

Montgomery County Green Bank Board of Directors Meeting Wednesday Sept 19, 2018 at 1:30pm

155 Gibbs St; 4th Floor Conference Room
Montgomery County Green Bank | 155 Gibbs St | Rockville, MD 20850

Board of Directors Meeting Minutes

1. Montgomery County Green Bank (“MCGB”) Board of Directors Chair Bert Hunter called the meeting to order at 1:43 pm.

Roll call confirmed the attendance of the following:

- Hope Brown, Vice President and Chief Compliance Officer, Calvert Research and Management, Calvert Funds (by phone)
- Patty Bubar, Acting Director, Montgomery County Department of Environmental Protection (“DEP”)
- Alex Espinosa, Director, Montgomery County Department of Finance (by phone; absent from meeting from 2:00 pm to 3:12 pm)
- Michael Gergen, Partner, Latham & Watkins (by phone)
- Bert Hunter, Executive Vice President and Chief Investment Officer, Connecticut Green Bank
- Zach Marks, Assistant Director, Housing Opportunities Commissions (“HOC”)
- Marcene Mitchell, Head of Business Development, Climate Business Department, International Finance Corporation
- Bonnie Norman, President, E3 International LLC
- Bob Sahadi, Senior Advisor, Institute for Market Transformation
- Stacy Swann, Founding Partner, Climate Finance Advisors, Benefit LLC

A quorum was present.

Board Members not present:

- Brian Marconi, Partner, Cohn Reznick LLP

2. Public Introductions and Comment

Other meeting attendees included:

- Tom Deyo, CEO, MCGB
- Rosemarie Sabatino, Director of Business Operations, MCGB
- Stan Edwards, Montgomery County DEP, Special Advisor to MCGB
- Mary Casciotti, Montgomery County Department of Finance
- Michael Dow, Partner, Womble Bond Dickinson (US) LLP, MCGB General Counsel (by phone)

Two members of the public joined the meeting after it was called to order:

- Johanna Kraus-Darden, Multifamily Outreach Coordinator, Grid Alternatives
- Priyanka Bist, SolarCorps Outreach Program Fellow, Grid Alternatives

3. Approval of the Agenda

Mr. Hunter notified the Board of Directors of Mr. Espinosa's request to have the discussion on CPACE occur after 3 pm, as he had to be absent from the meeting between 2:00 pm and 3:00 pm. It was agreed that that agenda item would be moved until the end of the Partnerships and Funding Committee report. There were no other revisions to the agenda at that time.

4. Approval of Meeting Minutes

Mr. Hunter asked for comments or a resolution to approve the minutes to the June 26, 2018 Board of Directors' meeting.

R1: Approval of Minutes for the June 26, 2018 BOD Meeting

A MOTION TO APPROVE the minutes of the Board of Directors Meeting for June 26, 2018.

Ms. Mitchell moved the motion and Mr. Sahadi seconded.

All in Favor: 10

All Opposed: 0

Abstentions: 0

5. Administrative Business (Part I)

Mr. Hunter next introduced discussion of Administrative Business. With the start of the new fiscal year, there is a change in meeting format with the introduction of a Consent Agenda. He also indicated that a Board Member password-protected web page has been established on MCGB's website and that MCGB has posted copies of its policies as well as the materials for the Board of Director's meeting on this section of the website. The purpose of the Consent Agenda is to dispense with matters needing perfunctory approval. The consent agenda is developed by Board Leadership. Should a Board Member wish to consider any item on the Consent Agenda in greater detail, items can be moved to the regular meeting agenda for further consideration with a request of any Board Member.

Mr. Hunter next proceeded to provide the Chairperson's updates. He noted that all Board Committees have been busy, and he thanked everyone for the time they have contributed. Specifically:

- The Finance and Operations Committee reviewed and vetted MCGB's FY2018 audit and Form 990, and the full Board of Directors will meet to discuss them at the Special Board Meeting on September 20, 2018. The Committee also reviewed the financials for July and August 2018 that were produced by Mr. Robert (Bob) Stocker, MCGB's new accountant, as well as the newly-created policy on credit cards and bank accounts that are included in the Consent Agenda.
- The Product Development Committee has been focused on MCGB's marketing efforts around the Commercial Loan for Energy Efficiency and Renewables ("CLEER") Program and moving the CPACE construction period bridge loan product forward. The Committee also received the first progress report of the homeowner product development team.

- The Partnership and Funding Committee connected with County officials regarding MCGB obtaining the remaining tranche of County funds. Mr. Deyo will provide an update during his report. The Committee also undertook a strategic review and worked with MCGB to finalize the video.
- The Investment Committee conducted a Concept Review of the potential CPACE construction period bridge loan product and received an update on the homeowner product development effort.
- The Governance Committee reviewed draft policies pertaining to Board Member MCGB email accounts and MCGB bank accounts and credit card policies.

