

**Montgomery County Green Bank Board of Directors
Convening and Meeting
Thursday, October 20, 2016 at 2:30 pm**

7315 Wisconsin Avenue | Suite 135 East | Bethesda, MD 20814

DRAFT Meeting Minutes

1. Call to Order

B Hunter called the meeting to order at 2:46 pm.

2. Roll Call

Roll call confirmed the attendance of:

- Hope Brown, VP and Chief Compliance Officer, Calvert Funds
- Lisa Feldt, Director, Montgomery County Department of Environmental Protection (Not present for entire meeting)
- Michael Gergen, Partner, Latham & Watkins (Not present for entire meeting)
- Bert Hunter, Executive Vice President and Chief Investment Officer, Connecticut Green Bank
- Brian Marconi, Senior Manager, CohnReznick LLP
- Zachary Marks, Assistant Director of New Development, Housing Opportunities Commission (HOC) (Not present for entire meeting)
- Bonnie Norman, Principal and Chief Marketing Officer, E3 International
- Bill Parsons, Executive Director, JDRF Greater Chesapeake (Not present for entire meeting)
- Bob Sahadi, Director, Energy Efficiency Finance Policy, Institute for Market Transformation
- Stacy Swann, Founding Partner and CEO, Climate Finance Advisors LLC

Quorum met.

Other meeting attendees included:

- Aaron Kraus, GreenWorks Lending
- Genevieve Sherman, PACE Financial Services
- Gerard Neely, PACE Financial Services
- Winslow Hayward, Green Eagle Financial Services
- Nalin Meegama, Continental Capital
- Alex Kragie, MCGB Acting Executive Director, Coalition for Green Capital
- Michelle Vigen, Montgomery County Department of Environmental Protection (DEP)
- Stan Edwards, Montgomery County DEP
- Lindsey Shaw, Montgomery County DEP
- Mary Casciotti, Montgomery County Department of Finance
- Katie Kellenberger, Coalition for Green Capital

- Kayrine Brown, Housing Opportunities Commission

3. Approval of Minutes

B Norman noted her role as lead in the Fundraising WG was not listed. Regarding discussion on the Bylaws Section 2.7, starting with the sentence that starts with “Parsons agreed...”, M Vigen relayed that L Feldt didn’t recall the conversation, and M Vigen asked if the Board agreed. A softer version of the topic was proposed and agreed upon. M Vigen also noted a few non-substantive edits recommended by L Feldt.

S. Swann provided additional non-substantive edits to the minutes.

B Hunter moved to approve the amended meeting minutes. H Brown and M Gergen seconded. Minutes approved unanimously.

R.1: Approval of Minutes

Motion to approve the minutes of the Board of Directors Meeting for September 14, 2016

4. Public Introductions & Comment

The following introduced themselves:

Aaron Kraus, Green Works Lending

Genevieve Sherman, PACE Financial Services

Gerard Neely, PACE Financial Services

Winslow Hayward, Green Eagle Financial Services

Nalin Meegama, Continental Capital

There were no comments from the public.

5. Approval of Agenda

M Vigen noted that since the draft agenda had been distributed the week prior, two changes had been made: the addition of the appointment of a Special Advisor to the Board and the movement of the Staff Work Plan Discussion to the Closed Session portion of the agenda.

B Hunter moved to approve the amended agenda. (No second was called.) The agenda was approved unanimously.

6. Staff Report

- ITEM 1: Work Group Report: The Governance Work Group (Governance WG) convened twice between board meetings and has recommended amended Bylaws, a Conflict of Interest Policy, and a push to continue

drafting Standard Operating Procedures with a goal of having something for the board to approve at the November meeting. The Fundraising Work Group (Fundraising WG) has recommended a Statement of Purpose (elevator pitch) document, developed a set of slides that can be distributed to stakeholders, and empowered staff to meet with three foundations. The Naming Work Group (Naming WG) has created a set of options for the BOD to consider on the issue of “bank” in the name of the organization.

