

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
California Capital Access Program
Meeting Date: December 11, 2012
Executive Summary

Request for Approval to Contract for Trustee Services for the California Pollution Control Financing Authority (CPCFA) in Connection with the California Capital Access Program (CalCAP) in an Amount Not to Exceed \$700,000

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Summary. Staff requests approval to enter into a contract with Deutsche Bank National Trust Company (“Deutsche Bank”) to provide Trustee services for the California Capital Access Program (“CalCAP” or “Program”). The contract will be for a two-year term, with an option to extend for one additional year, and will not exceed \$700,000.

Under the general direction of the Executive Director of the CPCFA, the scope of service will include establishing various accounts, maintaining lenders’ loan loss reserve accounts, daily deposits, disbursement and transfer of funds, tracking various program statistics, and preparing periodic management reports.

Background. The CalCAP Trustee maintains lenders’ loan loss reserve accounts, performs daily fund transactions, and prepares periodic management reports. There are currently 50 accounts for participating financing institutions (PFIs), nine Program accounts and nine 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.

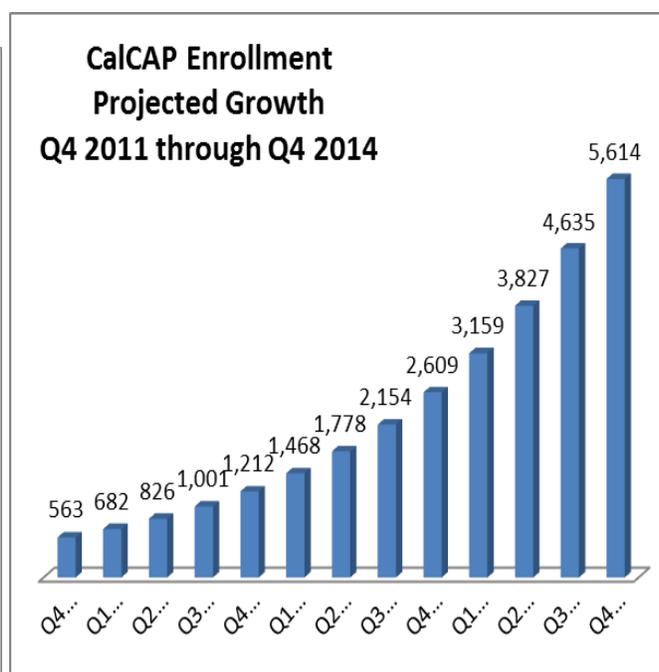
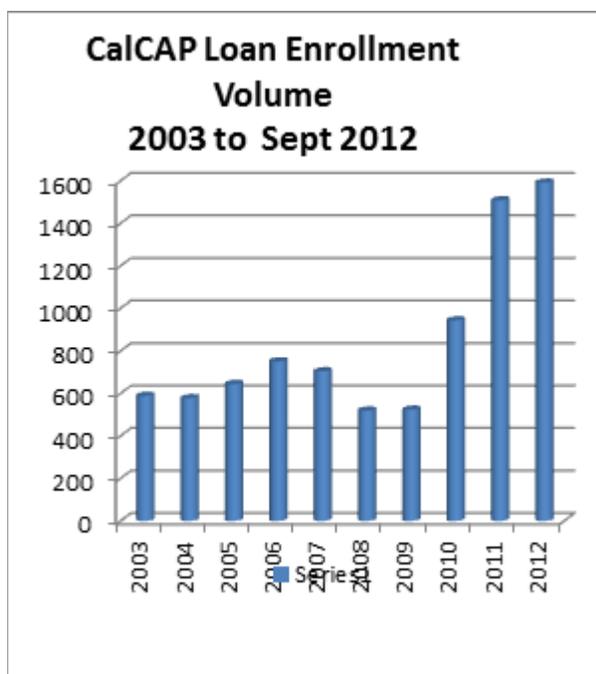
In 2011, Congress passed legislation allocating \$1.5 billion of federal funds for state capital access and other lending programs for small business assistance. California’s share was \$168.8 million. California is the only state to receive over \$100 million. CPCFA and Business, Transportation and Housing (BTH) split California’s share, each allocated \$84.4 million. All of these changes are resulting in a dramatic expansion of CalCAP. Staff expects to process more loan enrollments into the program in the next three years than has been done in CalCAP’s 18 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 66 lenders enrolled in the Program. Staff research efforts show there are many additional lenders in California that

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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.

Additionally, in May of 2012, CPCFA made a request to the U.S. Treasury and CPCFA Board for approval of a Collateral Support Program. With no similar programs to compare to, it is difficult to predict the impact new loss reserve accounts may have on the Trustee bank. With this new program, a loan loss reserve account would be opened for each loan enrolled. Early indications from the stakeholders lead us to anticipate the number of new accounts could be in the hundreds.



