CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

Board Meeting Date: Tuesday, September 15, 2026

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

Sanitation Districts of Los Angeles County
Application No. 26-SM018

Prepared By: *Joshua Moua, Program Analyst*

SUMMARY

Applicant: Sanitation Districts of Los Angeles County

Location: Whittier, Los Angeles County; Carson, Los Angeles County

Industry: Wastewater and Food Waste to Renewable Natural Gas

Project: Upgrade of Existing Renewable Natural Gas Manufacturing Facility (Alternative Source)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion ("STE") Amount[2]
$4,951,513	$420,879

Estimated Net Benefit[3]	Dollar Value	Points Earned[4]
Estimated Fiscal Benefits	$568,652	1,351
Estimated Environmental Benefits	$427,323	1,015
Additional Benefits	N/A	94
Total	**$995,975**	**2,461**
Estimated Quantifiable Net Benefit	$575,097	N/A

Previous Awards and Status: Two previous awards

- Award 1: Application No. 17-SM052, Award Year 2017, 100% Expended, Status: Complete, Compliant on Required Reports

[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 8.5%.
[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.

- Award 2: Application No. 19-SM004, Award Year 2019, 79% Expended, Status: Complete, Compliant on Required Reports

Competitive Criteria Score: 159

Staff Recommendation: Approval

THE APPLICANT

Sanitation Districts of Los Angeles County (the "Applicant"), formed in California as a government entity in 1923. Headquartered in Whittier, LACSD protects public health and the environment through innovative and cost-effective wastewater and solid waste management, converting waste into resources such as recycled water, energy, and recycled materials.

The Applicant received a $4,233,900 grant from the CalRecycle under the Organics Grant Program in April 2026. The grant supports procurement, installation, electrical and instrumentation work, civil/site improvements, engineering, and commissioning, with the grant term extending through April 1, 2028.

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

- Jeffrey Maloney
- Rene Trevino
- Ali Saleh
- Miguel De La Rosa
- Sonny Santa Ines
- Lynda Johnson
- Henry Lo
- Jennifer Perez
- Brenda Olmos
- Gustavo Camacho
- Eric Chan
- Joshua Barron
- Melissa Ybarra
- James Becerra
- Cathy Warner
- Hilda Solis
- Kevin Lainez
- Emma Sharif
- Claudia Frometa
- Rex Richardson
- Georgina Tamayo

THE PROJECT

Sanitation Districts of Los Angeles County requests a sales and use tax exclusion ("STE") award to upgrade its existing renewable natural gas facility located in Whittier (the "Project").

The Project will enhance the facility's existing food waste recycling operations by enabling the processing of higher-solids source-separated organic waste streams that cannot currently be accepted due to limitations of the existing processing equipment. The existing system is designed to process wet, pumpable food waste slurry but is unable to effectively handle higher-solids organic waste streams, such as dewatered organic material, due to limitations in flowability, separation, and material handling.

The Project will address these limitations by installing an advanced organics polishing system capable of processing thicker organic feedstocks through hydro-mechanical separation and de-gritting, converting them into a clean, pumpable slurry suitable for anaerobic co-digestion with municipal wastewater sludge. This upgrade will allow the facility to accept a wider range of regional organic waste streams beyond the solids-handling capacity of conventional slurry-only systems, increase processing capacity by an estimate of 250-400 tons per day, improve feedstock quality, and support increased renewable natural gas (RNG) production.

The current compressed natural gas (CNG) station at the Whittier location has a demand of approximately 2,500 GGE per day, supplied by both RNG and pipeline gas. The Applicant anticipates that future demand will be met entirely with RNG due to increased biogas availability from additional organic feedstock and enhancements to the biogas conditioning system.

Anticipated Costs of Qualified Property

Anticipated Qualified Property Purchases	Cost
Organics Polishing System	$2,495,000
Civil Construction and Material Costs	$912,000
Electrical Construction and Material Costs	$191,000
Battery Electric Medium Sized Wheel Loader	$603,513
Food Waste Pumps, Piping and Electrical- Storage & Distribution	$750,000
Total	**$4,951,513**

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 Project will be constructed within the existing Puente Hills Materials Recovery Facility (PHMRF) footprint and integrated upstream of the current DODA bioseparator, requiring no facility expansion. Engineering and equipment procurement are planned from June through November 2026, followed by site preparation and civil work from October 2026 through February 2027. Equipment delivery and installation will occur between November 2026 and March 2027, with commissioning, performance testing, and operator training scheduled from March through December 2027. The upgraded system is expected to be fully operational in January 2028.