- ITEM 2: The MCGB has a checking account. Currently A Kragie is the name of the checking account and will be adding one or two names from either BOD leadership or staff.
- ITEM 3: IRS 1023 form: Coalition for Green Capital (CGC) has been working on the document with DEP. A Kragie sat down with CEO of CGC for detailed edits and will be turning the document over to the Governance WG and BOD Leadership on Monday 10/24.
- ITEM 4: M Vigen is point of contact for Executive Director position description.
- ITEM 5: Covered in more detail in later agenda items, but generally speaking M Vigen and A Kragie have started a robust stakeholder engagement process for interview and data gathering in the contractor, foundation, financial institution, and environmental communities. Board members can track the progress of these efforts with a google doc made available to them.
- ITEM 6: Program development: Will address further later in the agenda, but M Vigen and A Kragie look forward to briefing the Board on DEP’s product development activities and integrating with MCGB efforts.
- ITEM 7: Thanks to Director B Hunter, M Vigen, A Kragie, and Nick Kline of the CGC had a productive visit to the Connecticut Green Bank as well as a meeting with Bank of America’s CDFI unit. Many key takeaways from the trip, including that there’s a tradeoff between financial sustainability and leverage within the organization and that there is a key difference between programmatic and one-off project style approaches. B Sahadi requested the full takeaways from the trip, and A Kragie will follow up with him.

7. Organizational Business

Chair B Hunter summarized that during the last meeting MCGB elected a chair and vice chairs and left open the election of Secretary. The Board is now ready to bring forward a nomination for Secretary.

a. Election of Secretary

- B Hunter nominated H Brown as Secretary of the MCGB. M Gergen made a motion to approve and S Swann seconded. Board unanimously approves H Brown as Secretary of the Board of the MCGB.

R.2: Election of Officers

WHEREAS, Chairperson Hunter calls for the election of a Secretary.

WHEREAS, elections were held at the Board of Directors meeting on September 14, 2016.

NOW, therefore be it:

RESOLVED, the following persons are elected to the office(s) indicated next to their names to serve until their successor(s) shall be duly elected, unless he or she resigns, is removed from office or is otherwise disqualified from serving as a Director of this Board, to take their respective office(s) immediately upon such appointment:

<u>Office</u>	<u>Name</u>
Secretary	Hope Brown

RESOLVED, that the officers of this corporation are, and each acting alone is, hereby authorized to do and perform any and all such acts, including execution of any and all documents and certificates, as such officers shall deem necessary or advisable, to carry out the purposes and intent of the foregoing resolutions.

b. Appointment of Special Advisor to the Board

- Per section 2.7 of existing bylaws, M Vigen is nominated as the Special Advisor to the Board of the MCGB. B Norman made a motion to approve, H Brown seconded. The motion was approved unanimously.

c. Additional Work Groups

S Swann noted that there is a lot of work to be done on product development, and proposed constituting a Product Development Work Group. S Swann also proposed adding a Finance focus to the Fundraising Work Group, to create a Fundraising and Finance Work Group.

- Product Development Work Group (Product Development WG): B Sahadi (Lead), B Marconi, B Hunter, B Norman -- DEP has been pursuing development of a residential energy financing product in lieu of prior efforts to implement Residential Property Assessed Clean Energy. The role of MCGB has been central to these efforts, but as of yet, DEP's work has not fully integrated it into the MCGB process. This WG will get a full briefing of what's been already done, and will be engaged as a part of the process from here on out. A Kragie says that the general goal of the staff work being done is to provide the BOD with recommendations on the decision points for first product creation. A Kragie also said that there was an entrepreneurial process moving forward on product development that works in concert with DEP's efforts so far. B Norman suggested that B Sahadi lead the Product Development Work Group, and B Sahadi agreed.
- Fundraising Work Group (Fundraising WG): B Norman (lead), B Parsons, B Hunter, Z Marks, and B Marconi – S Swann proposed that internal finance issues be worked into the group's remit. S Swann also said that risk management will likely also be a part of this group. B Parsons agreed with suggestion to combine fundraising and finance into one group. B Norman suggested that the two work groups act as one now and then eventually split into two when more extensive finance-related issues emerge. A Kragie suggested that B Marconi join the combined work group given his skill set, and B Marconi agreed to join.
- Recruitment Work Group – B Hunter notes that discussion of the Recruitment Work Group will take place in Closed Session.

8. Unfinished Business and General Orders

a. Bylaws (Governance WG)

- H Brown noted that the Governance WG has met a number of times and recommended amended Bylaws for adoption by the BOD. If adopted, the bylaws will be sent to the County Council and County Executive for a statutorily-mandated 60-day review period.
- M Gergen made a motion to adopt the amended Bylaws. S Swann seconded. Motion passed unanimously.

