

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

Request to Approve Project for SB 71 Sales and Use Tax Exclusion (STE)¹

**Buster Biofuels, LLC
Application No. 13-SM002**

March 19, 2013

Prepared By: *Alejandro Ruiz*

SUMMARY

Applicant – Buster Biofuels, LLC

Location – Escondido, San Diego County

Industry – Biomass Processing and Fuel Production

Project – New Biomass and Fuel Production Facility

Value of Qualified Property – \$1,905,343

Estimated Sales and Use Tax Exclusion Amount² – \$159,477

Estimated Net Benefits – \$730,051

Application Score –

Fiscal Benefits Points:	4,929
<u>Environmental Benefits Points:</u>	<u>649</u>
Net Benefits Score:	5,578

<u>Additional Benefits Points:</u>	<u>10</u>
Total Score:	5,588

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the Program's statute and regulations.

² This amount is calculated based on the average statewide sales tax rate of 8.37%.

THE APPLICANT

Buster Biofuels, LLC (“Buster Biofuels” or “Applicant”) was incorporated on November 5, 2009 in Delaware and is headquartered in Escondido, California. Buster Biofuels operates a collection service that reclaims used cooking oil (“UCO”) and other waste-based feedstock from San Diego area restaurants and food production facilities. The service collects over 330,000 gallons of waste-based feedstock from more than 725 clients annually. Currently, the waste-based feedstock is used by third-party biodiesel production facilities.

Company Owner’s (10.0% or greater) of Buster Biofuels, LLC are:

Weldon R. Halterman (60%)
Jason Biddle (30%)
Brian Sachau (10%)

The officers of Buster Biofuels, LLC are:

Weldon R. Halterman – CEO

THE PROJECT

The Applicant will construct a biodiesel production facility utilizing second and third generation technologies that the Applicant represents will result in a more cost-effective and sustainable process. The production system will be a semi-continuous design capable of producing approximately 5,256,000 gallons of biodiesel per year.³ The Applicant represents that this type of system produces less waste and requires less energy, resulting in a more sustainable process. Buster Biofuels anticipates meeting its feedstock needs by significantly increasing the amount of waste-based feedstock collected. Any additional feedstock requirements will be met by third party suppliers. Biodiesel produced at the facility will be distributed by an on-site fueling station serving contracted companies; tank trucks delivering bulk loads to entities in the San Diego region; and through major biodiesel distributors for the Southern California region.

The project will benefit from the California Energy Commission’s Alternative and Renewable Fuel and Vehicle Technology Program, which will provide a grant of \$2,641,723.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Valves	\$ 1,875
Pumps	20,700
Ticket Meter	4,000
Shop Tools	10,000
Heat Exchangers and Tubing	5,500
Resin	20,000
Tanks	120,558

³ 5,256,000 gallons of biodiesel per year is the facility’s theoretical maximum output.

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Qualified Property list continued from above:

Filter Housings	4,000
Heater Coils	20,000
Automation – Programmable Logic Controllers	180,000
Lab Equipment and Supplies	114,500
Boiler	46,000
Cooling Tower	9,000
Air Compressor	8,000
Structural Work (exterior, electrical, building improvements)	352,750
Acid Esterification Skid	127,400
Transesterification Skid	126,600
Dry Wash Skid	22,800
Static Separator Skid	10,000
Filter Box	5,000
Strainer	2,500
Methanol Recovery Unit	79,500
Dry Wash Resin Tower	154,660
Bins, Barrels, and Trucks	435,000
Ester and Transesterification Equipment	25,000
Total	<u>\$1,905,343</u>

Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. At the termination of the conveyance/reconveyance agreement a finalized project equipment list will be prepared detailing the value of the Project equipment conveyed and reconveyed and detailing the actual tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variations from the costs shown in the Application and in this report may occur prior to the closing due to increased costs of certain components of the Project from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons.

TIMELINE

The Applicant anticipates procuring equipment in April 2013, beginning construction in June 2013, and commencing operations by June 2014.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$1,905,343 and the total net benefits are valued at \$730,051 for the Project. The Project received a Total Score of 5,588 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 649 points, which exceeds the 100 point threshold.

