

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

***Request to Approve a Time Extension for the  
Initial Term of the Master Regulatory Agreement<sup>1</sup>***

**Sanitation Districts of Los Angeles County  
Application No. 17-SM052**

**Tuesday, June 16, 2020**

Prepared By: *Matthew Jumps, Program Analyst*

**SUMMARY**

**Applicant** – Sanitation Districts of Los Angeles County

**Location** – Whittier and Carson, Los Angeles County

**Industry** – Biomass Processing and Fuel Production

**Project** – Expansion of an Existing Food Waste System to Include Integrated Pre-Processing of Organic Waste and Anaerobic Digestion (Alternative Source)

**Total Amount Qualified Property Approved**– \$11,928,310

**Estimated Sales and Use Tax Exclusion Amount at Approval<sup>2</sup>** – \$1,004,364

**Amount of Time Requested** –

- One year, until July 18, 2021, for the Initial Term of the Master Regulatory Agreement (Four years from the date of initial CAEATFA Board approval)

**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 at the time of initial approval, which was 8.42%.

## **REQUEST**

On July 18, 2017, the CAEATFA Board approved a sales and use tax exclusion (“STE”) for Sanitation Districts of Los Angeles County (“LACSD” or the “Applicant”) for the purchase of up to \$11,928,310 in Qualified Property to build an integrated food waste pre-processing system at the LACSD’s Puente Hills Materials Recovery Facility in Whittier and an anaerobic co-digestion system at LACSD’S Joint Water Pollution Control Plant (JWPCP) in Carson, which will receive diverted food waste from landfills and convert to renewable natural gas (the “Project”). The Master Regulatory Agreement (“Agreement”) initial term provided the Applicant with three years from the date of Board Approval to utilize its STE award. The initial term of the Agreement can be extended by the Board upon a finding that an extension is in the public interest and advances the purposes of the program.

As of April 13, 2020, LACSD has used the STE to purchase \$5,080,735 of Qualified Property (43% of the total Qualified Property approved). The Applicant is requesting to extend the Agreement initial term by one year to accommodate fluctuating market conditions and the current COVID-19 pandemic, which changed the timetable of the Project.

According to the Applicant, the implementation of the Project was changed due to fluctuating market conditions – lower supplies of organic feedstock and increased capital costs. The original Project was intended to be a single food waste receiving station that would be capable of receiving 310 tons per day (“tpd”) of diverted food waste. Due to lower supplies of organic feedstocks and increased capital costs, LACSD changed its original plan of building a single largescale receiving station, and instead implemented a phased approach, first beginning with a smaller scale Slurry Receiving Facility capable of receiving 124 tpd, with current plans to build a second Slurry Receiving Facility capable of receiving 186 tpd, bringing the total capacity of the Project to the originally planned 310 tpd. LACSD intends to have the first facility operational by August 2020 and the second facility operational by October 2020. LACSD states that they are incentivized to complete the Project by the end of 2020 in order to meet grant requirements from CalRecycle and California Energy Commission (“CEC”), from which LACSD has been awarded \$6.5 million in grants. LACSD has already purchased the tanks, pumps and all major electrical components for the first facility and is in the process of purchasing equipment for the second facility. Although LACSD expects some delays due to the COVID-19 pandemic and related financial crisis, LACSD expects to have the Project constructed and operational by the end of the requested extension term of one year.

## **THE APPLICANT**

The Sanitation Districts of Los Angeles County (“LACSD” or the “Applicant”) is a public agency providing wastewater and solid waste management for 5.6 million people in Los Angeles County. LACSD has been providing services in the region since 1923, when the first districts were formed. LACSD is a confederation of 24 independent sanitation districts that work cooperatively under a regional management system. Seventeen of those districts are signatory to a joint agreement under which they jointly own and operate the wastewater conveyance, treatment, and disposal facilities. Under the terms of that agreement, District No. 2 serves as the

administrative agent responsible for all matters pertaining to those shared facilities, including this proposed project.