R.3: Conditional Approval of the Bylaws

By recommendation of the Governance Work Group, a motion to amend the bylaws, conditioned upon a 60-day review period to the County Council and County Executive, at which point, upon no further suggested amendments by the County Council or County Executive, the bylaws are officially adopted.

b. Conflict of Interest Policy (Governance WG)

- H Brown said that the Governance WG had reviewed and revised the Conflict of Interest Policy in a similar fashion as the Bylaws. The Governance WG also plans to review the Conflict of Interest Statement/Signature page at the November BOD meeting.
- There was discussion around duty to disclose investments, inclusion of a *de minimis* clause, and the conclusion was that the policy allowed for an adequate adjudication process if a Director self-reports a conflict.
- M Gergen makes a motion to adopt the Conflict of Interest Policy. B Parsons seconded. The Resolution was approved unanimously.

R.4: Approval of the Conflict of Interest Policy

By recommendation of the Governance Work Group, a motion to adopt the Conflict of Interest Policy.

- The Governance WG will explore inclusion of a *de minimis* clause in the COI Statement.

c. Fundraising (Fundraising WG)

- B Norman gave a summary of the Fundraising Work G's activity since the last BOD meeting.
 - i. Draft Statement of Purpose (One-page version) or "Elevator Pitch"*
 - B Norman presented a one-page Statement of Purpose document that has been worked on extensively by the Fundraising WG for adoption by the BOD.
 - B Parsons made a motion to approve the Statement of Purpose document. B Marconi seconded the motion, and the Resolution passed unanimously.

R.5: Approval of the Statement of Purpose

By recommendation of the Fundraising Work Group, a motion to adopt the Statement of Purpose (One-page version), providing standard language for staff to use when developing materials for outreach around the Montgomery County Green Bank.

ii. Draft Intro Slide Deck

- B Norman stated that the slide deck as presented to the Board was not in final form but represented substantial progress. He also stated that some of the slides are a bit wordy but the goal has been to align the slides with the Statement of Purpose document, which has been adopted. A Kragie mentioned that MCGB staff was requesting general permission from the BOD to use these slides in stakeholder meetings with the understanding that there would be further evolution of the slides. B Parsons asked whether or not the promotion of Montgomery County's accomplishments on slides 3 and 4 may be a negative to some stakeholders.
- B Parsons requested that the verbiage on slides 3 and 4 be revisited by staff. B Hunter noted that it was good to promote that we are near the nation's capital, which is alluring for potential funders and investors.

iii. List of Foundations

- A Kragie and M Vigen presented a list of foundation targets that have been prepared by staff, as well as the google document that allows any member of the BOD to access the list at any time. A Kragie also pointed out the interview tracker and question database piece of the google document.
- M Vigen provided background that the list that originated with the Green Bank Work Group that preceded the Board and some research by staff. Staff reported positive feedback, and that there seemed to be opportunity for timing and alignment with foundation goals and resources.
- It would be great to add some additional names.
- Staff described a number of foundation meetings:
 - Packard Foundation: Met with pro bono scout from Packard Foundation, who indicated that there was not potential for funding in the short term since the Foundation is in a strategic phase right now, however there could be opportunities in the medium term. The scout also indicated a willingness to provide pro bono support for the MCGB's fundraising efforts.

- Tremaine Foundation: Visited with a Program Director of the Tremaine Foundation. No direct funding from Tremaine (their activities are restricted to Connecticut now), but willingness to make introductions to interested foundations and affinity groups. B Norman joined for the call with Tremaine. Tremaine also suggested that the MCGB look at its ask through two lenses: national leadership (replicability of local Green Bank model) and local impact (not limited to energy/environment, and emphasizing community impact).
- Town Creek: Very enthusiastic about potential funding. Requested a proposal on what MCGB would need in early December. Extensive praise of M Vigen was noted. M Vigen noted that a ballpark ask of \$250k was introduced, but will want to develop a refined proposal with the Fundraising WG.
- S Swann requested that three columns be added to the tracking document: Organize by Local, regional, or national, plus affinity groups; Focus of foundation; Average giving size; B Parsons also suggested adding a column for next steps
- M Gergen suggested that fundraising activity be moved to closed sessions in the future, the rest of the Board agreed.

