

Montgomery County Green Bank Board of Directors Meeting Wednesday January 23, 2019 at 1:30 pm

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 1:36 pm.

Roll call confirmed the attendance of the following:

- Hope Brown, Vice President and Chief Compliance Officer, Calvert Research and Management/Calvert Funds (in-person and by phone)
- Patty Bubar, Acting Director, Montgomery County (“County”) Department of Environmental Protection (“DEP”)
- Michael Gergen, Partner, Latham & Watkins (by phone; departed meeting at 4 pm)
- Bert Hunter, Executive Vice President and Chief Investment Officer, Connecticut Green Bank
- Zach Marks, Assistant Director, Housing Opportunities Commissions (“HOC”) (in person and by phone)
- Brian Marconi, Partner, Cohn Reznick LLP (in-person and by phone)
- Marcene Mitchell, Head of Business Development, Climate Business Department, International Finance Corporation (by phone and in-person)
- Bonnie Norman, President, E3 International LLC
- Bob Sahadi, Senior Advisor, Institute for Market Transformation (by phone)
- Stacy Swann, Founding Partner, Climate Finance Advisors, Benefit LLC

A quorum was present.

2. Public Introductions and Comment

Other meeting attendees included:

- Mr. Robert Hagedoorn, Chief, Fiscal Management, Montgomery County Department of Finance
- Mr. Tom Deyo, CEO, MCGB
- Rosemarie Sabatino, Director of Business Operations, MCGB
- Mr. Stan Edwards, Montgomery County DEP, Special Advisor to MCGB
- Ms. Mary Casciotti, Montgomery County Department of Finance (by phone)
- Mr. Michael Dow, Partner, Womble Bond Dickinson (US) LLP (by phone)

Mr. Hunter asked if there were any other members of the public present. No other members of the public joined the Board of Directors Meeting. Mr. Hunter recognized Mr. Hagedoorn (Chief, Fiscal Management), whom Mr. Espinosa, the prior ex-officio Board of Directors member, designated to serve in his place upon Mr. Espinosa’s resignation.

3. Approval of the Agenda

Mr. Hunter asked if there were any changes to the proposed agenda. One change was offered relating to contracts / procurement on the Closed Meeting agenda. The amended agenda was then approved.

4. Approval of Meeting Minutes

Mr. Hunter turned to Ms. Brown to lead the approval of the prior Board of Directors Meeting minutes. Ms. Brown referred the Board members to the draft Board of Directors Meeting minutes for the November 14, 2018 Board of Directors Meeting and asked whether there were any comments. There were none.

R.1: Approval of Minutes for the November 14, 2018 Board of Directors Meeting

A MOTION TO APPROVE the minutes of the Board of Directors Meeting for November 14, 2018.

Ms. Brown moved the motion and Ms. Norman seconded.

All in Favor: 10

All Opposed: 0

Abstaining: 0

Ms. Brown next referred the Board members to the November 26, 2018 Board of Directors Meeting minutes and asked whether there were any comments. There were none. Mr. Hunter invited a motion to approve R.2.

R.2: Approval of Minutes for the November 26, 2018 Special Board of Directors Meeting

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

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

All in Favor: 7

All Opposed: 0

Abstaining: 3

5. Administrative Business

Mr. Hunter next provided the Chairperson's updates. He began by recognizing Mr. Espinosa's resignation from the Board of Directors, which was effective January 15, 2019, as well as Mr. Espinosa's contributions to the Board of Directors. He then offered the following Special Resolution, which was presented to the Board members in hard copy at the Board of Directors Meeting (and sent to those attending the Board of Directors Meeting via phone):

Special Resolution of Thanks to Mr. Espinosa

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 County; and

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

Whereas: Alex Espinosa, Director of Finance for Montgomery County and a member of the Board of Directors of the Green Bank (the “Board”), has worked to help establish the Green Bank and demonstrated his commitment to its development and sustainability; and

Whereas: The Board wants to commend Alex Espinosa for his role in the establishment of the Green Bank and for his diligence, thoughtfulness and guidance as a representative of Montgomery County and a Director on the Board;

Now therefore be it

Resolved: The Board of the Green Bank hereby commends Alex Espinosa for his dedication, commitment and resolve to establish and advance the financial strength of the Green Bank and hereby extends its heartfelt appreciation for his exemplary service to the Green Bank.

Ms. Norman moved the motion and Ms. Brown seconded. However, because not all Board members were available for the vote, final passage of this Special Resolution was tabled until later in the Board of Directors Meeting.

