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Action/Information Item

California Student Aid Commission

Consideration of Ratification of the Commission's Contract with The Results Group for Consulting Services Regarding Roles and Responsibilities of CSAC and EDFUND

The April 2006, Bureau of State Auditors (BSA) report found that "Student Aid and EDFUND do not agree on the appropriate role each should have in the administration of the FFEL Program." BSA recommended that "Student Aid should ensure that the roles and responsibilities it delineates for itself and EDFUND do not inappropriately cede its statutory responsibilities to EDFUND."

As a result of the BSA finding and recommendation, at a Special Teleconference Commission Meeting on August 21, 2006, the Commission approved the Request for Offer to obtain consultant services regarding roles and responsibilities of CSAC and EDFUND and authorized staff to commence with the State procurement process.

The Results Group in partnership with Aurora Consulting Group, LLC submitted a proposal for consulting services. The Results Group brings a tremendous depth of experience working with State of California agencies, including assisting agencies in delineating roles and responsibilities in complex relationships with other entities. Aurora Consulting brings a wealth of subject-matter expertise in the student aid arena, in particular the FFEL program. Commissioner Furay conducted reference checks on The Results Group and Aurora Consulting Group, LLC. Background information regarding the consultants is enclosed for your review.

The Executive Director must obtain approval from the Commission prior to entering into a contract or executing a contract amendment of over \$100,000. However, in the event an emergency approval is necessary for a contract of over \$100,000, the Executive Director may approve such contract with simultaneous notification to the Commission. Such emergency approval shall be ratified at the next regularly scheduled Commission meeting, and if not ratified, the contract shall be canceled.

It is anticipated that an emergency approval to execute this contract will be necessary prior to the Commission meeting. Therefore, the Commission will be asked to ratify the contract. In the event that an emergency approval is not necessary, the Commission will be asked to approve the contract. Contract material will be provided when finalized.

Recommended Action: Ratification of the Commission contract with The Results Group for consulting services regarding the roles and responsibilities of CSAC and EDFUND.

Responsible Staff: Janet McDuffie
Chief, Management Services and
Acting Chief, Federal Policy & Programs

The Results Group's Qualifications

Serving State Agencies and Non-Profits

Since its inception 20 years ago, The Results Group has served more than 50 State of California agencies, and has been selected for five Master Service Agreements. The firm has also worked with dozens of non-profit organizations, from local programs to nation-wide service organizations, as well as private sector organizations in highly competitive industries. The following are a few examples of our clients.

State of California

Agency-level clients: Business, Transportation, and Housing Agency; California Environmental Protection Agency; Health and Human Services Agency; State and Consumer Services Agency; Technology, Trade, and Commerce Agency.

Boards and Elected Offices: California Coastal Conservancy, California Integrated Waste Management Board, California Public Employees Retirement System (CalPERS), Registered Nursing Board, Public Utilities Commission, State Treasurer's Office, State Controller's Office, State Water Resources Control Board.

Departments: Alcohol and Drug Programs, Corrections, Education, Forestry and Fire Protection, Health Services, Insurance, Justice, Conservation, General Services, Mental Health, Personnel Administration, Rehabilitation, Social Services, Toxic Substances, Water Resources.

Non-Profit Organizations

Blue Cross Blue Shield National System of Plans, California Earthquake Authority, California Human Development Corporation, California School Employees Association (CSEA), Golden One Credit Union, Goodwill Industries, Kaiser Permanente, National Association of the Mentally Ill (NAMI), National Association of Public Pension Attorneys (NAPPA), Sutter Health System, United Way.

For-Profit Corporations

Agilent Technologies, Athleta, Bank of America, Beringer Wine Estates, Birkenstock, Brown-Forman Beverage Company, Fetzer Vineyards, Hallmark/Willits Designs, Hewlett Packard, Lend Lease Global Real Estate, MMA Financial, Medtronics –AVE (Arterial Vascular Engineering), Meridian Vineyards, NEC Technologies, New Zealand Milk Products, Pennzoil, World Gold Council.