The Board of Directors of District Number 2 of the Sanitation Districts of Los Angeles County are:

Ross J. Maza (Alhambra)	Salvador Melendez (Montebello)
Ali Sajjad Taj (Artesia)	Hans Liang (Monterey Park)
Ali Saleh (Bell)	Jennifer Perez (Norwalk)
Alejandro Cortez (Bell Gardens)	Tom Hansen (Paramount)
Juan Garza (Bellflower)	Gustavo Camacho (Pico Rivera)
Naresh Solanki (Cerritos)	Denise Menchaca (San Gabriel)
Ivan Altamirano (Commerce)	Maria Belen Bernal (South Gate)
Aja Brown (Compton)	Melissa Ybarra (Vernon)
Blanca Pacheco (Downey)	Joe Vinatieri (Whittier)
Robert Garcia (Long Beach)	Kathryn Barger (Los Angeles County)
Nury Martinez (Los Angeles City)	

### **THE PROJECT**

The Applicant seeks to build an integrated food waste pre-processing and anaerobic co-digestion system that will divert food waste from landfills and convert it to renewable natural gas (RNG) to be used as transportation fuel. Pre-processing activities will take place at the Applicant's Puente Hills Materials Recovery Facility (MRF) located in Whittier, California. Utilizing DODA bio-separators, the Applicant intends to produce food waste slurry at the Puente Hills MRF which will be transported to LACSD's Joint Water Pollution Control Plant (JWPCP) in Carson, California. LACSD represents that they have five existing anaerobic digesters with excess capacity located at the JWPCP that will be utilized to produce biomethane which will be upgraded to an estimated 2,085 diesel gallon equivalents (DGE) of RNG daily. This RNG is expected to be distributed at an existing LACSD fueling station. The Applicant predicts that the Project will offset 38,367 metric tons of carbon dioxide equivalent emissions per year.

### **AGREEMENT INITIAL TERM EXTENSION REQUEST**

Sanitation Districts of Los Angeles County has requested that the initial term of the Agreement be extended from July 18, 2020 to July 18, 2021 in order to accommodate fluctuating market conditions and the current COVID-19 pandemic, which changed the timetable of the Project.

### **Staff Evaluation**

The Applicant states that fluctuating market conditions, low organic feedstock, and increased capital costs have changed the timetable of the Project over the previous three years. Due to increased demand from slurry diversion contracts, LACSD is now expanding its receiving capacity to the originally projected 310 tpd, through the construction of two smaller scale Slurry Receiving Facilities. LACSD has a strong incentive to have both facilities constructed and in operation by the end of 2020 to satisfy grant obligations from CalRecycle and the CEC. LACSD

is scheduled to have the both facilities operational by October 2020, and is requesting an additional year to the initial term in the case of any unforeseen delays caused by the COVID-19 pandemic.

Based on this information, Staff believes extending the term of the Agreement will allow for the Project to be completed, and is therefore in the public interest and advances the purpose of the program.

### **LEGAL QUESTIONNAIRE**

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

### **CAEATFA FEES**

In accordance with CAEATFA Regulations,<sup>3</sup> the Applicant has paid an additional fee of \$500 because extending the initial term requires a modification to the Applicant's Master Regulatory Agreement.

### **RECOMMENDATION**

Staff recommends that the Board approve Sanitation Districts of Los Angeles County's request to extend the initial term of the Agreement by one year to July 18, 2021 as it is in the public interest and advances the purpose of the program.

### **Attachments**

- Attachment A: Sanitation Districts of Los Angeles County's letters requesting waiver (April 13, 2020 and May 19, 2020)
- Attachment B: Sanitation Districts of Los Angeles County's staff summary at the time of approval

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<sup>3</sup> California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING A TIME EXTENSION FOR  
SANITATION DISTRICTS OF LOS ANGELES COUNTY’S INITIAL TERM FOR  
THE MASTER REGULATORY AGREEMENT**

June 16, 2020

WHEREAS, on July 18, 2017 the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, approved a Sales Tax Exclusion (“STE”) in the amount of \$11,928,310 of Qualified Property for **Sanitation Districts of Los Angeles County** (the “Applicant”); and

WHEREAS, within three years of the approval by the Authority, the Applicant must make all purchases of the total amount of Qualified Property listed in the approval resolution (Regulations Section 10035(b)(1)); and

WHEREAS, upon a finding that it is in the public interest and advances the purposes of the Program, the Authority may waive the requirement that all purchases of Qualified Property be made within three years of Application approval (Regulations Section 10035(b)(1)(A)); and

WHEREAS, the Applicant has requested a waiver of the requirement to purchase all of the Qualified Property within three years by July 18, 2020, due to unexpected delays in the Project timeline, extending the term by one year to July 18, 2021; and

WHEREAS, granting the waiver will allow the Project to proceed and the state to receive the anticipated environmental and economic benefits that justified the initial approval of the Project in accordance with the law, thereby advancing both the public interest and the purposes of the Program.

