

# Montgomery County Green Bank Corporation (“MCGB”)

## Board of Directors Meeting

Wednesday September 28, 2017 at 1:30pm

Montgomery County Green Bank | 155 Gibbs Street | Rockville, MD 20850

### Board of Directors Meeting Minutes

#### 1. MCGB Chairman Bert Hunter called the meeting to order at 1:38 pm.

Roll call confirmed the attendance of:

- Hope Brown, VP and Chief Compliance Officer, Calvert Research and Management /Calvert Funds
- Lisa Feldt, Director, Montgomery County Department of Environmental Protection (“DEP”)
- Michael Gergen, Partner, Latham & Watkins (by phone)
- Bert Hunter, Executive Vice President and Chief Investment Officer, Connecticut Green Bank
- Bonnie Norman, Principal, Chief Marketing Officer, E3 International LLC
- Bill Parsons, Executive Director, JDRF Greater Chesapeake and Potomac Chapter
- Stacy Swann, Founding Partner, Climate Finance Advisors, Benefit LLC
- Zach Marks, Assistant Director, Housing Opportunities Commissions (arrived 1:45 pm)
- Bob Sahadi, Director, Energy Efficiency Finance Policy, Institute for Market Transformation (arrived at 1:50pm)

#### **Quorum met.**

Board members not present:

- Alex Espinosa, Director, Montgomery County Department of Finance
- Brian Marconi, Senior Manager, Cohn Reznick LLP

Other meeting attendees included:

- Tom Deyo, Montgomery County Green Bank
- Alex Kragie, Coalition for Green Capital
- Stan Edwards, Montgomery County DEP
- Mary Casciotti, Montgomery County Department of Finance
- Mike Dow, Womble and Carlyle

Guests:

- Ida Namur, AECOM
- Tina Poole Johnson, Montgomery County resident
- Jake Lynn, Communications consultant

#### 2. Approval of Agenda

### **3. Approval of May meeting minutes**

With a correction to the date of the board meeting on the distributed minutes to July 19, 2017 and a correction to the date in the Agenda for the Special Board meeting to August 31, 2017, Ms. Norman made a motion to approve the minutes from the July 19, 2017 Board of Directors meeting and the minutes from the August 31, 2017 special meeting of the Board of Directors regarding the selection of an auditor and the selection of a Directors and Officers insurance policy. Ms. Feldt seconded the motion.

#### **R.1: Approval of Minutes**

A MOTION TO APPROVE the minutes of the Board of Directors Meeting for July 17, 2017 and the minutes of the August 31<sup>st</sup> special meeting of the Board of Directors regarding the selection of an auditor and selecting a Directors and Officers Insurance policy.

All in Favor for approval of the minutes of the Board of Directors Meeting for July 17, 2017: 8  
All Opposed: 0

All in Favor for approval of the August 31<sup>st</sup> special meeting of the Board of Directors regarding the selection of an auditor and selecting a Directors and Officers Insurance policy: 7  
All Opposed: 0

Ms. Feldt abstains from approval of the August 31, 2017 special meeting minutes as she was not present.

### **4. Administrative Business**

#### **Report from the CEO, Report from the Chair, and DEP Report:**

Mr. Deyo gave a summary of the written Update Report from the CEO document. Mr. Deyo also reviewed progress of MCGB against an informal 100-day plan since coming on board as CEO, including creating a business model, staffing, metrics, product development, constituent engagement, and communications. Mr. Deyo noted that the most critical next steps are getting the first product out, securing the next investment of capital from the County, hiring key staff, completing the procurement for recent RFPs, website, completing FY17 audit and 990, meeting reporting deadlines, and funder engagements.

Mr. Hunter then gave a summary of the Green Bank Congress and Green Bank Academy events that happened during Climate Week in New York City. Ms. Swann, Ms. Norman and Mr. Deyo also attended and added comments.

Mr. Edwards reported that the County Executive signed the Under Two MOU which follows joining the “We’re Still In” campaign. On October 3<sup>rd</sup>, the County Executive will release a proclamation proclaiming October to be Clean Energy Month. Mr. Edwards also noted that there are 10 approved CPACE projects (>\$5m) in the pipeline.