Mr. Hunter noted that Mr. Espinosa designated Mr. Robert Hagedoorn to replace him on the Board of Directors as allowed in the Bylaws for the ex-officio Board of Directors member position to be held by the Director of the Montgomery County Department of Finance.

Mr. Hunter next thanked the Board members and Mr. Edwards for their contributions since the last Board of Directors Meeting. He reported that the MCGB has joined the American Green Bank Consortium, a newly-formed green bank membership network, and then highlighted the efforts of each of the Board Committees.

He then asked Mr. Deyo to provide the CEO’s report. Mr. Deyo thanked the Board members for the substantial time that each has provided to the MCGB, and then he provided updates on key MCGB efforts. MCGB continues to focus attention on marketing of the Commercial Loan for Energy Efficiency and Renewables (“CLEER”) program, including through the monthly contractor newsletter that also is being sent to solar-only contractors (who are now eligible), direct outreach to customers on lender pipelines, and direct site visits to six CLEER Authorized Contractors, all of which represented that CLEER has value but that their customers have been

preferring to use cash instead of financing. Ms. Sabatino also continues to reach out to contractors. Mr. Deyo noted that Revere Bank is seeking to arrange a meeting with its internal sales team. Mr. Hunter asked about Ascentium Capital's efforts, to which Mr. Deyo replied that they are being helpful regarding buy-down discussions and they also are in touch with the contractors. Community solar and a low- and moderate-income solar lease program are in development as is investigation of a commercial loan guarantee program. The MCGB continues to work in collaboration with several other organizations on a Town Creek Foundation grant submittal due in March 2019. Mr. Deyo next reported on various human resources and consultant procurement matters. He then highlighted updates on the dashboard report that was included in the Board Book and provided a status report on various efforts tied to the MCGB's workplan. These updates included discussion of the CLEER program and maintaining an on-hold status for the CPACE construction bridge loan product.

Ms. Brown asked what the CEO's definition for success for this FY was and suggested that having that in a snapshot would be helpful. Mr. Hunter directed Mr. Deyo to include it in the March Board Book update.

Mr. Edwards next provided the DEP Staff Update:

- Mr. Adam Ortiz has been nominated as the new Director of DEP. He was formerly the Director of the Prince George's County Department of the Environment. His confirmation hearing is January 29th.
- Ms. Lindsey Shaw has earned a well-deserved promotion and will now oversee all of DEP's energy programs.
- The first meeting of the new Transportation & Environment Committee was held on January 23, 2019. Council member Tom Hucker is the new chair. The other committee members are Hans Riemer and Evan Glass. At the meeting, the Chair expressed a desire to dive into climate issues.
- The DEP is anticipating the introduction of a County Council bill that would expand the County's benchmarking program. The DEP is investigating pathways to implementing a Salesforce solution to support implementation of the benchmarking program because lowering the square footage threshold for non-residential buildings and including multifamily buildings could double or triple the number of buildings covered by the program.
- The DEP is exploring opportunities for greenhouse gas ("GHG") reduction support as the next step to implementing some of the recommendations in the Climate Emergency Report submitted to the Council last June.

Mr. Hunter thanked Mr. Edwards for his report.

Mr. Hunter next moved to seat the new Board member and read the following resolution:

R.3: Seating of Robert Hagedoorn as Board Member

WHEREAS, Bill 18-15, 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 Revised 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, Alex Espinosa, Director of Finance, an ex-officio Board of Directors member pursuant to Section 2.1.1 of the Montgomery County Green Bank Bylaws, resigned from the Board of Directors on January 15, 2019.

WHEREAS, Alex Espinosa, Director of Finance, has named Robert Hagedoorn effective January 23, 2019 as his designee for the ex-officio Board of Directors member position reserved for the Director of Finance of Montgomery County pursuant to Section 2.1.1 of the Montgomery County Green Bank Bylaws.

NOW, therefore be it:

RESOLVED, that Robert Hagedoorn, Chief, Fiscal Management at Montgomery County Department of Finance, be added to the Board of Directors as an ex-officio Board member for the Director of Finance seat vacated by Alex Espinosa.

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

All in Favor: 10
All Opposed: 0
Abstaining: 0

Ms. Brown indicated for the record that Mr. Hagedoorn’s biography had been provided to the Directors in the Board Book.

Mr. Hagedoorn was seated on the Board of Directors, and Mr. Hunter welcomed Mr. Hagedoorn to the Board of Directors.