He noted that Board Leadership continued to meet weekly, and that after October 1, 2018, the weekly call will be moving to Wednesday. Mr. Hunter then thanked the Board Leadership for their time commitments. Lastly, he indicated that the Board Leadership was finalizing Mr. Deyo’s annual performance review, and that they will soon come to the full Board for their input.

6. General Business (Part 1)

Mr. Deyo suggested to Mr. Hunter that the Board of Directors next consider the Consent Agenda, to accommodate the schedule of Mr. Espinosa. With Mr. Hunter’s concurrence, Mr. Deyo then reviewed the items on the Consent Agenda and Mr. Hunter asked the Board Members if any items needed to be removed from it. No Board member suggested removing items.

R2: Approval of Items on the Consent Agenda

A MOTION TO APPROVE the following items given to the Board as part of the Board package after having been approved at relevant Board Committees for presentation to the Board for approval.

Revised FY19 Workplan (adding CLEER element)

Past Meeting Minutes Revisions

- July 28, 2016
- September 14, 2016
- October 20, 2016
- January 26, 2017
- February 22, 2017

Policy for Bank Account and Credit Card Approvals

Policy for Board emails

Delegation of Programmatic Expenses to Finance and Operations

Ms. Swann moved the motion and Ms. Bubar seconded.

All in Favor: 10

All Opposed: 0

Abstentions: 0

5. Administrative Business (Continued)

Mr. Deyo next reviewed his report. He provided an update on Board Committee operations, CLEER marketing strategies, and development of the CPACE construction period bridge loan and a homeowner product.

Mr. Deyo also reported that MCGB appears to be close to receiving the \$8 million remaining balance of the \$14.1 million Customer Investment Fund (“CIF”) commitment, based on a meeting he attended with Mr. Hunter, Ms. Norman, Ms. Bubar and Mr. Edwards and the County Executive. Once those funds have been received, MCGB will have received the full amount under the County CIF commitment.

Mr. Deyo next provided an update on a number of administrative matters, including the audit and Form 990, and the accountant and accounting system transitions. He noted that a Workers Compensation policy has been put in place, and that the Directors and Officers Insurance policy has been renewed. MCGB has continued to do outreach and make new connections. Mr. Deyo then provided Board Members with an update on progress made against the FY19 workplan.

Mr. Hunter next turned to Mr. Edwards to provide an update on Montgomery County matters. Mr. Edwards reported that the County’s Benchmarking data will be posted on Data Montgomery, as well as on DEP’s website. The County also is providing building owners with information that informs them about next steps and available tools to help them improve energy efficiency and performs outreach to the owners. Mr. Hunter asked about having an event and Mr. Edwards indicated that DEP is focused on highlighting the Benchmarking effort at Energy Summit in April.

Mr. Sahadi inquired if the building owners will be surprised by the data, to which Mr. Edwards responded that the building owners themselves had reported the data to DEP and that this is the second year for all of the covered buildings to have reported it to the County.

Mr. Hunter asked that the Product Development Committee brainstorm about how the Benchmarking effort and CLEER Program can be promoted to the market prior to April. Ms. Norman noted that the Board Leadership sees this as a priority area.

Mr. Edwards next reported on matters before the County Council:

- Bill 10-18, Administration - Director of County Climate Policy – **Enacted by unanimous vote**
 - Would require the County Executive to designate an employee as a Director of County Climate Policy and define the duties of the position
- Bill 11-18, Buildings - Environmental Roof Design - Non-residential and Multi-family buildings – **No work sessions to date**
 - Would require an environmentally sustainable roof on certain new and extensively modified non-residential or multi-family buildings
- Bill 12-18, Real Property - New Home Sales Contracts - Solar Panel Systems – **2nd Work Session scheduled for October 1st (Note this work session was subsequently postponed)**
 - Would require the seller of a new single-family home to provide the buyer (1) an estimate of the cost of a solar PV system, (2) the estimated annual energy savings from the system, (3) the number of years estimated to recoup the cost of the system

from the estimated energy savings, and (4) an option to add the installation of a solar PV system to the sales price of the new single-family home.

6. General Business (Continued)

Mr. Hunter next invited the two members of the public who had joined the meeting to introduce themselves.

He then invited Mr. Sahadi to report on the Product Development Committee's activities.

Product Development Committee

Mr. Sahadi introduced the Product Development Committee's report with preliminary comments. He noted that MCGB has moved from a Blue-Sky phase, then to a standing-up-the- organization phase, and then onto a product roll-out phase. MCGB now is in a phase of prioritizing marketing activities. He asked Mr. Deyo to walk through the key items in the Product Development Committee's report.