Ms. Feldt reported that she had spoken with the County Executive’s office and there was no doubt that the next tranche of Community Investment Funds through the County will arrive in short order, and there is no uncertainty that the money will come.

## **Strategic Framework Update**

Mr. Deyo provided an update to the first draft of the Strategic Framework presented at the July 19, 2017 meeting. Mr. Deyo noted that most significant changes were adding in context and key performance indicators for leverage of capital and scale, and creating more outcomes for the broader Theory of Change and 5-year success. The discussion among Board members focused around the 5-year success story and a desire to see the framework built out with more metrics tied to outcomes, and then to see the FY18-19 goals link toward this 5-year story. There was also a desire to see the framework achieve integration with the County's goals. Mr. Hunter also noted that transportation should be considered within the strategies of the plan. The Board asked that the Strategic Framework be revised, with a focus on the plan being paramount in the document, be distributed in next couple weeks, and then to be brought back to November's Board meeting for a vote.

Ms. Feldt left the meeting.

## **Draft MCGB Business Model**

Mr. Deyo walked the Board through a draft business model that could be used to understand how MCGB products would use capital, provide revenues, and make returns for MCGB. Mr. Deyo noted that such a business model could be a tool for MCGB to assess products brought to the Board for approval to understand the best deployment of capital and the potential revenue and sustainability of MCGB for various product mixes. Ms. Swann asked that the model consider building in an expense assumption for providing technical assistance and capacity building of the lender partners.

Mr. Hunter left the meeting.

Ms. Swann takes over as Chair of the meeting.

## **Investment Approval Process Discussion**

Mr. Deyo presented a draft approach for how MCGB could develop an investment approval process for future use in approving products by MCGB. Mr. Deyo noted that the current Commercial Loan Loss Reserve product (discussed with the Board in July with a target Fall launch) is moving through a process using the Product Working Group and the Board Leadership as the primary reviewers and approvers to bring the draft product to the market for discussion. The Board will be engaged in the final approval and lender agreements for the product.

The draft investment approval process outline presented by Mr. Deyo to the Board offered a more developed process for engaging the Board at stages of product development. Ms. Swann requested that the policy be sure to focus on Board approval of the transactions – be those the terms and conditions of the partner and / or deal arrangements. Partner arrangements could include those such as Loan Loss Reserve in which a partner would then be able to deliver a transaction under the arrangement. A deal arrangement would be that in which a specific transaction is agreed to on its own terms. Mr. Hunter noted that both the CEO and a Board member should be signatories on all transactions with MCGB. Mr. Deyo noted that a policy would be developed with Board Leadership and then brought to Governance Work Group before coming to the Board at a future meeting for final approval of the policy.

## **5. General Business**

### **Audit and Budget Work Group Update:**

#### **Financial Statements:**

Mr. Deyo presented the FY18 financials through August 31, 2017. He noted that at end of August MCGB had \$3.062 million in its net position, including \$134,000 in grant funds.

#### **Investment Report**

Mr. Deyo presented an investment report which showed the current allocation and returns of cash investments. This report would be supportive of the Investment Policy if adopted later in the meeting.

#### **Actual to Budget**

Mr. Deyo presented an Actual to Budget document for FY18. The document presented current spending through August 31, 2017, commitments made for funding, and remaining projected expenditures per line item in the budget. Mr. Deyo noted that the report would be useful to the Board as it determines if budget adjustments need to be made and approved throughout the year based on expected spending by budget category. The proposed Standard Operating Procedure amendments, to be presented later in the meeting, would require Board approval of changes to approved budgets for categories that increase by 20% or \$10,000 over approved budgets whichever is less, or if the overall MCGB approved budget were to be exceeded. Mr. Deyo noted that one change in FY18 was for Website Development and Design which had anticipated spending more in FY17 but that such spending did not occur in FY17 and would need to be shifted to FY18 and the FY18 budget will need to reflect this. Mr. Kragie noted that expenditures occurring for the MCGB's website development work after the conclusion of FY 17 were for MCGB delays and not those of the vendor selected for the task. However, Mr. Deyo said that no changes would be requested of the current approved budget as MCGB can operate within the current parameters of the budget but that changes to the current approved budget may be requested at the November Board meeting.