6. General Business

a. Partnerships and Funding Discussion

Mr. Hunter next turned to Ms. Norman to provide an update on Partnerships and Funding Committee matters. She noted that discussion on the County contract / procurement will be covered in the closed session, and then she asked Mr. Deyo to report on specific efforts.

Mr. Deyo provided an update on the Town Creek Foundation effort to join organizations together to collaborate on the submission of a single grant proposal. He next listed the four other organizations with which the MCGB is collaborating in the development of a larger proposal, and the efforts that have been made to draft a submission that will be attractive to the Town Creek Foundation. He indicated that the organizations are working on a full application to be submitted in March 2019. He answered questions posed by the Board members, including those

about the likelihood of a grant request of the collaborative's submission. Ms. Norman thanked Mr. Deyo for his work on that grant submission.

Mr. Deyo next provided an update on the MCGB's efforts to apply for grant funding from other foundations, including a local foundation. Mr. Deyo indicated that one of the most important lessons the MCGB has learned is that the organization needs a record to which to speak to funders. Mr. Deyo recounted a call staff had with a potential funder, in which the funder had indicated that the funder prefers to fund organizations that have a demonstrated track record. The MCGB would likely target that foundation in the late 2019 or early 2020 funding cycle.

Mr. Deyo ended his report by describing an encouraging conversation he had with another foundation that is supportive of clean energy and submission of a grant request document to the funder with a possible spring decision. Mr. Hunter asked about the MCGB's use of those funds. Mr. Deyo indicated the funds would be general operating funds, and possible uses could include the affordable multifamily technical assistance pilot or the residential loan product development effort.

b. Product Strategy, Business Model and Strategic Framework Discussion

Mr. Sahadi gave a short introduction and then asked Mr. Deyo to lead the discussion since Mr. Sahadi was attending the meeting via phone. Mr. Deyo began by describing the strategic planning session that the Product Development Committee held in December 2018, which was convened to consider next stage products as well as what the potential new County funding resources could support. Mr. Deyo thanked the Committee members and Mr. Edwards for their participation and walked through the product ideas that were discussed. He noted that the next stage products being presented were in concept form and that we were seeking Board of Directors comment at this meeting. Mr. Hunter asked questions about the low- and moderate-income solar lease model, and the market rate funds from Exelon that could be made available. Ms. Swann asked about our role in a PPA for nonprofit debt product, and Mr. Hunter suggested targeting faith communities for use of some of the resources.

Mr. Deyo next presented the revised business model that included some of the products discussed at the December 2018 strategic meeting as a way to understand how capital would be used and potential revenues. Mr. Deyo was asked by Ms. Norman about leverage, and Mr. Marconi asked about the underlying assumptions used to create the business model. Mr. Hunter suggested that the totals for under-deployed or unused funds be pulled out. Mr. Hagedoorn asked what it would take for the organization to be self-sustaining in 5 to 10 years. Mr. Hunter suggested that the MCGB look at organizations that could lend to the MCGB and evaluate if the MCGB could become a community development financial institution ("CDFI") within 2 to 3 years. He indicated that green banks need either loan volume or foundation support for them to be sustainable. Ms. Norman suggested that the MCGB analyze at different scale of production and evaluate how that affects the projections. She indicated that there is an argument for the MCGB achieving scale by bringing in impact capital. Mr. Deyo was asked to undertake some revisions and testing of the model under various scenarios and develop a balance sheet from the model.

Mr. Deyo suggested moving discussion of the Strategic Plan to the next Board of Directors Meeting after decisions on the proposed County contract amendments are expected to have been made.

c. MCGB Product Investments Discussion

Mr. Deyo next began discussion of the MCGB products, beginning with a proposed community solar transaction that includes 30% low- and moderate-income households. Ms. Swann noted that the proposed transaction had been reviewed by the Investment Committee and that the template provided to the MCGB staff by the Investment Committee seemed to work well. Mr. Deyo summarized the Investment Committee's feedback on the proposed community solar transaction. Ms. Swann remarked that any term sheet we send should have a caveat or footnote stating that the term sheet was being provided in good faith, but that a transaction is not approved until it is approved by the Board of Directors. Robust discussion followed about the structure of subscriptions for low- and moderate-income households, the influence on the model of DC Solar Renewable Energy Credits ("SRECs"), the MCGB's participation and whether the MCGB may also offer participating in the construction loan.

