

SAN DIEGO COMMUNITY POWER
Staff Report – Item 7

To: San Diego Community Power Board of Directors

From: Lakshmi Kommi, Director of Debt Management, City of San Diego
Cody Hooven, SDCP Interim Executive Officer
Director/Chief Sustainability Officer, City of San Diego

Cc: Rolando Charvel, Chief Financial Officer, City of San Diego

Subject: Direction on San Diego Community Power Credit and Banking Services

Date: 12/3/2019

Recommendation

Direct staff to finalize negotiations with River City Bank for credit and banking services in relation to the start-up financing and immediate banking needs of San Diego Community Power (SDCP).

Background

In February 2019, the City of San Diego solicited proposals from its pool of Municipal Advisors and Financial and Economic Consultants for assistance with the procurement of start-up financing for the, then to-be-formed Community Choice Aggregation (CCA) Joint Powers Authority. Proposals were received from two of the eighteen firms and reviewed by Debt Management Staff. In March it was determined that PFM Financial Advisors, LLC (PFM) had the strongest proposal in terms of their discussion of the approach to the scope of services and their extensive advisory experience in the CCA marketplace.

In collaboration with City of San Diego staff and on behalf of SDCP, PFM prepared and distributed a Request for Proposals (RFP) for credit and banking services to over 300 recipients at various institutions including national, regional and local banks, and others. The RFP included background information about SDCP, program specifics, estimated start-up costs, pro forma cashflows and overall scope of services being requested to meet the needs of the program. Five (5) responses were received by the November 1 deadline. Of the five proposals listed below, only River City and JP Morgan submitted proposals for both credit and banking services.

- Barclays (credit only);
- Citigroup (credit only);
- JP Morgan (credit and banking);
- River City Bank (credit and banking);
- Wells Fargo (banking services only).

Credit & Banking Services RFP

The scope of services in the RFP had two components – credit and banking services – in which bidders were requested to provide stand-alone offers if they couldn't provide joint bids for both. The request for credit included a Line of Credit and Letter of Credit feature for a total facility amount up to \$40 million to cover a portion of the estimated start-up costs (\$5 million), Resource Adequacy requirements, initial power contracts and support for longer-term operations (\$35 million). Bidders were encouraged to provide offers for less than requested if they are unable to meet the maximum, and provide multiple term sheets or scenarios of terms/conditions they might be able to offer. The request for banking services included comprehensive management of the CCA's bank accounts, lockbox(es), and related depository and cash operations.

Analysis and Discussion

PFM reviewed and discussed the proposals with City of San Diego staff, including Debt Management, Office of the City Attorney, Department of Finance, Sustainability Department staff serving as interim staff for SDCP, and Office of City Treasurer – Investments Division. A summary of the proposals received were also shared with the staff of SDCP member cities. The review and discussion mainly focused on considerations relating to experience, cost, and ability to meet desired terms as main drivers for selection. PFM noted that the offers received were some of the most aggressive that have been seen to date, especially in light of the pre-launch request. PFM determined (see Attachment) that River City Bank offers the most cost effective and suitable terms for credit [and banking] services. River City Bank has the most extensive experience currently providing credit and/or banking services for 15 programs in California.

Staff seeks authorization from the Board to finalize terms of the credit [and banking] facility with River City. In addition, Staff recommends to maintain evaluation of other proposals received while in negotiation process with River City before a final decision is made. Staff will return to the Board with a final recommendation and agreement for approval at the January or February Board meeting.

Attachments: PFM's Summary



December 2, 2019

Memorandum

To: San Diego Community Power
From: Mike Berwanger, *PFM Financial Advisors LLC.*
Re: RFP for Credit and Banking Services

PFM on behalf of the San Diego Community Power (“SDCP” or “CCA”) recently distributed an RFP for Credit and Banking Services. This memo serves as a summary of the effort, responses received and a recommendation on how to proceed.

The RFP was distributed to over 300 recipients at various institutions including national banks, regional banks, California and San Diego local banks among others. This was the largest distribution for a CCA to date.

Seven different institutions had significant enough early interest to submit questions. To PFM’s knowledge, this was the first interest in the CCA space from three of these entities which represents a significant expansion of the financial marketplace for CCAs. Ultimately, given the limited number of banks comfortable and familiar with CCAs only five RFP responses were received:

- Barclays (credit only);
- Citigroup (credit only);
- JP Morgan (credit and banking);
- River City Bank (credit and banking);
- Wells Fargo (banking services only).

PFM reviewed the proposals with City of San Diego staff providing this service to SDCP (including SDCP’s Interim Executive Officer) and discussions focused in on a few key areas of consideration for selection: experience, cost, and ability to meet desired terms.

Experience: For banking services, only River City Bank has CCA experience and they have served almost every CCA launched to date. For credit, Barclay’s, JP Morgan and River City have worked with CCAs. Citigroup’s proposal was contingent on City of San Diego general fund support so while appreciative of the response, PFM does not recommend further consideration of the offer. River City Bank has the most extensive experience having worked with almost all of the CCA programs that have launched while JP Morgan (\$75MM SFPUC; \$40MM MCE) and Barclays (\$50MM EBCE/\$12MM PCE/\$80MM San Jose/\$16MM WCE (pending)) have experience with some of the larger programs and larger facilities.



Cost: The offers received were some of the most aggressive PFM has seen to date especially in light of the pre-launch request. In whole PFM views River City as the most cost competitive.

Terms: The CCA's desired terms were best met by River City who offered the most flexible facility of the three offers received.

PFM recommends that the CCA pursue the credit facility with River City.

At this time, PFM recommends that the banking proposals received be further evaluated by City of San Diego Treasury staff as well as SDCP Interim Executive Officer and other supporting staff before a final decision is made. That said, PFM has reviewed the RFPs and believe that River City is the best offer and ensures the smoothest execution given their extensive experience.

We hope you find this memo useful and would be happy to answer any questions you may have. Thank you.