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

Board Meeting Date: Tuesday, June 17, 2025

***Request to Approve Project for a Sales and Use Tax Exclusion*[1]**

**SANCO Services, L.P.**
**Application No. 25-SM011**

Prepared By: *Jeannie Yu, Program Analyst*

## SUMMARY

**Applicant:** SANCO Services, L.P.

**Location:** Escondido, San Diego County

**Industry:** Biogas Capture and Production

**Project:** Expansion of an Existing Organic Waste to Biogas Production Facility (Alternative Source)

**Project Pool:** Small

| Value of Qualified Property | Estimated Sales and Use Tax Exclusion ("STE") Amount[2] |
|---|---|
| $13,613,115 | $1,154,392 |

| Estimated Net Benefit[3] | Dollar Value | Points Earned[4] |
|---|---|---|
| Estimated Fiscal Benefits | $900,882 | 780 |
| Estimated Environmental Benefits | $687,215 | 595 |
| Additional Benefits | N/A | 90 |
| **Total** | **$1,588,097** | **1,466** |
| **Estimated Quantifiable Net Benefit** | $433,706 | N/A |

[1] All capitalized terms not defined in this document are defined in the STE Program's statutes and regulations.
[2] This amount is calculated based on the average statewide sales tax rate of 8.48%.
[3] Applications that earn a Total Score of at least 1,000 points and an Environmental Benefits Score of over 20 points may be recommended for approval. (California Code of Regulations Title 4, Division 13, Section 10033(c)(6).)
[4] Dollar values and point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

**Previous Awards and Status:** Two previous awards

- Award 1: App No. 16-SM011, Award Year 2016, 70% Expended, Complete, Compliant on Required Reports
- Award 2: App No. 19-SM012, Award Year 2019, 98% Expended, Complete, Compliant on Required Reports

**Competitive Criteria Score:** 135

**Staff Recommendation:** Approval

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## THE APPLICANT

SANCO Services, L.P. (the "Applicant") is a California limited partnership that formed in 2002 and headquartered in San Marcos, San Diego County.

The Applicant received a grant under CalRecycle's Organics Grants Program in the amount of $10 million. The agreement was executed in January 2024.

**The major shareholders (10.0% or greater) of the Applicant are:**

- Sandra Burr 2006 Grantor Exempt Trust FBO John Snyder (49.5%)
- Edward Burr 2006 Legacy Exempt Trust FBO Cole Burr (49.5%)

**The company officers of the Applicant are:**

- E. Cole Burr, Chairman
- Steve South, Chief Executive Officer
- Alan Walsh, Chief Financial Officer
- John Snyder, Chief Administrative Officer

## THE PROJECT

SANCO Services, L.P. requests a sales and use tax exclusion ("STE") award to expand its existing biogas capture and production facility located in Escondido (the "Project").

The Applicant intends to enhance its anaerobic digestion operation, the Hitachi Zosen Innova ("HZI") digester located at the Escondido Resource Recovery ("ERR") facility by adding two more digestors, bringing the total to four. This expansion will significantly increase the facility's capacity to divert additional organic materials from landfills. The Applicant shares that its feedstock provider is EDCO Waste and Recycling, a waste company that serves several jurisdictions in San Diego County, as well as multiple universities and school districts.

The Applicant indicates the Project will process an additional 97,895 tons of newly diverted organic materials each year, which will be directed to the expanded HZI digester. This will result in over 1 million gallons of renewable diesel for the San Diego Gas & Electric (SDG&E) pipeline. Additionally, while the biogas production is the focus of the Project, the Applicant states it will also produce 53,940 tons per year of premium compost, which will be distributed to farms in San Diego and Imperial County. This compost will significantly enhance soil organic content, conserve water resources, and improve climate resilience of agricultural practices in the region.

**Anticipated Costs of Qualified Property**

| Anticipated Qualified Property Purchases | Cost |
|---|---|
| Organic Waste Feed System | $556,700 |
| Anerobic Digestors | $7,643,065 |
| Biogas Upgrading System | $2,205,000 |
| Dewatering System | $1,250,350 |
| Biogas Precompression Treatment System | $780,000 |
| Electrical Equipment | $380,000 |
| Instrumentation & Control System | $798,000 |
| **Total** | **$13,613,115** |

*Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. In accordance with the Regulatory Agreement, a finalized Project equipment list will be prepared detailing the value of the Project equipment actually acquired, and the estimated 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, those costs may vary after closing due to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.*

**Timeline**
The Applicant states there are four phases to its plan. The first three phases have been completed and features the construction of a cutting-edge materials recovery facility line, designated areas for recyclable tipping, self-haul and construction/demolition materials receiving areas, as well as a maintenance canopy, new office spaces, and enhancements to an existing transfer station. The installation of the two new digesters is that last phase. The Applicant states that the design packages and other pre-construction tasks for the proposed plant are anticipated to be finalized by September 2025. The Applicant expects the Project expansion to be fully commissioned and operational by October 2026.

