

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**California Capital Access Program**  
**Meeting Date: December 15, 2015**

***Request to Approve Interagency Agreement with the California Air Resources Board (ARB)  
Regarding the CalCAP Independent Contributor Program***

Prepared by: *Patricia Crowson, Treasury Program Manager II*

**Summary.** The California Air Resources Board (“ARB”) wants to continue to participate in the California Pollution Control Financing Authority’s (“CPCFA” or “Authority”) California Capital Access Program (“CalCAP) as an Independent Contributor. The proposed Interagency Agreement (the “Agreement”) (Attachment A) between the California Pollution Control Financing Authority (the “Authority” or “CPCFA”) and CalRecycle allocates up to \$513,744.30 (plus any accrued interest) of Supplemental Environmental Project (“SEP”) funds. These funds will be used for the administration of the Statewide School Bus SEP program, for the purpose of retrofitting school buses with Verified Diesel Emissions Control Strategies (e.g., diesel particulate filters) and will be administered by the San Joaquin Valley Air Pollution Control District (“Air District”). The term of the Agreement will be two years from the date that the Agreement is signed by both parties, with the possibility of a one year extension.

**Background.** On July 1, 2008 CPCFA entered into an Agreement with ARB for a pilot program to assist off-road diesel equipment operators to comply with air quality regulations put into place in July 2007 in the amount of \$500,000.00 (contract number 08-603). The pilot program was specifically designed to target off-road diesel vehicles that were primarily used in the San Joaquin Valley Air District. The term of the Agreement was from July 1, 2008 to February 28, 2010. On September 24, 2008 the Authority received approval from the Board to amend the Agreement to increase the amount to \$1,000,000 as ARB had received additional funds. On November 18, 2009, the Authority received approval from the Board to extend the Agreement through February 28, 2016. On May 26, 2010 the Authority received approval from the Board to amend the Agreement in order to allow the Authority to be reimbursed for administrative costs, but such amendment was never executed.

The funds for the Program were provided through collection of Off-Road Diesel Penalties paid by approximately 133 businesses in the amount of approximately \$505,642.72 over the years. As a result of revisions made to the diesel regulation impacting off-road diesel fleets, the SEP funds are no longer needed to help these fleets reduce their emissions. ARB is now requesting that the SEP funds currently held by CalCAP be re-allocated and transferred to the San Joaquin Valley Air District.

**The Interagency Agreement.** The proposed Agreement between the Authority and ARB (contract number 15MSC008) allocates up to \$513,744.30 (plus any accrued interest) of SEP funds toward the purpose of retrofitting school buses administered by the Air District; and the term of the Agreement will be two years from the time the Agreement is signed by both parties, with the possibility of a one year extension. Once the Agreement has been approved, CPCFA will remit the funds in the Fund, minus \$20,000 for CPCFA administrative costs, to the Air

#### **Agenda Item 4.D.**

District in accordance with the Agreement. The Air District will provide reports reflecting the expenditures and accounting to CPCFA for review and monitoring purposes.

**Staff Recommendation.** Staff recommends approval to enter into an Interagency Agreement with the California Air Resources Board to serve as an Independent Contributor in CalCAP for the SEP program in an amount not to exceed \$513,744.30 (plus any accrued interest).

**RESOLUTION OF THE  
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
AUTHORIZING THE EXECUTIVE DIRECTOR OR  
DEPUTY EXECUTIVE DIRECTOR TO SIGN AN INTERAGENCY  
AGREEMENT WITH THE CALIFORNIA AIR RESOURCES BOARD**

**December 15, 2015**

**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 Authority wishes to enter into an Interagency Agreement (contract number 15MSC008) with the California Air Resources Board (“ARB”) for an amount not to exceed \$513,744.30 (plus any accrued interest) the term of which will be two years from the time that the Agreement is signed by both parties, with the possibility of a one year extension; and

**WHEREAS**, pursuant to the Interagency Agreement, ARB will provide Independent Contributor funds for the California Capital Access Program (“CalCAP”) to provide financial support services to the ARB Supplemental Environmental Project (SEP) Program.