9. New Business

a. Naming Issue (Naming WG)

- S Swann noted that the Department of Labor, Licensing, and Regulation (DLLR) suggested it may be problematic to use the word “bank” in our name. The Naming WG with the help of CGC pro bono Latham and Watkins identified 14 active CDFIs in MD, and 3 of them have the word “bank” in their name. However, these three are associated institutions, and one is a consumer facing institution. S Swann noted that MCGB will need to engage Maryland counsel, to get a better sense of the issues surrounding the use of the word “bank” in the name of MCGB. Gergen asked if we knew whether any of the 3 “bank” CDFIs had gone through a similar process with DLLR. The answer is that we do not know.
- Maryland counsel will also need to help identify which (if any) portions of the MD Financial Institution Act may apply to the MCGB given the organization’s activity. S Swann estimates it is a 2-3-month process to find an answer to the applicable regulations issue. L Feldt asked if the 1023 application was contingent on the naming issue, and staff replied that it was not. S Swann noted that three names have been brought up by the Naming WG: MC Green Investment Authority; MC Green Financing Corporation; MC Green Capital
- L Feldt asked if it was possible to do “aka” Green Bank, but the statute restricts the use in any name, tagline, logo, etc. S Swann noted this would be raised with MD counsel
- B Hunter argues that a convincing case could be made to DLLR that a “Green Bank” is a rapidly expanding concept that is occurring elsewhere in the country and world.
- S Swann noted that by next BOD meeting there would be guidance on the naming issues from counsel.

- On a somewhat different but related note, A Kragie noted that if any BOD members had contacts in the Credit Union space, they would be most welcome.

b. IRS 1023 Form Decisions (Chair/Vice-Chairs)

- A Kragie explained that Form 1023 is an application to the IRS for 501(c)(3) federal tax exempt status, and that the CGC and DEP (point of information: DEP to a much lesser extent) have been working on the Form 1023, including input from CGC CEO given that CGC has gone through this process before. The intent is to have the Form 1023 come up through the Governance WG (with BOD leadership in the loop), with a goal of having a version for the Board to approve at the November BOD meeting. BOD requested that staff identify red flags in the Form 1023 draft that is submitted to the BOD. There are two issues that MCGB is requesting BOD input on now:
 - i. Fixed Compensation
 - The BOD agreed that the organization would operate on a fixed compensation basis.
 - ii. Lobbying Activity Tracking by Time
 - The BOD recommended that time spent on lobbying activities be tracked by time spent, not as a proportion of the salary of the person engaging in the lobbying. L Feldt suggested that the County Directors on the BOD would not participate in lobbying activities.

10. Information Items/Announcements

a. HOC Projects and Bond

- Kayrine Brown dialed into the meeting – K Brown oversees HOC’s bonding and finance; Z Marks reports to K Brown and directs HOC’s real estate division. HOC is both the Public Housing Authority of the County and is also a Housing Finance Authority, an unusual arrangement to have both capabilities in one organization (financing and owning real estate).
- HOC has the ability to issue three types of bonds:
 - 501(c)(3) nonprofit bonds: no real limit on issuance
 - Governmental bonds: no real limit on issuance
 - Private issuance bonds: The state has an annual bond issuance cap for private activity use bonds of between \$300-\$500m. The annual allocation for Montgomery County is \$36m annually for housing and \$12m for economic development. These amounts carry forward for three years if not used (and they are typically not).
- M Vigen asks if HOC were to issue bonds on behalf of the MCGB, would there be any encumbrance to the County? M Casciotti replies that the short answer is yes, at the end of the day it is still debt and the county will need to pay for it.
- M Casciotti noted that the MCGB’s bond rating would not be good to start out with due to lack of history, which is the primary problem MCGB would face in any bond issuance.
- There was some discussion around if and how the revenue streams coming back from an energy efficiency project would be viewed by a rating agency if bonds were issued to cover program expenses.
- K Brown detailed HOC’s bond issuance process (involvement of HOC staff, bond counsel, and a financial adviser for serial or term bonds, investment

bankers). It takes approximately three weeks between issuance and sale, then deposited with a trustee. Issuer is HOC.