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

Section 1. The Authority finds that it is in the public interest and advances the purposes of the Authority to extend the initial term of the Agreement to July 18, 2021.

Section 2. This resolution shall take effect immediately upon its passage.

**Attachment A: Sanitation Districts of Los Angeles County's Letters Requesting Waiver  
(April 13, 2020 and May 19, 2020)**



**LOS ANGELES COUNTY  
SANITATION DISTRICTS**  
*Converting Waste Into Resources*

**Robert C. Ferrante**  
Chief Engineer and General Manager

1955 Workman Mill Road, Whittier, CA 90601-1400  
Mailing Address: P.O. Box 4998, Whittier, CA 90607-4998  
(562) 699-7411 • www.lacsd.org

April 13, 2020

Xee Moua  
CAEATFA  
915 Capital Mall  
Sacramento, CA 95814

Dear Ms. Moua:

**California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA)  
Agreement Request to Extend Agreement Term**

On July 18, 2017, the CAEATFA approved the Los Angeles County Sanitation Districts' (Districts) project application (17-SM052) and adopted a resolution approving and authorizing execution of a master regulatory agreement (Agreement). Under the Sales and Use Tax Exclusion Program (STE Program), the Agreement pre-approved up to \$11,928,310 of qualified property purchases related to the Districts' Food Waste Recycling Program (FWR Program) to be exempt from being charged sales and use tax. The Districts' Board of Directors approved and executed this Agreement on August 9, 2017 which currently expires on July 18, 2020. To date, the Districts have reported \$4,762,988 in total qualified purchases with an additional \$317,747 to be included in the next reporting period. The original schedule supplied in the Districts' application was an early forecast which has since changed due to the FWR Program modifications in scope, schedule and budget preventing the Agreement term's deadline from being met. Although the project schedule has changed, the overall goals of the FWR Program has not. The Districts fully intend to provide the public with essential services needed to comply with state laws regarding food waste diversion from landfills and utilize biogas resources generated through anaerobic digestion for upgrading into renewable natural gas to be used as vehicle fuel.

Per the STE Program regulation Section 10035(b)(1)(B), the Districts request a waiver for a time extension for an additional year (expiration on July 18, 2021). The extension will allow the Districts to meet the updated schedule (Table 1) for purchasing up to approximately \$3,500,000 in anticipated remaining property. The Districts are incentivized to complete these projects by the end of 2020 to meet additional grant requirements with CalRecycle and the California Energy Commission.

We appreciate CAEATFA's continued support for our FWR Program. Please contact Johnmar Deguzman at (562) 908-4288, extension 2765, if you have any questions or need additional information.

DOC 5686309

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April 13, 2020

**Table 1: Updated Project Equipment Purchase Schedule**

<b><u>Projects</u></b>	<b><u>Original Anticipated Purchase Date</u></b>	<b><u>Updated Anticipated Purchase Date</u></b>	<b><u>Completed?</u></b>
PHMRF Doda Pre-Processing System	11/1/2017	4/20/2018	Yes
Slurry Receiving Station No. 1	4/1/2019	5/1/2020	Partial
Biogas Conditioning System	2/1/2019	6/1/2020	Partial
CNG/LNG Truck Purchases	7/1/2019	6/1/2020	Partial
Biogas Conveyance Pipeline	4/1/2019	5/1/2020	No
Slurry Receiving Station No. 2	4/1/2019	10/1/2020	No
PHMRF CNG Station Upgrade/Expansion	2/1/2018	10/1/2020	No

Very truly yours,



Robert Asgian  
Department Head  
Solid Waste Management Department

RA:JD:mcw

Enclosures

Attachment 1: Ownership Information Form

Attachment 2: Legal Status Questionnaire

cc: W. Chen

J. Deguzman

M. McDannel

M. Revilla

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**LOS ANGELES COUNTY  
SANITATION DISTRICTS**  
*Converting Waste Into Resources*

**Robert C. Ferrante**

Chief Engineer and General Manager

1955 Workman Mill Road, Whittier, CA 90601-1400  
Mailing Address: P.O. Box 4998, Whittier, CA 90607-4998  
(562) 699-7411 • www.lacsd.org

May 19, 2020

Matthew Jumps  
CAEATFA  
915 Capital Mall  
Sacramento, CA 95814

Dear Mr. Jumps:

**California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA)**  
**Agreement Amended Letter Request to Extend Agreement Term**

