

Montgomery County Green Bank Board of Directors Meeting
Wednesday March 20, 2019 at 1:30 pm

155 Gibbs St; 4th Floor Conference Room; Rockville, MD 20850

Board of Directors Meeting Minutes

1. Montgomery County Green Bank (“MCGB”) Board of Directors Vice Chair Bonnie Norman called the meeting to order at 1:35 PM.

Roll call confirmed the attendance of the following:

- Ms. Hope Brown, Vice President and Chief Compliance Officer, Calvert Research and Management/Calvert Funds (By phone)
- Mr. Robert Hagedoorn, Chief of Fiscal Management, Department of Finance, Montgomery County (Departed the meeting at 3:37 pm)
- Mr. Bert Hunter, Executive Vice President and Chief Investment Officer, Connecticut Green Bank (By phone)
- Mr. Brian Marconi, Partner, Cohn Reznick LLP (By phone)
- Ms. Marcene Mitchell, Global Head, Climate Strategy and Business Development, IFC/World Bank Group (by phone and in person)
- Ms. Bonnie Norman, President, E3 International, LLC
- Mr. Robert (Bob) Sahadi, Managing Principal, GreenSpace Investment (By phone – joined at 2:06 PM)
- Ms. Stacy Swann, CEO and Founding Partner, Climate Finance Advisors, Benefit LLC (By phone)

A quorum was present.

Absent Board members:

- Michael Gergen, Partner, Latham & Watkins
- Zachary Marks, Director of Development, Housing Opportunities Commission

2. Public Introductions and Comment

Other meeting attendees included:

- Mr. Adam Ortiz, Director, Department of Environmental Protection (“DEP”), Montgomery County
- Ms. Mary Casciotti, Montgomery County Department of Finance
- Mr. Stan Edwards, Montgomery County DEP, Special Advisor to MCGB
- Ms. Lindsey Shaw, Montgomery County DEP
- Mr. Thomas Deyo, CEO, MCGB
- Ms. Rosemarie Sabatino, Director of Business Operations, MCGB
- Mr. Joshua Myers, Administrative Assistant, MCGB

Two members of the public attended the meeting:

- Ms. Stephanie Riddick, SIERRA Club (Left at 3:07 pm)
- Mr. Sergio Obadia, Principal, Cabana Energy (Arrived at 1:42)

Ms. Norman asked if anyone from the public was present. One member from the public was present, Ms. Stephanie Riddick. Ms. Riddick commented that she was from the Sierra Club and looking forward to hearing about community solar and upcoming energy legislation. Ms. Norman told Ms. Riddick she appreciated her presence and support, then turned to the approval of the agenda.

3. Approval of the Agenda

Ms. Norman asked if there were any changes to the proposed agenda. Due to Mr. Hagedoorn needing to leave the meeting early, the agenda was revised so that the business model and budget discussions would be held sooner than was presented on the meeting agenda. The amended agenda was then approved.

4. Approval of Meeting Minutes

Ms. Norman turned to Ms. Brown to lead the approval of the previous Board of Directors meeting minutes. Ms. Brown asked if there were any comments, questions or concerns. None were raised.

R.1: Approval of Meeting Minutes for the January 23rd, 2019 Board of Directors Meeting

A MOTION TO APPROVE the minutes of the Board of Directors Meeting for January 23, 2019.

Ms. Norman moved the motion; Mr. Hagedoorn seconded.

All in Favor: 7
All Opposed: 0
Abstaining: 0

5. Administrative Business

Ms. Norman then provided the Chair's update, stating that she was serving in the role as Chair because Mr. Hunter was attending the meeting by phone. Ms. Norman next spoke about the County contract, which is close to being completed.

Ms. Norman asked if anyone from the public wanted to provide comment. No comments were offered.

Ms. Norman next moved to introduce a special resolution to acknowledge Patty Bubar's service, as she had resigned from her position on the MCGB Board of Directors pending the appointment of new DEP Director Adam Ortiz as the DEP representative for the MCGB Board.

