

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
Meeting Date: July 17, 2018**

***Request for Approval of Amendment 7 to Interagency Agreement No. 13-606 with the
California Air Resources Board Regarding the California Capital Access Program
Independent Contributor Program***

Prepared by: *Bianca Smith*

Summary

Staff requests approval to amend Interagency Agreement No. 13-606 (“Agreement”) between the California Pollution Control Financing Authority (“CPCFA” or “Authority”) and the Air Resources Board (“CARB”). The Agreement funds loan loss reserve contributions for the On-Road Heavy Duty Vehicle Air Quality Loan Program (“CalCAP/CARB” or “Program”) and this amendment will:

- Increase the allocated amount of the Agreement from \$83 million to \$98 million.

Staff also requests authorization for the Executive Director to execute additional amendments to the Agreement if CARB decides to supplement the allocation of funds towards the Program.

Health and Safety Code section 44519 provides that, “The authority may, by resolution, delegate to one or more of its members, its executive director, or any other official or employee of the authority any powers and duties that it may deem proper, including, but not limited to, the power to enter into contracts on behalf of the authority.”

Background

CARB is an Independent Contributor under CalCAP and provides financial assistance to small business owners with heavy-duty diesel vehicles affected by CARB’s Statewide In-Use Truck and Bus Regulation and the Heavy-Duty Vehicle Greenhouse Gas Emission Reduction Regulation. The Program started in 2009 under an interagency agreement with CPCFA (No. 08-607) totaling \$45 million, funded by CARB’s Air Quality Improvement Program (“AQIP”) monies. In November 2014, the Agreement was approved for an amount not to exceed \$20 million, including funds from SB 359 which supplemented the annual allocation of AQIP monies. On June 16, 2015, the Board approved Amendment 2 to the Agreement to increase the maximum amount of the Agreement to \$35 million, and also to provide zero interest loans from CPCFA’s Small Business Assistance Fund (“SBAF”) in increments not to exceed \$5 million to cover a lag in revenues from license fees to CARB’s AQIP fund. On February 16, 2016, the Authority approved Amendment 3 increasing the maximum amount of the Agreement to \$38 million. On June 21, 2016, the Authority approved Amendment 4 to extend the expiration date to December 31, 2017, increase the allocated amount to \$60 million, direct CPCFA to recapture contribution funds through regulatory action, permit CPCFA to use Small Business Assistance

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Funds to cover potential short-term cash flow needs, and direct CPCFA to research long-term sustainability. On June 20, 2017, the Authority approved Amendment 5 to extend the expiration date of the Agreement from December 31, 2017 to March 31, 2018, increase the allocated amount to \$63 million, allow for use of funds received from settlement of enforcement actions pursuant to ARB's Supplemental Environmental Project Policy, allow program eligibility for engines using other fuel types and documenting the type of fuel used, and allow CPCFA to set aside \$845,838.72 for administrative and trustee costs associated with loans enrolled under the previous interagency agreement (No. 08-607) between CPCFA and CARB.

Expenditures under the Program are accelerating, primarily due to three changes in the California economy. First, the price of newer vehicles is increasing along with the engineering and technology in the qualifying heavy duty trucks. Second, the Program has grown to accommodate more lending institutions that actively participate. Third, with CARB compliance deadlines nearing and CARB enforcement increasing, small business trucking companies are rushing to get into compliance with current regulations.

As directed by CARB, CPCFA pursued regulatory action to establish procedures to recapture contribution funds from a lender's loss reserve account. Annually upon maturation of enrolled loans, recaptured funds will be used to support future contributions for eligible loans and administrative costs. Recapture is not applicable to the contributions for loans which have defaulted or were charged-off. The amount recaptured for 2017 was \$6,152,066.55.

The proposed additional funding of \$15 million funded through CARB's Air Quality Improvement Program ("AQIP") monies is part of CARB's funding plan for fiscal year 2017-2018.

Since 2014, the Agreement with CARB has been amended six (6) times providing additional funds to the program each time. An additional \$25 million is proposed for allocation to the Program for the fiscal year 2018-2019 and will be presented for approval to the CARB board at the October 2018 board meeting. Under certain circumstances the acceptance of Program additional funds allocated by CARB to the Program is hinging on critical deadlines, especially towards the end of the fiscal year.

The request before the Board will allow the Executive Director to approve any consecutive amendments accepting additional funds towards the Program. This delegation resolution will be in force through the term of this Agreement which is March 31, 2019.

Staff Recommendation. Staff recommends approval of Resolution No. 18-02-001 to authorize the Executive Director or Deputy Executive Director to execute a seventh amendment to Interagency Agreement No. 13-606 with the revision described above, and any consecutive amendments should CARB desire to allocate additional funding to the Program.

**RESOLUTION NO. 18-02-001 OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
AUTHORIZING THE EXECUTIVE DIRECTOR OR DEPUTY EXECUTIVE
DIRECTOR TO EXECUTE THE SEVENTH AMENDMENT TO
INTERAGENCY AGREEMENT 13-606 WITH THE CALIFORNIA AIR
RESOURCES BOARD**

July 17, 2018

WHEREAS, the California Pollution Control Financing Authority (“Authority”) was created under the provisions of Division 27 (commencing with Section 44500) of the Health and Safety Code;

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 the purposes under the California Pollution Control Financing Authority Act;

WHEREAS, Section 44519 of the Health and Safety Code provides that the Authority may, by resolution, delegate to one or more of its members, its executive director, or any other official or employee of the authority any powers and duties that it may deem proper, including, but not limited to, the power to enter into contracts on behalf of the authority;

WHEREAS, the California Air Resources Board (“CARB”) is an approved Independent Contributor under the Authority’s California Capital Access Program (“CalCAP”), as provided under Interagency Agreement No. 13-606 (“Agreement”) between the Authority and CARB;

WHEREAS, pursuant to the Agreement, the Authority provides CARB all the services it normally provides to Independent Contributors in the role as administrator of CalCAP, and other services specified in the Agreement in support of the On-Road Heavy-Duty Vehicle Air Quality Loan Program; and

WHEREAS, CARB desires to increase the maximum amount of the Agreement from \$83 million to approximately \$98 million;

NOW, THEREFORE, BE IT RESOLVED, that the Executive Director and Deputy Executive Director of the Authority are each hereby authorized, jointly and severally, to execute the Seventh Amendment ~~and any consecutive Amendments~~ to Interagency Agreement No. 13-606 with the California Air Resources Board in an amount of \$98,000,000.00. The Executive Director and Deputy Executive Director are also each authorized to execute any further amendments to Interagency Agreement No. 13-606 or more, and to execute any consecutive amendments should CARB desire necessary to allocate accommodate additional funding to the Program CalCAP from CARB. This resolution is effective through March 31, 2019.