

**CALIFORNIA ALTERNATIVE ENERGY AND  
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

***Consideration of Contract with Concord Servicing Corporation as  
Master Servicer for the California Hub for Energy Efficiency Financing  
Pilot Programs in an Amount Not to Exceed \$1,500,000***

**Tuesday, November 14, 2017**

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**REQUEST**

Staff requests approval to enter into a contract (“Contract”) with Concord Servicing Corporation (“Concord,” “Master Servicer” or “Contractor”) to provide assistance to the Authority with the administration of the California Hub for Energy Efficiency Financing (“CHEEF”) Pilot Programs (the “Pilot Programs) authorized by the California Public Utilities Commission (“CPUC”), which are currently in various stages of implementation and development within the territories of the California investor-owned utilities (collectively, the “IOUs”).

**Contract Amount.** Not to exceed a total aggregate of \$1,500,000 over the entire Contract term.

**Term of Contract.** CAEATFA intends that this Contract will be for a multi-year term, subject to CAEATFA’s receipt of legislative budget approvals for future fiscal years. The initial Contract term will be through December 2019, after which CAEATFA may choose to execute a one-year extension, for a total potential Contract term of up to three years.

**SUMMARY**

**Background.** The California Hub for Energy Efficiency Financing was first authorized by the California Public Utilities Commission in Decision (D.) 13-09-044 (September 2013), as later modified by D. 15-06-008, D. 15-12-002, and D. 17-03-026. The financing pilots were established to “test new and innovative strategies...to help leverage ratepayer and private financing to assist in achieving our aggressive energy efficiency goals,” as later articulated by Senate Bill 350 (DeLéon, 2015) which calls for a “doubling of energy efficiency in buildings by 2030.” The pilots focus on attracting and leveraging private capital, given that the State cannot meet its energy efficiency goals solely by using traditional approaches of IOU rebates and incentives, or on ratepayer or taxpayer dollars alone.

The design of the California Hub for Energy Efficiency Financing creates a centralized and standardized platform to develop an open-market infrastructure to encourage additional private capital investment, while lowering financing costs and expanding access to capital for Californians. The Pilot Programs may offer various forms of credit enhancements (“CEs”) to provide additional security to participating financial institutions, thereby attracting more private capital to energy efficiency finance and expanding consumer access to enhanced loan or

financing terms. The CHEEF programs encompass multiple market sectors (single-family residential retrofits, including low-and-moderate income incentives; affordable multifamily housing improvements; small business efficiency upgrades; and on-bill repayment functionality to test borrower participation) with different approaches to each market in various stages of program implementation and development.

The CPUC has approved longer term funding for the programs, and CAEATFA anticipates receipt of the future legislative reimbursement and expenditure approval beyond its current FY 17-18 budget authority.

**Role of the Master Servicer.** Under direction from the CAEATFA Executive Director, the scope of services under the Contract will fall into four major areas:

- Receiving and enrolling financings (e.g. loans, leases, energy service agreements) from participating financial institutions (“PFIs” or “lenders”); verifying borrower, project and financing eligibility; collecting appropriate program data; and applying loss reserves and credit enhancements based on Pilot Program regulations;
- Acquiring customer financing data (from financings) from participating financial institutions, and providing such data to the IOUs for placement on the customer’s utility bill;
- Receiving customer payment data and funds from IOUs and distributing to PFIs by establishing the accounts and processes to ensure a secure cash flow. Notifying PFIs and IOUs, as appropriate and subject to relevant laws or regulations, of exceptional events such as payment delinquency, account termination, and similar events; managing the transfer of funds; and
- Providing comprehensive program reporting to CAEATFA and other entities as further described in the Scope of Services.

The Master Servicer is critical to CAEATFA’s operation of the CHEEF programs, and the current contract expires on December 31, 2017.

**Request for Proposal Process.** On October 11, 2017, CAEATFA Staff advertised a Request for Proposal (“RFP”) through the Department of General Services Contracts Register, as well as on the CAEATFA website. At the proposal deadline, October 31, 2017, the Authority received one proposal, which was considered responsive to the RFP.

The selection process was conducted by an Evaluation Committee consisting of CAEATFA management staff. The proposal was evaluated based on the characteristics and point values outlined below, for a maximum possible of 100 points. The proposal received a total score of 98 from the Evaluation Committee.