Mr. Deyo reported CLEER that MCGB staff has reached out to contractors and business groups and put program controls in place. Mr. Deyo noted that MCGB established goals on increasing the number of Authorized Contractors and working to identify initial projects which could close in 2018. Mr. Deyo noted MCGB has made headway by cold-calling Pepco Authorized Contractors and had grown the list of CLEER Authorized Contractors from 3 (at launch) to 10. Also, contractors have told us what resonates with their customers and we have tailored our materials accordingly.

Mr. Deyo reported that MCGB has one project in the pipeline, and Mr. Deyo thanked the Investment Committee for its consideration of waivers that would enable the loan to be approved. The potential borrower most likely will not act on the proposed loan until at least January, after it is considered by their Board. Contractors have been mentioning CLEER to their customers; however, the contractors report that companies are flush with cash and are willing to use it to fund the costs. That is the preference of owners. Mr. Hunter noted that multifamily building operators and nonprofits do not have extra cash and we should consider placing emphasis on these two customer groups. Mr. Deyo noted that MCGB also has been targeting homeowners' associations ("HOAs") as possible CLEER borrowers, too. In conclusion, Mr. Deyo conveyed that MCGB has been trying to work multiple angles to create a CLEER transaction pipeline. He noted that MCGB released a monthly contractor newsletter starting in July and that this has had a good open rate of over 30% from its 100-plus email list. He also related that Revere Bank has been helpful in introducing MCGB to Montgomery County property managers.

Ms. Norman mentioned that her impression is that customers have a strong interest in solar PV. Mr. Deyo noted that MCGB is intending to bring several product amendments to CLEER through the Board Committee process, including one for solar PV only, and that this could help address this interest.

Mr. Sahadi raised the point that MCGB needs to really focus on marketing and that MCGB should strongly consider hiring an additional staff person with demonstrated sales experience to get knowledge and use of the product. Getting best use of CLEER in the market has required a good

deal of time from Mr. Deyo and Ms. Sabatino and MCGB should really be marketing the product full time.

Ms. Norman indicated that she is on the Advisory Committee for the DC Green Bank and that MCGB shared some of its documents with them, so they know about the CLEER product. This should facilitate collaboration and sharing. She then provided additional information about the status of the DC Green Bank.

Mr. Espinosa rejoined the meeting via phone at 3:12 pm.

Mr. Deyo next provided an update on the CPACE construction period bridge loan product, and that MCGB was creating a construction participation structure under which MCGB would buy up to a 75% participation in a project, with a lending period of 12-18 months. This has been vetted with several lenders and MCGB has received a very favorable response. He then reviewed the next steps for moving the product forward.

Ms. Swann noted that the Investment Committee had reviewed the proposed CPACE product, and that it plans to provide written guidance to Mr. Deyo later in the week.

Mr. Deyo next discussed a proposed \$50,000 affordable rental housing technical assistance initiative, for which there was not yet a secured funding resource to pay for it as the philanthropic resource projected to support it did not get awarded. A discussion followed about the intent of the initiative and the potential of other resources to support.

Mr. Deyo also noted that he has been working with Mr. Marks to identify community solar opportunities on HOC properties that if installed could benefit low-to moderate-income tenants and / or area residents.

Tom next reviewed a memo to the Board that described additional product development needs, including marketing support and a proposed new position of a 2-year term employee to market CLEER and homeowner product (if launched), product development consultant work for CPACE, the next phases of the homeowner product development effort, and an affordable rental housing technical assistance initiative. The memo identified possible sources for supporting these added expenses, including adjusting current FY19 budget items and potential revenues not in MCGB's FY19 budget if MCGB were to receive the \$8 million in funding and earned interest on this investment.

Partnership and Funding Committee

Ms. Norman opened the session. To start, Mr. Deyo played the most recent version of the MCGB video and the Board Members provided additional suggested changes. Ms. Norman thanked the Board Members for their input throughout the process.

Ms. Norman next highlighted fundraising. She noted that MCGB was fortunate to start a relationship with the Town Creek Foundation, and that MCGB needs to identify other philanthropic organizations. Ms. Norman asked that Board members consider providing support to this activity, such as offering contacts and introductions.

Mr. Deyo next updated the Board of Directors on efforts to make our communications more strategic, as well as the recent release of two discussion papers that summarize the proceedings at the June 2018 Local Green Bank workshop that was supported by Town Creek Foundation funding. The papers are available through a link and will soon be available on MCGB's website.

Finally, Mr. Deyo updated the Board of Directors on the status of the remaining \$8 million from the County under the grant contract. The Most Favored Nation funds have not been part of the conversation about the \$8 million with the County. MCGB anticipates funding by end of October and will soon hear more about any other prospective funding from other County Settlement sources.