R.2: Special Resolution of Thanks to Patty Bubar

Whereas: Montgomery County, in 2015, enacted legislation to support the formation of a Montgomery County Green Bank to promote the investment in clean energy technologies in the Country; and

Whereas: Montgomery County, in 2016, designated Montgomery County Green Bank Corporations (the “Green Bank”) as the Montgomery County Green Bank, the first local level Green Bank in the United States; and

Whereas: Patty Bubar, was a member of the Board of Directors of the Green Bank (the “Board”) in her capacity as Acting Director of the Department of Environmental Protection for Montgomery County,

Whereas: Throughout her tenure on the Board, Ms. Bubar worked extensively to convey the benefits, role, and strength of the Green Bank as a fundamental component in helping the County achieve its energy conservation goals; and

Whereas: The Board wants to commend Patty Bubar for providing unwavering support on the Green Bank’s mission and activities and giving insights, encouragement, and guidance to the Green Bank as a representative of Montgomery County and a Director on the Board;

Now therefore be it

Resolved: The Board of Directors of the Montgomery County Green Bank Corporation hereby commends Patty Bubar for her leadership, commitment and resolve to advance the Green Bank’s mission and activities, and hereby extends its heartfelt appreciation to her for exemplary service to the Green Bank.

The motion was moved by Ms. Mitchell and seconded by Mr. Hagedoorn.

All in Favor: 7

All Opposed: 0

Abstaining: 0

Ms. Norman then turned to Mr. Deyo to introduce and give the CEO Report.

Mr. Deyo began the report noting that at the top of the CEO report was a statement on what success may look like for the MCGB per request of the Board at the January meeting. Mr. Deyo read the Fiscal Year 2019 Success Statement: “Achieve greater diversification in formal financial institution partnerships, complete transactions that exhibit MCGB’s investment in the community, and be recognized as a valuable, collaborative partner in the region.” Mr. Deyo asked if there were any comments or suggested changes. Ms. Brown agreed it responded to the Board’s request. No other comments were offered.

Mr. Deyo then continued to provide a summary CEO Report.

On production, Mr. Deyo reported that there had been progress on pipeline activity with the Commercial Loan for Energy Efficiency and Renewables (“CLEER”), which includes a large-scale condo project. In addition, further work was done to market the product, including hosting a focus group with CLEER contractors that provided the MCGB with additional insights as to the value of the product in the market, and on how to move the product forward. In addition, MCGB was working to bring a new lender into the CLEER program.

Mr. Deyo then discussed progress made with collaborative partners, including with the Maryland Clean Energy Center and work on a single-family residential energy efficiency improvement loan model for delivery to the Public Service Commission’s Finance Work Group. He also spoke about the Community Solar project on which he has been working, and about the potential of this model to be attractive to impact investing partners with future deals. Mr. Deyo also noted that MCGB had contracted with New Ecology to support the affordable rental technical assistance effort.

Stewardship was the final key component of Mr. Deyo’s report. Mr. Deyo noted that work had been done with the County around a revised County contract which will be discussed later in the meeting. He also highlighted a meeting with the County Executive where MCGB, including Board members Ms. Norman and Mr. Sahadi, presented the products on which we have been working. The County Executive supported the work of MCGB and encouraged MCGB to also be bigger and bolder. Ms. Swann added that she had been part of a meeting with County Councilmember Friedson, who was extremely engaged and interested in getting more funds into green initiatives at a quicker pace. Mr. Deyo also noted that MCGB had met with County Councilmember Glass.

After Mr. Deyo completed his CEO Report, Ms. Norman turned to Mr. Edwards for the DEP report, and he reported on the following:

- March 18th was “crossover day” in the Maryland General Assembly, which is the day that bills pass between the two chambers. Any bill that does not crossover is dead. The only major energy/climate bill that survived is SB 516/HB 1158 – Clean Energy Jobs. This is the bill that would increase the state’s renewable portfolio standard to 50% by 2030 and require a study of the costs and benefits of going to 100% by 2040.
- At the County level, we are providing comments on Bill 7-19, which would allow C-PACE for new construction, and a draft version of a bill that would expand the benchmarking program to include smaller commercial buildings as well as multifamily buildings.
- The last of our eight “Brews and Bulbs” events is scheduled for 7 Locks Brewing Company in Rockville on March 29th. At these events we talk all things energy and exchange incandescent/CFL bulbs for LED bulbs.
- The 2019 Energy Summit is on April 3rd. It starts with breakfast at 8:00 a.m. and ends with a post-event reception at United Therapeutics, a new net-zero building.
 - At the Summit, we will be announcing the next residential solar co-op run by United Solar Neighbors.

- GreenFest will be held Sunday April 28th from 11:00 to 4:00 at Brookside Gardens.

