

M E M O R A N D U M

December 6, 2021

TO: Government Operations & Fiscal Policy and Transportation & Environment
Committees

FROM: Robert H. Drummer, Senior Legislative Attorney

SUBJECT: Bill 44-21, Montgomery County Green Bank – Funding – Fuel Tax Revenue

PURPOSE: Worksession –Committee recommendation expected

Expected attendees:

Tom Deyo, Green Bank Chief Executive Officer
Stephen Morel, Green Bank Chief Investment Officer
Stan Edwards, Department of Environmental Protection

Bill 44-21, Montgomery County Green Bank – Funding – Fuel Tax Revenue, with Lead Sponsors Council President Hucker and Councilmember Friedson, and Co-Sponsors Council Vice-President Albornoz and Councilmembers Riemer, Navarro, Katz, Rice and Jawando, was introduced on November 16, 2021. A public hearing is scheduled for December 7, 2021 at 1:30 p.m.¹

Background

The Montgomery County Green Bank (MCGB) was established by Bill 18-15, enacted by the Council on June 30, 2015 and signed into law by the Executive on July 7, 2015. The Green Bank promotes the investment in clean energy technologies in the County by offering financing structures to lower the cost of financing these technologies for County residential and commercial properties. The fuel-energy tax is levied and imposed on every person transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas in the County. The Council budgeted \$175,651,251 for energy tax revenue in FY22.

Bill 44-21 would mandate that the Council appropriate 10% of the fuel-energy tax revenue to the County Green Bank each year in the annual operating budget. The County Attorney's Office (OCA) found no legal issues with the Bill ©6. As OCA pointed out, even if this Bill is enacted, the Council can change the amount dedicated to the Green Bank for a specific year when adopting the operating budget. OMB estimated that the Bill would reduce revenue for the General Fund by \$17.6

¹#GreenBank; #FuelEnergyTax

million each year (©8). This reduction in the General Fund would need to be made up by either reducing expenditures on other programs or increasing revenues.

Public Hearing

The public hearing was held after this staff report went to print.

Issues

1. What funds does the Green Bank have?

Tom Deyo, Green Bank CEO, provided several documents explaining the operation of the Green Bank. The 2020 Annual Report from the Green Bank is at ©10, a PowerPoint presentation prepared by the Green Bank is at ©14, and Frequently Asked Questions and Answers prepared by the Green Bank is at ©26. The MCGB explained the County funding it has received to date as follows:

Under the contract between Montgomery County and the Green Bank, the Green Bank was provided one-time funding for its capital base. This funding from settlement funds from Pepco-Exelon and Altgas came over three years with the most significant amount in mid-2019. The funding provided several requirements for use. The total funding for capital provided to the Green Bank was \$16.7 million with \$15.2 million from the Pepco-Exelon settlement funds limited to the Pepco service territory of Montgomery County. See MCGB FAQ at ©26.

This County funding was provided with certain restrictions on its use. Approximately \$2.6 million was set aside for low- and moderate-income households and multifamily properties, \$1.7 million for nonprofits, \$3.0 million for common ownership communities, and the remaining \$9 million for general use. **Bill 44-21 would not include any restrictions on the use of the annual \$17.6 million directed to the Green Bank from the fuel-energy tax.**

The 2020 Annual Report shows total net assets of \$18.12 million at ©13.² The Green Bank has also received \$1.2 million in grant funds from private foundations in addition to the County funding.

2. How has the Green Bank used its funds?

The Green Bank was established to increase and accelerate investment in energy efficiency and renewable energy in the County. While the Green Bank may simply fund a project in full, the Bank has used its funds in 3 different ways to leverage its available funds. The goal of the Bank is to target at least a 4:1 leverage as a portfolio of its capital with private market capital. The Bank provides loan guarantees or “insurance” for certain projects that can induce a private lender to go forward with a project by reducing the risk of loss. The Bank also has participated with a private lender on a project to reduce the interest rate charged by purchasing a portion of the loan or becoming a joint lender. Finally, the Bank has also made direct loans for a project to get it moving and then attempts to sell the loan to a private lender after the project is complete. Interest on direct loans and fees for loss reserves are earned income that the Bank can reuse as capital.