- HOC has AA credit rating, below level of County (AAA).
 - HOC can issue housing bonds at any time, not a scheduled issuance.
 - If bonds were to be issued on behalf of MCGB, they would most likely be governmental bonds.
 - Parsons asks whether 501(c)(3) bonds are limited to housing because of practical matters or is there a real constraint? K Brown said it was just historical practice, no real constraint. K Brown expressed interest in the possibility of using 501(c)(3) bonds for non-housing.
 - Casciotti raised the issue of private vs. public beneficiaries for these bonds and how that can determine which bonds MCGB's activities are eligible under, e.g. if an MCGB project involves private sector, and potentially private sector beneficiaries, that may require private activity bonds
 - M Vigen recommends that the Product and newly combined and established Fundraising and Finance WG's follow up with K Brown and M Casciotti.
 - Z Marks presents on 5 projects that are slated for movement in 2017 by HOC:
 - Beaver Park: 100% elderly, no incomes, poor energy performance
 - Stewarttown: 100% affordable, also elderly
 - Shady Grove: 100% affordable
 - Metropolitan: 92 units of affordable
 - Georgian Court: Same as Shady Grove
 - Z Marks said that HOC was happy to wrap in energy efficiency measures into the upgrades being done on these complexes.
 - B Hunter raised the importance of additionality, that MCGB investment provide energy savings or impacts that would otherwise not happen without MCGB support.
 - S Swann noted that it was important to note that current efficiency standards weren't so high. Additional investment is likely cost-effective, and Z Marks said that it was unlikely that would be an issue given the age of these buildings.
 - M Vigen noted that these are projects that may not need funding but could still benefit from outside capital put into the capital stacks to free up equity
 - Z Marks noted potential for micro grid projects.
- b. DEP Staff Report**
- M Vigen summarized the materials included in the DEP staff report, including EmPOWER Maryland, the state energy efficiency program which provides a crucial foundation for energy efficiency demand; Community Solar regulations; and an overview of the suite of energy programs managed out of DEP.
- c. Scheduling**
- Next meeting is scheduled for November 29th at 2:30 pm. Location will be announced in the coming weeks.
 - BOD requests that meetings be held at monthly intervals in beginning of 2017, including February, April, and June. Staff will follow up with BOD members to initiate scheduling of 2017 meetings. L Feldt noted that County Directors will have conflicts with Tuesdays and Thursdays. Others noted that Mondays are bad. Wednesdays seemed better, but M Vigen requested perhaps slightly earlier.

11.

Closed Session (Moved to the end of the meeting.)

- a. **B Hunter moved to do a closed meeting for recruitment of ED and process to fund staff support. At 5:47 and S Swann seconded.**

R.6: Adoption of a Closing Statement to proceed into a Closed Session

This closing statement was prepared by DEP Staff, Michelle Vigen, and I, Bert Hunter, Chairperson of the Board of Directors attests 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.

The topics to be discussed are the Executive Director recruitment process and the process to fund staff support, per the “personnel matters” exception § 3-305(b)(1).

The reason for closing the meeting is to discuss matters regarding the recruitment of the Executive Director without conflicting potential candidates.

All in Favor: ____

All Opposed: ____

[Note: Minutes must be kept during the closed session but are sealed (and can be kept by the Secretary). After the closed session, the public body must disclose what actually transpired in the closed session in as much detail as it can without disclosing the information that the claimed exception permitted the public body to keep confidential.]

Closed Session Statement: The BOD discussed the process by which they would like to fund future staff support, including a proposal for a fiscal sponsorship agreement with CGC (which has offered this capacity) that would facilitate donated funds into the MCGB account for purposes to be determined by the BOD.

The BOD also discussed developing a Service Agreement for staff support from the CGC, delineating scope of work, terms of payment and duration of services, and staff oversight. They directed M Vigen to work with Jeff Schub from Coalition for Green Capital to develop a Fiscal Sponsorship Agreement and Service Agreement based on this discussion.

The BOD did not have time to discuss the recruitment materials, but did identify members for a Recruitment WG.

12. Adjournment

The board unanimously moved to adjourn at 6:36.

The next Green Bank Board of Directors meetings are scheduled for:

- **Tuesday, November 29th, 2016, 2:30 – 5:30 pm EST – Location TBD**

For inquiries about the Green Bank Board of Directors, to access meeting materials, or for information about attending a meeting, please contact Michelle Vigen, michelle.vigen@montgomerycountymd.gov.

Revised and adopted 9 19 18