

Montgomery County Green Bank Board of Directors Meeting Wednesday November 14 , 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 1:35 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; absent from meeting from 2:00 pm to 2:20 pm)
- Patty Bubar, Acting Director, Montgomery County Department of Environmental Protection (“DEP”) (departed meeting at 4:23 pm)
- Alex Espinosa, Director, Montgomery County Department of Finance (by phone; departed meeting at 2:15 pm)
- Michael Gergen, Partner, Latham & Watkins (by phone; departed meeting at 3:30 pm)
- Bert Hunter, Executive Vice President and Chief Investment Officer, Connecticut Green Bank
- Zach Marks, Assistant Director, Housing Opportunities Commissions (“HOC”) (by phone; departed meeting at 3:30.)
- Brian Marconi, Partner, Cohn Reznick LLP
- 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.

2. Public Introductions and Comment

Other meeting attendees included:

- Mr. Tom Deyo, CEO, MCGB
- Rosemarie Sabatino, Director of Business Operations, MCGB
- Mr. Stan Edwards, Montgomery County DEP, Special Advisor to MCGB
- Mr. Michael Dow, Partner, Womble Bond Dickinson (US) LLP
- Ms. Lindsey Shaw, Commercial Energy Program Manager, Montgomery County DEP

One member of the public joined the meeting at 2:15 pm (and departed the meeting at 4:33 pm):

- Ms. Stephanie Riddick, Montgomery County Sierra Club

Ms. Riddick thanked MCGB for its efforts, suggested a number of organizations with which MCGB could partner, including for solar energy loans for homeowners. She also noted that her personal campaign is to see the County complete a comprehensive energy plan. Mr. Hunter thanked Ms. Riddick for her comments.

3. Approval of the Agenda

Mr. Hunter asked if there were any changes to the proposed agenda, and hearing none, the agenda was approved.

4. Approval of Meeting Minutes

Mr. Hunter turned to Ms. Brown to lead the approval of the prior Board of Directors Meeting minutes. She asked if there were any changes to the minutes from either the September 19, 2018 or September 20, 2018 meetings. Hearing none, she moved the motion to approve R1 and R2; Ms. Swann seconded.

R1: Approval of Minutes for the September 19, 2018 BOD Meeting

A MOTION TO APPROVE the minutes of the Board of Directors Meeting for September 19, 2018.

All in Favor: 10

All Opposed: 0

Abstentions: 1 (Mr. Marconi was not present at this Board of Directors Meeting)

R2: Approval of Minutes for the September 20, 2018 BOD Meeting

A MOTION TO APPROVE the minutes of the Board of Directors Meeting for September 20, 2018.

All in Favor: 8

All Opposed: 0

Abstentions: 3 (Ms. Brown, Ms. Mitchell, and Mr. Marks were not present at the September 20, 2018 meeting)

5. Partnerships and Funding Discussion – Part A

Mr. Hunter next turned to Ms. Norman to lead the discussion about the proposed Amendment #3 to the County Contract, which would provide \$13 million in new settlement funds to MCGB to manage several additional programs consistent with MCGB’s mission. The Amendment #3 establishes more specific parameters for the funding than those associated with the \$14.1 million of the original contract with MCGB and provides additional clauses around the County’s ability to recapture funds from the original contract and this new funding. Ms. Norman then asked Mr. Deyo to update the Board of Directors on the status of confidential discussions with the County. Mr. Deyo discussed the process to date, the potential that the proposed recapture provisions could impact MCGB’s balance sheet for the current designation of restricted and unrestricted capital and affect MCGB’s working with financial partners, and the possible time horizon by which MCGB would need to bring it before the Board of Directors for approval, likely via a Board of Directors Special Meeting.

Mr. Espinosa asked that MCGB’s auditor provide input into the ramifications of the County-proposed recapture provisions on MCGB’s balance sheet once the final draft Amendment #3 was provided to MCGB and the County be informed when the information is received.

Ms. Bubar updated the Board of Directors on her recent conversation with the County Executive's office. Mr. Hunter summarized the termination provisions already in the contract, including the ability to dissolve the corporation and recapture its assets and a termination clause in the contract which allows the director of the office of procurement to terminate the contract for cause. Mr. Hunter also noted the potential impact on MCGB's relationship with stakeholders for the recapture clause given its influence on the presentation of restricted and unrestricted capital on MCGB's balance sheet and the uncertainty factor of the significant controls in the draft amendment. These items can create uncertainty for investors.