Request for Proposal (RFP) Process. In November 2011, the CPCFA Board approved the RFP process; and on July 26, 2012, CPCFA staff advertised a RFP through the Department of General Services Contracts Register as well as the CPCFA website. In addition, notification was sent by email to 14 individuals who had expressed an interest in performing Trustee services for CPCFA. As of the proposal deadline, August 21, 2012, the Authority received one proposal, which was from Deutsche Bank National Trust Company.

As part of the State contracting process, if a state agency receives only one response to a RFP, staff is required to inquire as to why non-proposers did not respond. The entities that staff surveyed stated that they were not able to respond to the RFP due to non-standard language in the contract (language currently required by the Department of General Services), or simply that they would not respond after reviewing the RFP.

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Staff conducted its evaluation process that included an Evaluation Committee consisting of CPCFA and STO staff. Proposals were evaluated based on the characteristics and point values outlined below. A proposer could earn a maximum of 100 points. Deutsche Bank received a total average score of 81 from the Evaluation Committee.

- 1) Overall experience demonstrating its ability to successfully complete the scope of services defined in the RFP, including Trustee depository experience. (30 points)
- 2) Evaluation of qualifications of individuals to be assigned to the contract on the basis of professional and educational background and experience in related work including experience with other trustee and similar type programs. (20 points)
- 3) Evaluation of the proposer's Flow Chart demonstrating the firm's understanding of establishing the CPCFA Program Funds and Loss Reserve Account's setup of a Participating Financial Institution (PFI), the relationship of the Trustee firm's role in CalCAP, Model Flowchart illustrating establishing a new PFI, funding from a Program Account, funding from an Independent Contributor Account, and payment of a claim reimbursement. (10 points)
- 4) Evaluation of the Trustee firm's ability to provide the required reporting account activities and information as listed in the RFP. (10 points)
- 5) Evaluation of actual fees proposed that are associated with CalCAP and the establishment of Program Accounts including Loss Reserve Accounts, trust administration and annual fees, loan enrollments and claims, disbursement fees, and any other reimbursable expenses. (30 points)

Overview of Deutsche Bank National Trust Company. The merger of Bankers Trust and Deutsche Bank in June 1999 created a globally integrated corporate trust organization, with more than 1,200 specialist staff based in 19 locations in the U.S. and around the world, serving more than 3,800 clients and administering financings that total more than \$1 trillion in U.S. and international debt and equity securities.

Deutsche Bank has over 100 years of Public Finance experience. It has nine regional trust administration offices throughout the U.S. to service clients locally with experienced senior managers averaging over 25 years in the industry. The bank's commitment to the industry is backed by its experience with virtually every type of structure in the public finance market. These structures include, but are not limited to, Advanced Refunding Escrows, Commercial paper, General Obligations, Housing, Municipal Lease Escrows, and Tax Anticipation Notes.

Deutsche Bank has been providing trust and escrow services for over 100 years. It currently maintains over 21,000 accounts on its trust accounting platform and provides trustee and registrar services for over 3,000 Issuers. It has been providing Trustee services for CalCAP since January 2010. As such, it understands CPCFA's daily requirements and has developed a strong familiarity with the Program's daily transaction and reporting needs. With an active account ledger handling over 40 active lenders and a monthly average of over 100 new loan enrollments,

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Deutsche Bank is capable of administering trust accounts, which include account opening, transfer, disbursement and investment processing, daily transaction reporting, and historical reporting.

Deutsche Bank also serves as Trustee to the California Recycle Underutilized Sites Program and CAEATFA's California Ethanol Producer Incentive Program, which is winding down but is also a loan program. And, recently, it was named Financial Services Provider for the nation's first Cap-and-Trade program run by the California Air Resources Board. For this program, Deutsche Bank will act as financial services provider to an expected 700+ participants in each quarterly auction and reserve sale of carbon emissions credits. In addition, it also acts as Trustee for several municipalities in California.

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 \$700,000 for the term of the contract.

Recommendation. Staff recommends adoption of a resolution authorizing execution of a contract with Deutsche Bank National Trust Company to provide Trustee services to CPCFA for the California Capital Access Program in an amount not to exceed \$700,000 over three years.

**RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING
AUTHORITY AUTHORIZING THE EXECUTION OF A CONTRACT FOR TRUSTEE
SERVICES IN CONNECTION WITH THE
CALIFORNIA CAPITAL ACCESS PROGRAM (CalCAP)**

December 11, 2012

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by 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 Authority has determined it requires Trustee services in connection with its Capital Access Program; and

WHEREAS, the Authority has undergone a competitive process to identify an appropriate contractor to provide Trustee services;

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 \$700,000 to retain the Deutsche Bank National Trust Company to provide Trustee services for its Capital Access Program.

Section 2. The term of the contract will commence upon execution and will continue for two years with an option to extend for a period of one-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 Trustee 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.