**NOW THEREFORE BE IT RESOLVED**, that the Executive Director or Deputy Executive Director of the Authority is hereby authorized to prepare and execute an Interagency Agreement with ARB in an amount not to exceed \$513,744.30 (plus any accrued interest) for CalCAP to provide financial support services to the ARB SEP Program.

ATTACHMENT A

STATE OF CALIFORNIA  
STANDARD AGREEMENT AMENDMENT  
STD. 219 A (Rev 6/03)

STO# R05-08, Am. 1

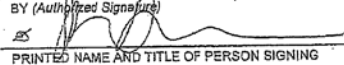
CHECK HERE IF ADDITIONAL PAGES ARE ATTACHED 3 Pages

AGREEMENT NUMBER <b>08-603</b>	AMENDMENT NUMBER <b>1</b>
REGISTRATION NUMBER:	

- This Agreement is entered into between the State Agency and Contractor named below:  
STATE AGENCY'S NAME  
Air Resources Board (ARB)  
CONTRACTOR'S NAME  
State Treasurer's Office, California Pollution Control Financing Authority (CPCFA)
- The term of this Agreement is July 21, 2008 through February 28, 2016
- The maximum amount of this Agreement after this amendment is: \$0.00  
Zero Dollars of State Funding
- The parties mutually agree to this amendment as follows. All actions noted below are by this reference made a part of the Agreement and incorporated herein:  
This amendment increases the agreement's amount that is transferred from the third party payee of the settlement from \$500,000.00 by up to another \$500,000.00. The total amount to be transferred shall now be an amount not to exceed \$1,000,000.00.  
This amendment extends the contract's end date of February 28, 2010 by six years. The contract term is now from July 21, 2008 through February 28, 2016.  
Other specific changes to the original agreement include:  
EXHIBIT A (4 pages attached)  
1. all pages: ARB's upper contribution limit of \$500,000 to the CalCAP is changed to \$1,000,000.  
2. Part C, last paragraph: CPCFA's "matching combined premium" is changed to 2 to 3 1/2 percent.  
3. Part D, Item 4: Text is changed to "ARB will market the CalCAP program to owners of off-road diesel fleets that operate mostly in California."  
4. ARB contract staff contact is changed to Patricia Gutierrez at (916) 322-0352 and pagutier@arb.ca.gov  
ATTACHMENT 1, Borrower Eligibility form (1 page attached) is modified by mutual agreement between ARB and CPCFA to reflect changes listed above, as well as clarify staff contact information. Future changes to the form may be implemented upon approval by both parties without a formal contract amendment.

All other terms and conditions shall remain the same.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

<b>CONTRACTOR</b>		CALIFORNIA Department of General Services Use Only
CONTRACTOR'S NAME (If other than an individual, state whether a corporation, partnership, etc.) <u>State Treasurer's Office, California Pollution Control Financing Authority</u>		
BY (Authorized Signature) 	DATE SIGNED (Do not type) <u>7/12/09</u>	
PRINTED NAME AND TITLE OF PERSON SIGNING <u>Michael Papanian, Executive Director</u>		
ADDRESS <u>915 Capitol Mall, Room 457, Sacramento, CA 95814</u>		
<b>STATE OF CALIFORNIA</b>		
AGENCY NAME <u>Air Resources Board</u>		
BY (Authorized Signature) 	DATE SIGNED (Do not type) <u>7/12/09</u>	
PRINTED NAME AND TITLE OF PERSON SIGNING <u>Sharon Simmons, Manager, Contract &amp; Procurement Services Section</u>		
ADDRESS <u>1001 I Street, 20<sup>th</sup> Floor, Sacramento, CA 95814</u>		
		<input checked="" type="checkbox"/> Exempt per: SCM, Vol. 1, § 4.04.5.a