² The County also provided MCGB with \$6.3 million to be held on behalf of the County for future County funded projects.

According to the Bank, it has committed \$5 million to projects with approximately \$6 million in the pipeline for investment in future projects. The Bank believes there is at least \$60 million more in demand for prospective projects if it had the funding. The Green Bank believes that demand for these projects will increase substantially if the Council enacts Bill 16-21, Environmental Sustainability – Building Energy Performance Standards.

3. How would Bill 44-21 affect other County programs in the operating budget?

Charter §305 requires the Council to approve the County's operating and capital budgets on June 1 of each year for the next fiscal year. Bill 44-21 would require the Council to set aside 10% of the fuel-energy tax collected each year (estimated at \$17.6 million) and appropriate it for the Green Bank. Each year the Executive sends the Council recommended operating and capital budgets after estimating total revenue from all taxes and fees and allocating it across various programs. The Council has the authority to add to, delete from, increase, or decrease any appropriation item in the budget. The Council conducts multiple public hearings to hear from residents and stakeholders and many worksessions with each department, office, and outside agency to arrive at an approved budget for the next year.

The Charter requires the Executive and the Council to do this important work each year because revenue and needs change frequently. For example, the COVID-19 global pandemic created many emergencies in FY21 and FY22 requiring additional appropriations that were unanticipated. The recession in 2009 and 2010 significantly reduced the County's estimated tax revenue and required the Council to make significant changes to the operating and capital budgets in those years.

Bill 44-21, although dedicating tax revenue for an important policy, reducing climate change through increasing energy efficiency and the use of renewable energy, it runs counter to the principles embodied in Charter §305 requiring the Council to make budgetary decisions on an annual basis based on estimated revenues and current needs. Allocating \$17.6 million for the Green Bank might be the best use of the money in some years and may not be the best use in other years. Bill 44-21 attempts to take that decision away from the Council each year. As the County Attorney's Office pointed out, the Council could still change the dedication to the Green Bank in the annual budget in any year, but the Bill would make it more difficult to do.

We have not yet received the Racial Equity and Social Justice Impact Statement from OLO, but an automatic dedication of \$17.6 million for the Green Bank would require the Council to find equivalent cuts in other programs or raise taxes to cover the dedication. Bill 44-21, if enacted and implemented, would make this appropriation without considering what other programs could be reduced or what taxes could be raised to make up the difference.

4. Should action on Bill 44-21 be deferred until the Council enters its FY23 budget deliberations?

Bill 44-21, as introduced, would take effect at the beginning of FY23 on July 1, 2022. The Bill cannot take effect earlier because the Council has already adopted the FY22 budgets unless the Council approves a supplemental or special appropriation for FY22 to fund the Green Bank

this year. Since the Bill would not take effect until July 1, 2022, the Council may want to defer action on this Bill until the FY23 budget deliberations when the competing programs that may be reduced or eliminated can be carefully analyzed.

This packet contains:	<u>Circle #</u>
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F:\LAW\BILLS\2144 Green Bank - Fuel-energy tax - funding\GOT&E Worksession Memo.Docx

Bill No. 44-21
Concerning: Montgomery County Green
Bank – Funding – Fuel-energy tax
revenue
Revised: 11-16-21 Draft No. 2
Introduced: November 16, 2021
Expires: May 16, 2023
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: _____
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Council President Hucker and Councilmember Friedson
Co-Sponsors: Councilmembers Riemer, Navarro, and Katz, Council Vice President Alborno, and Councilmembers Rice and Jawando

AN ACT to:

- (1) require the Council to annually appropriate 10% of the fuel-energy tax revenue to the County Green Bank;
- (2) establish a dedicated County funding source for the Green Bank; and
- (3) generally amend the law governing the Green Bank and the use of the fuel-energy tax revenue.

By amending

Montgomery County Code
Chapter 18A, Environmental Sustainability
Section 18A-49

Chapter 52, Taxation
Section 52-14

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Sections 18A-49 and 52-14 are amended as follows:

18A-49. Work program; staff; support from County Government.