A robust discussion of the proposed terms in the amendment followed.

Mr. Deyo next updated the Board of Directors on the status of Amendment #2 for the balance of \$8 million in Customer Investment Fund funding, which was being delayed because of a need for the County to complete an appropriations process, but that process was expected to be completed early the following week.

Ms. Swann noted that the Board of Directors was being asked to consider a significant number of criteria around the funding in a short period of time. She suggested the fastest way for achieving a quick decision was to make the contract amendments simple and recognize the controls that already are in place to efficiently manage the funds.

Ms. Norman asked the Board of Directors whether they felt a Special Board Meeting should be planned to review a final amendment or allow Board leadership to be delegated such responsibility. The consensus of the Board of Directors was that Amendment #3 should be voted on by the entire Board of Directors and that Mr. Deyo should schedule the Special Board Meeting in anticipation of receiving the Amendment #3 language.

Mr. Hunter next invited the just-arrived member of the public to introduce herself, and he thanked her for coming to the meeting.

6. Administrative Business

Mr. Hunter provided the Chair's update. He noted Mr. Deyo's and Ms. Norman's efforts on the Town Creek Foundation ("Town Creek") submission. He highlighted that MCGB was continuing to work to get traction with the Commercial Loan for Energy Efficiency and Renewables ("CLEER") and that MCGB had posted a marketing position to assist with contractor recruitment (although per the Board of Directors' direction, hiring is contingent on Amendment #2 funding being received and invested). Mr. Hunter also thanked the Board Members for the time they devoted to MCGB this year, including supporting the committees.

Mr. Deyo next provided the Chief Executive Officer's report. He reviewed the dashboard that was included in the Board of Directors' materials. He indicated that MCGB has earned income from investment of its capital but has no earned income yet from its products. He also noted that all required reports were filed on-time in October, and that the first MCGB Annual Report has been published and distributed to key stakeholders. Mr. Deyo next highlighted MCGB's many outreach steps taken to get traction on CLEER. He noted that feedback from several calls with MCGB's authorized contractors found that, while the product is well-designed and fits a need,

businesses presently have been utilizing on-hand cash to pay for their energy efficiency improvements. He indicated that MCGB has over 20 contractors and stakeholders signed up for the CLEER and CPACE webinar on the following day, and he thanked Ms. Shaw for her participation as a presenter. Mr. Deyo also reported that the County Council recently voted 9-0 to change CPACE and address the issue for CPACE that prevented broader lender participation. This was a good step for the County to take. However, by doing so it means MCGB's product to address the CPACE issue is no longer needed and so MCGB's product development effort for the CPACE bridge product has ended for now.

Mr. Deyo ended his report with discussion of the status of a grant application to Town Creek under the Heroic Challenge grant. Town Creek asked several partners to discuss the prospect of submitting a collaborative application since we all shared similar proposals in our individual applications. The four other partners involved in the Town Creek grant collaboration include the City of Baltimore, Maryland Solar United Neighbors, Earth Justice, and the Institute for Energy and Environmental Research. The collaborative made its submission on November 9th. Mr. Hunter requested that the collaborative's submission be posted on the Board of Directors' restricted site. MCGB should hear later in November whether Town Creek accepts its individual application or the collaborative application.

Mr. Deyo next reported on several communications activities, including that MCGB will be terminating its contract with its communications consultant in an effort to go in a different direction. The decision was made in consultation with the Partnership and Funding Committee.

MCGB has posted its video on its website, and, along with the annual report, it has been a useful tool with which to connect with stakeholders. Mr. Deyo next noted that the video has received good reviews and comments. He also reported progress on developing short versions of the video, including one to be translated into Spanish.

Mr. Deyo ended his report by providing several operational updates, including the hiring of Dana Moore in response to the Request for Quotations for a Credit Risk Advisor and the hiring of Blue Crab Software as a new web designer. The CLEER financial control manual for CLEER has been through the Finance and Operations Committee and approved.

Mr. Hunter thanked Mr. Deyo for his report and then suggested that MCGB consider undertaking specific outreach on CLEER to specific categories of organizations, which might not be the focus of the contractors. Examples include the nonprofit community, hospitals and senior communities.