**ATTACHMENT A**

ARB / STO, CPCFA  
 Agreement No. 08-603, Amendment No. 1  
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**EXHIBIT A  
 (Interagency Agreement)**

**PURPOSE**

California Pollution Control Financing Authority, hereinafter known as (CPCFA), agrees to approve Air Resources Board, hereinafter known as ARB, as an Independent Contributor under the California Capital Access Program "CalCAP Program" and to provide the ARB all the services CPCFA normally provides to Independent Contributors in CPCFA's role, as administrator and operator of the CalCAP Program.

In consideration of the above, ARB agrees to participate in the CalCAP Program as an Independent Contributor, to commit no more the \$1,000,000 to the CalCAP Program, and to perform all the duties and services normally performed by Independent Contributors to the CalCAP Program.

**BACKGROUND**

ARB considers the project funded under this Agreement as a Supplemental Environmental Project (SEP) and it will be funded by a settlement agreement between ARB and a private company. Because the funds will not originate from ARB, the official amount of this Agreement is zero dollars. ARB will facilitate the exchange of funds between the private company and CPCFA's Trustee Account.

The term of this Agreement shall be July 21, 2008, through February 28, 2016, unless sooner terminated by the giving of 30 days written notice by either party of intent to terminate this Agreement.

**Transfer of Funds:**

- The SEP funds in the amount of no more than \$1,000,000 will be directly submitted to CPCFA upon final settlement of ARB's case with the private company.
- CPCFA will deposit the money in the Trustee Account.
- CPCFA can withdraw funds from the Trustee Account to pay the borrower's premium, the CPCFA matching premium, and the lender's premium to the CalCAP loan loss reserve account.

**Account Interest Earnings and Maintenance Fees:**

- CalCAP Program Trustee bank will deposit interest earnings in the Trustee Account.

**A. Acronyms:**

ARB Air Resources Board  
 CalCAP California Capital Access Program, administered by CPCFA  
 CPCFA California Pollution Control Financing Authority  
 POLGP Pilot Off-Road Loan Guarantee Program  
 SEP Supplemental Environmental Project  
 STO State Treasurer's Office

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**EXHIBIT A**  
**(Interagency Agreement)**

**B. Participant Mission:**

The mission of the ARB is to promote and protect public health, welfare, and ecological resources through the effective and efficient reduction of air pollutants while recognizing and considering the effects on the economy of the State. To these ends, ARB has created the Pilot Off-road Loan Guarantee Program, which is designed to assist companies with off-road diesel fleets attain financing (via loan guarantees) for air pollution control add-on devices (also known as retrofits). ARB's In-Use Off-Road Diesel Vehicle Regulation will require tens of thousands of such retrofits.

CPCFA's mission is to promote investment by private businesses in pollution control technologies, hazardous waste control, resource-recovery, and other technologies that benefit California's environment, thus, helping businesses meet environmental standards so they can continue operating in California.

Specifically, CPCFA seeks to assist the private sector in achieving the economic benefits of tax-exempt bond financing; develop programs to overcome the barriers to obtaining capital for pollution control technologies; and increase access to capital markets for small businesses.

**C. Description of the CalCAP Program:**

CPCFA administers the CalCAP Program, which encourages banks and other financial institutions to make loans to small businesses. CalCAP is a form of "loan portfolio insurance" that provides up to 100% coverage on certain loan defaults. The Program was authorized by AB 1496 (Peace), Chapter 1164, Statutes 1993.

Legislation, effective January 1996, allows third-party entities to participate in CalCAP as "Independent Contributors" to CalCAP lender's loan loss reserve account. CPCFA subsequently adopted amended regulations specifying the detailed requirements for such third-party participation.

