

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY
Tuesday, March 19, 2013**

***Request for Approval to Contract for Consulting Services for CAEATFA’s Sales and
Use Tax Exclusion Program in an Amount Not to Exceed \$650,000***

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Summary. Staff is requesting approval to enter into a contract with Blue Sky Consulting Group (“Blue Sky”) to provide technical consulting services in connection with modifications to and implementation of CAEATFA’s Sales and Use Tax Exclusion Program (“STE Program” or “Program”) as recently amended by Senate Bill 1128 (Padilla, 2012) (“SB 1128”) to include advanced manufacturing (originally established by Senate Bill 71 (Padilla, 2010) (“SB 71”).

Services. Under direction from the CAEATFA Executive Director, the scope of services will include technical assistance, advice and activities related to STE Program development, establishment, implementation, initial Program administration, and planning for ongoing Program administration and evaluation. Services will be concentrated in providing technical assistance specific to economic and environmental evaluation criteria and standards for alternative source, advanced transportation and advanced manufacturing projects, and building long-term Program administration infrastructure and evaluation tools.

Contract Amount. Total aggregate of \$650,000

Term of Contract. The contract will be for a two-year term, with an option to extend for one additional year. The contract may be terminated by CAEATFA at any time.

Background. Subsequent to the passage of SB 1128, Staff – upon advice from CAEATFA’s legal counsel and Business Services’ contracts office – determined that it would be most appropriate and equitable to issue a new Request for Proposal (“RFP”) for a technical assistance consultant which specifically included advanced manufacturing projects under its scope of work in the STE Program.

Staff anticipates the inclusion of advanced manufacturing in its STE Program will require modifications to the existing Program and to CAEATFA’s evaluation structure of projects’ economic and environment benefits. The current contract with CAEATFA’s existing technical assistance provider – Blue Sky – was recently extended until February 28, 2014. Upon execution of the new contract, CAEATFA will terminate the existing contract.

CAEATFA was previously largely dormant from May 2004 until February 2008. In 2008, an Executive Director was hired to explore program development within CAEATFA's statutory authority. The Authority remains in its early phase as a revived agency, having hired its first analyst in the summer of 2010. It currently has 9 positions¹ and is administering and exploring the development of several programs.² While CAEATFA has adopted a rigorous training schedule for its staff, the Authority does not currently have the technical, economic or environmental analysis expertise to develop and implement the STE Program without assistance.

As noted above, the selected contractor will assist with the STE Program, specifically with early development and implementation that is required by SB 1128, and technical assistance that may be required in Program administration (and any refinement that may be necessary). The contractor will also provide staff training and assist in developing the infrastructure needed for effective administration and evaluation.

Existing Contract

On March 24, 2010, Governor Arnold Schwarzenegger signed Senate Bill 71 (Padilla) into law, authorizing CAEATFA to approve sales and use tax exclusions on tangible personal property used for the design, manufacture, production or assembly of advanced transportation technologies or alternative energy source products, components or systems, as specified.

In June 2010, CAEATFA entered into a short-term purchase order with Blue Sky Consulting for the consulting assistance required to launch the STE Program. With assistance from Blue Sky, CAEATFA adopted emergency regulations in early October 2010, and began accepting applications on a rolling basis. In December 2010, CAEATFA advertised a request for competitive proposals in an amount not to exceed \$750,000 for consulting services to provide the technical, economic and environmental analysis expertise necessary to develop and implement the Program under SB 71. Blue Sky was the only responder, and upon thorough evaluation by CAEATFA staff, was selected to provide consulting services to CAEATFA for the Sales and Use Tax Exclusion Program.

During the contract term, Blue Sky has assisted in developing the STE Program, specifically with early implementation, administration and refinements as required by SB 71. The contractor has also provided staff training and assisted in developing the infrastructure needed for effective administration and evaluation. CAEATFA's reliance on its technical assistance contractor has decreased as staff has received training and

¹ Current staff members include the Executive Director, Treasury Program Manager II, five analysts, one office technician, and one executive assistant. Two of the analyst positions are limited term: one for the Clean Energy Upgrade Financing Program (ABX1 14) and one to assist on the STE Program (SB 1128).

² The programs include the STE Program, Clean Energy Upgrade Financing Program, Qualified Energy Conservation Bonds, California Ethanol Producers Incentive Program, and is in discussion with other state entities on assisting them with other programs.

become more knowledgeable about these new technologies. Due to this increased staff expertise, Staff determined that this new contract could be established at a lower funding level of \$650,000.

Request for Proposal Process.

On February 6, 2013, CAEATFA Staff advertised a Request for Proposal (“RFP”) through the Department of General Services Contracts Register, as well as on the CAEATFA website. On the proposal deadline, March 1, 2013, the Authority received three proposals, two of which were considered responsive to the RFP.