- (a) The Board of Directors must adopt a work program each year to advance the policy objectives and perform the activities listed in Section 18A-44.
- (b) The Green Bank's work program may include a plan for sponsorship of private investment, marketing, and advocacy initiatives.
- (c) The Board must meet with the Executive and the Council at least semi-annually.
- (d) The Department of Environmental Protection may, if the Board of Directors requests, provide incidental administrative support for the Green Bank, including contracts, grants, or services in kind, subject to appropriation.
- (e) Funding sources for the Green Bank may include:
 - (1) federal[, or State[, or County] funds provided to it;
 - (2) County funds, including a portion of the fuel-energy tax revenue received by the County;
 - (3) charitable gifts, grants, or contributions and loans from individuals, corporations, university endowments, and philanthropic foundations; and
 - ~~[(3)]~~ (4) earnings and interest derived from financing support activities for clean energy technologies backed by the Green Bank.

The Green Bank may also raise private funds and may accept services from any source consistent with its purpose.

52-14. Fuel-energy tax.

- (a) (1) A tax is levied and imposed on every person transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas in the County.

(2) The County Council must set the rates for various forms of fuel and energy by a resolution adopted under Section 52-17(c). The Council may, from time to time, revise, amend, increase, or decrease the rates, including setting different rates for fuel or energy delivered for different categories of final consumption, such as residential or agricultural use. Each rate must be based on a weight or other unit of measure regularly used in the conduct of business. The rate for each form of fuel or energy should impose an equal or substantially equal tax on the equivalent energy content of each form of fuel or energy for a particular category of use.

(3) The tax does not apply to the transmission or distribution of electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas in interstate commerce through the County if the tax would exceed the taxing power of the County under the United States Constitution. The tax does not apply to fuel or energy converted to another form of energy that will be subject to a tax under this Section. The tax must not be imposed at more than one point in the transmission, distribution, manufacture, production, or supply system. The rates of tax apply to the quantities measured at the point of delivery for final consumption in the County. For an electric company (as defined in state law), the rates of tax apply to the net consumption that is used to calculate each consumer bill.

(4) The tax does not apply to energy that is generated from a renewable source located:

(A) in the County and either used on the site where it is generated or subject to a net energy metering agreement (as defined in state law) with a public utility; or

(B) in the same electric service territory in Maryland as the subscriber using the energy and subject to a virtual net energy metering agreement (as defined in state law) with a public utility.

Renewable source means a “Tier 1 renewable source” as defined in Section 7-701(l) of the Public Utilities Article of the Maryland Code or any successor provision.

* * *

(i) Any violation of this Section is a class A violation. Each violation is a separate offense. Any conviction does not relieve any person from paying any tax due.

(j) The Council must appropriate 10% of the revenue received by the County from the fuel-energy tax each year to the nonprofit corporation designated as the Montgomery County Green Bank under Section 18A-46.

Sec. 2. Effective date.

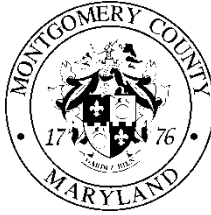
The amendments in Section 1 take effect on July 1, 2022.

LEGISLATIVE REQUEST REPORT

Bill 44-21

Montgomery County Green Bank – Funding – Fuel Energy Tax Revenue

DESCRIPTION:	Bill 44-21 would mandate that the Council appropriate 10% of the fuel-energy tax revenue to the County Green Bank each year in the annual operating budget.
PROBLEM:	The County Green Bank does not have a dedicated source of revenue.
GOALS AND OBJECTIVES:	To mandate a dedicated source of revenue for the Green Bank.
COORDINATION:	Finance, DEP
FISCAL IMPACT:	Office of Management and Budget.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	To be researched.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Robert H. Drummer, Senior Legislative Attorney (240) 777-7895
APPLICATION WITHIN MUNICIPALITIES:	Not applicable.
PENALTIES:	Not applicable.