Examples of The Results Group's Consulting Projects

Business, Transportation and Housing Agency. We worked with Agency Secretary Sunne Wright McPeak on a major project regarding the construction of the East Span of the San Francisco-Oakland Bay Bridge. Construction cost estimates had skyrocketed in four years from \$1.2 billion to over \$4 billion, and a Legislative Analyst's Office (LAO) report attributed responsibility for these increases primarily to Caltrans. We were tasked, in partnership with a major bridge engineering firm, to identify the inter-agency factors that contributed to the cost increases. We determined that the increases were largely attributable to conflicting interests and unclear roles/responsibilities among State and non-State entities (including Caltrans, the Cities of San Francisco and Oakland, and several non-profit transportation organizations).

State and Consumer Services Agency, Department of Education, and Department of Social Services. We were hired to conduct a comprehensive analysis of the State's multi-billion dollar

Student Loan Finance Corporation. Over the course of several engagements, have created a new strategic plan for asset-liability management, evaluated credit guidelines, performance created risk and operating efficiencies.

CHELA Financial, Inc. Conducted a comprehensive marketing, product design and profitability analysis for CHELA, Inc. which at the time had about \$2 billion in loans under management.

Consulting for a national bank seeking an entry into the student loan market through acquisition.

Financial Organizations

National Financial Services Provider (Name Confidential) – engaged to assist in the evaluation of the potential acquisition of a student loan organization.

Higher Education

Major Private University (Name Confidential) – engagement will evaluate the university's existing private education loan programs assessing appropriate levels of credit risk and allocation of risk within the university.

Aurora Consulting Group's Qualifications

Aurora Consulting Group provides a range of consulting services to student loan organizations, investors in the student loan industry and to colleges and universities. Professionals comprising over 50 years experience in hands-on management of large scale student loan providers bring expertise in virtually all aspects of executive management, strategy, marketing, financial management and reporting, credit risk, structured finance and operations. Particularly important to this engagement is the firm's expertise and experience in working with Boards of Directors as well as management.

Among Aurora's principal engagements have been –

Student Loan Organizations

The Education Resources Institute (TERI)

Providing executive management services under a long-term engagement with The Education Resources Institute, a major guarantor of private education loans with \$6.9 billion in guaranteed loans outstanding.

- Reporting to the board of directors in chief executive, chief financial, chief marketing and chief legal roles;
- Management of major outsourcing relationship with First Marblehead companies;
- Overseeing growth in guaranteed loan volume from \$2.7 billion to \$6.9 billion.

Southwest Student Services Corporation

Planning and implementing the conversion of Southwest Student Services Corporation, an Arizona-based student loan organization with \$4 billion in loans from nonprofit to for-profit status and the creation of a \$525 million charitable education foundation. Services included:

- Identification and analysis of all issues affecting post-conversion structure and conversion timeline including indenture review, tax planning, nonprofit regulatory requirements;
- Recommending post-conversion structure and sequence of transfers from existing nonprofit companies to new taxable company;
- Defining focus of loan origination strategy to maximize growth and effectively align personnel resources.
- Reviewing indentures and developing appropriate steps/amendments for transfer of indenture assets and liabilities to new taxable company/ies and advising on communications with rating agencies and investors;
- Advising on Education Department regulatory matters including ongoing compliance with tax-exempt special allowance provisions (682.302(e));
- Advising on necessary assignments of essential contracts from non-profits to taxable company, including contracts with federal guarantors and others;
- Working with investment bankers to obtain required valuations;
- Developing employee and public communications plans;
- Advising the Board with respect to its role and fiduciary duties in the conversion process.

subsidized child care program, which is operated by both the Department of Education and the Department of Social Services. The governor's office put this project under the auspices of the State and Consumer Services Agency, a neutral party. We analyzed the roles and responsibilities of the two Departments and recommended major changes to the program at the policy and operational level. The project resulted in legislation that changed the program structure.

California Environmental Protection Agency. When this Agency was first formed, it brought together three Boards and three Departments which had been under different Agencies. The Results Group was engaged to work with the Agency Secretary and the leaders of each of the six Boards/Departments to establish roles, responsibilities, and a set of "outcomes" that would result from collaboration among these six functions.

California State Treasurer's Office. The Results Group was engaged to develop strategic plans with the Treasurer's Office, as well as seven Boards and Commissions involving the State Treasurer. The process included coordinating state-level fiscal policy among the seven entities, which have inter-related roles and responsibilities.

California Integrated Waste Management Board (CIWMB). In 1998, the CIWMB's enabling legislation was sunseting, and The Results Group was hired to help the Board and Executive Staff determine what, if any, need there was for the organization to continue to exist. Called "The 21st Century Project," it clarified the organization's future purpose, which resulted in legislation continuing the Board's existence.