Funding for CalCAP comes from CPCFA's Small Business Assistance Fund. CalCAP requires that eligible small businesses have "operations that affect the environment of the State by producing air, water, solid waste, or hazardous waste products or emissions, or otherwise affects the environment." (However, CalCAP loan funds are not required to be used specifically for pollution control equipment, thus, allowing the borrower to decide how to best allocate their resources.) A list of Standard Industrial Classification Code eligible businesses has been established in the CalCAP Program regulations.

The CalCAP Program relies on decisions made by borrowers and lenders. The lenders set all terms and conditions of the loan and decide which loans to cover under the Program. There are no third-party credit decisions, and no loan monitoring or servicing requirements. Typically, a loan is processed in this order:

1. Borrower applies for a loan.
2. Lender approves the loan to be domiciled at CPCFA in the CalCAP Program.

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 (Interagency Agreement)

3. Lender submits POLGP Borrower Eligibility Criteria and Certification Form (hereinafter "ARB Certification Form"), Attachment I to ARB for approval. ARB shall respond to the lender's request within five (5) working days upon receipt of the lender's request.
4. Loan documents are prepared and signed by the borrower and lender.
5. Lender disburses funds to the borrower.
6. Lender submits a CalCAP Loan Enrollment Form (hereinafter "Enrollment Form") to CPCFA for compliance, showing proof that deposit to the loan loss reserve account has been made.
7. CPCFA accepts the Enrollment Form and enrolls eligible loans, into CalCAP.

Standard costs to participate in the CalCAP Program: The borrower pays a premium of 2 to 3 ½%, the lender pays a premium of 2 to 3 ½%, and CPCFA pays a matching combined premium of 2 to 3 ½%. The Independent Contributor amendments to CPCFA regulations allow a third party to pay at least the borrower portion, with the option of paying the lender portion and CPCFA matching portion. For the POLGP, ARB commits SEP funds to pay all three portions. Each participating lender has its own CalCAP loan loss reserve account to cover losses from their CalCAP loans. The loss reserve account is funded by SEP funds on behalf of the borrower, CPCFA and the lender each time a loan is approved. Because each lender has its own loss reserve account reserved against its own portfolio, the performance of any participating lender's loan portfolio will not affect other lenders. If one of the loans covered under the Program goes into default, the lender can file a claim to offset its losses on the loan to the extent of coverage in its own account.

**D. Scope of Work:**

The parties, CPCFA and ARB, hereby agree to the following terms and conditions:

1. The term of this Agreement shall commence on July 21, 2008 and end February 28, 2016, unless sooner terminated by the giving of 30 days written notice by either party of intent to terminate this Agreement.
2. SEP funds in the amount of no more \$1,000,000 will be provided to CPCFA for deposit with the CalCAP Program Trustee Account (currently Bank of New York -Western Trust Division). This Account will be designated as an ARB account bearing interest, referred to as a "Trustee Account."
3. SEP funds will be used to pay the borrower premium, the lender premium and the CalCAP match premium into the loan loss reserve account.
4. ARB will market the CalCAP program to owners of off-road diesel fleets that operate mostly in California.
5. CPCFA requires that the ARB Certification Form is submitted by a lender before approving the transfer of SEP funds to a loss reserve account. During the ARB participation in CalCAP under this Agreement, the ARB's liability to any person or entity shall not exceed premiums paid on behalf of CPCFA into any single lender's loan loss reserve account. The lender shall obtain ARB approval for each loan using the ARB Certification Form. ARB shall respond to lenders request within five working days upon receipt of lenders request.

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**EXHIBIT A  
 (Interagency Agreement)**

6. During the ARB's participation in CalCAP under this Agreement, the ARB's entire liability shall not exceed the total amount paid into all loan loss reserve accounts over the course of this Agreement, or \$1,000,000, whichever is less.
7. ARB and CPCFA agree that all unused funds (i.e., the balance in the ARB Trustee Account) will remain in that Account until ARB requests they be transferred to another designated account for other air quality loan programs to be jointly administered by ARB and the State Treasurer's Office.
8. ARB agrees that deposits made to a lender's loan loss reserve account cannot be returned to ARB.
9. CPCFA will require the borrower to complete a one page ARB Certification Form.
10. After a loan is approved, CPCFA will transmit a copy of the Enrollment Form and the ARB Certification Form to ARB.
11. CPCFA shall provide quarterly reports to ARB listing all new activity under this Agreement, including reconciliation of the Trustee Account and funds advanced.