Mr. Edwards next provided the DEP Staff update in which he noted that:

- DEP was in the process of finalizing the Benchmarking data prior to public release.
- The County Council unanimously passed Bill 33-18, which modifies the County's CPACE program to require the County to place the surcharge on the real estate tax bill at the time of the approval of the project (and prior to the beginning of construction).
- DEP is completing its stakeholder meetings, which have been exploring options for providing incentives for green building to replace the County's current tax credit system.

Once the working groups have completed their work and the reports finalized, they will be sent to the County Executive.

- The County Council has been considering several pieces of legislation that could support clean energy efforts but there are no updates since the last Board of Directors' Meeting.

7. General Business

a. Consent Agenda

Mr. Hunter next noted that there was one procedural item on the Consent Agenda – approval of a health plan flexible spending plan for MCGB employees.

R3: Approval of Items on the Consent Agenda

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

Resolution approving Paychex to Administer Montgomery County Green Bank's Flexible Spending Plan

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

All in Favor: 10

All Opposed: 0

Abstentions: 0

b. Partnerships and Funding Discussion – Part B

Ms. Norman began by mentioning the upcoming Town Creek-funded follow-on meeting to the June 2018 Benefits of a Local Green Bank workshop. The November 16th meeting will be co-hosted with the Metropolitan Washington Council of Governments. She also noted that she wanted to do a high-level review of the MCGB Business Model and Strategic Framework in light of the pending potential new funds. A complete review may be undertaken after completion of the Amendment #2 and #3 and a full understanding of what this could mean for MCGB's strategy and business model. This would likely be at the January Board of Directors Meeting.

Mr. Deyo then reviewed the MCGB's Strategic Framework adopted in January 2018, Key Performance Indicators, current business model and Annual Budget Assumptions, and noted that MCGB would re-calibrate the model, including for the product mix, for the next Board of Directors Meeting after completion of the amendments with the County.

Mr. Deyo highlighted that the Annual Report and video have been useful for reopening discussions with funders. Mr. Deyo noted that, if MCGB's application was accepted, that a final decision by Town Creek on the Heroic Challenge grant would not be until July 2019.

c. MCGB Products Discussion

Mr. Sahadi began his report by noting that there are a number of activities underway. Changes are being proposed to enhance the CLEER program, and he is very enthused about affordable multifamily. He is planning to schedule a strategic discussion soon about how to use the new County funds.

Mr. Deyo reported on MCGB's CLEER-related activities and summarized the memorandum to the Board of Directors, which presented proposed changes to the product based on contractor and lender input for enhancements that could be of benefit to the market. Mr. Hunter asked if there were any questions. Ms. Swann asked if there were any changes to loans or revenues expected from the changes. Mr. Deyo noted that the CLEER product changes were an effort to increase the channels for the product and open up opportunities for existing channels to view the product more favorably. Mr. Deyo did not see the product enhancements as changing the current projections for CLEER revenue or volume but would help MCGB work toward these projections. Mr. Sahadi moved that Resolution 5 be considered, and Mr. Hunter read the resolution:

R5: Approval of CLEER Product Changes

A MOTION TO APPROVE the product changes for the Commercial Loan for Energy Efficiency and Renewable (CLEER) product as presented to the Board of Directors on November 14, 2018, including allowing solar only measures, lower fees for nonprofit borrowers, lower energy savings for the Building Tune-Up measure, allowing a portion of Pepco incentive payments to be included within the loan, and measures that are installed directly by customers without a contractor.

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

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

Mr. Sahadi then moved the discussion to our status on a homeowner-related product. Ms. Sabatino provided an update on the homeowner product development efforts to date and the decision of the Product Development Committee to pursue a direct lender approach rather than use a third-party conduit approach. Mr. Sahadi reported that since that Product Development Committee decision, MCGB has been in discussions with a local lender to offer an energy efficiency and renewable energy loan product to homeowners. Ms. Swann asked how we can learn from the CLEER launch. Ms. Norman asked MCGB to consider bringing in another lender. Mr. Deyo recommended, based on the market review and sizing and interest of lenders, to have suitable market size to undertake a product development effort, that MCGB's approach be to enter into a direct relationship with one lender until we know what the market's size will be. Mr. Deyo also noted that the learning from CLEER was to get out earlier with contractors, so they know about the product and could be promoting it in the market ahead of the launch. Ms. Norman asked if the prospective lender had an online application platform, to which Mr. Deyo replied in the affirmative. Mr. Sahadi indicated that the local lender has a flexible, robust

platform, a competitive interest rate schedule, and that they are interested in energy efficiency and solar.