On April 13, 2020, the Los Angeles County Sanitation Districts (Districts) submitted a letter to CAEATFA requesting a one-year extension to the existing agreement. On May 7, 2020 the Districts received an e-mail from CAEATFA requesting additional information regarding the project. The Districts' responses are provided below:

1. *Please provide additional details on the reason for the delay. Specifically, what does it mean that there was a modification in the scope of the project?*

The original timeline anticipated full-scale operation of the Districts' Food Waste Recycling Program (FWR Program) to begin January 2020. At that time, the Districts intended to design and construct a Food Waste Receiving Station (Original Project) capable of receiving 310 tons per day (tpd) of diverted food waste for co-digestion at our Joint Water Pollution Control Plant (JWPCP). However, due to uncertain market conditions, low supply of food waste slurry and significantly increasing capital costs at the time, the Districts decided to cancel the Original Project in February 2019 while continuing efforts to expand food waste slurry business. In May 2019, as the quantity of contracted food waste slurry deliveries increased, the Districts decided to start design and construction of a smaller-scale Slurry Receiving Facility (SRF-1) with a reduced capacity of 124 tpd, compared to 310 tpd of the Original Project. Currently, food waste slurry is delivered to the JWPCP's liquid waste disposal station and processed through the entire wastewater treatment plant which loses approximately 40% of biogas production. Construction and operation of the SRF-1 will allow food waste slurry to be directly injected into the facility's anaerobic digesters for co-digestion to maximize biogas production. In February 2020, the Districts decided to design and construct a second Slurry Receiving Facility (SRF-2) due to continued increase of contracted food waste slurry deliveries. SRF-2 will have a capacity of 186 tpd, bringing the combined total food waste slurry receiving capacity at JWPCP to 310 tpd, the same capacity as the Original Project. The two receiving facilities at JWPCP will still accomplish the original intent of the Original Project and will provide the public with a solution to meet diversion requirements while recovering biogas as a renewable resource utilizing existing anaerobic digestion infrastructure. The Districts expect to complete construction and start operation of SRF-1 by August 2020 and SRF-2 by October 2020.

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Matthew Jumps

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May 19, 2020

2. *What additional assurances can the Districts provide that the new timeline will be met?*

The Districts have been awarded \$6.5M of grant funding between CalRecycle and the California Energy Commission. The Districts are incentivized to complete these projects by the end of 2020 in order to meet the grant requirements or risk losing funding. The Districts purchased the tanks, pumps and all major electrical components for both SRF-1 and SRF-2. The tanks are in place for SRF-1. The subgrade work for SRF-2 has been completed.

3. *Do the Districts anticipate any further delay or other complications due to COVID-19? CAEATFA is interested in understanding how our partners and awardees are being affected by this pandemic.*

Although the Districts anticipate some delays in construction of SRF-1 and SRF-2 due to COVID-19, the Districts expect to be capable of operating at full capacity before the end of the proposed agreement expiration of July 18, 2021. Certain supply chains were affected which delayed delivery of electrical components.

4. *Do the Districts anticipate a certain timeline for resolving the litigation with Los Angeles County?*

The timeline is uncertain because during the COVID-19 pandemic the courts are delaying indefinitely hearings on “non-essential” matters. If the case goes to trial, it could be over two years before it is resolved.

5. *Are there any upcoming events scheduled for this case that the Districts can provide?*

See response above, no court hearings, decisions on motions, etc. are scheduled right now due to the pandemic. To date, the major items completed are that the County has filed their Complaint in Los Angeles County Superior Court and the Districts have filed a Response to the Complaint and a Counter Claim. All these documents are public and can be provided upon request.

6. *Can the Districts provide any additional details of its response/defense to the litigation? Particularly, what does the Districts believe is required by law for remediating the landfill into a park? Or any other details the Districts can share from its counter suit?*

The Conditional Use Permit for the landfill requires that the Districts and Los Angeles County jointly prepare a Feasibility Study for the park that, among other things, identifies a not-to-exceed funding amount for the park acceptable to the Los Angeles County Director of Parks and Recreation (Director). The Feasibility Study identified a passive park as the most appropriate type of park for the landfill and also concluded that \$14 million was the not-to-exceed cost for the park. The Director notified the Districts in writing prior to the closure of the landfill that the Feasibility study was acceptable. At the time the landfill closed, the Districts had already set aside \$37 million to fund the park. Years after the Director accepted the Feasibility Study, the County developed a plan for the park that included much more extensive features such as a large visitor’s center, a trail lift (gondola), zip lines, and a cantilevered overlook. These features would need to be built on areas of the Districts’ property that Los Angeles County does not have rights to use as a park, and the development, construction, and operation would be much more expensive (up to \$500 million). The surrounding community does not want a large regional park developed on the site and have sent many letters in opposition. As a result, the Districts contend that Los Angeles County’s demands are not lawful, appropriate, or timely. As noted above, the Districts Response and Counter Claim are public and can be provided upon request. Regarding the portion of the question about “remediating the landfill”, please note that this suit is not related in any way to environmental remediation of the site. The landfill was determined to be properly closed by the Regional Water Quality Control Board and CalRecycle and has been properly maintained since closure. Adequate

