the Greenhouse Gas Reduction Fund for the Organics Grant Program.

Table 2. Funding

| Fund Source | Amount Available | Amount to Fund Item | Amount Remaining | Line Item |
|--|------------------|---------------------|------------------|-------------------------|
| Greenhouse Gas Reduction Fund (FY 2017–18) | \$33,611,491 | \$25,109,441 | \$8,502,050 | Local Assistance/Grants |
| Total | \$33,611,491 | \$25,109,441 | \$8,502,050 | |

Director Action

On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve the grant awards for the Organics Grant Program as listed in Table 1. Each proposed grantee’s award is subject to two conditions:

1. The recommended grantee must pay all outstanding debts due to CalRecycle, or bring current any outstanding payments owed to CalRecycle, within 60 days of the date of the award email.
2. The recommended grantee’s Signature Authority (or where delegation is authorized, his or her Designee) must sign and return the Grant Agreement to CalRecycle. The signed Grant Agreement must be received by CalRecycle within 60 days of the date of the award email.

 Scott Smithline
 Director

 Dated

Background and Findings

Statutory Authority

Public Resources Code section 42995 et seq., added to statute by the enactment of SB 862 (Statutes of 2014, Chapter 36) and revised by SB 859 (Statutes of 2016, Chapter 386), authorizes the California Department of Resources Recycling and Recovery (CalRecycle) to award grants and loans to provide financial incentives for capital investments that expand waste management infrastructure resulting in greenhouse gas (GHG) emission reductions, with a priority in disadvantaged and low-income communities.

The FY 2017–18 Governor’s budget, as amended by AB 109 (Chapter 249, Statutes of 2017), allocated \$40,000,000 from the Greenhouse Gas Reduction Fund, and of that amount \$38,000,000 is available for grants. CalRecycle allocated \$33,611,491 to the Organics Grant Program and the remainder to the Food Waste Prevention and Rescue Grant Program. The remaining \$2,000,000 is available for administrative costs.

Program Background

The Organics Grant Program provides funds to support expansion of the waste management infrastructure that supports AB 32, AB 341, SB 1383, AB 1826, and AB 1550 policies, particularly for new or expanded organics infrastructure such as composting and anaerobic digestion facilities. This investment will result in reduced methane emissions from landfills; may benefit disadvantaged and low income communities by upgrading existing facilities and, where warranted, establish new facilities; may result in air and water quality benefits in addition to GHG emission reductions; may feed people in need, and may create jobs.

California has an estimated recycling rate of about 44 percent (this rate does not include materials being sent to landfills for alternative daily cover and other beneficial uses, and materials being sent to transformation facilities). Even so, about 35 million tons of materials are still disposed annually in landfills, which are a significant source of methane emissions. Of the material going to landfills, about two-thirds is organic, including grass, yard waste, food waste, lumber and wood waste, and paper and paperboard.

Criteria and Process

The Eligibility Criteria and Evaluation Process were discussed at the January 23, 2018, CalRecycle meeting and subsequently approved by the Director. The Notice of Funds Available was placed on the CalRecycle website in March 2018, with an appropriate notice sent to stakeholders.

Eligibility for the FY 2017–18 cycle was limited to eligible but unfunded applicants from the FY 2016–17 Organics cycle that received a score of 55 points or higher. In order to reduce the time between cycles, and give maximum time for applicants to implement programs, no new applications were accepted. In order to address the AB 1550 Disadvantaged and Low-income Communities (AB 1550) requirements under the California Air Resources Board’s “Draft 2017 Cap-and-Trade Auction Proceeds Funding Guidelines for Agencies that Administer California Climate Investments,” CalRecycle developed a supplemental application for the eligible applicants. The supplemental application score takes into consideration AB 1550 requirements and replaces the Disadvantaged Communities category score from the original FY 2016–17 grant application. The supplemental application score for AB 1550, in conjunction with the FY

2016–17 application score from the remaining criteria categories, comprise the FY 2017–18 application score.

To comply with AB 1550 requirements and to address concerns of siting facilities in disadvantaged or low-income communities, CalRecycle asked applicants to describe their outreach efforts to meaningfully address an important community need, which could include factors in CalEnviroScreen 3.0 that caused an area to be defined as a disadvantaged or low-income community. Hosting community meetings to get local input, or receiving documentation of community support (e.g., letters of support or emails), were also scoring factors. To ensure adequate public disclosure of proposed eligible projects, CalRecycle generated a disadvantaged and low-income communities notification that was sent via two CalRecycle Listservs (Environmental Justice and Greenhouse Gas Reduction) informing the environmental justice community of proposed eligible projects and their locations. As CalRecycle receives comments in regards to the disadvantaged and low-income communities' notification, CalRecycle will consider how those comments may be addressed in the proposed grant agreements.