Next Ms. Norman turned to appointing Mr. Ortiz to the MCGB Board. Ms. Norman officially introduced Mr. Ortiz by reading his biography. Mr. Ortiz thanked Ms. Norman and the rest of the Board and expressed his excitement and gratitude on being part of the MCGB Board. He stated that he is looking forward to working on forward-thinking energy and efficiency issues and is thrilled to be at the table.

Ms. Norman thanked Mr. Ortiz and asked a Board member to move the motion.

R.3: Seating of Adam Ortiz as Board Member

WHEREAS, Bill 18-5 passed by the Montgomery County Council in June of 2015, allows for the appointment of up to eleven (11) Directors to the Board of Directors of the Montgomery County Green Bank.

WHEREAS, the Montgomery County Green Bank Bylaws as of March 21, 2018 state that the powers of the Montgomery County Green Bank Corporation are vested in and exercised by a Board of Directors.

WHEREAS, Patricia Bubar, Acting Director of the Montgomery County Department of Environmental Protection, held the seat as an ex-officio Board of Directors member, resigned from the Board on March 18, 2019.

NOW, therefore be it:

RESOLVED, that Adam Ortiz, Director of the Montgomery County Department of Environmental Protection, be added to the Board as an ex-officio Board member to replace the seat vacated by Patricia Bubar.

The motion was moved by Ms. Mitchell and seconded by Mr. Hunter.

All in Favor: 7
All Opposed: 0
Abstaining: 0

Everyone welcomed Mr. Ortiz to the Board.

6. General Business

b. MCGB Product Investments Discussion

Ms. Norman then noted that due to the agreement to move certain business items up, Board members should turn their attention to Resolution 4 on the agenda. Ms. Norman asked Ms. Sabatino to inform the Board on the background and need for Resolution 4.

Ms. Sabatino outlined the background of the changes to the CLEER loss agreements. She explained that each loss reserve agreement (“Agreement”) has a provision in it to establish an initial loss reserve of \$100,000, which would be resized at the one-year anniversary of each Agreement. The net result would be that each CLEER lender would have their initial loss reserve reset to zero. To provide each lender with additional time to build their transaction pipeline, approval is being sought for an amendment to each Agreement that would extend the initial loss reserve reset date by six months.

Ms. Sabatino asked if anyone had any questions or concerns. None were raised.

Ms. Norman then read the resolution aloud for the Board.

R.4: Approval of Extension of Loss Reserve Minimum for Participating CLEER Lenders and delegation to Investment Committee for future extensions.

A MOTION to approve Amendments to the Loss Reserve Agreements of Revere Bank and Ascentium Capital, as presented to the Board on March 20, 2019, for the minimum Loss Reserve balance held on MCGB financial statements of \$100,000 to be extended and remain in effect for 6 months after the expiration of the one-year anniversary of the Agreements with Revere Bank and Ascentium Capital, and to delegate to the Investment Committee approval of any future extensions regarding this element of the Agreements.

The motion was moved by Mr. Hunter; seconded by Ms. Mitchell.

All in Favor: 7

All Opposed: 0

Abstaining: 1 (Mr. Ortiz)

a. Partnership & Funding Discussion

Mr. Sahadi joined the Board of Directors meeting at this time (2:06 pm).

Ms. Norman then transitioned the discussion to topics pertaining to the Partnerships and Funding Committee. She initially directed the conversation to Mr. Deyo to provide an update regarding County funding.

Mr. Deyo began his update on the revised County contract by reminding the Board of the history of the revised contract. Initially, in November 2018, the Board approved a measure with two amendments. The first was to fully fund the MCGB with \$8 million and the second was to allocate an additional \$13 million in funding for a variety of purposes. These additional funds would come as fully-funded investments. After the Board approved the amendments to the County contract and Mr. Deyo signed them, Mr. Deyo sent them over to the County for signature. However, the County decided not to approve the amendments because the County did not wish to execute “advanced pay” funding agreements, which this contract was interpreted as being. The County no longer wanted to do such advance pay funding.

The new County contract construct that will come before the Board in the future would have the County holding back a portion of funds for general administrative costs. The MCGB would be reimbursed by the County as expenses were incurred and services rendered. Mr. Deyo stated that MCGB and the County are currently negotiating the definition of “general administrative expenses,” which was not well defined in the original County contract.