**Status of Permits/Other Required Approvals**
According to the Applicant, all permits for the expansion have been secured.

**COMPETITIVE CRITERIA SCORE**
The Applicant received 135 Competitive Criteria points as follows:

1. **Environmental Benefits (100 of 100 points).** The Application has a Project that produces an Alternative Source product, component, or system, and, therefore, 100 points are awarded.

2. **Unemployment (0 of 50 points).** The Applicant's Project is located in San Diego County, which has an average annual unemployment rate of 4.5%.[5] When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant zero points.

3. **Job Creation (20 of 75 points).** The Applicant anticipates the Project will support a total of 14 production-related jobs at its Facility. CAEATFA estimates that approximately 1.04 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 20 points.

4. **California Headquarters (15 of 15 points)**. The Applicant maintains its Corporate Headquarters in San Marcos, California, 15 points are awarded.

5. **Natural Disaster Relief (0 of 50 points).** The Project is not to rebuild or relocate the Applicant's Facility due to a fire, flood, storm, or earthquake identified in a state of emergency proclaimed by the Governor within two years of the time of application, and, therefore, zero points are awarded.

6. **Eligibility for Manufacturing and Research and Development Equipment Exemption (0 of 50 points).** The Applicant is eligible to use one or more of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code, and, therefore, zero points are awarded.

7. **Emerging Strategic Industry (0 of 75 points).** The Project's industry is not in an Emerging Strategic Industry, as defined by CAEATFA, zero points are awarded.

## PROJECT EVALUATION

### Project Benefits

The Project received a Total Score of 1,466 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 595 points, which exceeds the 20-point threshold.

1. **Fiscal Benefits (780 points).** The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales and use taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to $900,882, resulting in a Fiscal Benefits score of 780.

2. **Environmental Benefits (595 points).** The Project is anticipated to result in $687,215 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 595 points. These benefits derive from the production of biofuels, which offsets the need for the use of fossil methane.

[5] Unemployment rates are based on data available in October 2024.

3. **Additional Benefits (90 points).** Applicants may earn "Additional Benefits" points in the categories listed below. The Applicant received 90 Additional Benefits points.

   A. **Production Jobs (20 of 75 points).** The Applicant anticipates the Project will support a total of 14 production-related jobs at its Facility. CAEATFA estimates that approximately 1.04 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 20 points.

   B. **Construction Jobs (45 of 75 points).** The Applicant anticipates the Project will support a total of 80 construction jobs at its Facility. CAEATFA estimates that approximately 5.92 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 45 points.

   C. **Unemployment (0 of 50 points).** The Applicant's Project is located in San Diego County, which has an average annual unemployment rate of 4.5%. When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant zero points.

   D. **Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, & dental benefits, bonuses, retirement contributions and paid leave to its employees, earning the Applicant 25 points.

**LEGAL STATUS QUESTIONNAIRE**
The Applicant had nothing to report on the Legal Status Questionnaire.

**CAEATFA FEES**
In accordance with STE Program regulations,[6] the Applicant paid CAEATFA an Application Fee of $6,806.56 and will pay CAEATFA an Administrative Fee of up to $54,452.46 should the Applicant be approved for an award.

**RECOMMENDATION**
Staff recommends the approval of Resolution No. 25-SM011-01 for SANCO Services, L.P.'s purchase of qualifying tangible personal property in an amount not to exceed $13,613,115, anticipated to result in an approximate STE value of $1,154,392. The initial term of the Regulatory Agreement will be for a period of three years, until June 17, 2028, and the remainder shall be for a period of 10 years, until June 17, 2035, for providing annual compliance reports.

[6] California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A REGULATORY AGREEMENT WITH SANCO SERVICES, L.P.**

**June 17, 2025**

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the "Authority") has received the Application of **SANCO Services, L.P.** (the "Applicant") for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant's qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the "Project"); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10035(a), with the Applicant for the Project; and

WHEREAS, the Applicant has stated the Project has an estimated cost not to exceed $13,613,115 over a period of three (3) years; and

WHEREAS, the Applicant asserts 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 Project pursuant to Revenue and Taxation Code Section 6010.8; and

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

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

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The 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 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 Authorized Signatories deem appropriate, provided that the amount of the qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may 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 to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to 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 is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.