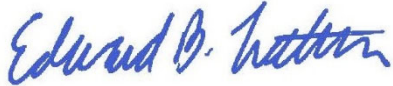
OFFICE OF THE COUNTY ATTORNEY


Marc Elrich
County Executive

Marc P. Hansen
County Attorney

MEMORANDUM

TO: Adriana Hochberg
Acting Director, Department of Environmental Protection

VIA: Edward B. Lattner, Chief
Division of Government Operations 

FROM: Taggart B. Hutchinson
Associate County Attorney 

DATE: December 1, 2021

RE: Bill No. 44-21, Montgomery County Green Bank – Funding – Fuel-Energy tax revenue

Summary:

Council Bill 44-21 would establish a dedicated County funding source for the Montgomery County Green Bank (the “Green Bank”) by requiring the Council to appropriate and dedicate 10% of the County’s fuel-energy Tax to the Green Bank.

Legal Implications:

The bill as drafted has no legal issues. If the bill is enacted, and the Council desires to amend the Green Bank’s dedicated ratio of the annual fuel-energy tax revenue at a later date, a subsequent budget resolution would prevail over Council Bill 44-21. See *Haub v. Montgomery Cnty.*, 353 Md. 448 (1999) (Montgomery County budget treated as enacted legislation).

If you have any questions concerning this memorandum, please call me.

tbh

cc: Stan Edwards, Division of Energy, Climate, and Compliance
Lindsay Shaw, Manager, Department of Environmental Protection
Mike Coveyou, Director of Finance

Marc Hansen, County Attorney
Bob Drummer, Senior Legislative Attorney
Ken Hartman, Director of the Strategic Partnerships

Fiscal Impact Statement
Bill 44-21, Montgomery County Green Bank - Funding - Fuel Energy Tax Revenue

1. Legislative Summary.

Bill 44-21 would mandate the County Council to appropriate 10 percent of the Fuel Energy Tax revenue to the Montgomery County Green Bank (MCGB) each year in the annual operating budget.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

Bill 44-21 would not directly result in additional revenues. Funds provided to the MCGB would be used to support the development of energy efficiency, renewable energy, and other climate related projects—primarily on buildings in the County. These projects could ultimately result in increased property tax revenues due to higher valued properties, but it would be difficult to predict the timing and magnitude of this factor.

Bill 44-21 diverts Fuel Energy Tax revenue that is currently used to support general government operations to the MCGB, creating a funding “gap” that would not exist in the absence of the Bill. According to the introductory packet for the Bill, the budgeted FY22 Fuel Energy Tax revenue was \$175.6 million, meaning the estimated funding gap in the General Fund would be \$17.6 million in FY23 assuming the same level of Fuel Energy Tax revenues. By diverting \$17.6 million in Energy Tax revenue to the MCGB, General Fund supported budgets would need to be decreased by an equal amount (assuming no other changes to other General Fund revenues).

As a point of reference, from FY18-FY21 the Fuel Energy tax averaged approximately \$190 million annually, whereby, the 10 percent would be close to \$19 million.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

Fiscal Year	2023	2024	2025	2026	2027	2028	6-Year Total
Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$17,600,000	\$17,600,000	\$17,600,000	\$17,600,000	\$17,600,000	\$17,600,000	\$105,600,000

**This chart shows the MCGB additional spending due to \$17.6 million tax revenue diverted from the General Fund.*

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

This legislation does not affect retiree pensions or group insurance costs.

5. An estimate of expenditures related to County’s information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

This legislation would not result in any IT-related expenditures.

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

Not applicable.

7. An estimate of the staff time needed to implement the bill.

This legislation would provide funding to the Montgomery County Green Bank and would not require any Montgomery County staff time to implement.

8. An explanation of how the addition of new staff responsibilities would affect other duties.

Not applicable.

9. An estimate of costs when an additional appropriation is needed.

As drafted, Bill 44-21 would require the full amount of the allocation of funding to the MCGB to occur as part of the annual operating budget approval process.

