

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

Meeting Date: July 15, 2014

Request for Approval of a Memorandum of Understanding between the California Pollution Control Financing Authority (CPCFA) and the California Infrastructure and Economic Development Bank (I-Bank)

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Summary. Staff requests Board approval of a Memorandum of Understanding (MOU) between CPCFA and the I-Bank to allow for the transfer of State Small Business Credit Initiative (SSBCI) funds between approved state programs. The MOU is needed to ensure that CPCFA has adequate funding to continue SSBCI support for both the CalCAP and Collateral Support Programs until the State is able to reach the expenditure amount required before applying to U.S. Treasury for our third disbursement of funds. The MOU will also allow California to reach the required 80% of funds expended at a quicker rate due to the high demand and increasing obligations under the Collateral Support Program.

Background. In 2011 California received \$168 million from U.S. Treasury as part of the Small Business Jobs Act of 2010 that established the SSBCI program. The funds California received were split between the State Treasurer's Office for CalCAP administered by CPCFA and The Business, Transportation and Housing Agency administering the California Small Business Loan Guarantee Program (SBLGP). The Governor's reorganization moved the SBLGP to the I-Bank under the Governor's Office of Business and Economic Development (GO-Biz) in 2013. SSBCI funds are disbursed to the states in three separate tranches and the state must reach 80% used of the current tranche before applying to the U.S. Treasury for subsequent disbursements. To date the state has received two of the three tranches totaling \$110,684,111.

Currently, between the two state agencies, three approved SSBCI programs—CalCAP, Collateral Support and SBLGP—are using the SSBCI funds. Because of the large contributions amounts allowed in the Collateral Support Program, this program has enabled CPCFA to expend nearly \$32 million of the \$55 million received by CPCFA.

In an effort to aid our partners at the I-Bank and collectively reach our 80% used requirement, we have prepared an MOU that would allow for the transfer of funds from I-Bank's second tranche SSBCI allocation to CPCFA. Transferring an amount not to exceed \$15 million would allow for uninterrupted operation of the CalCAP, Collateral Support and SBLGP programs. The program modifications being presented to the Board at the same time as this MOU, along with the transfer of funding, would increase the longevity of the Collateral Support Program. Upon receipt of California's third and final disbursement of SSBCI funds, CPCFA would make I-Bank whole. To that end, the final tranche will be split so that I-Bank is remunerated in the amount it temporarily transferred to CPCFA.

As part of the agreement between CPCFA and I-Bank, each agency has committed to sharing weekly status updates of SSBCI expenditures and obligations, as well as amount of funds in the pipeline (defined as completed but not yet approved loan enrollment documentation submitted by participating lenders and in possession of CPCFA, or loan guarantees under credit review by

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financial development corporations but not yet approved by I-Bank). Based on weekly status reports and expenditure rates, CPCFA will submit one or more invoices to I-Bank to request transfer(s) of funds to the CPCFA Program Account held at our Trustee Bank. CPCFA will manage the funds received from I-Bank consistent with CPCFA program management and accounting procedures used in support of the approved Collateral Support Program as permitted in the Allocation Agreement between Treasury and the State.

The I-Bank staff intends to present the MOU to its board for approval on July 29, 2014.

Staff Recommendation. Staff recommends approval of the MOU between CPCFA and I-Bank to temporarily transfer SSBCI funds in an amount not to exceed \$15 million to facilitate the continuation of the Collateral Support Program.

**RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING
AUTHORITY AUTHORIZING THE EXECUTIVE DIRECTOR AND DEPUTY
EXECUTIVE DIRECTOR TO EXECUTE A MEMORANDUM OF
UNDERSTANDING**

July 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, Article 8 (commencing with Section 44559) of Chapter 1 of Division 27 of the Health and Safety Code provides that the Authority is authorized to establish a Capital Access Program for Small Businesses (“CalCAP”); and

WHEREAS, Section 44519 of the Health and Safety Code provides that the Authority may employ an Executive Director and any other persons as are necessary to enable it to properly perform the duties imposed upon it by the Authority’s statutes; and

WHEREAS, the Authority received an award from the United States Treasury (“Treasury”) under the federal State Small Business Credit Initiative (“SSBCI”) to further the objectives of the Authority’s California Capital Access Program (“CalCAP”), and for a Collateral Support Program funded by the SSBCI award; and

WHEREAS, the California Pollution Control Financing Authority wishes to enter into a Memorandum of Understanding (“MOU”) with the California Infrastructure and Economic Development Bank, the term of which is the last date on which either party executes the MOU through March 30, 2017, to describe the business procedures that both agencies agree are necessary to facilitate the uninterrupted operation of the CalCAP, Collateral Support and SBLGP programs until Treasury transfers the third tranche to the State.

NOW THEREFORE BE IT RESOLVED, that the Executive Director or Deputy Executive Director of the Authority is hereby authorized to execute a Memorandum of Understanding with the California Infrastructure and Economic Development Bank to facilitate the uninterrupted operation of the CalCAP, Collateral Support and SBLGP programs until Treasury transfers the third tranche to the State, the total amount of which will not exceed \$15,000,000.