Mr. Hunter next read Resolution 3:

R3: Approval of Amendment to CONTRACT # 1076863 MONTGOMERY COUNTY GREEN BANK CORPORATION

By recommendation of the Board Leadership, a Motion to approve the Montgomery County Green Bank to enter into an **Amendment to Contract # 1076863 Montgomery County Green Bank Corporation** for an amount of an estimated \$8 million along with any technical changes to the original contract entered into on June 8, 2017, provided that Board Leadership provide final approval of Amendment, and upon such final approval that Mr. Thomas Deyo, CEO of the Montgomery County Green Bank, is authorized to sign the Amendment on the organization's behalf.

Ms. Swann moved the motion, with the amendment that the word "investment" before the word "amount" be added. Mr. Sahadi seconded.

Final Resolution: By recommendation of the Board Leadership, a Motion to approve the Montgomery County Green Bank to enter into an **Amendment to Contract # 1076863 Montgomery County Green Bank Corporation** for an INVESTMENT amount of an estimated \$8 million along with any technical changes to the original contract entered into on June 8, 2017, provided that Board Leadership provide final approval of Amendment, and upon such final approval that Mr. Thomas Deyo, CEO of the Montgomery County Green Bank, is authorized to sign the Amendment on the organization's behalf.

All in Favor: 10
All Opposed: 0
Abstentions: 0

Ms. Norman next relayed the lessons learned from recent fundraising activities, including that one effective way is with a programmatic hook that resonates and aligns with funders. Ms. Norman suggested identifying funders that would be interested in the low-mod space. She also mentioned the Town Creek Foundation Heroic grant round, where the Town Creek Foundation will be utilizing its last \$15 million for three to five major grants. The Board Members then discussed programs that MCGB could propose to the Town Creek Foundation for this last funding round.

Mr. Deyo then described the creation of MCGB's first Annual Report and the timeline for completing it. He next reviewed the communications metrics report.

Finance and Operations Committee

Mr. Hunter next moved the discussion onto consideration of budget matters.

The guests departed the meeting at 4:20 pm.

Mr. Deyo presented proposed changes to the MCGB budget, which would further its programmatic agendas, as presented in the memo and discussed during the Product Development Committee portion of the Board meeting. Mr. Espinosa inquired about the source of the funds for the product development consultants and the term employee. A robust discussion followed.

Mr. Hunter suggested that the Board of Directors give its unconditional approval for a line-item adjustment in the FY19 budget that re-allocates \$10,000 from the Accountant to Product Development line-item and would provide immediate resources for the CPACE work; and conditional approval for up to \$70,000 for FY19 budget needs for the Term Employee, and up to \$30,000 for a homeownership product development consultant which would only be available if MCGB were to receive the \$8 million in County funds. A decision was made to hold on the multifamily technical assistance consultant at this time, and the staff was directed to work with the Product Development Committee on a more formal proposal that could be brought back to the Board of Directors in the future. There was consensus for this approach. Mr. Espinoza suggested that in the future, the Board of Directors would not approve budgets unless MCGB had the funds available to pay for the proposed use.

Mr. Hunter moved the motion that the Board of Directors give its unconditional approval for the funding for the CPACE product development consultant, and conditional approval for the term marketing contractor and the homeowner product development contractor.

[Final wording of the resolution, agreed upon by Board Leadership on September 25, 2018:

A MOTION TO APPROVE that MCGB move forward with the following business priorities as presented at the September 19, 2018 Board meeting as follows: (1) To re-allocate \$10,000 in the budget from the Accountant line-item to Product Development Budget to support part 2 of the CPACE product; and (2) once MCGB has received the remaining \$8 million in Montgomery County contract funds and such funds invested to generate interest revenue, (a) committing \$30,000 of this new FY19 revenue to support the current FY19 Product Development budget line item to complete development of a homeowner product and other product development needs; and (b) approval of hiring a marketing employee on a 2-year term position and committing up to \$70,000 of this new FY19 revenue to support the FY19 expenses associated with this employee.]

Mr. Hunter moved the motion; Mr. Sahadi seconded.

All in Favor: 10

All Opposed: 0

Abstentions: 0

Mr. Hunter inquired of the Board of Directors' Secretary whether there would be any issues with the resolution having passed in this manner, and she replied no.

Ms. Brown next indicated that there were no Governance Committee matters to be discussed before the Board of Directors at this time.

Mr. Hunter then requested a motion to adjourn the meeting. Ms. Norman moved the motion and Mr. Sahadi seconded.

All in Favor: 10

All Opposed: 0

Abstentions: 0

Mr. Hunter adjourned the meeting at 5:20 pm.