

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

Board Meeting Date: Tuesday, December 9, 2025

Request to Approve Project for a Sales and Use Tax Exclusion¹

**American Fruits and Flavors, LLC
Application No. 25-SM042**

Prepared By: *Joshua Moua, Program Analyst*

SUMMARY

Applicant: American Fruits and Flavors, LLC

Location: San Fernando, Los Angeles County

Industry: Wastewater and Food Waste to Biogas Capture

Project: Upgrade of an Existing Wastewater and Food Waste to Biogas Capture Facility
(Alternative Source)

Project Pool: General²

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ³
\$4,931,400.00	\$418,183

Estimated Net Benefit ⁴	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$270,707	647
Estimated Environmental Benefits	\$228,708	547
Additional Benefits	N/A	129
Total	\$499,415	1,323
Estimated Quantifiable Net Benefit	\$81,232	N/A

¹ All capitalized terms not defined in this document are defined in the STE Program’s statutes and regulations.

² While general pool funding is designated for Projects with an STE amount over \$2 million and up to \$10 million, small sized projects that do not fall within that range may apply and qualify under the general pool if any remains (California Code of Regulations Title 4, Division 13, Section 10032(a)(4)).

³ This amount is calculated based on the average statewide sales tax rate of 8.48%.

⁴ 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).)

Competitive Criteria Score: 139

Staff Recommendation: Approval

THE APPLICANT

American Fruits and Flavors, LLC (the “Applicant”), formed in Delaware as a limited liability company in 2016. Headquartered in San Fernando, the Applicant creates an array of flavors, juices, concentrates, and ingredient products used in food and beverage manufacturing.

The major shareholder (10.0% or greater) of the Applicant is:

- Monster Energy US, LLC (100%)

The company officers of the Applicant are:

- Bill Haddad, President
- Rodney Sacks, Executive Officer
- Hilton Schlosberg, Executive Officer
- Thomas Kelly, Chief Financial Officer
- Paul Dechary, Secretary

THE PROJECT

American Fruits and Flavors, LLC requests a sales and use tax exclusion (“STE”) award to upgrade its existing wastewater and food waste to biogas capture facility located in San Fernando (the “Project”). The Project is part of a production facility with advanced automated systems to support flavor and juice manufacturing. According to the Applicant, the Project includes installing an Anaerobic Fluidized Bed Digester and a Combined Heat and Power (CHP) System utilizing PurEffluent anaerobic digestion technology to treat high-strength wastewater from food and beverage production. The system is designed to achieve approximately 80 percent organic load reduction, minimize sludge generation, and produce effluent that meets discharge standards. Recovered biogas will fuel the CHP system to generate renewable electricity and heat for on-site use. This closed-loop system will reduce utility demand, landfill waste, and greenhouse gas emissions while providing a reliable renewable energy source for facility operations.

Anticipated Costs of Qualified Property

Anticipated Qualified Property Purchases	Cost
Biodigester System	\$3,947,700
Combined Heat and Power System	\$983,700
Total	<u>\$4,931,400</u>

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

Facility is complete and project operations are scheduled for December 2025.

Status of Permits/Other Required Approvals

With South Coast Air Quality Management District approval on the start date of August 2025, all permits have been approved.

COMPETITIVE CRITERIA SCORE

The Applicant received 139 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 (4 of 50 points)**. The Applicant's Project is located in Los Angeles County, which has an average annual unemployment rate of 5.5%.⁵ When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant four points.
3. **Job Creation (20 of 75 points)**. The Applicant anticipates the Project will support a total of two production-related jobs at its Facility. CAEATFA estimates that approximately .30 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 Fernando, 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.

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, therefore, zero points are awarded.

PROJECT EVALUATION

Project Benefits

The Project received a Total Score of 1,323 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 547 points, which exceeds the 20-point threshold.

1. **Fiscal Benefits (647 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 \$270,707, resulting in a Fiscal Benefits score of 647.
2. **Environmental Benefits (547 points)**. The Project is anticipated to result in \$228,708 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 547 points. These benefits derive from the production of dairy biogas, which offsets the need for the use of fossil methane.
3. **Additional Benefits (129 points)**. Applicants may earn "Additional Benefits" points in the categories listed below. The Applicant received 129 Additional Benefits points.
 - A. **Production Jobs (20 of 75 points)**. The Applicant anticipates the Project will support a total of two production-related jobs at its Facility. CAEATFA estimates that approximately 0 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 (30 of 75 points)**. The Applicant anticipates the Project will support a total of six construction jobs at its Facility. CAEATFA estimates that approximately .89 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 30 points.
 - C. **Unemployment (4 of 50 points)**. The Applicant's Project is located in Los Angeles County, which has an average annual unemployment rate of 5.5%. When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant four 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 flavor and beverage production and other associated processes.

- E. Industry Cluster (25 of 25 points).** The industry associated with this Application has been identified by Los Angeles County as an industry cluster of the region of the Project's location.

- F. Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, dental, & vision benefits, bonuses, retirement contributions, profit sharing, dependent care and assistance reimbursement, transportation subsidies, education reimbursement, gym subsidies, employee discounts, and paid leave to its employees, earning the Applicant 25 points.

LEGAL STATUS QUESTIONNAIRE

The Applicant had nothing to report for the questions contained in the Legal Status portion of the Application.

CAEATFA FEES

In accordance with STE Program regulations,⁶ the Applicant paid CAEATFA an Application Fee of \$2,465.70 and will pay CAEATFA an Administrative Fee of up to \$19,725.60 should the Applicant be approved for an award.

RECOMMENDATION

Staff recommends the approval of Resolution No. 25-SM042-01 for American Fruits and Flavors, LLC 's purchase of qualifying tangible personal property in an amount not to exceed \$4,931,400 anticipated to result in an approximate STE value of \$418,183. The initial term of the Regulatory Agreement will be for a period of three years, until December 9, 2028, and the full term shall be for a period of 15 years, until December 9, 2040, 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 AMERICAN FRUITS AND FLAVORS, LLC**

December 9, 2025

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **American Fruits and Flavors, LLC** (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 \$4,931,400 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

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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

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