Ms. Sabatino next addressed the prospect of a local CDFI as a potential new lender for the CLEER program. Mr. Hunter asked if there was a way for the MCGB to participate with the local CDFI in their loan capital and Mr. Deyo indicated that it was on the MCGB's radar screen. Mr. Hagedoorn indicated that the County works with that local CDFI in a variety of ways. Ms. Sabatino next spoke about the overall status of the residential product development effort, and work done to solicit third-party interest in identifying a lender for the product. Ms. Sabatino also conveyed the MCGB's continued discussion with a local credit union as a possible partner. Ms. Sabatino indicated a lender/program management proposal would be evaluated by the Product Development Committee in the next couple weeks, and a decision on a path forward made by later in February for recommendation to the relevant Board of Directors Committees. The target for a product is summer 2019. Mr. Deyo indicated that the initial market assessments projected modest volumes for the loan product and would mean that the product was likely not going to be a net positive revenue generator for the MCGB, but that it was important for MCGB to be supportive of this market. Mr. Deyo noted other benefits for the residential product, including leverage, GHG reductions, and jobs. Mr. Hunter remarked that the County market was much different than other markets. The Board of Directors acknowledged the product may not generate positive revenues; yet, the MCGB should continue with it as it is important for MCGB to be serving this market. Ms. Swann mentioned that she wanted to see what the value tradeoffs would be for the product.

Mr. Gergen departed the Board of Directors Meeting at 4:00 pm.

d. Finance and Operations Committee Discussion (Part 1)

Mr. Hunter next turned to Mr. Marconi for the Finance and Operations Committee report. Mr. Marconi directed the Board of Directors attention to the FY19 financials contained in the Board Book and highlighted several line items. Mr. Marconi next moved to discussion of the new cash investment allocation structure and revised cash investment policy that the Finance and

Operations Committee approved. Mr. Deyo noted that this new allocation and policy was driven by the potential for additional capital from the County. The investment allocation proposal was developed based on the County's investment policy. Mr. Deyo also noted that the allocation proposal and policy had been approved by the Governance Committee. Mr. Deyo then walked through the investment allocation proposal. Mr. Hunter thanked Mr. Hagedoorn for his input as the proposal was being developed.

Mr. Hunter next read the following resolution:

R.4: Adoption of Cash Investment Allocations for New County Investment

A MOTION TO ADOPT the proposed MCGB Cash Investment Allocations as presented at January 23, 2019 Board of Directors Meeting, and management of such by MCGB Management according to the MCGB's Cash Investment Policy.

Ms. Norman moved the motion and Ms. Brown seconded.

All in Favor: 10
All Opposed: 0
Abstaining: 0

Mr. Deyo next discussed the proposed changes to the Cash Investment Policy, which would incorporate the just-approved investment allocation structure. Mr. Hagedoorn indicated that what was being proposed follows how the County revises its policies, by allowing the investment allocation as an attachment that can be amended by vote. Mr. Deyo indicated that the language on Attachment A for each of Sections A, B, and C will be deleted from the word "target" to the end of that section.

Mr. Hunter read the following resolution:

R.5: Adoption of Revised Cash Investment Policy of MCGB

A MOTION TO ADOPT the Revised MCGB Cash Investment Policy presented at January 23, 2019 Board of Directors Meeting.

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

All in Favor: 10
All Opposed: 0
Abstaining: 0

Approval of the Special Resolution

Before proceeding to the Finance and Operations Committee report, Mr. Hunter asked to complete the vote on the abovementioned Special Resolution, which had been read at the beginning of the Board of Directors Meeting but for which voting had been suspended.

All in Favor: 10
All Opposed: 0
Abstaining: 1

Mr. Deyo informed the Board of Directors that a revision to the Internal Controls policy was being presented for approval because of an error in preparation of the June 26, 2018 Board Book which did not incorporate a change requested of the Finance and Operations Chair prior to the Board of Directors Meeting. Mr. Hagedoorn asked if there was at least a two-person process in approvals, and Mr. Deyo replied in the affirmative and then described it. Mr. Deyo also stated that a second signature on checks of \$2,000 or more from one of the two Board of Directors Vice Chairs was required. Mr. Marconi also provided background as to the request to change the policy made prior to the June 26, 2018 Board of Directors Meeting. Mr. Hunter then read the following resolution after incorporating revisions he had proposed:

R.6: Adoption of Revised Internal Controls Policy to correct error in June 26, 2018 version

A MOTION TO ADOPT the Revised MCGB Internal Controls Policy that corrects an error in the policy approved on June 26, 2018 by the Board of Directors. The approved policy did not incorporate a June 18, 2018 Finance and Operations Committee meeting correction to the policy for approval of invoices to be the duty of the CEO. This revised policy incorporates this requested correction. The Board of Directors acknowledges that MCGB has been operating under this revised version for FY19 that incorporates the guidance of the Finance and Operations Committee of the June 18, 2018 meeting and ratifies the approvals made in accordance with this revised policy during the period noted.

