

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

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

**EDCO Transport Services, LLC
Application No. 16-SM023**

Tuesday, October 18, 2016

Prepared By: *James Shimp, Analyst*

SUMMARY

Applicant – EDCO Transport Services, LLC

Location – Signal Hill, Los Angeles County

Industry – Mixed Recycling (Recycled Resource Extraction)

Project – Addition of New Single Stream and Mixed Solid Waste Recovery Lines

Value of Qualified Property – \$10,500,000

Estimated Sales and Use Tax Exclusion Amount² – \$884,100

Estimated Net Benefits – \$258,637

Application Score –

Fiscal Benefits Points:	1,238
<u>Environmental Benefits Points:</u>	<u>55</u>
Net Benefits Score:	1,293

<u>Additional Benefits Points:</u>	<u>74</u>
Total Score:	1,367

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 8.42%.

THE APPLICANT

EDCO Transport Services, LLC (“EDCO” or “Applicant”), a California limited liability company formed in 2007, is a processor of residential and commercial recycled feedstock. Its materials recovery facility (MRF) is located in Signal Hill.

The major shareholders (10.0% or greater) of EDCO Transport Services, LLC are:

- Edward Burr Separate Property Trust, dated April 2, 2001 (50%)
- Sandra Burr Separate Property Trust, dated April 2, 2001 (50%)

The corporate officers of EDCO Transport Services, LLC are:

- Edward G. Burr, Co-Chairman
- Sandra L. Burr, Co-Chairperson and Secretary
- Cole Burr, Vice Chairman
- Steve South, President and CEO
- Alan D. Walsh, Vice President and CFO
- Efrain Ramirez, Vice President
- John Snyder, Vice President
- Jeff Ritchie, Vice President

THE PROJECT

EDCO is seeking an STE award in order to expand its Signal Hill MRF to include a new single stream processing line and a new mixed solid waste processing line (the “Project”). The facility currently processes a mixture of recycled feedstocks, including mixed and corrugated fibers, plastic, metals, and glass containers. In addition to these, the facility will also process construction and demolition and green waste materials.

The Applicant represents that the proposed expansion will utilize advanced high speed sorting optics and robotics to process over 90,000 tons of recyclable feedstock delivered by its affiliated companies. The Applicant also represents that the proposed equipment will increase diversion rates and improve the quality of the facility output.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Screens	\$ 1,935,000
Optics	1,573,000
Platforms	743,000
Bunkers	1,110,000
Controls	882,000
Balers and Infeed	924,000
Conveyors	2,414,000
Loading Equipment	919,000
Total	<u>\$10,500,000</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 master regulatory agreement a finalized project equipment list will be prepared detailing the value of the Project equipment acquired and detailing the actual tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance 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) over 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 represents that a substantial amount of purchasing will be completed in 2017, though delivery and installation will be later. The mixed solid waste recycling equipment is slated for delivery and installation in the fourth quarter of 2018 and the line will be operational by the second quarter of 2019.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$10,500,000 and the total net benefits are valued at \$258,637 for the Project. The Project received a Total Score of 1,367 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 55 points, which exceeds the 20 point threshold.

- A. Fiscal Benefits (1,238 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 \$1,094,340 resulting in a Fiscal Benefits score of 1,238 points for the Project.

- B. Environmental Benefits (55 points).** The Project will result in \$48,397 of total pollution benefits over the life of the Project resulting in an Environmental Benefits Score of 55 points for the Project. These benefits derive from processing mixed recyclables for use in other products, which thereby diverts 90,000 tons from landfills annually, according to the Applicant.

- C. Additional Benefits (74 points).** Applicants may earn additional points for their Total Score. The applicant submitted information and received 74 additional points.
 - 1. Permanent Jobs (35 of 75 points).** The Applicant represents that the Project will support a total of 22 permanent jobs at its Facility. CAEATFA estimates that approximately three 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 35 points for the Project.

2. **Construction Jobs (30 of 75 points)**. The Applicant represents that the Project will support a total of 15 construction jobs at its Facility. CAEATFA estimates that approximately two of these jobs will be attributable to a marginal increase in jobs created due to the approved STE resulting in a Construction Jobs Score of 30 points for the Project.

3. **Unemployment (9 of 50 points)**. The Applicant's Project is located in Los Angeles County which has an average annual unemployment rate of 8.2%. This is above 110% of the statewide average annual unemployment rate which is currently 7.5% resulting in an Unemployment Score of nine points for this Project.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

All construction and operating permits for this project are already in place.

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,³ the Applicant has paid CAEATFA an Application Fee of \$5,250 and will pay CAEATFA an Administrative Fee up to \$42,000.

RECOMMENDATION

Staff recommends approval of Resolution No. 16-SM023 for EDCO Transport Services, LLC's purchase of Qualified Property in an amount not to exceed \$10,500,000 anticipated to result in an approximate sales and use tax exclusion value of \$884,100.

³ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH EDCO TRANSPORT SERVICES, LLC**

October 18, 2016

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **EDCO Transport Services, LLC** (the “Applicant”), for financial assistance in the form of a master regulatory agreement (the “Agreement”) regarding tangible personal property utilized to process Recycled Feedstock, in an Advanced Manufacturing process or 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 to acquire Project equipment with an estimated cost not to exceed \$10,500,000 over a period of three years; 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 master regulatory 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).

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.

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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 listed in the semi-annual reports 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.