

**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 Exclusion¹

**Best Express Foods, Inc.
Application No. 25-SM002**

Prepared By: *Joshua Moua, Program Analyst*

SUMMARY

Applicant: Best Express Foods, Inc.

Location: Stockton, San Joaquin County

Industry: Advanced Food Production

Project: Upgrade of an Existing Advanced Food Production Facility
(Advanced Manufacturing)

Project Pool: Small

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$8,631,614	\$731,961

Estimated Net Benefit ³	Dollar Value	Points Earned ⁴
Estimated Fiscal Benefits	\$4,211,608	5,754
Estimated Environmental Benefits	N/A	90
Additional Benefits	N/A	122
Total	\$4,211,608	5,965
Estimated Quantifiable Net Benefit	\$3,479,647	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:

- Award 1: Application No. 17-SM009, Award Year 2017, 100% Expended, Complete, Compliant on Required Reports
- Award 2: Application No. 18-SM003, Award Year 2018, 100% Expended, Complete, Compliant on Required Reports
- Award 3: Application No. 20-SM001, Award Year 2020, 100% Expended, Complete, Compliant on Required Reports
- Award 4: Application No. 22-SM003, Award Year 2022, 99% Expended, Active, Compliant on Required Reports

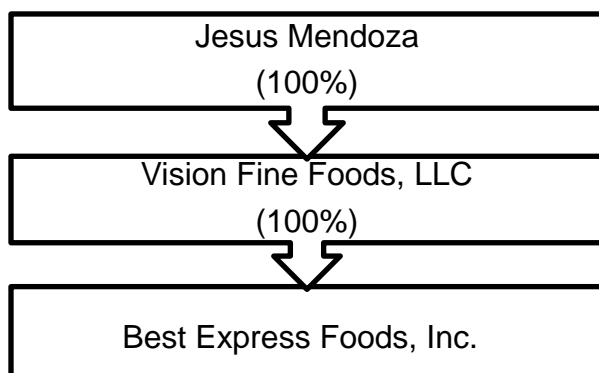
Competitive Criteria Score: 87

Staff Recommendation: Approval

THE APPLICANT

Best Express Foods, Inc. (the “Applicant”) is a California corporation formed in 1995. The Applicant is headquartered in Stockton and produces organic products in both bakery and Mexican foods, including taco chips, tortillas, and sweet goods.

The ownership structure of the Applicant (10.0% or greater) is as follows:



The corporate officers of the Applicant are:

- Jesus Mendoza, President and CEO

THE PROJECT

Best Express Foods, Inc. requests a sales and use tax exclusion (“STE”) award to upgrade its existing advanced food production facility located in Stockton (the “Project”).

The upgrade will include two major activities: 1) implementing a Brioche dinner roll production line, and 2) integrating new equipment with previously approved QP.

The Applicant plans to implement an advanced brioche dinner roll production line, featuring automated systems such as a roll machine, tunnel oven, robotic packaging, and individual wrap packaging. These machines will enhance production efficiency and product quality, and improve operational capacity while reducing energy consumption and waste.

The Applicant is integrating advanced bakery equipment, including new muffin pans, baking trays, and racks, to automate the production of Aussie bites, cinnamon rolls, and other products. The equipment, featuring microprocessors and semiconductors, will improve efficiency by replacing manual processes with automated systems operated by a more skilled workforce. New equipment such as a new tunnel oven with nano controlled temperatures will reduce waste, enhance quality control, and lower resource consumption. This will also enable expansion, reduce overtime, and improve cost-effectiveness, positioning the company towards sustainability.

Anticipated Costs of Qualified Property

Anticipated Qualified Property Purchases	Cost
Dinner Roll Line	\$1,650,000
Tunnel Oven	\$3,000,000
Wrapping Machine, Printer & Infeed Conveyors	\$357,614
Dough Mixer	\$285,000
Spiral Cooling Conveyor	\$550,000
Refrigeration Condensing Units	\$21,000
TMB Proof boxes	\$165,000
Tray Former and Robot	\$135,000
X Ray Machine	\$94,000
Paloma Robotic Packaging Machine	\$1,500,000
Flour Silos, Scale Hoppers & Computers	\$574,000
Muffin Pans	\$100,000
Baking trays	\$200,000
Total	\$8,631,614

Note: The Qualified Property purchases reported in the Application and shown here in the staff 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, 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 equipment will be ordered in the Q3 of 2025, with an expectation of delivery by the end of 2025. Equipment should be operational by Q3 or Q4 of 2026.

