

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

*Request to Approve Project for Sales and Use Tax Exclusion (STE)<sup>1</sup>*

**Monterey Regional Waste Management District  
Application No. 16-SM014**

**Tuesday, October 18, 2016**

Prepared By: *Ashley Bonnett, Analyst*

**SUMMARY**

**Applicant** – Monterey Regional Waste Management District

**Location** – Marina, Monterey County

**Industry** – Mixed Recycling (Recycled Resource Extraction)

**Project** – Replacement of Existing Materials Recovery Facility

**Value of Qualified Property** – \$11,401,677

**Estimated Sales and Use Tax Exclusion Amount<sup>2</sup>** – \$960,021

**Estimated Net Benefits** – \$394,975

**Application Score<sup>3</sup>** –

Fiscal Benefits Points:	1,365
<u>Environmental Benefits Points:</u>	<u>46</u>
<b>Net Benefits Score:</b>	<b>1,411</b>

<u>Additional Benefits Points:</u>	<u>76</u>
<b>Total Score:</b>	<b>1,488</b>

**Staff Recommendation** – Approval

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<sup>1</sup> All capitalized terms not defined in this document are defined in the Program’s statute and regulations.

<sup>2</sup> This amount is calculated based on the average statewide sales tax rate of 8.42%.

<sup>3</sup> Point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

**THE APPLICANT**

Monterey Regional Waste Management District (“Monterey RWMD” or the “Applicant”) was formed by the Monterey County Board of Supervisors in October 1951, when it was initially known as the Monterey Peninsula Garbage and Refuse Disposal District. Monterey Regional Waste Management District is a special district formed pursuant to California Public Resources Code Section 49100. Monterey RWMD’s primary purpose is to manage solid waste generated in the Monterey Peninsula area.

The Applicant is governed by a nine-member Board of Directors with representatives from different jurisdictions within Monterey County:

- Dennis Allion, Chair (Del Rey Oaks)
- Ian Oglesby, Vice Chair (Seaside)
- Carrie Theis (Carmel-by-the-Sea)
- Gary Bales (Pacific Grove)
- Libby Downey (Monterey)
- Bruce Delgado (Marina)
- Leo Laska (Pebble Beach)
- David Pendergrass (Sand City)
- Jane Parker (Monterey County)

**THE PROJECT**

The Applicant represents that the materials recovery facility (“MRF”) currently in operation is at the end of its useful life, therefore the Applicant plans to replace the current facility with new equipment and technology that will significantly increase materials recovery capacity and efficiency (the “Project”). The proposed Project will replace an existing construction and demolition line, which the Applicant represents will provide a nearly 50% processing improvement, and will add two new processing lines to handle mixed commercial waste, single-stream recyclables, and organics. The Applicant anticipates the Project will divert approximately 61,773 tons of recyclable materials, such as cardboard, paper, metal scrap, aluminum scrap, compost, PETE containers, and HDPE containers, from landfills each year.

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Base Materials Recovery Facility Equipment	
Structure	\$ 1,183,964
Equipment	7,910,156
Baler	469,858
Controls	1,008,867

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Modifications to Base Equipment	
Residue Truck Load-Out System	99,539
Organics Truck Load-Out System	67,294
Optimization of Construction and Demolition System	110,075
Alternative Daily Cover Drop Box Load-out System	197,583
System Access Walkway	100,117
Single Stream Fines Collection System	46,594
System Changes	<u>207,630</u>
<b>Total</b>	<b><u>\$11,401,677</u></b>

*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 the design, contracting, and planning for the Project is complete. The Applicant also represents building permits for equipment installation are anticipated in January 2017, after which the existing facility will be dismantled and the site will be prepared for the new equipment to be installed by April 2017. Testing is anticipated to begin in September 2017, with the facility to begin operations in November 2017.

## **PROJECT EVALUATION**

### **NET BENEFITS**

The total cost of the Qualified Property purchases is anticipated to be \$11,401,677 and the total net benefits are valued at \$394,975 for the Project. The Project received a Total Score of 1,488 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 46 points, which exceeds the 20 point threshold.

- A. Fiscal Benefits (1,365 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 \$1,310,429 resulting in a Fiscal Benefits score of 1,365 points for the Project.
- B. Environmental Benefits (46 points).** The Project will result in \$44,567 of total pollution benefits over the life of the Project resulting in an Environmental Benefits

Score of 46 points for the Project. These benefits derive from the processing of mixed recyclables, such as cardboard, paper, metal scrap, aluminum scrap, compost, PETE containers, and HDPE containers, for use in another product, which thereby diverts approximately 61,773 tons from landfills annually, according to the Applicant.

- C. **Additional Benefits (76 points)**. Applicants may earn additional points for their Total Score. The applicant submitted information and received 76 additional points.
1. **Permanent Jobs (35 of 75 points)**. The Applicant represents that the Project will support a total of 27 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 (20 of 75 points)**. The Applicant represents that the Project will support a total of eight 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 resulting in a Construction Jobs Score of 20 points for the Project.
  3. **Unemployment (21 of 50 points)**. The Applicant's Project is located in Monterey County which has an average annual unemployment rate of 9.1%. This is above 110% of the statewide average annual unemployment rate which is currently 8.8% resulting in an Unemployment Score of 21 points for this Project.

## **STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

The Applicant represents the facility has all necessary operating permits, and will acquire a building permit from the Monterey County Building Department and have approved a storm water pollution prevention plan by the State Water Resources Control Board prior to the commencement of construction in February 2017.

## **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,<sup>4</sup> the Applicant has paid CAEATFA an Application Fee of \$5,700.83 and will pay CAEATFA an Administrative Fee of up to \$45,606.71.

**RECOMMENDATION**

Staff recommends approval of Resolution No. 16-SM014 for Monterey Regional Waste Management District's purchase of Qualified Property in an amount not to exceed \$11,401,677 anticipated to result in an approximate sales and use tax exclusion value of \$960,021.

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<sup>4</sup> California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER  
REGULATORY AGREEMENT WITH MONTEREY REGIONAL WASTE  
MANAGEMENT DISTRICT**

October 18, 2016

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Monterey Regional Waste Management District** (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 \$11,401,677 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

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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 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.