

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

California Capital Access Program

Meeting Date: November 18, 2009

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

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Independent Contributor: California Air Resources Board	Amount: Not to exceed \$1,000,000
Program	Term: 07/01/2008 - 02/28/2016
Location: All of California	Prior Action: \$500,000 approved 06/25/2008 \$1,000,000 approved 09/24/2008

Summary. The California Capital Access Program (“CalCAP”) assists small businesses in obtaining financing. The California Air Resources Board (ARB) participates in CalCAP as an Independent Contributor. Through an Interagency Agreement (the “Agreement”) with the California Pollution Control Financing Authority (“CPCFA”), ARB allocates up to \$1,000,000 toward the Independent Contributor program to assist off-road diesel equipment operators in complying with new air quality regulations. This addendum to the Agreement will expand the program to all of California and extend the term of the Agreement through February 28, 2016.

Background. CPCFA and ARB have Interagency Agreements for two programs, the Heavy Duty Diesel On-Road Program, and the In-Use Off-Road Diesel Vehicle Program. This agenda item addresses the Off-Road Program.

The ARB adopted the in-use, off-road diesel vehicle regulation (“Regulation”) in July 2007. The Regulation applies 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 requirements, ARB estimates over 100,000 exhaust retrofit devices will need to be installed, with over 30,000 needed by 2010. These exhaust retrofits are most commonly diesel particulate filters that capture particulate matter before it can be released 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. CPCFA entered into an Interagency Agreement with ARB for the In-Use Off-Road Diesel Program on July 1, 2008. The agreement allows ARB, as an Independent Contributor, to contribute fees for the borrower, lender and CPCFA for specified CalCAP enrolled loans. The program is funded by the collection of funds through Off-Road Diesel Penalties. On September 24, 2008 the Board approved amending the Interagency

Agreement to increase the maximum funding amount to \$1,000,000. ARB anticipates the collection of approximately \$800,000 in penalties. In addition, ARB has relaxed compliance regulations by extending the requirement dates for off-road diesel owners. The change in compliance deadlines creates a need to extend this program. Amendments to the Interagency Agreement will extend the termination date to February 28, 2016 and expand the program to include all of California. Other changes will be made to the Agreement to conform to current statute and regulations, including modifying the matching premium amount contributed by CalCAP to 2 to 3 ½ percent, in the description of the program.

Staff Recommendation. Staff recommends approval to amend the Interagency Agreement with the California Air Resources Board, an Independent Contributor for the California Capital Access Program, as described above.

**RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING
AUTHORITY AUTHORIZING THE EXECUTIVE DIRECTOR OR DEPUTY
EXECUTIVE DIRECTOR TO SIGN AN AMENDMENT TO THE INTERAGENCY
AGREEMENT WITH THE 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 entered into an Interagency Agreement with the California Air Resources Board (ARB) and amended it for an amount not to exceed \$1,000,000, the term of which is July 1, 2008 through February 28, 2010; and

WHEREAS, the Authority wishes to amend the Interagency Agreement to extend the term of the contract to February 28, 2016; and

WHEREAS, the Authority wishes to modify the Interagency Agreement to include all counties of the State of California as well as modify CPCFA’s “matching combined premium” to conform with a current statute; and

WHEREAS, pursuant to the Interagency Agreement, 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 Amendment to the Interagency Agreement with the ARB with a term of July 1, 2008 through February 28, 2016.