

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

Meeting Date: November 15, 2011

Request Approval to Proceed with the Request for Proposals for Trustee Services

Prepared by: *Dona Yee and Nancee Trombley*

Summary. Staff requests Authority approval to proceed with a Request for Proposals (RFP) for Trustee Services in connection with the California Capital Access Program (CalCAP or the Program). The current contract for trustee services will expire in March 2012. Conducting an RFP process for CalCAP Trustee Services is consistent with current Authority policy to look at and re-bid contracts at least every three years. Staff is requesting approval to begin the RFP process now in order to have the new trustee services contract in place prior to the current contract expiration date.

Currently, Deutsche Bank National Trust Company is serving as Trustee for CalCAP. The current contract is a two-year contract with allowance for a one-year extension for an amount not to exceed \$160,000. With a one-year extension, the contract will terminate no later than March 14, 2013; however, the remaining contract funds may not be sufficient to cover current trustee service for the entire period. Therefore, staff feels it is appropriate to proceed with the RFP.

Proposed Amount and Terms. The proposed contract amount is \$750,000 with a two year contract term and allowance for a one-year extension.

The CalCAP Trustee maintains lenders' loan loss reserve accounts, maintains a database and tracks various program statistics, performs daily fund transactions, and prepares periodic management reports. There are currently 41 accounts for participating financing institutions (PFIs), seven Program accounts and seven Independent Contributor Accounts. The Trustee oversees these accounts on behalf of CalCAP and handles transfers of funds in and out of the accounts.

During 2010 and 2011, CalCAP realized a large increase in enrollments due to Independent Contributors. Rapid growth is anticipated over the next three years in CalCAP due to infusions of State and Federal money into the regular CalCAP program. CalCAP was appropriated \$6 million in the 2010-2011 State budget to increase lending efforts and this has resulted in an increase in loan volume with the resultant increased costs of the CalCAP Trustee to provide services.

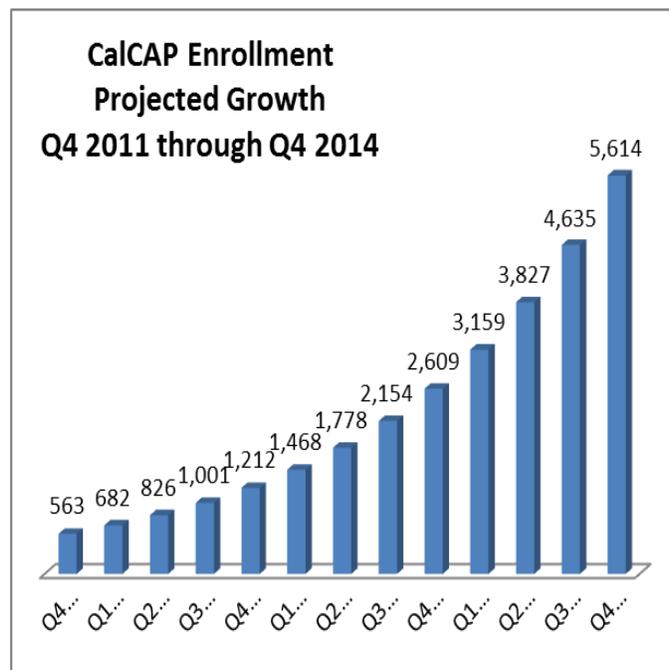
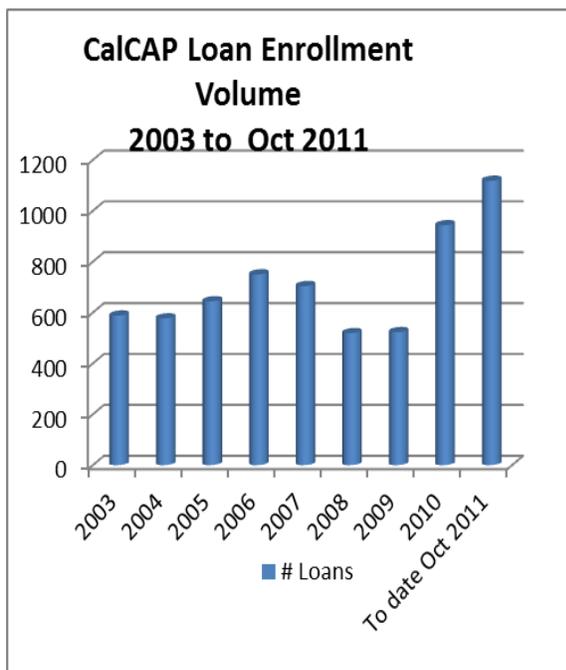
Congress recently passed legislation allocating \$1.5 billion of federal funds for state capital access and other lending programs for small business assistance. California's share was \$168.8 million. California is the only state to receive over \$100 million. CPCFA and Business, Transportation and Housing (BTH) split California's share, each allocated \$84.4 million. All of these changes are resulting in a dramatic acceleration of CalCAP. Staff expects to process more loan enrollments into the program in the next three years than has been done in CalCAP's 17 year history since 1994. CalCAP will have enough funds available to assist with over \$2 billion in new lending for California small businesses. CalCAP currently has about 63 lenders enrolled in the Program and has refrained from marketing due to the limited availability of funds, until

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now. Staff research efforts show there are many additional lenders in California that could benefit from CalCAP. In anticipation of the State and Federal funding escalation, CalCAP has already increased the active lender base 30% since outreach efforts began in August 2010.

Depending on CalCAP staff's ability to recruit additional lenders and the size of the loans to be enrolled, it is possible that the volume of additional loan enrollments could reach 30,000 over the next three years. If this straight line increase occurs, it will be necessary to be able to offer sufficient payment for Trustee services. Although it is anticipated that per transaction bids for the RFP should be substantially less for this proposal (due to staff taking on database management and statistical reporting previously performed by the trustee), it will be crucial to be prepared to maintain a Trustee throughout the contract to ensure proper handling of State and Federal funds entrusted to CalCAP. Staff calculated the cost projection over the next three years by using the current contract billing schedule as a model and a straight line increase of 21% which is the average increase over the last three quarters.

Staff will return to the Board for final approval of any contract over \$300,000.



Background on Existing Contract.

Contract Term: March 15, 2010 through March 14, 2012

Contract Amount: \$160,000.00

Awardee: Deutsche Bank National Trust Company

Total Amount

Expended to Date: \$67,900.00 as of July 2011 (\$92,100.00 remaining).

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Staff Recommendation. Staff recommends that the Authority approve proceeding with a Request for Proposals for trustee services as described in this summary.

**A RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING
AUTHORITY APPROVING STAFF PROCEEDING WITH A REQUEST FOR
PROPOSALS FOR TRUSTEE SERVICES FOR THE
CALIFORNIA CAPITAL ACCESS PROGRAM**

November 15, 2011

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

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

WHEREAS, the California Pollution Control Financing Authority wishes to proceed with a Request for Proposals for trustee services for the California Capital Access Program.

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

Section 1. The Authority hereby authorizes staff to proceed with a Request for Proposals for trustee services for the California Capital Access Program; and

Section 2. This resolution shall take effect immediately upon its approval.