#### **Audit and 990**

Mr. Deyo informed the Board that Hertzbach had been engaged as the auditor for FY17 audit and 990 and the Maryland Property Tax submission. MCGB was already providing requested documents. Mr. Deyo noted that the FY17 audit and 990 should be ready for review and approval by the Board for the November 2017 Board meeting after the Audit and Budget Work Group reviews and makes a recommendation to the Board. Hertzbach was filing for a 990 extension at no cost and with no penalties since the current deadline of November 15th could not be met given the Board schedule.

#### **Fundraising and Finance Work Group:**

Ms. Norman gave an update on the MCGB's fundraising efforts. She noted that the MCGB's fundraising efforts for FY18 will need further engagement in the near future in order to meet fundraising goals. Ms. Norman also noted that the MCGB will consider parallel paths between product and philanthropy in its future product development work. Ms. Norman noted the presentation by her and Mr. Deyo at the Association of Baltimore Area Grantmakers at their impact investing conference in September. Ms. Norman noted that this came about through an introduction by Mr. Clarke from Town Creek Foundation. Ms. Norman also noted that the MCGB should try to be positioned for the next community solar opportunity in Spring 2018. Mr. Parsons suggested that the introduction of MCGB's first product be viewed as an opportunity to connect with funders, and that interest might also be found from other local and national officials. Ms. Swann noted the opportunity for capacity building funds to be sourced from the charitable giving community. Ms. Swann also asked about the status of the MCGB's efforts to explore CDFI status, and Mr. Deyo said that it was on the list of priorities, but the first step in the process is to produce audited financials.

Mr. Deyo provided an update on the selection of a communications consultant through a recent RFP. MCGB received 7 responses and had selected 3 to 4 to move to a final set of interviews the week of Oct 9. A final selection would be made following these interviews, and a Special Board meeting would be arranged for late October to obtain Board approval since the contract would exceed the threshold for Board approval of professional services contracts.

Mr. Deyo and Mr. Kragie then led the Board through a demonstration of the MCGB's website. The Board was pleased with the look and feel and message on the site. There was agreement to simply include Board minutes and the County resolution on the Board section of the site. Ms. Norman suggested we look at developing a video for the site which was first envisioned with the website consultant. Ms. Swann asked that the developer also address search engine optimization

Ms. Feldt returns to meeting.

### **Governance Work Group Update**

Mr. Deyo led the Board through proposed changes to the standard operating procedures for the organization, intended to clarify Board approval for budgetary line items and streamline procurement activities for the organization. Mr. Parsons made a motion to approve the changes, Ms. Feldt seconded the motion.

#### **R.5: Adoption of amended Standard Operating Procedures**

By recommendation of the Governance work group, A MOTION TO ADOPT the amendments to the standard operating procedures addressing Section V and Section VII presented at the September 28, 2017 meeting.

All in Favor: 8

All Opposed: 0

Mr. Deyo then introduced a proposed employee manual, prepared in conjunction with Paychex, including suggested employee benefits. After discussion, it was agreed that a resolution on MCGB employee benefits would be delayed until the upcoming special meeting of the Board and Board members had a chance to review in more detail.

Mr. Parsons left the meeting.

Mr. Hunter returns to meeting.

Mr. Deyo then introduced a proposed cash investment policy, with the objectives of preserving principal, ensuring MCGB can meet its liquidity requirements, receive a favorable yield, and avoid inappropriate concentrations of capital. Final decision-making is delegated to the Fundraising and Finance work group. Ms. Brown requested that an annual review of investment policies by the Board be included in the text of the final policy. Ms. Norman makes a motion to approve, seconded by Ms. Brown.