- 1) Evaluation of the firm’s overall experience demonstrating its ability to successfully complete the scope of services defined in the RFP, including master servicer experience. (35 points)

- 2) 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, including experience as a master servicer and with similar types of programs. (10 points)
- 3) Evaluation of the firm's understanding of the process flow and the Master Servicer's role in the Pilot Programs. (25 points)
- 4) Evaluation of the actual fees proposed, including the reasonableness of the composite rate, cost detail and effectiveness (given value of services to be obtained), and cost effectiveness (given experience and qualifications of firm and its personnel). (30 points)

**Overview of Concord Servicing Corporation.** Founded in 1988, Concord emphasizes the use of technology to efficiently, accurately and flexibly respond to client needs in the receivables servicing industry. The company services over 2,100 portfolios and 1.7 million consumer obligations with a portfolio size of approximately \$4.8 billion for asset classes including unsecured consumer receivables in multiple sectors, and borrowers including individual consumers, multi-family building owners, small business and commercial entities. Since 2010, Concord has facilitated servicing for the growing energy financing marketplace, including on-bill financing, on-bill repayment, direct bill energy lending, multifamily lending and small commercial lending.

Concord is the current Master Servicer, having worked with CAEATFA since 2015 on the process design and implementation of the first Pilot Program. Further to the benefit of consistency inherent in its continuing work as Master Servicer, Concord brings strong outside knowledge and experience with account administration, energy efficiency financing, data management and protection of personally identifiable information, working in a regulated environment, secure fund flows, reporting, and development and maintenance of financial product servicing data files to enable off-bill and on-bill repayment. Other engagements (as both master servicer and primary servicer) include managing the New York State Energy Research and Development Authority (NYSERDA) on-bill repayment energy loan portfolio, and the Association of Bay Area Governments (ABAG)'s Bay Area Regional Energy Network (BayREN) multifamily capital advance program. Concord operates ACH activity in compliance with the National Automated Clearing House Association (NACHA) through established corporate banking relationships.

The Concord office through which CAEATFA's account will be primarily serviced is located (along with Concord's primary datacenter) in north Scottsdale, Arizona. The facility is SSAE 18-certified and adheres to well-defined, documented and tested internal controls to properly safeguard the IT environment. Concord also maintains offices in Buffalo, NY; and Mexico City, Mexico.

CAEATFA's account will continue to be managed by Concord's Director of Operations, Brandina Wade and Portfolio Manager, Carrie Jones. Both Ms. Wade and Ms. Jones have direct experience in developing, implementing and managing the on-bill repayment program for NYSERDA, as well as in program design and development work.

**Contract Terms.** The initial Contract term will be through December 2019, after which CAEATFA may choose to execute a one-year extension at the discretion of the Executive Director (upon receipt of the requisite legislative budget approval), for a total Contract term of up to three years. The compensation amount shall not exceed \$1,500,000 for the term of the Contract, including any extensions.

The Authority will compensate the Contractor for services satisfactorily rendered, and upon receipt and approval of invoices pursuant to the approved Fee Schedule. Invoices shall be provided to CAEATFA monthly and in arrears.

**Recommendation.** Staff recommends adoption of a resolution authorizing execution of a contract with Concord as Master Servicer for the California Hub for Energy Efficiency Financing Pilot Programs authorized by the California Public Utilities Commission in an amount not to exceed \$1,500,000 over three years.

**RESOLUTION OF THE CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY AUTHORIZING THE EXECUTION OF A CONTRACT WITH CONCORD SERVICING CORPORATION AS MASTER SERVICER FOR THE CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING PILOT PROGRAMS**

November 14, 2017

**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 a master servicer to continue to assist it with administration of the California Hub for Energy Efficiency Financing Pilot Programs currently in development and implementation within the territories of the California investor-owned utilities and authorized by the California Public Utilities Commission;

**WHEREAS**, the Authority has undergone a competitive process to identify an appropriate contractor to perform master servicer functions, with knowledge of and experience with account administration; energy efficiency financing; data management and protection of personally identifiable information; working in a regulated environment; credit enhancement (“CE”) fund flows; reporting; and development and maintenance of financial product servicing data files;

**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 \$1,500,000 to retain Concord Servicing Corporation to provide master servicing and other actions related thereto in connection with the California Hub for Energy Efficiency Financing Pilot Programs.

**Section 2.** The term of the contract will commence upon execution and will continue through December, 2019 with an option for the Authority to extend (upon receipt of the requisite legislative budget approval) for one additional year, unless earlier terminated by the Authority.

**Section 3.** The Chair of the Authority and Executive Director are hereby authorized for and on behalf of the Authority to obtain master servicing, 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.