Mr. Deyo next gave the Board an update on possible Town Creek Foundation funding. The Town Creek Foundation is shutting down but is issuing a few last grants via its “Heroic Challenge.” There has been a significant amount of coordination and time spent over the last three months with five other partners who had agreed to submit a grant application as a collaborative. The collaboration’s submission is focused on 2 aspects: community solar and low-mod rooftop solar. Mr. Deyo confirmed that the MCGB is looking to submit with the collaborative partners by the due date of March 29.

Mr. Deyo then informed the Board of a contract signed with Common Spark, LLC, which MCGB hired to fulfill a necessary gap in media and communications relations, particularly in the realm of social media. He also informed the Board that the contract came in under the projected budgeted amount. Mr. Deyo lastly noted that MCGB had issued an RFQ for a marketing firm.

The Board thanked Mr. Deyo for his updates, then Ms. Norman turned the conversation to the next section of the meeting.

c. Product Strategy, Business Model and Strategic Framework Discussion

Mr. Deyo began the discussion by reviewing the business model that was presented at the last meeting that used a best-case scenario. Mr. Deyo then reviewed several scenario options emphasizing different production and capitalization strategies to assess possible routes for MCGB to achieve financial sustainability. Mr. Deyo asked the Board if they had any questions or suggestions to the models.

Mr. Hunter stated he would need some more time to review the numbers before asking any questions or making a statement on them. No further questions or statements were made.

b. MCGB Product Investment Discussion (Continued)

Mr. Deyo provided an update on several product and investment activities that were underway.

Mr. Deyo discussed the potential CLEER pipeline and noted that at present, Common Ownership Communities and nonprofits seem to be emerging as good candidates for the CLEER product. The CLEER focus group held in March 2019 confirmed this as well. Large industrial companies or property owners were described by the contractors as, at present, not cash constrained and not seeing a need for the financing options.

Mr. Deyo followed with an update on the community solar project, which we have been working on with nonprofit and investment partners. Current efforts are still underway to establish the final size of the project, but it could range from \$1.2-1.4 million. The project would need to go

through County permitting, and possibly approvals depending on the site configuration. Mr. Deyo noted that he was in touch with the investors. At this time, the project sponsors are waiting to see the overall size of the project before discussing the MCGB terms on percentage of project costs or rates for investment. When the project information is available, then the plan is to circulate it to the MCGB Investment Committee.

Ms. Norman then asking Mr. Sahadi to open the conversation on broader product investment work.

Mr. Sahadi updated the Board that product development has been moving forward on a lot of fronts and noted that strategic thought about how to speed up business — including partnerships with others, engaging brokers and other intermediaries – has occurred. Our main focus is on how to get closed fundings.

Mr. Deyo asked Ms. Sabatino to provide the details on the Single Family Residential product effort. Ms. Sabatino first noted that since the last Board meeting, MCGB staff and the Product Development Committee had reviewed a proposal received from a nonprofit lender that could serve as a complete program manager – product development, lender management, servicing. In addition, with the agreement of the Product Development Committee, MCGB staff also conducted an analysis of the option of what a local federal credit union could offer to MCGB and the market. The next Product Development meeting will decide on which path is best to move forward.

The remainder of this report was temporarily suspended so that Governance Committee updates could be provided prior to Mr. Hagedoorn departing the meeting.

e. Governance Updates

Ms. Norman turned to Ms. Brown to go over Governance Updates and she began by introducing the new Conflict of Interest Policy requiring approval from the Board.

Ms. Brown stated that the Board members could find a revised Conflict of Interest policy in the Board book. Ms. Brown then asked if anyone had any questions concerning the policy and changes made.

None were voiced.

Ms. Brown requested a Board member move to approve the Conflict of Interest Policy resolution.

R.5: Montgomery County Green Bank Conflict of Interest Policy

A MOTION to approve the revised Conflict of Interest Policy and Form as presented to the Board at the March 20, 2019 meeting.

Mr. Hunter moved the motion and Ms. Swann seconded.

All in Favor: 9

All Opposed: 0

Abstaining: 0

Ms. Brown next turned to Mr. Deyo to present the draft FY20 Board calendar. He indicated that as much as possible, meetings were scheduled in a regularly reoccurring pattern. Mr. Deyo then went over a number of important meeting dates. Mr. Deyo asked if there were any concerns for the dates scheduled for the Board meetings. None were voiced. Mr. Deyo indicated MCGB would begin to get these scheduled on Board member calendars.

b. MCGB Product Investments Discussion (Continued)

Mr. Hagedoorn left the meeting at this time; 3:37 PM.