Ms. Swann indicated that MCGB should be thinking about how we fill a gap, get into low- and moderate-income markets, and open new channels. Mr. Deyo indicated that the Product Development Committee's recommend approach is consistent with Ms. Swann's comments and that and our interest is to achieve greater interest across all markets.

Mr. Marconi was interested in how MCGB gets identified in the market-whether we would be found by consumers that search for financing and whether MCGB might offer a one-stop shop for interested parties. He suggested developing an easy model for consumers to understand the savings they can achieve with energy efficiency or solar across a variety of lease or purchase models.

Mr. Hunter shared that consumers are very responsive to brands and branding, and a short discussion of branding followed. Branding is a high-intensity effort and MCGB should approach this with that understanding. He felt this would be key to achieving success.

Mr. Deyo ended the discussion by informing the Board of Directors that the proposed investment partner selection approach for securing a lending partner for the homeownership product was to do so by direct outreach to prospective lenders and not through a Request for Proposals. Mr. Deyo made this recommendation as the program was going to be a pilot program, that building a product would require direct discussions and negotiations and the recommended approach would allow MCGB to get into the market more quickly. After discussion, the Board of Directors provided no comment on the approach.

Mr. Deyo then summarized the memo for an affordable rental technical assistance pilot program that was included in the Board of Directors' materials. Mr. Deyo noted that the proposed budget amount for this pilot program was in the approved FY19 budget. However, the original budget proposed foundation funding to support the effort. Such funding had not yet materialized. For this pilot to proceed, the proposed funding would be earned interest on the new core funds coming with the Amendment #2 resources and such new revenue was not in the original proposed FY19 budget. Foundation dollars would continue to be sought as well. A robust discussion followed, including how this approach would add value and be scalable. There also was interest in the output of the effort to offer lessons that can be shared with the community. Ms. Swann also suggested that the Governance Committee might wish to take a look at MCGB Technical Assistance and how MCGB should think about these as programs. There was interest in looking at replication and that the effort help meet MCGB's business goals around affordable rental and products. Ms. Swann would follow-up on whether additional information would be of benefit.

Mr. Sahadi asked to move to discussion of the proposed resolution.

R6: Approval of Affordable Rental Technical Assistance Program

A MOTION TO APPROVE that MCGB move forward with the Affordable Rental Technical Assistance Program presented to the Board on November 14, 2018 and also the funding strategy presented in that memo that uses current FY19 MCGB resources while continuing to seek philanthropic funds.

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

All in Favor: 8
All Opposed: 0
Abstentions: 0

7d. Finance and Operations

Mr. Marconi introduced the Finance and Operations Committee report, and Mr. Deyo provided highlights from the October FY19 Financial Statement. He reviewed the variances on the budget-to-actual report, including that revenues are behind projection, and that the costs of our insurance policy line item will be increasing, but that most other expense items are on-target. Mr. Hunter asked the committee to explore additional short-term investment options for the additional County funds, and to ask Mr. Espinosa for his input about how to invest that money.

7e. Governance Updates

Mr. Hunter next asked Mr. Deyo to talk about R8, after which he read the motion.

R8. Approval of New Holiday Schedule

A MOTION TO APPROVE that MCGB adopt the new holiday schedule adding Martin Luther King Day and President’s Day as paid holidays and amending the Employee Handbook for this change.

Ms. Swann moved the motion; Mr. Marconi seconded.

All in Favor: 7
All Opposed: 0
Abstentions: 0

Mr. Hunter next read Resolution 7:

R.7. 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 the staffing of the Montgomery County Green Bank, per the “personnel matters” exception §3-305(b)(1). The reason for closing the meeting is to discuss compensation and benefits for positions, and the process for determining the same.

Mr. Hunter moved the motion and Mr. Marconi seconded.

All in Favor: 7

All Opposed: 0

Abstentions: 0

The Board of Directors went into closed session.

Mr. Hunter then moved the motion to adjourn the meeting. Ms. Swann seconded.

All in Favor: 7

All Opposed: 0

Abstentions: 0

Mr. Hunter adjourned the meeting at 5:00 pm.