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May 19, 2020

funds have been set aside to properly maintain the landfill as required and these post-closure maintenance funds are protected from any judgment related to the suit.

7. *Does the Districts believe this will have a material impact on the financial viability of the project or the Districts?*

The Districts are confident that we will prevail on the merits of the case. In the short term, this litigation has no impacts on the Districts except for payment of legal fees. The Counter-Claim by the Districts will seek to have these legal costs reimbursed by Los Angeles County.

We appreciate CAEATFA's continued support for our FWR Program. Please contact Johnmar Deguzman at (562) 908-4288, extension 2765, if you have any questions or need additional information.

Very truly yours,

*ROBERT ASGIAN*

Robert Asgian  
Department Head  
Solid Waste Management Department

Enclosures

Attachment 1: Districts Letter Requesting Agreement Term Extension

cc: W. Chen  
J. Deguzman  
M. McDannel  
M. Revilla

DOC 5720221

**Attachment B: Sanitation Districts of Los Angeles County’s Staff Summary at the Time of Approval**

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

***Request to Approve Project for Sales and Use Tax Exclusion (STE)<sup>4</sup>***

**Sanitation Districts of Los Angeles County  
Application No. 17-SM052**

**Tuesday, July 18, 2017**

Prepared By: *Melanie Holman, Analyst*

**SUMMARY**

**Applicant** – Sanitation Districts of Los Angeles County

**Location** – Whittier and Carson, Los Angeles County

**Industry** – Biomass Processing and Fuel Production

**Project** – Expansion of an Existing Food Waste System to Include Integrated Pre-Processing of Organic Waste and Anaerobic Digestion (Alternative Source)

**Value of Qualified Property** – \$11,928,310

**Estimated Sales and Use Tax Exclusion Amount<sup>5</sup>** – \$1,004,364

**Estimated Net Benefits** – \$1,190,772

**Application Score –**

Fiscal Benefits Points:	2,091
<u>Environmental Benefits Points:</u>	<u>95</u>
<b>Net Benefits Score:</b>	<b>2,186</b>
 <u>Additional Benefits Points:</u>	 <u>69</u>
<b>Total Score:</b>	<b>2,255</b>

**Staff Recommendation** – Approval

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<sup>4</sup> All capitalized terms not defined in this document are defined in the Program’s statute and regulations.

<sup>5</sup> This amount is calculated based on the average statewide sales tax rate of 8.42%.

**THE APPLICANT**

The Sanitation Districts of Los Angeles County (“LACSD” or the “Applicant”) is a public agency providing wastewater and solid waste management for 5.6 million people in Los Angeles County. LACSD has been providing services in the region since 1923, when the first districts were formed. LACSD is a confederation of 24 independent sanitation districts that work cooperatively under a regional management system. Seventeen of those districts are signatory to a joint agreement under which they jointly own and operate the wastewater conveyance, treatment, and disposal facilities. Under the terms of that agreement, District No. 2 serves as the administrative agent responsible for all matters pertaining to those shared facilities, including this proposed project.

The Board members of District Number 2 of the Sanitation Districts of Los Angeles County are:

David Mejia (Alhambra)	Vivian Romero (Montebello)
Ali Sajjad Taj (Artesia)	Teresa Real Sebastian (Monterey Park)
Fidencio Joel Gallardo (Bell)	Luigi Vernola (Norwalk)
Jose J Mendoza (Bell Gardens)	Peggy Lemons (Paramount)
Ron Schnablegger (Bellflower)	Bob Archuleta (Pico Rivera)
Grace Hu (Cerritos)	Juli Costanzo(San Gabriel)
Ivan Altamirano (Commerce)	Maria Davila (South Gate)
Aja Brown (Compton)	Melissa Ybarra (Vernon)
Fernando Vasquez (Downey)	Joe Vinatieri (Whittier)
Robert Garcia (Long Beach)	Mark Ridley-Thomas (Los Angeles County)
Herb Wesson, Jr. (Los Angeles City)	

