

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

Meeting Date: April 15, 2014

Request to Approve Amendment 5 to Interagency Agreement ARB08-607 with the California Air Resources Board (“ARB”) Regarding the California Capital Access Program (“CalCAP”) Independent Contributor Program

Prepared by: *Ian Davis*

Summary. Staff requests Board approval to amend Interagency Agreement (IA) ARB08-607 between the California Pollution Control Financing Authority (“CPCFA” or “Authority”) and ARB which funds loan loss reserve contributions for the On-Road Heavy Duty Diesel Truck Program (“Program”). The amendment is needed to ensure that CPCFA has additional time to utilize the remainder of funds allocated under IA ARB08-607 by extending the expiration date to December 31, 2014. To maintain consistency within the Program the amendment will also incorporate key terms and conditions adopted under IA ARB13-606 which was approved by the Board in December 2013 to provide additional funding to the Program.

Background. ARB is an Independent Contributor under CalCAP and provides financial assistance to small business owners of heavy-duty diesel vehicles affected by ARB’s Statewide In-Use Truck and Bus Regulation and the Heavy-Duty Vehicle Greenhouse Gas Emission Reduction Regulation. Interagency Agreement ARB08-607 was first executed in 2008 for an amount not to exceed \$54.3 million has been funded with a total of \$45 million from ARB’s Air Quality Improvement Plan (“AQIP”) monies. The expiration date of IA ARB08-607 is June 30, 2014. Approximately \$4.9 million remains unobligated.

Amendment 5 will extend the expiration date of ARB08-607 to December 31, 2014. ARB requested the extension to provide CalCAP the ability to use the entire allocation of funds under IA ARB08-607. This amendment will also incorporate changes to the scope of work and all exhibits to match the requirements of IA ARB13-606, which was approved by the Board and finally executed on March 4, 2014 to provide \$10 million in additional funding from SB359 to the Program.

In accordance with the changes to the requirements for the On-Road Heavy Duty Vehicle Program incorporated under IA ARB13-606 Amendment 5 will reflect several modifications. First, ARB has set the maximum interest rate a lender may charge on an enrolled loan at 20 percent annual percentage rate. Second, ARB has also reduced the maximum fleet size, requiring a business to have 10 or fewer on-road heavy-duty vehicles. The borrower will be required to certify their fleet size prior to enrollment in CalCAP. Third, ARB has agreed to pay an amount equal to 10% of a borrower’s enrolled loan amount toward the loan loss reserve to cover the borrower, lending institution, and CPCFA contributions. For lenders newly enrolled in the Program and existing lenders that have not yet reached \$5 million in total loan volume under the Program, ARB has agreed to pay an amount equal to 20% of a borrower’s enrolled loan. When a lender’s total loan volume in the Program reaches \$5 million, ARB’s premium contribution will be reduced to an amount equal to 10% of a borrower’s enrolled loan amount for all subsequent loans. Additional reporting requirements including a revised Borrower

Agenda Item 4.B.

Certification and Eligibility Form and Privacy Notice adopted under IA ARB13-606 are also incorporated under this proposed amendment.

Staff Recommendation. Staff recommends approval of the attached Resolution to authorize the Executive Director or Deputy Executive Director to execute the amended IA ARB08-607 through December 31, 2014 with the revised modifications as described above.

**RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
AUTHORIZING THE EXECUTIVE DIRECTOR OR DEPUTY EXECUTIVE
DIRECTOR TO SIGN AMENDMENT 5 TO INTERAGENCY AGREEMENT
ARB08-607 WITH THE CALIFORNIA AIR RESOURCES BOARD**

April 15, 2014

WHEREAS, the California Pollution Control Financing Authority (“Authority”) was created under the provisions of Section 44500 of the Health and Safety Code; and

WHEREAS, Section 44522(c) of the Health and Safety Code provides that the Authority is authorized to “do all things generally necessary or convenient to carry out its powers”; and

WHEREAS, the California Pollution Control Financing Authority wishes to amend Interagency Agreement ARB08-607 with the California Air Resources Board (ARB), the term of which is April 16, 2009 through June 30, 2014; and

WHEREAS, pursuant to the Interagency Agreement ARB08-607, ARB is an approved Independent Contributor under the California Capital Access Program (CalCAP); and

WHEREAS, pursuant to the Interagency Agreement ARB08-607, CPCFA will provide ARB all the services it normally provides to Independent Contributors in CPCFA’s role as administrator and operator of CalCAP, and other services specified in the Interagency Agreement; and

WHEREAS, ARB desires to extend the expiration date of the contract from June 30, 2014 to December 31, 2014 to provide CalCAP additional time to use the entire allocation of funds under Interagency Agreement ARB08-607, and to make modifications to Interagency Agreement ARB08-607 to be consistent with related Interagency Agreement ARB13-606.

NOW THEREFORE BE IT RESOLVED, that the Executive Director or Deputy Executive Director of the Authority is hereby authorized to execute Amendment 5 to Interagency Agreement ARB08-607 with the California Air Resources Board, the total amount of which will not exceed \$54,300,000.00.