

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

Meeting Date: February 16, 2016

Request to Approve Amendment 3 to Interagency Agreement ARB13-606 with the California Air Resources Board (ARB) Regarding the California Capital Access Program (CalCAP) Independent Contributor Program

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Summary. Staff requests Board approval to amend Interagency Agreement (Agreement) ARB13-606 between the California Pollution Control Financing Authority (CPCFA or Authority) and ARB which funds loan loss reserve contributions for the On-Road Heavy Duty Vehicle Air Quality Loan Program (Program). The amendment will increase the allocated amount of the Agreement from \$35 million to \$38 million and amend the contribution rates as detailed below effective January 1, 2016.-

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. The ARB Program began in 2009 under an interagency agreement with CPCFA (ARB 08-607) totaling \$45 million, funded by ARB's Air Quality Improvement Program (AQIP) monies. In November 2014, ARB 13-606 was approved for an amount not to exceed \$20 million, including funds from SB 359 which supplemented the annual allocation of AQIP monies.

On June 16, 2015 the Board approved amendment 2 increasing the amount of the Agreement to \$35 million, extending the expiration date to December 31, 2016 and authorizing CPCFA to provide no interest loans in increments not to exceed \$5 million at one time from the Small Business Assistance Fund until February 2015. At the time, CPCFA had forecast increased program demand, and therefore ARB allocated \$15 million for fiscal year 2015-16, in contrast to the \$10 million in prior funding years.

Even so, expenditures under the Program have increased more rapidly than anticipated. During this past year the Program has seen an increase of new lenders and a steady increase in the number of loans received. In calendar year 2014 the Program received 2,064 loans, while in 2015 it received a record of 2,827 loans. We are on pace to exceed those numbers in 2016 – through the first seven months of this fiscal year, CalCAP has approved 1718 loans under the Program.

The retail price for new and used diesel trucks also continues to increase, which results in higher loan amounts, and therefore larger loan loss reserve contributions. During the first 7 months of the fiscal year, \$11,724,660 has been contributed of the \$15 million, and CalCAP staff is currently reviewing 468 loan applications received in recent weeks which will total another \$2,482,545 in contributions. In the fourth quarter of 2015, CPCFA and ARB staff worked together to decelerate the expenditure of funds, and beginning January 1, 2016 contribution amounts were reduced as follows:

- When contributions deposited into a lender's loan loss reserve account are less than \$500,000 the contributions will be fourteen (14) percent. (Tier 1)

- When contributions deposited in a lender's loan loss reserve account exceeds \$500,000 but is less than \$1.5 million, the contribution rate will be seven (7) percent. (Tier 2)
- When contributions deposited in a lender's loan loss reserve account exceeds \$1.5 million, the contribution rate will be four (4) percent. (Tier 3)

Even with this adjustment, based on Program activity so far, the \$15 million allocated for the 2015-2016 fiscal year will be exhausted soon.

The Amended Agreement. Upon approval by ARB's Executive Officer of the additional \$3 million, this amendment will provide a total \$18 million in funding to the Program allocated to CalCAP as part of ARB's AQIP funding plan for Fiscal Year 2015-2016. The amendment also outlines the changes to the contributions rates that became effective as of January 1, 2016. Changes to the contribution rates were anticipated in Amendment 2 and the ability to change the rates were granted at that time, amendment 3 clarifies the new rates.

Staff Recommendation. Staff recommends approval of the attached Resolution to authorize the Executive Director or Deputy Executive Director to execute the amended IA ARB13-606 with the revised modification as described above.

**RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
AUTHORIZING THE EXECUTIVE DIRECTOR OR DEPUTY EXECUTIVE
DIRECTOR TO SIGN AMENDMENT 3 TO INTERAGENCY AGREEMENT
ARB13-606 WITH THE CALIFORNIA AIR RESOURCES BOARD**

February 16, 2016

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, pursuant to Interagency Agreement ARB13-606 (“Agreement”), the California Air Resources Board (“ARB”) is an approved Independent Contributor under the Authority’s California Capital Access Program (“CalCAP”); and

WHEREAS, pursuant to the Agreement, the Authority provides ARB all the services it normally provides to Independent Contributors in the role as administrator of CalCAP, and other services specified in the Agreement in support of the On-Road Heavy-Duty Vehicle Air Quality Loan Program; and

WHEREAS, ARB desires to increase the maximum amount of the Agreement from \$35,000,000.00 to \$38,000,000.00.

NOW THEREFORE BE IT RESOLVED, that the Executive Director or Deputy Executive Director of the Authority is hereby authorized to execute Amendment 3 to Interagency Amendment ARB13-606 with the California Air Resources Board, the total amount of which will not exceed \$38,000,000.00.