- A. Fiscal Benefits (4,929 points).** The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant’s sales taxes, personal income taxes paid by the firm’s employees, firm taxes on profits, property taxes and other indirect fiscal benefits of the Applicant which amounts to \$786,032 resulting in a Fiscal Benefits score of 4,929 points for the Project.
- B. Environmental Benefits (649 points).** The Project will result in \$103,496 of total pollution benefits over the life of the Facility resulting in an Environmental Benefits Score of 649 points for the Project. These benefits derive from the production of biodiesel, which mitigates greenhouse gas emissions by reducing the demand for diesel fuel.
- C. Additional Benefits (10 of 200 points).** Applicants may earn up to 200 additional points for their Total Score. The Applicant submitted information and received ten additional points.
- 1. Permanent Jobs (10 of 40 points).** The Applicant’s Project will support a total of 18 permanent jobs at its Facility. CAEATFA estimates that approximately one of these jobs will be attributable to a marginal increase in jobs created due to the approved STE resulting in a Permanent Jobs Score of 10 points for the Project.
 - 2. Construction Jobs (0 of 20 points).** The Applicant’s Project will support a total of 14 construction jobs at its Facility. CAEATFA estimates that approximately one of these jobs will be attributable to a marginal increase in jobs created due to the approved STE. Zero points were awarded because the marginal increase in jobs does not meet the required threshold.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant has acquired all necessary permits to begin construction and operation of the site. These permits include a Notice of Exemption from CEQA, a construction permit, and the Air Pollution Permit from the San Diego Air Pollution Control District.

LEGAL QUESTIONNAIRE

Staff reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of this Applicant.

CAEATFA FEES

In accordance with CAEATFA Regulations,⁴ the Applicant has paid CAEATFA an Application Fee of \$952.67 and will pay CAEATFA an Administrative Fee of \$15,000.

RECOMMENDATION

Staff recommends approval of Resolution No. 13-SM002 for Buster Biofuels, LLC's purchase of Qualified Property in an amount not to exceed \$1,905,343 anticipated to result in an approximate sales and use tax exclusion value of \$159,477.

⁴ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A TITLE
CONVEYANCE AGREEMENT WITH BUSTER BIOFUELS, LLC**

March 19, 2013

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Buster Biofuels, LLC** (the “Applicant”), for financial assistance in the form of a conveyance/reconveyance of title agreement (the “Agreement”) regarding tangible personal property for the design, manufacture, production or assembly of Advanced Transportation Technologies or Alternative Source products, components, or systems (“Qualified Property”) as more particularly described in the staff summary and in the Applicant’s Application to the Authority (collectively, the “Project”); and

WHEREAS, the Applicant has requested the Authority to enter into the Agreement transferring title of Project equipment with an estimated cost not to exceed \$1,905,343 amount over a period of three years; and

WHEREAS, the Agreement will provide that the Applicant will, prior to any use of the Qualified Property, transfer title at no cost to the Authority from time to time as purchases of Qualified Property are made and the Authority will then transfer title back to the Applicant without having taken possession of the Qualified Property; and

WHEREAS, the Applicant believes that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Qualified Property pursuant to California Revenue and Taxation Code Section 6010.8; and

WHEREAS, approval of the terms of the Agreement and authority for the Executive Director, Deputy Executive Director, or Chair of the Authority, to execute the necessary documents to effectuate the Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Project constitutes a “project” within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The requested conveyance agreement constitutes “financial assistance” within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a “participating party” within the meaning of Public Resources Code Section 26003(a)(7).

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Section 4. The Executive Director, Deputy Executive Director, or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Executive Director shall deem appropriate, provided that the amount of the Qualified Property to be purchased may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Agreement between the Applicant and the Authority, as filed with the Authority prior to this meeting, is hereby approved. The Authorized Signatories are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Applicant the Agreement in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein as the Authorized Signatory executing the same, may require or approve, and with particular information inserted therein in substantial conformance with the staff summary and in the Applicant’s Application to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof. The Authority understands and agrees that pursuant to the terms of the Agreement, the obligations of the Applicant may, under some circumstances be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including (without limitation) the execution and delivery of any and all documents and certificates they may deem necessary or advisable in order to consummate the Agreement and otherwise effectuate the purposes of this resolution.

Section 7. The Applicant shall assure CAEATFA that all Qualified Property conveyance pursuant to the Agreement shall be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Agreement shall only apply to Qualified Property that the Applicant certifies will be installed, maintained and operated at facilities within the State of California.

Section 9. The adoption by the Authority of this Resolution for the Applicant shall not be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to acquire, construct or operate the Project.

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement, as defined in CAEATFA Regulations Section 10035(A), is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty days if necessary.