#### **R.7: Adoption of Cash Investment Policy of MCGB**

By recommendation of the Governance work group, A MOTION TO ADOPT the MCGB Cash Investment Policy presented at September 28, 2017 Board meeting with the addition of a statement regarding annual Board review of the policy.

All in Favor: 8

All Opposed: 0

## **Product Development Work Group Update**

Mr. Kragie led the Board through a review of the executive summary of the Commercial Loan for Energy Efficiency and Renewables (CLEER) loan product. At a high level, Mr. Kragie identified the gap that the CLEER product was filling as the loan size above Pepco EmPOWER incentive programs and below the loan size which makes the transaction costs of a PACE loan worthwhile. Mr. Kragie noted that the CLEER package presented to lenders in September had been reviewed and approved by the Product Work Group in late August. This package was then subsequently and separately brought to the Board Leadership in early September which provided a final review and approval to distribute the CLEER package to lenders. Mr. Sahadi then gave a report-out on the meetings that have been held so far with community banks and non-bank lenders on the CLEER package, which have been positive but have not yet resulted in a final agreement as MCGB is soliciting proposals from each in response to the package outline. Mr. Kragie noted that it is likely that the MCGB will be able to have the CLEER product ready for Board approval and subsequent closing with lenders in mid-November, unless unforeseen delays occur. Training with lenders and contractors would then occur and the product would be available for use by 2018. Mr. Deyo proposed bringing a final term sheet to the special Board meeting in October once lender proposals are received. Mr. Sahadi confirmed that the next step was to come back to the special Board meeting with term sheet(s) that would then flow into legal documents. Ms. Swann requested that Board approval be for each lender Loan Loss Agreement which would be reflected in legal documents. Mr. Deyo indicated this would be the intention for the November 2017 Board meeting. Mr. Deyo also then reviewed the product development pipeline that had been distributed to the Board.

Mr. Gergen leaves the meeting.

### **Closed Session**

#### **R.8. Closing Statement**

This closing statement was prepared by CEO, Tom Deyo, and, I, Bert Hunter, Chairperson of the Board of Directors, attest to its compliance with the Maryland Open Meetings Act. Per §3-305(d) of the Maryland Open Meetings Act, I move to convene a closed session.

In this closed session, the Board will discuss Board recruitment and staffing of the Montgomery County Green Bank, per the "personnel matters" exception §3-305(b)(1), and consultant selection under the "procurement" exception. §3-305(b)(14). The reason for closing the meeting is to discuss recruitment of members for the Board of Directors, potential legal counsel selected through competition, and MCGB staffing compensation and benefits for positions, and the process for determining the same.

All in Favor: 7

All Opposed: 0

Mr. Sahadi leaves the meeting.

### **Board Recruitment**

The Board discussed the current status of Board recruitment and the process for reaching a final candidate decision. Mr. Hunter makes a motion to approve a proposed resolution, seconded by Ms. Brown.

## **R9. Board Recruitment.**

By recommendation, A MOTION to have the Nominating Committee meet with top candidates, conduct follow up meetings and interviews, and bring no less than two candidates to Board for a vote at a Board meeting.

All in Favor: 6

All Opposed: 0

### **Legal Firms**

Mr. Deyo summarized the process conducted to select law firm to represent MCGB for general counsel and transaction needs. Mr. Deyo noted that the final decision would be brought to the Board Leadership subsequent to the Board meeting but wanted the Board to be informed about the recommendation prior to the final approval.

### **Staffing**

Mr. Deyo updated the Board on the current staff recruitment for the Director of Operations and Product Development Manager RFP.

## **6. Additional Items**

None

## **7. Adjournment**

Ms. Swann proposed a motion to adjourn, seconded by Ms. Brown. The motion passes unanimously among Directors present.

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The Green Bank Board of Directors is scheduled to meet at 155 Gibbs Street, Suite 400, subject to change of location.:

- **Wednesday November 15th from 1:30-5:00pm**

For inquiries about the Green Bank Board of Directors, to access meeting materials, or for information about attending a meeting, please contact the Montgomery County Green Bank at [info@mcgreenbank.org](mailto:info@mcgreenbank.org).