Eligible projects included: construction, renovation or expansion of facilities in California that compost or digest green or food waste materials into value-added products. Eligible grant costs include, but are not limited to, the purchase of equipment, machinery, and real estate improvements associated with the installation thereof. A food rescue component may be included as part of an eligible project. Projects must be located in California and result in permanent, annual, and measurable:

1. Reductions in GHG emissions compared to the existing practice of landfilling California-generated green or food materials; and
2. Increases in the quantity (tons) of California-generated green materials, or food materials, newly diverted from landfill disposal or alternative daily cover use, and composted or digested.

The maximum grant award is \$4,000,000 for digestion projects and \$3,000,000 for composting projects.

The supplemental applications were due April 3, 2018. CalRecycle received 12 applications requesting \$27,527,687, not including performance payments (\$34,409,601 including performance payments). Staff reviewed the applications in accordance with the approved evaluation and scoring criteria. Subsequently, four applications did not receive a passing score. The eight passing projects can be fully funded, in addition to two previously partially funded projects from the Organics Grant Program for FY 2016–17. After funding these eligible projects, \$8,502,050 remains from the original allocation for this program for FY 2017–18. These funds can still be encumbered in FY 2018–19 and staff will propose how to allocate the remaining funds in a separate Request for Approval that will be presented at a future CalRecycle Public Meeting.

Project Summaries for Recommended Awards

The projects with proposed grant awards are briefly summarized below. Please note that estimated GHGs and tons are verified by CalRecycle and California Air Resources Board (CARB) and are cumulative for the grant term, which is approximately three years. In some instances, applicants' GHGs and tons were modified by CalRecycle and CARB.

Applicant: **Recology Yuba-Sutter** (*partially funded*)

Project Type: **Compost**

County: **Yuba**

Project Provides Benefits to an AB 1550 Community: **Yes**

Grant Funds Recommended for Approval: **\$216,865**

Estimated GHGs (MTCO_{2e}) Total Project: **20,511**

Estimated Diversion (Tons) Total Project: **78,167**

Recology Yuba-Sutter proposes to construct a new composting facility at its Ostrom Road Landfill. The grant money will pay for phase one of a three-phase project by constructing infrastructure for water-quality protection that will allow the facility to begin operations. At full build out, which includes a covered aerated static pile system, this will be a regional composting facility with the capacity to handle compostable materials from surrounding cities. The project will prioritize hiring for both permanent and temporary jobs for residents of disadvantaged communities.

Applicant: **West Coast Waste** (*partially funded*)

Project Type: **Rural Compost**

County: **Madera**

Project Provides Benefits to an AB 1550 Community: **Yes**

Grant Funds Recommended for Approval: **\$161,326**

Estimated GHGs (MTCO_{2e}) Total Project: **9,900**

Estimated Diversion (Tons) Total Project: **55,000**

West Coast Waste proposes to build a new green materials composting facility in Madera County using a positive aerated static pile system designed by Engineered Compost Systems. The facility will compost green waste that is currently being landfilled or is used as alternative daily cover. The covered aerated static pile system reduces air emissions and helps protect water quality. This project will create jobs for local residents. The facility will benefit disadvantaged communities by diverting material from landfills in the communities of Madera and Tulare counties, and will provide an outlet for materials generated within the host community that would otherwise be burnt in fields and orchards, resulting air pollution. An on-site learning center is also planned.

Applicant: **Waste Management of Alameda County, Inc.**

Project Type: **Compost**

County: **Alameda**

Project Provides Benefits to an AB 1550 Community: **Yes**

Grant Funds Recommended for Approval: **\$3,000,000**

Estimated GHGs (MTCO_{2e}) Total Project: **12,696**

Estimated Diversion (Tons) Total Project: **35,424**

Waste Management of Alameda County, Inc. (WMAC) proposes to purchase pre-processing equipment to be utilized at a new Organic Material Recovery Facility located at its Davis Street Resource Recovery Complex in San Leandro, CA. The materials separated from the waste stream by the equipment will be composted at a new Organic Material Composting Facility co-located at the site. The grant contains critical infrastructure to support Alameda County Community Food Bank's food rescue efforts for residents of disadvantaged and low-income communities.

Applicant: **Upper Valley Disposal Service**
Project Type: **Rural Compost**
County: **Napa**
Project Provides Benefits to an AB 1550 Community: **Yes**
Grant Funds Recommended for Approval: **\$1,250,000**
Estimated GHGs (MTCO_{2e}) Total Project: **7,471**
Estimated Diversion (Tons) Total Project: **16,840**

Upper Valley Disposal Service proposes to build “Organics Blending Barn” which consists of a fully-enclosed 100 ft. by 150 ft. concrete tilt-up building with roll-up doors and a biofilter to process air flow from the building. The “Organics Blending Barn” will accept and mix approximately 4,500 TPY of newly collected food waste, which will be blended with nearly 4,000 tons per year of newly collected green materials and woody waste to produce compost. The project is partnering with Sacramento Food Bank and Family Services to recover edible food and distribute that food to residents of disadvantaged and low-income communities.