Status of Permits/Other Required Approvals

The Applicant will obtain the required permits from the City of Stockton's building department and San Joaquin County to operate and install equipment, including operational permits for each production line once equipment has been ordered. The Applicant has already secured an air quality permit. Additional permits will be obtained as the equipment is installed throughout 2026.

COMPETITIVE CRITERIA SCORE

The Applicant received 87 Competitive Criteria points as follows:

1. **Environmental Benefits (0 of 100 points)**. The Application does not have a Recycled Resource Extraction Project or Project that produces an Advanced Transportation Technology or an Alternative Source product, component, or system. Therefore, no points are awarded.
2. **Unemployment (27 of 50 points)**. The Applicant's Project is located in San Joaquin County, which has an average annual unemployment rate of 6.7%.⁵ When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant 27 points.
3. **Job Creation (45 of 75 points)**. The Applicant anticipates the Project will support a total of 69 production-related jobs at its Facility. CAEATFA estimates that approximately 4.86 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.
4. **California Headquarters (15 of 15 points)**. The Applicant has a California Corporate Headquarters, and, therefore, 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.

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

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 5,844 points, which exceeds the required 1,000-point threshold, and includes an Environmental Benefits Score of 90 points, exceeding the 20-point threshold.

1. **Fiscal Benefits (5,754 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 \$4,211,608 resulting in a Fiscal Benefits score of 5,754.
2. **Environmental Benefits (90 points)**. The Project earned an Environmental Benefits Score of 90. The Applicant received points in the following categories:
 - A. **Environmental Sustainability Plan (5 of 5 points)**. The Applicant has an environmental sustainability plan that it aims to track water and utility usage, solid waste disposal, scraps produced, and air pollutants.
 - B. **Energy Consumption (30 of 30 points)**. The Applicant anticipates the Project will result in a 30% reduction in energy consumption compared to the Applicant's previous manufacturing process. This is due to efficiencies with oven gas burners, packaging accuracy, and production line technologies.
 - C. **Water Use (5 of 30 points)**. The Applicant anticipates the Project will result in a 5% reduction in water use relative to the Applicant's previous manufacturing process. This is achieved due to utilizing technology with more precise ingredient control, and therefore, less water usage.
 - D. **Solid Waste (20 of 30 points)**. The Applicant anticipates the Project will result in a 20% reduction in solid waste produced relative to the Applicant's previous manufacturing process. This is achieved with a more efficient production line that results in less packaging waste and product rejects.
 - E. **Air Pollutants (30 of 30 points)**. The Applicant anticipates the Project will result in a 30% reduction in air pollutants produced relative to the Applicant's previous manufacturing process. By utilizing more efficient oven burners, there will be a reduction in nitrogen and carbon emissions.

3. **Additional Benefits (122 points)**. Applicants may earn “Additional Benefits” points in the categories listed below. The Applicant received 122 Additional Benefits points.
- A. **Production Jobs (45 of 75 points)**. The Applicant anticipates the Project will support a total of 69 production-related jobs at its Facility. CAEATFA estimates that approximately 4.86 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.
 - B. **Construction Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of one construction jobs at its Facility. CAEATFA estimates that approximately 0.10 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 zero points.
 - C. **Unemployment (27 of 50 points)**. The Applicant’s Project is located in San Joaquin County, which has an average annual unemployment rate of 6.7%. When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant 27 points.
 - D. **Research and Development Facilities (25 of 25 points)**. The Applicant has verified that it has a facility located in California that performs research and development functions related to advanced food production.
 - E. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, dental, & vision benefits, bonuses, pension plans, retirement contributions, dependent care & assistance reimbursement, employee discounts 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 \$4,315.81 and will pay CAEATFA an Administrative Fee of \$34,526.46 should the Applicant be approved for an award.

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

RECOMMENDATION

Staff recommends the approval of Resolution No. 25-SM002-01 for Best Express Foods, Inc.'s purchase of qualifying tangible personal property in an amount not to exceed \$8,631,614, anticipated to result in an approximate STE value of \$731,961. 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 25 years, until 2050, for providing annual compliance reports.

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH BEST EXPRESS FOODS, INC.**

June 17, 2025

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Best Express Foods, Inc.** (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 \$8,631,614 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

Agenda Item – 4.A.19
Resolution No. 25-SM002-01

the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.