

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

Meeting Date: May 27, 2009

Request Additional SBAF Funding

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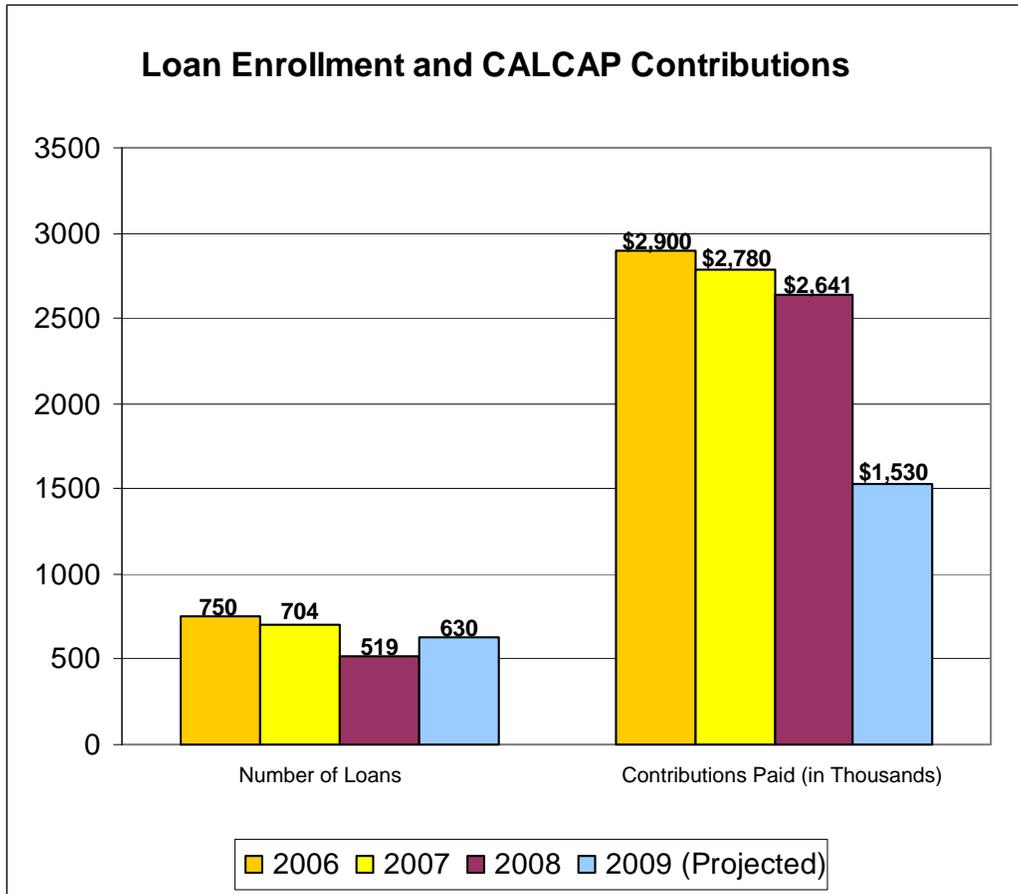
Summary. Staff requests the Authority approve a resolution authorizing the transfer of \$1,300,000 from its Small Business Assistance Fund (SBAF) to the Program Account for the California Capital Access Program for Small Businesses (CalCAP). The transfer is necessary to continue the CalCAP Program at anticipated demand levels.

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 \$1.5 million can be included in the CalCAP portfolio. From the inception of CalCAP in 1994 through April 30, 2009, CPCFA contributed \$36,394,370.12 to participating financial institutions’ loan loss reserve accounts in support of loans to small businesses. These contributions resulted in 7,468 loans totaling approximately \$846 million to California small businesses. CalCAP’s leverage ratio is approximately 1:36 (for each dollar advanced under the program, financial institutions loaned approximately \$36). There are currently forty-eight (48) 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 \$37,000,000 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 26, 2000	\$3,000,000
October 21, 1994	\$2,000,000	September 25, 2001	\$3,000,000
March 22, 1995	\$2,000,000	February 25, 2003	\$3,000,000
August 23, 1995	\$2,000,000	September 28, 2004	\$3,000,000
December 18, 1996	\$2,000,000	April 25, 2006	\$3,000,000
January 28, 1998	\$2,000,000	April 24, 2007	\$3,000,000
July 22, 1998	\$2,000,000	April 23, 2008	\$3,000,000
April 22, 1999	\$2,000,000		

CalCAP’s Current Need. CalCAP’s account balance at Bank of New York Mellon Trust Company, N.A. (BNYM) as of April 30, 2009 was \$1,232,773.73. The average monthly depletion rate for this account since May, 2008, which reflects the last deposit of \$3,000,000, is \$196,629.76. However, regulation updates enacted in 2008 and recent CalCAP statute updates effective January 1, 2009, coupled with the downturn in the economy has resulted in CalCAP reducing its overall monthly expenditures for loan loss reserve contributions. From January 1, 2009 through April 30, 2009, CPCFA contributed a total of \$511,557.43 to participating financial institutions’ loss reserve accounts. This is an average depletion rate of \$127,889.36 per month. The table on the next page further illustrates the effect of the statute and regulation updates as well as the significant change in the economy.



Considering the current average monthly depletion rate of \$127,889.36, staff projects the BNYM account will be exhausted by the end of December 2009. Accordingly, staff seeks to replenish the CalCAP account by \$1,300,000 and expects that this will carry the program through the end of FY 09-10.

Funds will be deposited directly with the CalCAP trustee, Bank of New York Mellon Trust Company, N.A. BNYM disburses CalCAP funds to cover the Authority’s contribution to the loan loss reserve accounts of participating financial institutions that make qualified CalCAP loans.

Recommendation. Staff recommends approval of the resolution to transfer \$1,300,000 from the Authority’s Small Business Assistance Fund to the CalCAP Program Account managed by BNYM 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 \$1,300,000 FROM
THE AUTHORITY’S SMALL BUSINESS ASSISTANCE FUND TO PROVIDE CONTINUED
FUNDING FOR THE CALIFORNIA CAPITAL ACCESS PROGRAM
FOR SMALL BUSINESSES

May 27, 2009

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 \$1,300,000 from the Authority’s Small Business Assistance Fund to the CalCAP Program Account managed by Bank of New York Mellon Trust Company, N.A., Trust Department, to make necessary deposits in loan 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.