Status of Permits/Other Required Approvals
Because the Project will be constructed within the existing PHMRF footprint, the Applicant is not expected to require any major new permits. A California Environmental Quality Act (CEQA) exemption is anticipated, along with a modification to the South Coast Air Quality Management District (SCAQMD) air permit. No building permit or National Pollutant Discharge Elimination System (NPDES) permit modification is expected.

COMPETITIVE CRITERIA SCORE

The Applicant received 159 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 Project's primary Facility is located in Los Angeles County, which has an average annual unemployment rate of 5.7%.[5] When compared to the statewide average annual unemployment rate of 5.5%, the Project location earned the Applicant four points.

3. **Job Creation (40 of 75 points).** The Applicant anticipates the Project will support a total of 34 production-related jobs at its Facilities. CAEATFA estimates that approximately two 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 40 points.

4. **California Headquarters (15 of 15 points)**. The Applicant maintains its Corporate Headquarters in Whittier, 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/Facilities 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, therefore, zero points are awarded.

[5] Unemployment rates are based on data available in March 2026.

PROJECT EVALUATION

Project Benefits
The Project received a Total Score of 2,461 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 1,015 points, which exceeds the 20-point threshold.

1. **Fiscal Benefits (1,351 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 $568,652, resulting in a Fiscal Benefits score of 1,351.

2. **Environmental Benefits (1,015 points).** The Project is anticipated to result in $427,323 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 1,015 points. These benefits derive from the production of biogas which offsets the need for the use of fossil methane.

3. **Additional Benefits (94 points).** Applicants may earn "Additional Benefits" points in the categories listed below. The Applicant received 94 Additional Benefits points.

   A. **Production Jobs (40 of 75 points).** The Applicant anticipates the Project will support a total of 34 production-related jobs at its Facilities. CAEATFA estimates that approximately two 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 40 points.

   B. **Construction Jobs (0 of 75 points).** The Applicant anticipates the Project will support a total of four construction jobs at its Facilities. CAEATFA estimates that approximately none 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 (4 of 50 points).** The Applicant's Project is located in Los Angeles County, which has an average annual unemployment rate of 5.7%. When compared to the statewide average annual unemployment rate of 5.5%, 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 anaerobic digestion, including the co-digestion of organics, such as digester health, capacity limits, and organic minimum standards.

E. **Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, dental & vision benefits, pension plans, retirement contributions, education reimbursement, and paid leave to its employees, earning the Applicant 25 points.

LEGAL STATUS 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.

WORKFORCE REQUIREMENT

The Applicant, individually or with its parent corporation and subsidiaries, employs 500 or more employees, and has certified that it, along with its contractors, will do all of the following:

(1) Provide comparatively good wage and benefits to the employees of the applicant or its subcontractors, relative to the industrial sector of the applicant or its subcontractors, occupation, and labor market of those employees.

(2) Invest in employee training, growth, and development, such as through comprehensive workforce training programs or apprenticeship programs.

(3) Adopt mechanisms to include worker voice and agency in the workplace.

CAEATFA FEES

In accordance with STE Program regulations,[6] the Applicant paid CAEATFA an Application Fee of $2,475.76 and will pay CAEATFA a total Administrative Fee of up to $19,806.05 should the Applicant be approved for an award. Upon execution of the Regulatory Agreement, the Applicant shall pay $15,000.

RECOMMENDATION

Staff recommends the approval of Resolution No. 26-SM018-01 for Sanitation Districts of Los Angeles County's purchase of qualifying tangible personal property in an amount not to exceed $4,951,513 anticipated to result in an approximate STE value of $420,879. The initial term of the Regulatory Agreement will be for a period of five years, until September 15, 2031, and the full term shall be for a period of twelve years, until September 15, 2038, 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 SANITATION DISTRICTS OF LOS ANGELES COUNTY

September 15, 2026

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the "Authority") has received the Application of **Sanitation Districts of Los Angeles County** (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 $4,951,513 over a period of five (5) 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 that do not affect eligibility, 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 for up to an additional thirty (30) days, if necessary.