

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

California Capital Access Program

Meeting Date: January 17, 2012

Request to Approve Interagency Agreement with the Department of Resources Recycling and Recovery (CalRecycle) Regarding the CalCAP Independent Contributor Program

Prepared by: *Alanna Parker*

Summary. The Department of Resources Recycling and Recovery (CalRecycle) has agreed to continue to participate in the California Capital Access Program (“CalCAP”) as an Independent Contributor. The proposed Interagency Agreement (the “Agreement”) between the California Pollution Control Financing Authority (the “Authority” or “CPCFA”) and CalRecycle allocates up to \$500,000 of CalRecycle funds. These funds will be used for the CalRecycle Independent Contributor program, to provide small business owners that meet CalRecycle’s eligibility requirements, assistance obtaining financing through CalCAP lenders. The term of the Agreement will be from January 17, 2012 through June 15, 2014.

Background. CalCAP assists small businesses in obtaining financing. CalCAP encourages banks and other financial institutions to make loans to small businesses that have difficulty obtaining capital. CalCAP is a form of loan portfolio insurance which may provide up to 100% coverage on certain loan defaults. The CalCAP Independent Contributor Program provides a mechanism for third parties to participate in CalCAP to meet a specific goal or mission. Independent Contributors agree to pay the loan loss reserve contributions of the borrower and can also pay the loan loss reserve contributions of the lender and CPCFA. The Independent Contributor Program has been a very successful part of CalCAP.

CalRecycle’s mission is to protect public health, safety, and the environment through waste prevention, waste diversion, and safe waste processing and disposal. The goal is to assist local jurisdictions to decrease the disposal of non-hazardous waste materials from California landfills. CalRecycle administers the Recycling Market Development Zone (RMDZ) Loan Program that promotes recycling-based business development in California through low interest loans. These loans have increased California’s diversion capacity greatly and have created or retained hundreds of jobs.

Legislation effective January 1, 1997, SB 1535, (Killea), Ch. 615, specifically authorized CalRecycle to participate in CalCAP, administered by CPCFA. The CalCAP statute allows third-party entities to participate in CalCAP as “Independent Contributors” to CalCAP lenders’ loan loss reserve accounts. On January 21, 1999, the Authority entered into an 18-month interagency agreement with CalRecycle in which CalRecycle would act as an Independent Contributor for the CalCAP Program. Subsequent to the end of the initial period, the contract has been continually renewed. The most recent Independent Contributor Interagency Agreement between the Authority and CalRecycle expired on June 15, 2011.

The Interagency Agreement. The Agreement between the Authority and CalRecycle allocates up to \$500,000 of CalRecycle funds toward the CalRecycle Independent Contributor Program and the term of the Agreement will be from January 17, 2012 through June 15, 2014. The small

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business will need to meet criteria outlined on the CalRecycle Borrower Eligibility Criteria and Certification Form (Attachment A) to be eligible for the CalRecycle Independent Contributor Program.

To participate in CalCAP, the borrower pays a premium of 2% to 3.5% of the enrolled loan amount, the lender pays 2% to 3.5%, and CPCFA pays a matching combined premium of up to 4% to 7% into a lender's loan loss reserve account to cover potential losses. In the previous contract CalRecycle paid only the borrower portion of the fee. However, the new Agreement allows CalRecycle to pay the borrower and lender premium to the lender loan loss reserve account. CPCFA will continue to pay its portion of the CalCAP premium.

Staff Recommendation. Staff recommends approval to enter into an Interagency Agreement with the Department of Resources Recycling and Recovery to serve as an Independent Contributor in CalCAP for the CalRecycle Independent Contributor 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 THE DEPARTMENT OF RESOURCES RECYCLING
AND RECOVERY**

January 17, 2012

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 Department of Resources Recycling and Recovery (CalRecycle) for an amount not to exceed \$500,000, the term of which will be January 17, 2012 through June 15, 2014; and

WHEREAS, pursuant to the Interagency Agreement, CalRecycle will provide Independent Contributor funds for the California Capital Access Program (“CalCAP”) to provide financial support services to the CalRecycle Independent Contributor 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 CalRecycle in an amount not to exceed \$500,000 for CalCAP to provide financial support services to the CalRecycle Independent Contributor program.

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

Attachment A

Department of Resources Recycling and Recovery (CalRecycle)
1001 I Street, Atten: RMDZ Loan Program, Mail-stop #9, Sacramento, CA 95814

BORROWER ELIGIBILITY CRITERIA AND CERTIFICATION FORM
(Revised September 12, 2011)

The undersigned Borrower hereby applies for CalRecycle funds to pay the borrower's and lender's premium for participation in the California Pollution Control Financing Authority (CPCFA) California Capital Access Program (CalCAP). The financial institution will submit this form with the standard CalCAP Loan Enrollment to CPCFA. For assistance, see CalRecycle contact information below.

Eligible Applicants and Projects:

- An applicant is a business that *recycles* by using post-consumer or secondary materials to produce a value-added finished product or provides necessary intermediate processing of a recycled/recovered material. A value-added product is one in which a material has changed its character or composition through a manufacturing process. This differs from collecting, sorting, and baling of recycled/recovered material for convenience or ease of transportation. The full project criteria and examples may be viewed on the CalRecycle website at: www.CalRecycle.ca.gov/rmdz/loans

Corporations and limited liability companies must be duly authorized to do business in California and properly registered with the Secretary of State (SOS). The SOS website is <http://kepler.sos.ca.gov/>

In all cases, the borrower agrees to annually submit documentation, upon request of CalRecycle, to verify annual diversion of solid non-hazardous waste from California's landfills and that it produces a value-added recycled content product.

(Business Name)

(Website)

_____ Proposed Loan Amount	_____ Borrower's Premium	_____ Lender's Premium
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_____ (Borrower's Signature and Title)	_____ (Date)
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_____ (Business Address)	_____ (Phone Number)
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CalRecycle Approval:

Attachment A

Chris Houlemard, Loan Officer

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Jim La Tanner, Supervisor

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CalRecycle approves paying the borrower and lender fees to participate in the CalCAP program.

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