

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
California Capital Access Program
Meeting Date: June 25, 2008

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

Prepared by: *Aaron C. Todd*

Contributor:	California Air Resources Board	Amount:	Not to exceed \$500,000
Program Location:	San Joaquin Valley - The Counties of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare, and western portions of Kern County	Term of Agreement:	July 1, 2008 through February 28, 2010.

Summary: The California Capital Access Program for Small Businesses (“CalCAP”) assists small businesses in obtaining financing. The Independent Contributor Program has been a very successful part of CalCAP. California Air Resources Board (ARB) has agreed to participate in CalCAP as an Independent Contributor. The proposed Interagency Agreement (the “Agreement”) between the California Pollution Control Financing Authority (the “Authority” or “CPCFA”) and ARB allocates up to \$500,000 of ARB funds toward the Independent Contributor program for a pilot program aimed at assisting off-road diesel equipment operators to comply with new air quality regulations. The pilot program will be conducted in portions of the Central Valley. The term of the Agreement will be July 1, 2008 through February 28, 2010.

Background: The ARB adopted the in-use, off-road diesel vehicle regulation (“Regulation”) in July 2007. The Regulation will apply to about 180,000 vehicles in approximately 8,000 fleets across the State. Affected vehicles are used primarily in the construction and mining industries. The total cost to affected fleets is expected to be over \$3 billion. The Regulation is expected to significantly reduce particulate matter and oxides of nitrogen pollution and prevent approximately 4,000 premature deaths.

To meet the Regulation’s requirements, ARB estimates over 100,000 exhaust retrofit devices will need to be installed over the course of the Regulation’s implementation, with over 30,000 needed by 2010. These exhaust retrofits are most commonly diesel particulate filters, which capture particulate matter before it can be released back into the atmosphere. The cost for one filter ranges from \$8,000 to over \$60,000, depending on the horsepower of the engine being retrofitted. Therefore, the cost to individual fleets for retrofits will be significant. During the course of the regulation development, many fleets indicated they would need to borrow money to purchase the required retrofits.

The Interagency Agreement: The Interagency Agreement between the Authority and ARB allocates up to \$500,000 of ARB funds toward the Independent Contributor Program and the term of the Agreement will be July 1, 2008 through February 28, 2010. Funds provided by the ARB will cover the contributions of the borrower, lending institution, and CPCFA toward the loan loss reserves. The pilot program is specifically designed to target off-road diesel vehicles that are primarily used in the San Joaquin Valley Air District. In order to be eligible for the pilot

Agenda Item - 4.C.

program, the Borrower will have to operate the affected off-road diesel vehicle at least part of the time in the San Joaquin Valley (the counties of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare, and western portions of Kern County).

Staff Recommendation: Staff recommends approval to enter into an Interagency Agreement with the California Air Resources Board to serve as an Independent Contributor for the California Capital Access Program in an amount not to exceed \$500,000.

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

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 with the California Air Resources Board (ARB), the term of which will be July 1, 2008 through February 28, 2010; and

WHEREAS, pursuant to the Interagency Agreement, the ARB will provide Independent Contributor funds for the California Capital Access 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 the ARB in an amount not to exceed \$500,000.

FURTHER, that the Executive Director or Deputy Executive Director shall execute and submit the Interagency Agreement to the Department of General Services for approval.

Date of Adoption: June 25, 2008

Michael Papanian
Executive Director