

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 6

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**TO:** Valley Clean Energy Alliance Board of Directors

**FROM:** Chad Rinde, Assistant Chief Financial Officer, Yolo County  
Mitch Sears, Interim General Manager, VCEA  
Shawn Marshall, LEAN Energy US

**SUBJECT:** VCEA Banking Services Request for Proposal

**DATE:** November 17, 2017

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### RECOMMENDATION

Authorize Interim General Manager, in consultation with legal counsel and VCEA staff, to negotiate with respondents to the Banking Services RFP and direct staff to bring back the contract with the most responsive vendor for VCEA Board of Director approval.

### BACKGROUND & DISCUSSION

At the Board's direction, staff released an RFP for banking and credit services that closed on April 27, 2017. Three responsive proposals were received and an initial evaluation panel was formed in order to evaluate the respondents.

As a reminder, the following key components were included in the RFP issued earlier in 2017:

- 1) Requesting a line of credit (LOC) for up to approximately \$7 million which uses the estimated amount in the CCE technical study and incorporates anticipated costs associated with Woodland participating and contingency funds; this LOC will cover additional pre-revenue costs, credit for power contracts, and working capital for early operations;
- 2) Stated preference to do business with a bank that has headquarter and/or branch operations within Yolo County;
- 3) Credit terms are requested with and without guaranty requirements; it is likely that a guaranty will be required for at least the pre-revenue portion of credit drawn down;
- 4) Lender is asked to provide capitalization limits and must be a member of the Federal Reserve System or Federal Deposit Insurance Corporation; and,
- 5) Credit and banking services may be awarded to a single or multiple financial institutions depending on operational and credit capacity and terms offered.

An evaluation panel was formed consisting of County and City Staffs and Finance Representatives as well as a Consultant Representative. Initial evaluations are substantially completed, and two respondents were determined to meet the technical qualifications required. The third respondent did not demonstrate its experience and understanding of Community Choice Aggregation programs and the organizations overall level of capitalization was a risk noted by the evaluation panel.

The process was envisioned originally that the evaluation panel would perform interviews with the finalists to make a recommendation to the VCEA Board. During the process, there were some uncertainties that arose with the addition of the City of Woodland to the agency and some uncertainty with the potential contract with SMUD for energy and other administrative services – including financial provisions that might affect the scope of banking services required by VCEA.

Now that SMUD and VCEA have been working to finalize a contract, additional clarity has been achieved on the banking and credit services needs of VCEA. VCEA will still require operational banking services (depository, disbursement, and payroll services), but will also require financing and working capital. The working capital needs via a line of credit, loan or other credit facility is currently estimated to be \$8 million but may still fluctuate slightly as additional financial modeling is completed between VCEA and SMUD.

Due to putting the RFP and vendor selection on hold, the respondents to the RFP will need to resubmit their cost proposals to reflect current market and interest rates due to the six month lapse between their April, 2017 response and today. In order to now move forward and continue to work toward a prompt selection of a banking and credit services provider, VCEA staff are asking for authorization for the Interim General Manager to receive the update cost proposals and negotiate a contract with the most responsive vendor to the RFP. The negotiated contract would be brought back to the VCEA board for approval at a subsequent board meeting for final authorization.