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

All in Favor: 9

All Opposed: 0

Abstaining: 1

Mr. Hunter next turned to Ms. Brown for Governance Updates.

e. Governance Updates

Ms. Brown noted that the Conflict of Interest policy is usually distributed and signed at this Board of Directors Meeting, but that she and Ms. Sabatino were revising it so it should be available for review and attestation at the March 2019 Board of Directors Meeting. She also reminded the Board members that they should let her know of conflicts on an on-going basis, and that she is always available for consultation, especially as the MCGB gets involved in additional activities in the County.

Ms. Brown next directed the Board members attention to the term election plan in the Board Book and noted that none of the Directors were transitioning off the Board of Directors in June 2019. However, she indicated that Mr. Hunter will be stepping down as Board Chair for FY2021 (e.g., after June 2020) and that she will be stepping down from the Board Secretary position in June 2019 due to work demands. She will remain as Governance Committee Chair. She encouraged the Board members to let her know if anyone was interested in being on Board Leadership. She wanted to facilitate a smooth transition and noted that position overlap is helpful.

Finally, she highlighted for the Board members the Board of Directors Calendar, which was included in the Board Book for reference.

Mr. Marks departed the Board of Directors Meeting at 4:50 pm but rejoined via phone.

Mr. Sahadi asked a clarifying question on what positions will be opening up. He suggested that a transition plan be developed in September/October 2019 and agreed that trying to overlap incoming and outgoing Board members on officer positions was a good idea. Mr. Hunter asked Mr. Deyo to ensure this is added as one of the fall agenda items.

f. Finance and Operations Committee Discussion (Part 2)

Mr. Deyo next turned the Board of Directors attention to the budget projections for FY19 year-end and highlighted several items to which he wanted to call the Board of Directors' attention on both revenues and expenses. Mr. Deyo noted where the MCGB was projecting the organization would end up at fiscal year-end regarding administrative expenses vis a vis the 15% allowance, in particular around proceeding with the affordable rental technical assistance and product development efforts. He indicated that this could position MCGB to be above the 15% allowance if all other spending met projections. The Board of Directors engaged in a discussion on the projections. Mr. Hunter suggested that the Board of Directors give Mr. Deyo the approval to proceed with product development and the multifamily technical assistance work, provided that Mr. Deyo informs the County and seeks clearance from the County to exceed the 15% allowance. If the MCGB is not able to get such clearance, then Mr. Deyo is to report back to Board Leadership and determine how best to proceed so that the MCGB could continue to make progress on its work. Mr. Hunter indicated that this was the only way to continue to make progress. The Board of Directors agreed. Mr. Hunter indicated that when the Board Leadership was in negotiations with the County at the outset of the County contract that there was an expression by the Board Leadership to the County that MCGB could breach the 15% because MCGB was going to be in start-up mode.

At 5:13 pm, Mr. Hunter read the following resolution:

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 of Directors will discuss certain matters not related to public business of the Montgomery County Green Bank, per the "privacy or reputation" exception §3-305(b)(2) and will discuss certain matters related to contracts, per the "procurement" exception §3-305(b)(2).

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

All in Favor: 10
All Opposed: 0
Abstaining: 0

The motion carried. Ms. Casciotti departed from the call , and Mr. Deyo, Mr. Edwards, and Ms. Sabatino left the room.

At 5:38 pm, Mr. Deyo, Mr. Edwards, and Ms. Sabatino were invited to re-enter the meeting room for the second portion of the Closed Session.

At 5:55 pm, Mr. Hunter moved a motion to move out of Closed Session. Ms. Swann seconded.

All in Favor: 10

All Opposed: 0

Abstaining: 0

Next, Ms. Norman moved a motion to adjourn. Ms. Mitchell seconded.

All in Favor: 10

All Opposed: 0

Abstaining: 0

Mr. Hunter adjourned the Board of Directors Meeting at 5:56 pm.

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