Applicant: **Contra Costa Waste Services**
Project Type: **Anaerobic Digestion**
County: **Contra Costa**
Project Provides Benefits to an AB 1550 Community: **Yes**
Grant Funds Recommended for Approval: **\$4,000,000**
Estimated GHGs (MTCO_{2e}) Total Project: **7,755**
Estimated Diversion (Tons) Total Project: **39,192**

The proposed project utilizes anaerobic digesters at the existing Mount Diablo Resource Recovery Park as the site for organics separation, co-digestion and bioenergy production. The proposed project includes: 1) an organics separation system, 2) an organics receiving facility to feed the organic slurry into the existing digesters, and 3) additional bioenergy infrastructure. The proposed project will allow for the diversion of 24,400 TPY of organics from the landfill and increase biogas production by 280 percent at the Delta Diablo wastewater treatment plant.

Applicant: **Burrtec Waste Industries, Inc.**
Project Type: **Compost**
County: **Riverside**
Project Provides Benefits to an AB 1550 Community: **Yes**
Grant Funds Recommended for Approval: **\$3,000,000**
Estimated GHGs (MTCO_{2e}) Total Project: **13,474**
Estimated Diversion (Tons) Total Project: **47,780**

Burrtec Waste Industries will construct and operate a GORE composting system at the existing Robert A. Nelson Material Recovery Facility and Transfer Station near Riverside, CA. The project will generate compost for the region, and rescue edible food for the surrounding communities. The project will yield more than 18,000 TPY of compost that will help improve regional storm water management, erosion control, and regenerate soil for agriculture, gardening and other uses.

Applicant: **Arakelian Enterprises, Inc. dba Athens Services**

Project Type: **Compost**

County: **San Bernardino**

Project Provides Benefits to an AB 1550 Community: **Yes**

Grant Funds Recommended for Approval: **\$3,000,000**

Estimated GHGs (MTCO_{2e}) Total Project: **17,781**

Estimated Diversion (Tons) Total Project: **82,320**

This project is an upgrade of the current windrow composting facility known as the American Organics Victor Valley Regional Composting Facility, located in Victorville. The upgrades include a new aerated static pile composting system designed by Engineered Composting Systems, which reduces air emissions and helps protect water quality. The technology upgrade will allow for the additional diversion of 130,000 TPY, for a total diversion of 182,000 TPY. At full build out the total GHG reduction is 21,437 TPY. The project will produce more than 133,000 TPY of compost, 20,000 TPY of mulch, and 15,000 TPY of biofuel (wood).

Applicant: **Best Way Disposal Company, Inc. dba Advance Disposal Co.**

Project Type: **Compost**

County: **San Bernardino**

Project Provides Benefits to an AB 1550 Community: **Yes**

Grant Funds Recommended for Approval: **\$2,481,250**

Estimated GHGs (MTCO_{2e}) Total Project: **10,144**

Estimated Diversion (Tons) Total Project: **37,570**

Best Way Disposal Company proposes to retrofit an existing, fully-permitted facility with new, innovative equipment. The Materials Recovery Facility is owned and operated by Advance Disposal Company in Hesperia, CA. The new equipment will recover approximately 68 TPD of organic fines and clean them of broken glass and other contaminants to a quality that is appropriate for composting. Presently, this material is going to disposal at the Victorville Landfill. The newly separated materials will be sent to composting.

Applicant: **CR&R Incorporated**

Project Type: **Anaerobic Digestion**

County: **Riverside**

Project Provides Benefits to an AB 1550 Community: **Yes**

Grant Funds Recommended for Approval: **\$4,000,000**

Estimated GHGs (MTCO_{2e}) Total Project: **13,249**

Estimated Diversion (Tons) Total Project: **34,866**

CR&R Incorporated proposes to construct Phase 3 of the Perris Biomethane Facility project to increase the AD capacity from 382 TPD to 573 TPD, allowing CR&R to accept and use an additional 191 TPD of organic waste. The expansion also enables CR&R vehicles to use the RNG produced to offset petroleum fuel use and the associated GHG and criteria pollutant emissions.

Applicant: **Santa Barbara County**
Project Type: **Anaerobic Digestion**
County: **Santa Barbara**
Project Provides Benefits to an AB 1550 Community: **No**
Grant Funds Recommended for Approval: **\$4,000,000**
Estimated GHGs (MTCO2e) Total Project: **13,750**
Estimated Diversion (Tons) Total Project: **55,000**

The Santa Barbara County Public Works Department proposes to develop an Anaerobic Digestion Facility at the County-owned and -operated Tajiguas Landfill. This facility is expected to process over 80% of the organics that are currently landfilled into biogas. The digestate will be composted on site. The biogas will be used to generate electricity as per an agreement in place with Southern California Edison.