

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
CALIFORNIA CAPITAL ACCESS PROGRAM FOR SMALL BUSINESSES**

Meeting Date: April 24, 2007

Executive Summary

Prepared by: *Vicki Sawyer*

ISSUE:

Staff requests the Authority approve a resolution authorizing the transfer of funds from its Small Business Assistance Fund (SBAF) to the Program Account for the California Capital Access Program for Small Businesses (CalCAP). The transfer is necessary to continue the CalCAP program at anticipated demand levels. Funds will be deposited directly with the CalCAP trustee, Bank of New York Trust Company, N.A. (BNY). BNY disburses CalCAP funds to cover the Authority’s contribution to the loss reserve accounts of participating financial institutions that make qualified CalCAP loans.

Proposed Transfer Amount: \$3,000,000.

PROGRAM BACKGROUND AND UPDATE:

CalCAP offers lenders a mechanism to provide loans to small businesses that may not otherwise be able to get a loan. With CalCAP’s portfolio insurance, a lender is able to cover portions of loans that exceed the risk threshold normally set for business loans. Loans up to \$2.5 million can be included in the CalCAP portfolio. From the inception of CalCAP in 1994 through March 31, 2007, CPCFA contributed \$30,815,178 to participating financial institutions’ loss reserve accounts in support of loans to small businesses. These contributions resulted in 6,275 loans, totaling approximately \$713 million, to California small businesses. CalCAP’s leverage ratio is 1:37 (for each dollar advanced under the program, financial institutions loaned \$37). There are currently forty-three (43) actively participating financial institutions that are enrolling loans in the CalCAP program.

PRIOR ACTIONS:

Since the inception of the program, the Authority has approved the transfer of a total of \$31,000,000 from SBAF to the CalCAP program as follows:

<u>Approval Date</u>	<u>Amount</u>	<u>Approval Date</u>	<u>Amount</u>
February 18, 1994	\$2,000,000	April 22, 1999	\$2,000,000
October 21, 1994	\$2,000,000	April 26, 2000	\$3,000,000
March 22, 1995	\$2,000,000	September 25, 2001	\$3,000,000
August 23, 1995	\$2,000,000	February 25, 2003	\$3,000,000
December 18, 1996	\$2,000,000	September 28, 2004	\$3,000,000
January 28, 1998	\$2,000,000	April 25, 2006	\$3,000,000
July 22, 1998	\$2,000,000		

CalCAP’s CURRENT NEED:

CalCAP’s account balance at BNY as of March 31, 2007 was \$885,596. The average monthly depletion rate for this account since May 31, 2006, which reflects the last deposit of \$3,000,000, is \$274,202. Considering this monthly depletion rate, staff projects the BNY account to diminish to approximately \$62,990 by the end of June 2007. Accordingly, CPCFA seeks to replenish the CalCAP account managed by BNY to maintain continuity in funding future CalCAP loans.

RECOMMENDATION:

Staff recommends approval of the resolution to transfer \$3,000,000 from the Authority's Small Business Assistance Fund to the CalCAP Program Account managed by BNY to ensure funds are available for CPCFA's contributions to loss reserve accounts under CalCAP.

A RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL
FINANCING AUTHORITY APPROVING THE TRANSFER OF \$3,000,000 FROM
THE AUTHORITY'S SMALL BUSINESS ASSISTANCE FUND TO PROVIDE CONTINUED
FUNDING FOR THE CALIFORNIA CAPITAL ACCESS PROGRAM
FOR SMALL BUSINESSES

April 24, 2007

WHEREAS, the Legislature has specifically declared in Health and Safety Code section 44559 that better access to capital will allow the small businesses to succeed economically, generating additional revenue to state and local governments that can be used for environmental improvements.

WHEREAS, the California Pollution Control Financing Authority ("Authority") is authorized by Health and Safety Code section 44548 regulations to establish one or more small business assistance funds to fund a capital access program for small businesses.

WHEREAS, the Authority is authorized by Health and Safety Code sections 44559 et seq. to provide financing assistance to small businesses through the California Capital Access Program for Small Businesses ("CalCAP");

WHEREAS, demand for financing assistance by small businesses and under the CalCAP program continues to draw on the Authority's CalCAP Program Account; and the Authority must adequately fund the CalCAP program to continue providing financing assistance to small businesses;

NOW, THEREFORE, BE IT RESOLVED by the Authority, as follows:

Section 1. The Authority hereby authorizes the transfer of \$3,000,000 from the Authority's Small Business Assistance Fund to the CalCAP Program Account managed by Bank of New York Trust Company, N.A., Trust Department, to make necessary deposits in loss reserve accounts under the CalCAP program.

Section 2. The Executive Director or Deputy Executive Director is hereby authorized and directed to do any and all things, including executing and delivering any documents, which he or she deems necessary or advisable to effectuate the purposes of this Resolution and the transactions contemplated therein.

Section 3. This resolution shall take effect immediately upon its approval.