10. A description of any variable that could affect revenue and cost estimates.

Revenue collected as a result of the Fuel Energy Tax, and therefore, the amount that would be appropriated to the MCGB, depends on two variables. First, the County Council sets the Fuel Energy Tax rates by fuel type and energy source, unless the rates do not change, in which case, the most recently adopted rate resolution remains in effect. Second, the tax collected is based on the amount of fuel (e.g., therms of natural gas, gallons of heating oil) or energy (kWh of electricity) consumed.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

The amount of fuel or energy consumed varies from year to year, and is affected by weather, fuel prices, level of economic activity, and other factors which are difficult to predict.

12. If a bill is likely to have no fiscal impact, why that is the case.

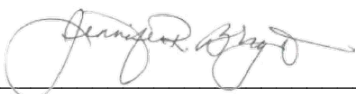
Not applicable.

13. Other fiscal impacts or comments.

Not applicable.

14. The following contributed to and concurred with this analysis:

Stan Edwards, Department of Environmental Protection
Derrick Harrigan, Office of Management and Budget



Jennifer R. Bryant, Director
Office of Management and Budget

12/1/21

Date

2020 Annual Report



Montgomery County
GreenBank

Your partner for clean energy™



From the Chair—Bonnie Norman

Growing a Clean Energy Market for a Healthier Future

This has been an unprecedented year. The pandemic has brought disruptive challenges to our health, well-being, and economy. We have witnessed heartbreaking racial injustice and

loss. We have felt the intensifying and inequitable effects of climate change. And we responded.

With a sharpened focus on equity and inclusion, the Montgomery County Green Bank advanced its efforts this year to make the health and savings benefits of clean energy improvements available to all County businesses, nonprofits, and residents through affordable financing offerings and technical assistance. Here are some highlights:

RESPONDING TO COVID-19: We reached out to the market to understand what was needed to support indoor air quality, health, and reopening. Just weeks following the March shutdown, we launched the Small Business Energy Savings Support program to deliver financing for small business recovery and resilience in the County through our contractor network.

LEVERAGING OUR FUNDS SEVEN TIMES: We established private capital investment agreements with partner lenders to multiply the positive impact of our limited public-purpose funds seven times. Together, we offer more affordable and accessible financing for renewable energy and energy efficiency projects that save money, improve property value, and make homes and work places healthier, more comfortable, and more sustainable.

SERVING OUR COMMUNITY BETTER: We grew our partnerships and staff, diversified our product offerings, accelerated our projects funded and pending, shared our programs for regional adoption, and contributed to the County's Climate Action Plan development—to help all in our County thrive.

The Green Bank ends 2020 with significant momentum in investments and impact, strong alignment on energy and equity, and a proven platform to support County leadership on climate adaptation, green job creation, economic recovery, and quality of life. We thank all who have collaborated on our progress.



MISSION STATEMENT

The Montgomery County Green Bank is a publicly-chartered nonprofit dedicated to accelerating affordable energy efficiency and clean energy investment in Montgomery County, MD. We partner with the private sector to build a more diverse, equitable, and inclusively prosperous, resilient, sustainable, and healthy community. Our work supports Montgomery County's goal to reduce its greenhouse gas emissions.



\$2.5M
of projects funded



7 Properties
547 Households
served



638 tons
of GHG emissions
avoided annually



\$15M in financing capacity
for residential and commercial
properties through long-term
agreements with lending partners



7:1
leverage of funds



3 programs
to help lower income
families
(10)



From the CEO—Tom Deyo

Serving Our Community

Over the last year, the Green Bank met an important milestone: to have made available a broad range of financing offerings in the market so businesses and residents throughout the County can access the benefits of clean energy.

SOLUTIONS FOR ALL — The Green Bank now offers a suite of programs and products to more equitably support renewable energy and energy efficiency for homeowners, commercial businesses, renters, nonprofits, multifamily, and common ownership communities.

BOLD NEW PARTNERSHIPS — The Green Bank expanded its network of contractors, lenders, and collaborative partners in the year, supporting a diverse workforce, and leveraging local, regional, and national capital to deliver more benefits to County residents and businesses.