Mr. Deyo then continued with a number of smaller product updates.

With respect to CLEER, Mr. Deyo reviewed the swim club prospect mentioned in previous meetings. The club has decided to go with a PPA. MCGB had been instrumental in identifying the site for DC SRECs and resurrecting the deal for the swim club. In the end, the no cost PPA was the club's choice. Also, MCGB had a valuable focus group meeting with local contractors. Though the contractors described the CLEER product as a niche product that served those with no cash, it was valuable to them because having financing products available for use shows commitment from the County to energy efficiency. It also helps when the contractor is selling to their customer.

Ms. Mitchell asked Mr. Deyo to elaborate on the concept of the product being a niche product and the strategy of a niche product-- whether this was something that could be too niche and if the MCGB should look at broader concepts. Mr. Deyo elaborated, saying that the niche to which he was referencing was those with cash needs. The product also works best with contractors who undertake more comprehensive larger scale energy efficiency as smaller work has shorter payback periods. Even with this sentiment, the MCGB asked the contractors during the focus group if the product was valuable and they agreed it was. MCGB closed the focus group by making it clear to those in attendance that they should not limit themselves to what is stated in the product guidelines. MCGB asked them to bring their deals to MCGB if they had prospective clients.

Mr. Deyo next provided highlights of a discussion MCGB staff had had with the Product Development Committee regarding execution strategies in terms of channels of execution -- partner, direct, participation, and municipal -- and not just sectors to be served. The discussion was to see if there were different approaches for getting quicker closings. As a direct investor, MCGB would draw a box around what it is looking for, seek brokers look for loans fitting that box, then decide if we want to invest and work with that broker.

Another channel could be running a Request for Proposal (“RFP”) as suggested by several Board members. Again, we would establish a box of what we are looking for and then go out to interested parties to see if there are opportunities.

A third channel the Committee evaluated was to buy a participation in closed loans which had some component to supporting energy efficiency or renewable energy improvements. If MCGB were to look at the loan and decide it fits within our parameters, MCGB could buy all or a portion of that loan so that the lender’s capital could be freed up to lend more to that consumer or customer segment in other transactions. The Product Development Committee raised concerns about this approach and so this was not being considered.

The Board identified the RFP approach as one that should be pursued and requested that MCGB develop this approach for quick release. Mr. Deyo requested that a set of Board members come together to help fashion this strategy and inquired what governance should be used for reviewing and vetting the RFP. The Board asked that Mr. Deyo work with Board Leadership to define the governance for review of RFPs before issuance.

d. Finance and Operations

Ms. Norman then turned to Mr. Marconi for the Finance and Operations Committee report. He began by mentioning that the Finance and Operations Committee will be taking steps in next few weeks to review initial drafts of the FY20 budget, and that he and Mr. Deyo had conferred on some revisions to the FY19 format. The intent is to have a draft FY20 budget ready to be presented at the next Board meeting.

Mr. Marconi asked Mr. Deyo to review the budget and financial statements to date. Mr. Deyo proceeded to give an overview of the financial statements. He noted that the financial statements are showing \$5.5 million in total assets. The MCGB does not have any liabilities. Mr. Deyo indicated that he expected the Town Creek funds to have a carryforward of about \$85,000 for FY20.

Mr. Deyo asked if there were any questions or issues; none were voiced.

Mr. Deyo then walked through the draft FY20 budget concept and the various schedules. These will be used for the FY20 budget presentation in May. This set of schedules adds to the FY19 form with a Balance Sheet and a fundraising plan.

Ms. Norman asked if anyone had anything further to add to the discussion of finance and operations, along with any follow up questions.

No further discussion points or questions were voiced.

7. Closing Statements and Adjourning

Ms. Norman then moved the meeting discussion onto the last informational items and announcements. She spoke of anticipating a special Board meeting to approve the revised County contract, and then asked if anyone had anything else to add.

Mr. Sahadi spoke about the upcoming Energy Summit and asked if there were any other activities or announcements based on that.

Mr. Deyo confirmed that the MCGB is on a panel as a moderator and will be there with a table but there were no additional news items.

Ms. Norman then asked if there were any further questions.

No further questions were voiced.

Ms. Norman then requested a Board member to move to adjourn the meeting.

Ms. Mitchell moved to adjourn; Mr. Ortiz seconded. The meeting was adjourned at 4:31 pm.