Staff developed an evaluation process that included an Evaluation Committee consisting of CAEATFA staff and management. Proposals were evaluated based on the characteristics and point values outlined below. A proposer could earn a maximum of 100 points. Blue Sky received a total average score of 92 from the Evaluation Committee.

- 1) Overall experience demonstrating its ability to successfully complete the scope of services defined in the RFP and the firm’s experience, personnel and references. (30 points)
- 2) Experience as Contractor to state or other government programs. (20 points)
- 3) Evaluation of qualifications of the individuals to be assigned to the contract on the basis of background and experience in related work as detailed in the RFP. (15 points)
- 4) Evaluation of the actual fees proposed, including the reasonableness of rates, estimated cost detail and effectiveness (given value of services to be obtained), and cost effectiveness (given the experience and qualifications of firm and its personnel). For evaluation purposes, the cost proposals included a Sample Task Order for SB 1128 Alternative Manufacturing STE Program Development and Early Implementation. (35 points)

Overview of Blue Sky Consulting Group.

Blue Sky brings a depth of knowledge and its direct experience with the development and early administration of the existing Sales and Use Tax Exclusion Program to assist CAEATFA in evaluating and developing modifications to incorporate advanced manufacturing and develop a broader STE Program structure that effectively accommodates advanced transportation, alternative source, and advanced manufacturing projects. Blue Sky was founded by Tim Gage and Matthew Newman in 2005, and has offices in Emeryville and Sacramento.

The project team for Blue Sky’s services specializes in analyzing the intersection of public policy and economics, specifically looking at the economic, fiscal and

environmental effects of public policy changes. In addition to its experience in quantitative data analysis, the team knows how to present complex analytical findings in clear and concise terms that are readily understandable by a lay audience of policy makers, business leaders and the public.

The project team will be directed by Tim Gage and Matthew Newman, and will be supported by other members of Blue Sky. Mr. Gage and Mr. Newman both have significant experience in addressing the environmental and economic issues related to public policy decisions and effective public administration.

Blue Sky will be the primary contractor responsible for the quality, completeness and timeliness of all work. In addition, Blue Sky has retained a sub-contractor, Jai J Mitchell Analytics (“JJMA”), which will complete no less than three percent (3%) of the work under the contract, and assist CAEATFA in meeting its DVBE contracting goals. JJMA provides management, planning and evaluation of state and industry demand-side management, water conservation and alternative energy and fuels programs. JJMA will provide technical expertise and additional analytical and evaluation resources in the areas of advanced transportation and alternative energy technologies.

Contract Terms. The contract will be for a two-year term with an option to extend for an additional year. The contractor will be compensated subsequent to providing specific services. The compensation amount shall not exceed \$650,000 for the term of the contract.

The Authority will manage expenditures and compensate the contractor through task orders. A task order is a contracting term that is broadly used by an entity that wishes to enter into contracts to acquire services when the exact quantities of future deliveries are not known at the time of contract award. A task order will identify a “not-to-exceed” amount of compensation for specific types of services over a period of time. The contractor will submit invoices toward a specific task order. If needed, a task order may be amended as services or costs change, or new task orders can be created to incorporate additional specific services. The hourly rates and compensation schedules used in a task order will utilize the rate and fee schedule the Authority accepted in the submitted Cost Proposal.

Recommendation. Staff recommends adoption of a resolution authorizing execution of a contract with the Blue Sky Consulting Group to provide technical consulting services to CAEATFA in connection with modifications to and implementation of the STE Program in an amount not to exceed \$650,000 over three years.

**RESOLUTION OF THE CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY AUTHORIZING
THE EXECUTION OF A CONTRACT TO RETAIN CONSULTING SERVICES
UNDER ITS SALES AND USE TAX EXCLUSION PROGRAMS**

March 19, 2013

WHEREAS, the California Alternative Energy And Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Alternative Energy And Advanced Transportation Financing Authority Act (Division 16 (commencing with Section 26000) of the California Public Resources Code) (the “Act”);

WHEREAS, the Authority has determined it requires consulting services to assist it in the modifications to and early development, administration and planning of its sales and use tax exclusion programs;

WHEREAS, the Authority has undergone a competitive process to identify an appropriate contractor to provide consulting services and economic and environmental technical expertise;

NOW, THEREFORE, BE IT RESOLVED by the Authority, as follows:

Section 1. The Authority hereby authorizes the execution of a contract in an amount not to exceed \$650,000 to retain Blue Sky Consulting Group to provide consulting services and other actions related thereto in connection with the Authority’s Sales and Use Tax Exclusion Program.

Section 2. The term of the contract will commence upon execution and will continue for two years with an option for the Authority to extend for a period of one additional year unless earlier terminated by the Authority.

Section 3. The Chair of the Authority, Executive Director and Deputy Executive Director are hereby authorized for and on behalf of the Authority to obtain consulting services, with the form and substance of said contracts to be reviewed and approved by legal counsel of the Authority.

Section 4. This resolution shall take effect immediately upon its approval.