

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

***Consideration of Contract with Blue Sky Consulting Group, LLC for
Technical Consulting Services for the Sales and Use Tax Exclusion (STE)
Program in an Amount Not to Exceed \$800,000***

Tuesday, January 21, 2020

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REQUEST

Staff is requesting approval to enter into a contract (“Contract”) with Blue Sky Consulting Group, LLC (“Blue Sky,” “Technical Consultant,” or “Contractor”) to provide technical assistance to the Authority in the continued evaluation of, and development of modifications to, the STE Program, as necessary; assistance in reviewing applications; and assistance in the quantification and evaluation of the public benefits of these projects.

Contract Amount. Not to exceed a total aggregate of \$800,000 over the entire Contract term, including the optional extension.

Term of Contract. The initial Contract term will be five years, after which CAEATFA may choose to execute one, one-year extension.

SUMMARY

SB 71 (Padilla, Chapter 10, Statutes of 2010) created the STE Program specifically for manufacturers of Alternative Source products, components, or systems and Advanced Transportation technologies. SB 1128 (Padilla, Chapter 677, Statutes of 2012) authorized the inclusion of Advanced Manufacturers, as defined, as eligible for financial assistance under the STE Program, and added a maximum STE allocation of \$100 million that CAEATFA may award in any calendar year. AB 199 (Eggman, Chapter 768, Statutes of 2015), signed by Governor Jerry Brown on October 11, 2015, added a fourth category of projects eligible under the STE Program: projects which process or utilize recycled feedstock not in a manner that constitutes disposal.

Prior to allocating the STE, CAEATFA is required to evaluate each individual project application based on several factors related to the fiscal and environmental benefits of the project. For example, when evaluating an application, CAEATFA must consider the extent to which the project will create new, permanent jobs in California and the extent to which the project results in a reduction of greenhouse gases and other pollutants.¹ AB 176 (Cervantes, Chapter 672, Statutes of 2019), which was signed into law on October 9, 2019, also requires CAEATFA to consider the extent to which the project will result in the loss of permanent, full-time jobs in California, including the average and minimum wage for each classification of full-time employees proposed

¹ Public Resources Code Section 26011.8(d)(3)-(4)

to be hired or not retained.² CAEATFA may also apply any other criteria it deems appropriate in accordance with the program. Applicants are required to demonstrate a net benefit to the state. The application process includes a statutorily required “net benefits test” in which the fiscal and environmental benefits of the proposed project are quantified to ensure that the State receives a benefit greater than the cost of the STE.³

In order to develop the Program structure and implement changes contained in each bill modifying the Program, the Authority has hired a technical consultant to assist with Program development, including researching and developing the Program’s evaluation methodology; participating a public workshops and other efforts with stakeholders, experts, and other State agencies; drafting Program regulations and application materials; and reviewing applications.

CAEATFA staff sought and received prior approval from the Department of General Services to contract for a multi-year term of five years with a one-year extension at the option of the Authority. Given that the Program’s sunset date was recently extended from January 1, 2021 to January 1, 2026 by AB 1583 (Eggman, Chapter 690, Statutes of 2019), staff believes it is in the best interest of the State and CAEATFA to maintain consistency in business consulting services to support the complexity of the Program and development of staff expertise during the regulatory and implementation processes.

Role of the Technical Consultant. The proposed contract will provide CAEATFA access to a technical expert to assist in implementing adjustments to application evaluation criteria in response to AB 176 and as needed to enhance Program effectiveness. Other Technical Consultant tasks may include:

- technical assistance with determining appropriate evaluation methods and any needed modifications to the existing STE Program and regulations;
- development of policies and procedures;
- providing staff training;
- assisting with functions associated with program development (workshops and outreach) including evaluation of alternatives and development of program structure, data analysis, and regulation development and modifications as needed;
- assistance with program implementation, development of appropriate procedures and training tools, review of applications;
- assistance with building application evaluation materials and structures necessary to effectively administer the STE Program;
- providing recommendations and reports as needed.

Request for Proposal Process. On December 13, 2019, 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, January 6, 2020, the Authority received one proposal, which was considered responsive to the RFP.

² Public Resources Code Section 26011.8(d)(3)

³ Public Resources Code Section 26011.8(d)(2)

Staff developed an evaluation process that included an Evaluation Committee consisting of CAEATFA staff and management. The proposal was evaluated based on the characteristics and point values outlined below, for a maximum possible 100 points. Blue Sky's proposal received a total score of 98 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) 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 to establish reasonability of rates and project time allocations. (35 points)

Overview of Blue Sky Consulting Group, LLC. Blue Sky brings a depth of knowledge and its direct experience with the development and early administration of the existing STE Program to assist CAEATFA in continuing to evaluate, and develop modifications to, the STE Program as necessary; assist in reviewing applications; and assist in the quantification and evaluation of the public benefits of these projects. Blue Sky was founded by Tim Gage and Matthew Newman in 2005, and maintains an office in Oakland.

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.

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.

Blue Sky will be the sole Contractor responsible for all work under the proposed Contract.

Blue Sky has served as the Technical Consultant for the STE Program since 2010. Blue Sky has been a good partner to CAEATFA and Staff looks forward to continuing to work with Blue Sky as a technical consultant.

Contract Terms. The initial Contract term will be five years, after which CAEATFA may choose to execute a one-year extension at the discretion of the Executive Director, for a maximum Contract term of six years. The compensation amount shall not exceed \$800,000 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, and costs for specific deliverables will be controlled through task orders.

Recommendation. Staff recommends adoption of a resolution authorizing execution of a contract with Blue Sky as Technical Consultant for Sales and Use Tax Exclusion (STE) Program in an amount not to exceed \$800,000 over six years.

RESOLUTION OF THE CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY AUTHORIZING THE EXECUTION OF A CONTRACT WITH BLUE SKY CONSULTING GROUP, LLC AS TECHNICAL CONSULTANT FOR THE SALES AND USE TAX EXCLUSION (STE) PROGRAM

January 21, 2020

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 technical consulting services in connection with modifications to the Sales and Use Tax Exclusion (STE) Program;

WHEREAS, the Authority has undergone a competitive process to identify an appropriate contractor to perform technical consulting functions, with knowledge of and experience with updating program regulations, analyzing program data and trends, the review of applications to the STE Program, and assisting with reporting requirements as required by CAEATFA’s authorizing statute.

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 \$800,000.00 to retain Blue Sky to provide technical consulting services and other actions related thereto in connection with Sales and Use Tax Exclusion Program.

Section 2. The term of the contract will commence upon its execution and will continue for five years with an option for the Authority to extend 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 technical 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.