California Earthquake Authority (CEA). The CEA is a "hybrid" between a state agency and a non-profit organization – it is incorporated as a 501(c)(3) non-profit, but its Governing Board consists of elected officials (the Governor, State Treasurer, and Insurance Commissioner), and staff are employed under civil service rules. We have been engaged repeatedly by the CEA for projects including the following:

- In 2002, Michael led a team from The Results Group working closely with the Governing Board and Executive Staff to develop a strategic plan for the CEA.
- In 2005, Michael and Steve worked with the CEA on a controversial issue regarding the role of the CEA and its "participating insurers" (private insurance companies that write the CEA's earthquake insurance policies). The Results Group assisted in the development of an issue analysis and policy proposal. Our work included interviewing Board and staff members from various organizations, conducting a series of public input meetings, and compiling this information to help the CEA develop a policy analysis and series of recommendations.
- Since 2003, Michael and Steve have worked with the CEA to develop contracts with one or more State or non-profit entities to administer its Earthquake Hazard Mitigation Program. The CEA is statutorily required to fund the program and retain responsibility for its activities.

Blue Cross Blue Shield National System of Plans. This entity is the umbrella organization for statewide and multi-state Blue Cross plans nationwide, some of which are non-profit and some of which are for-profit. We were engaged to evaluate the role of the Association vis-à-vis the Plans. This also involved bringing together the CEO's of all of the Plans to address differences in interests between the for-profit and non-profit Plans, and how the National System entity would oversee them.

The Consulting Team

Michael Wright, Project Coordinator. Michael is Managing Partner of The Results Group. He led all of the firm's projects listed above (on pages two and three), as well as many others. His background includes serving as Executive Director of a statewide non-profit organization in California, as well as top management positions in government and private sector organizations. He specializes in managing highly visible and often controversial engagements with State agencies that involve policy issues, delineation of authority and responsibility among entities, and reconfiguring program operations. These projects are often triggered by legislative inquiry, State Auditor reports, and Agency-level reviews.

Steve Thomas, Partner, The Results Group. Steve has 30 years of experience working in government, and is a graduate of Harvard's John F. Kennedy School of Government Senior Management Institute. His government career includes serving as head of a division responsible for delivering public safety services to a city of 160,000, managing an annual budget of \$18 million supporting 135 field personnel. In this role he negotiated numerous multi-agency agreements to manage programs and deliver services, including several involving state government and non-profit organizations. Steve's consulting work has focused on strategic planning and organization development, including helping organizations define clear roles and establish accountability systems. His clients include CalPERS, the California Earthquake Authority, the Los Angeles City Employees Retirement System, and the County of Sonoma.

Suzie Shupe, Senior Consultant, The Results Group. Suzie has been a litigator, a non-profit Executive Director, and a consultant to non-profit and government organizations. As an attorney, she has reviewed legislation and regulations, negotiated roles and authority among public sector and non-profit organizations, and handled litigation involving multiple entities and their fiduciary responsibilities. As an Executive Director, she founded and established a "hybrid" dental surgery center serving low-income families (the non-profit master-leased a building and built the surgery center, which it then subleased to a for-profit dentist in return for a share of the center's profit). As a consultant, she has worked with non-profits and State funders on numerous projects.

Lawrence O'Toole, President, Aurora Consulting Group. Larry has 30 years of experience in the leadership and management of student loan organizations including positions as Executive Vice President of Sallie Mae, President of Nellie Mae and General Counsel of the New York State Higher Education Services Corporation. He has served on numerous industry boards, spoken at conferences and testified before Congress. He was first appointed to the federal Advisory Committee on Student Financial Assistance by Secretary of Education Rod Paige in 2001.

Michael Gambie, Vice President, Aurora Consulting Group. Mike has almost 20 years experience in student loan organizations including positions as Assistant Treasurer of Nellie Mae and Chief Financial Officer of The Education Resources Institute. His major areas of focus have been financial management and analysis, credit and risk management, budgeting, operational modeling and systems development.

Sheila Ryan-Macie, Vice President, Aurora Consulting Group. Sheila has over 20 years experience in student loan organizations and has had direct responsibility for organization wide strategic planning, led organizational and industry efforts to achieve regulatory reform in support of effective program management and has consulted on a range of marketing, planning and communications engagements.