



**TO:** East Bay Community Energy Board of Directors

**FROM:** Howard Chang, Chief Operating Officer

**CC:** Nick Chaset, Chief Executive Officer

**SUBJECT:** Authorization to negotiate terms and contracts with River City Bank and Barclays Bank PLC for EBCE banking and credit services.

**DATE:** November 15, 2017

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### **Recommendation**

Authorize the Chief Executive Officer to execute a letter of intent and enter into negotiations for final contracts with River City Bank for banking and deposit services which shall have no minimum term and with Barclays Bank PLC for a revolving line of credit of 2 - 3 years with option to extend up to five years at additional cost. Financing documents will be submitted to the Board for final approval.

### **Background and Discussion**

On September 19 2017, an RFP was issued to twelve financial institutions, including three local banks, requesting banking and credit services for EBCE. Three proposals were received from River City Bank, Barclays Bank PLC, and JP Morgan Chase Bank, NA. On November 2, 2017, a panel of interviewers including the Mayor of Berkeley representing the EBCE Board, the Chair of the CAC, EBCE staff and consultants interviewed all three RFP respondents.

For banking services, EBCE received proposals from River City Bank and JPMorgan Chase Bank, NA. Both proposals met EBCE's banking service requirements and pricing was competitive. However, River City Bank has extensive experience providing deposit and treasury

services to several CCAs including Marin Clean Energy (MCE), Silicon Valley Clean Energy (SVCE), Sonoma Clean Power (SCP) and Monterey Bay Clean Power (MBCP), which will launch in 2018. In addition, River City provides services to three cities that are members of the California Choice Energy Authority. River City Bank is a relatively small institution with capital of \$187 million compared to JP Morgan Chase Bank with total capital of \$258 billion. River City Bank is 100% FDIC insured and is a regional Sacramento-banked bank, with its closest branch in Walnut Creek. It has a strong commitment to high ethical standards and has very limited investments in the fossil fuel industry with just one \$5 million bond investment in Shell Energy North America. With full consensus, the panel of interviewers agree on recommending River City Bank for EBCE's banking and deposit services based on its strong reputation and its experience providing these services to the CCA sector in California.

For credit services, EBCE received proposals from River City Bank, Barclay's Bank PLC, and JP Morgan Chase Bank NA. For this particular service, one of the critical criteria is giving EBCE the necessary financial flexibility to meet working capital needs during the run-up to launch and revenue generation. While Alameda County has provided significant support to EBCE in the form of a \$2.6 million loan, the costs of start-up, including staffing, marketing, and compliance will exceed this amount. EBCE has been working closely with Alameda County and has started outreach to the member cities to evaluate opportunities for additional financial support to allow EBCE to secure the most cost-effective sources of working capital. To this end, EBCE explicitly sought uncollateralized working capital facilities that could be used to support EBCE working capital needs while EBCE and its JPA members work to put in a place collateral facility to lower credit costs.

For the initial line of \$5,000,000 needed for pre-revenue working capital, River City and Barclay's proposals included both collateralized and uncollateralized facilities and JP Morgan Chase provided only a collateralized facility. There were a variety of differences in tenor, price, collateral requirements, and covenants in the larger facility.

Barclay's proposal provides the greatest flexibility by offering a credit facility sized up to \$60 million with full flexibility to determine what quantity of credit can be drawn prior to securing collateral. It also offers a term that can run from 3 - 5 years. Further analysis will be completed to determine the exact facility size and duration to optimize costs vs. flexibility. Additional considerations will also include credit that may be provided by EBCE's chosen wholesale energy supplier. In addition, Barclay's currently provides credit to Peninsula Clean Energy and has total Tier 1 capital of \$56.5 billion and extensive municipal/public financing experience that can assist EBCE with innovative financing solutions in the future. As a large institution, Barclay's does provide corporate financing services to the fossil fuel industry, but it also has several loans and investments in the green energy and clean technology industries. With full consensus, the panel of interviewers agree on recommending Barclays Bank PLC to provide EBCE's initial credit

based on the flexibility of the uncollateralized credit facility offering and strength of balance sheet.

The cost of Barclay's credit facility, accounting for the undrawn and drawn fees for an uncollateralized facility, is not the lowest cost financing. Additional collateral in the form of posting cash, letter of credit, or guarantees from city or county entities can reduce these costs significantly (i.e. up to \$2M in savings). Alternatively, collateral can be provided for a portion of the facility to partially offset the rate differential.

Based on the received proposals and thorough vetting by the interview panel and reference checks, EBCE staff recommends that the EBCE Board authorize the CEO to move ahead with River City Bank to provide banking and deposit services and Barclay's to provide the initial credit facility. Any financing must be approved by the Board pursuant to the Joint Powers Agreement, so final documents will be submitted to the Board for final approval. Additional consideration should also be made to provide collateral or financial guarantees by JPA members to help alleviate the costs of the credit facility.