**E. Amendments**

This Agreement may be amended, in writing, as mutually agreed upon by all parties for additional time.

**F. The Project Representatives during the term of this Agreement will be:**

Requesting Agency: Air Resources Board	Providing Agency: State Treasurer's Office
Section/Unit: Mobile Source Control Division	Section/Unit: CPCFA
Name: Jessica Dean	Name: Aaron Todd
Address: 1001 I Street, 7 <sup>th</sup> Floor Sacramento, CA 95814	Address: 915 Capitol Mall, Room 457 Sacramento, CA 95814
Phone: (916) 322-8748	Phone: (916) 654-5740
Email: jdean@arb.ca.gov	Email: atodd@treasurer.ca.gov

**Direct all Administrative Inquiries to:**

Requesting Agency: Air Resources Board	Providing Agency: State Treasurer's Office
Section/Unit: Contract Services Section	Section/Unit: CPCFA
Attention: Patricia Gutierrez	Attention: Dona Yee
Address: 1001 I Street, 20 <sup>th</sup> Floor Sacramento, CA 95814	Address: 915 Capitol Mall, Room 457 Sacramento, CA 95814
Phone: (916) 322-0352	Phone: (916) 653-6217
Email: pagutier@arb.ca.gov	Email: dyee@treasurer.ca.gov



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ATTACHMENT 1 – Amendment 1

California Air Resources Board  
P. O. Box 2815, Sacramento, CA 95812  
(916) 322-0415

PILOT OFF-ROAD LOAN GUARANTEE PROGRAM  
BORROWER ELIGIBILITY CRITERIA AND CERTIFICATION FORM

The undersigned Borrower hereby applies to the California Air Resources Board (ARB) for funds to pay the Borrower's premium for participation in the California Pollution Control Financing Authority (CPCFA) California Capital Access Program (CalCAP). The lender will submit this form with the standard CalCAP Loan Enrollment Form to CPCFA. For assistance, please call ARB staff at (916) 322-0415 or fax to (916) 322-3923.

By initialing, the Borrower certifies that each statement below is true and correct. Initial each statement.

\_\_\_\_\_ The Borrower will use loan proceeds only to pay for parts and installation of ARB-verified diesel emissions control device(s) on off-road diesel-powered equipment that is subject to ARB's Regulation for In-Use Off-Road Diesel Vehicles.

\_\_\_\_\_  
(Device Make and Model example: "Caterpillar DPF") (Engine Family Name)

The text of the Regulation is available at:  
<http://www.arb.ca.gov/regact/2007/ordles107/ordles107.htm>

Information about ARB-verified Diesel Emissions Control Strategies is available at:  
<http://www.arb.ca.gov/diesel/verdev/verdev.htm>

\_\_\_\_\_ The Borrower will send ARB a clear photo of the device as installed, and photocopy of the receipt for the device and installation, which includes the serial number for the device, within 90 days after the installation is complete. Emailed or electronic submission is preferred (email to: [jdean@arb.ca.gov](mailto:jdean@arb.ca.gov)).

\_\_\_\_\_ The Borrower agrees to allow ARB staff or designee to inspect the affected off-road diesel vehicle to confirm installation of the device as reported.

\_\_\_\_\_  
(Business Name)

\_\_\_\_\_  
(Borrower's Signature and Title)

\_\_\_\_\_  
(Business Address)

\_\_\_\_\_  
(ARB Approval)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Phone Number)

\_\_\_\_\_  
(Date)