

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
California Capital Access Program
Meeting Date: December 15, 2015

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

Prepared by: *Patricia Crowson, Treasury Program Manager II*

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 \$414,271.85 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 two years from the date that the Agreement is signed by both parties, with an option to extend for an additional year.

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, 2015.

The Interagency Agreement. The proposed Agreement between the Authority and CalRecycle allocates up to \$414,271.85 of CalRecycle funds toward the CalRecycle Independent Contributor Program and the term of the Agreement will be two years from the time the Agreement is signed by both parties. The small businesses 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 1% to 3.5% of the enrolled loan amount, the lender pays 1% to 3.5%, and utilizing CalRecycle's contributions under the contract CPCFA pays a matching combined premium of up to 150% of the combined borrower and lender premium into a lender's loan loss reserve account to cover potential losses. Effective April 1, 2017 the minimum borrower and lender premiums will increase to 2%.

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 \$414,271.85.

**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**

December 15, 2015

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 \$414,271.85, the term of which will be two years from the time that the Agreement is signed by both parties, with an option of a one year extension; 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 \$414,271.85 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

CALRECYCLE CERTIFICATION FORM

(November 1, 2015)

INSTRUCTIONS TO PARTICIPATING LENDER: Prepare and submit this form to CPCFA to request that CalRecycle pay the borrower and lender premium, to enroll a loan in the California Capital Access Program (CalCAP). CalCAP lender hereby applies to CPCFA for CalRecycle funds to pay the borrower's and lender's premium for participation in CalCAP. The participating lender will submit this form with the standard CalCAP Loan Enrollment Application to CPCFA. For assistance, contact CPCFA staff.

INSTRUCTIONS TO CPCFA: CPCFA may enroll the loan without CalRecycle consent and will submit a copy to CalRecycle with then next quarterly report.

Eligibility Criteria

The loan applicant must meet all of the below criteria:

- ✓ **LOAN APPLICANT:** Loan applicant has/will have a recycling manufacturing facility located in California and is not solely a waste collector, bailer, hauler, transporter, wholesaler, or broker.
- ✓ **RAW MATERIALS/FEEDSTOCK:** The loan applicant is/will produce recycled content products that contain recycled materials that were generated in California and destined for disposal at a landfill, and has full control over the raw materials/feedstock acquired. The raw materials/feedstock are non-hazardous solid waste such as organic, fiber (paper, textiles, carpet, or, wood), plastic, or glass (excludes metals, electronic waste, medical waste, automobile parts, and other items that are not normally disposed of in a landfill).
- ✓ **MANUFACTURING PROCESS:** The loan applicant is a direct manufacturer that will process the materials in its facility and not sub-contract out the processing of the raw materials/feedstock.
- ✓ **END PRODUCT:** The loan applicant is/will manufacture recycled content value added products for sale to its customers.
- ✓ **SECRETARY OF STATE:** Corporations and limited liability companies must be duly authorized to do business in California and are properly registered with the Secretary of State (SOS). The SOS website is <http://kepler.sos.ca.gov/>.
- ✓ **CALRECYCLE ANNUAL SURVEY:** The loan applicant agrees to respond to CalRecycle's annual diversion and jobs survey, to report the types and tonnage of recycled materials used in its manufacturing process.

(Business Name)

(Website)

(Borrower's Contact Name, Phone, and Email)

(Lender Name)

(Lender Contact Name)

(Lender Contact Phone and Email)

By signing below lender certifies that, based in part on information provided by the Borrower, it has determined that the loan applicant meets the above eligibility criteria.

Lender or CPCFA inquiries to CalRecycle may be directed to:

- ❑ CalRecycle Loans General Email Inbox: Loans@CalRecycle.ca.gov
- ❑ Chris Houlemard, AGPA
Email: Chris.Houlemard@CalRecycle.ca.gov

Phone: (916) 341-6729

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- Bruce Quigley, Supervisor
Email: Bruce.Quigley@CalRecycle.ca.gov

Phone: (916) 341-6351

- Jim LaTanner, Manager
Email: Jim.LaTanner@CalRecycle.ca.gov

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