**THE PROJECT**

The Applicant seeks to build an integrated food waste pre-processing and anaerobic digestion system that will divert food waste from landfills and convert it to renewable natural gas (RNG) to be used as transportation fuel (the “Project”). Pre-processing activities will take place at the Applicant’s Puente Hills Materials Recovery Facility (MRF) located in Whittier, California. Utilizing DODA bio-separators, the Applicant intends to produce liquid slurry at the Puente Hills MRF which will be transported to LACSD’s Joint Water Pollution Control Plant (JWPCP) in Carson, California. LACSD represents that they have five existing anaerobic digesters with excess capacity located at the JWPCP that will be utilized to produce biomethane which will be upgraded to an estimated 2,085 diesel gallon equivalents (DGE) of RNG daily. This RNG is expected to be distributed at an existing LACSD fueling station. The Applicant predicts that the Project will offset 38,367 metric tons of carbon dioxide equivalent emissions per year.

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

#### Agenda Item – 4.D.4

Food Waste Processing Station	\$ 1,051,810
Food Waste Receiving and Co-Digestion Station	2,443,500
Biogas Upgrading to Renewable Natural Gas	3,250,000
Upgrade and Expansion of Fueling Stations	1,600,000
Trucks and Tractors for Facility Operations	3,583,000
<b>Total</b>	<b><u>\$11,928,310</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 that startup activities at their Puente Hills MRF will begin in mid-2018. Upgrades and expansion are slated to continue throughout 2018 and 2019 with full capacity operation at the JWPCP facility predicted to begin in January 2020.

#### **PROJECT EVALUATION**

##### **NET BENEFITS**

The total cost of the Qualified Property purchases is anticipated to be \$11,928,310 and the total net benefits are valued at \$1,190,772 for the Project. The Project received a Total Score of 2,255 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 95 points, which exceeds the 20 point threshold.

- A. **Fiscal Benefits (2091 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 \$2,099,961 resulting in a Fiscal Benefits score of 2,091 points for the Project.
- B. **Environmental Benefits (95 points)**. The Project will result in \$95,175 of total pollution benefits over the life of the Project resulting in an Environmental Benefits Score of 95 points for the Project. These benefits derive from the production of biogas, which offsets the need for use of fossil methane.
- C. **Additional Benefits (69 points)**. Applicants may earn additional points for their Total Score. The applicant submitted information and received 69 additional points.
  - 1. **Permanent Jobs (30 of 75 points)**. The Applicant represents that the Project will support a total of 22 permanent 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 Permanent Jobs Score of 30 points for the Project.

2. **Construction Jobs (30 of 75 points).** The Applicant represents that the Project will support a total of 19 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%. This is above 110% of the statewide average annual unemployment rate, which was 7.5% in 2014, the dataset used in the application. This results in an Unemployment Score of 9 points for this Project.

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

LACSD has completed a CEQA exemption for the Puente Hills MRF in support of the Project as no environmental impacts at this site are anticipated. CEQA compliance is in progress for the JWPCP facility, though the Applicant represents that any environmental impacts at this site are expected to be mitigatable. The Applicant does not anticipate the need for Authority to Construct or permit to operate permits, but they have indicated that they are prepared to acquire these permits if required by the South Coast Air Quality Management District. As the Project does not alter wastewater discharge volumes, the Applicant does not anticipate the need for an updated National Pollutant Discharge Elimination System (NPDES) permit. LACSD also represents that, as a public agency, they are exempt from building permits.

## **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>6</sup> the Applicant has paid CAEATFA an Application Fee of \$5,964 and will pay CAEATFA an Administrative Fee up to \$47,713.

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<sup>6</sup> California Code of Regulations Title 4, Division 13, Section 10036

**RECOMMENDATION**

Staff recommends approval of Resolution No. 17-SM052 for the Sanitation Districts of Los Angeles County's purchase of Qualified Property in an amount not to exceed \$11,928,310 anticipated to result in an approximate sales and use tax exclusion value of \$1,004,364.

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER  
REGULATORY AGREEMENT WITH THE SANITATION DISTRICTS OF  
LOS ANGELES COUNTY**

July 18, 2017

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of the **Sanitation Districts of Los Angeles County** (the “Applicant”), for financial assistance in the form of a master regulatory agreement (the “Agreement”) regarding tangible personal property utilized 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 \$11,928,310 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.



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.