INNOVATIVE OFFERINGS — The Green Bank addressed COVID-19 with new solutions for small businesses and homeowners. We made solar more affordable for renters, businesses, nonprofits, and homeowners, and are creating a one-stop shop for commercial clean energy financing by stepping up to assume administration of the County's CPACE program.

GREATER IMPACT — The Green Bank supported over \$2.5 million in seven clean energy projects, including delivering clean energy benefits to over 500 households in their homes and communities.

As we close the year, the Green Bank has built strong offerings to help the County rebound from the COVID-19 pandemic and implement its new Climate Action Plan.



THE GREEN BANK'S ★ TOP HIGHLIGHTS OF 2020

We are especially proud of our work this year to enhance clean energy access to low- and moderate-income households, to provide numerous offerings for renewable energy for businesses and residents, and to address resiliency and cost-saving needs of small businesses.

- ★ **IMPACTING OVER 500 HOUSEHOLDS** across three affordably-priced residential communities with energy efficiency improvements in their homes and communities resulting in energy savings, indoor air quality benefits, and cost savings improvements.
- ★ **TECHNICAL ASSISTANCE TO EIGHT AFFORDABLE MULTIFAMILY PROPERTIES** (rental and condominiums) to deliver energy use assessments and improvement strategies.
- ★ **SUPPORTING SOLAR PV ACCESS FOR LOW- AND MODERATE-INCOME FAMILIES** through engagement with new community solar projects with dedicated subscriptions for these families. A 286-kW community solar project at Paddington Square with 30% LMI subscribers is scheduled for early 2021.
- ★ **LAUNCHING A \$600,000 SMALL BUSINESS ENERGY SAVINGS LOAN PROGRAM** in response to COVID-19 to support health and energy saving benefits properties that may be needed to re-open and to create operating savings.
- ★ **BRINGING A NEW, LOW FIXED-RATE, NO FEE RESIDENTIAL SOLAR LOAN PROGRAM TO COUNTY HOMEOWNERS** and coordinating the offering of this program with the County's Solar Coop program.
- ★ **CRAFTING A COMMERCIAL SOLAR POWER PURCHASE AGREEMENT PROGRAM** to offer nonprofits and for-profit businesses a chance for a reasonable, no out-of-pocket cost strategy for placing solar PV on their properties.
- ★ **DELIVERING NUMEROUS WEBINARS, PRESENTATIONS, AND COMMUNICATIONS** to educate and instruct enterprises, residences and other stakeholders on how to access affordable energy efficiency and renewable energy.

Creating Clean Energy Opportunities for All of Montgomery County



CLEAN ENERGY ADVANTAGE

Renewable Energy and Energy Efficiency for Homeowners

- ▶ Loan Program offered by lender partners
- ▶ 100% financing
- ▶ Up to 12-year terms for Energy Efficiency and 20-year for Renewables
- ▶ Fixed rate loans
- ▶ No lien on property

COMMERCIAL LOAN FOR ENERGY EFFICIENCY AND RENEWABLES

Renewable Energy and Energy Efficiency for Nonprofits, Businesses, Multifamily, Condominiums and Industrial

- ▶ Loan Program offered by lender partners
- ▶ 100% financing
- ▶ Up to 12-year loans
- ▶ Fixed rate for 7 years with one-time adjustment
- ▶ No lien on property

SMALL BUSINESS ENERGY SAVINGS SUPPORT

Renewable Energy and Energy Efficiency for Small and Medium Businesses (500 or fewer employees)

- ▶ Loan Program offered by lender partner
- ▶ 100% financing
- ▶ Up to 5-year loans
- ▶ Fixed rate for term
- ▶ Flexible payment for first 3 months
- ▶ No lien on property

COMMERCIAL SOLAR PPA

Renewable Energy for Nonprofits, Businesses, Multifamily, Condominiums and Industrial

- ▶ Power Purchase Agreements (PPA) offered by financial partner
- ▶ No out-of-pocket costs for property owner
- ▶ 20- to 25-year PPA
- ▶ Lower price per kWh compared to utility rates
- ▶ Flexible terms allowing for steady kWh rate for tenure of PPA

COMMUNITY SOLAR

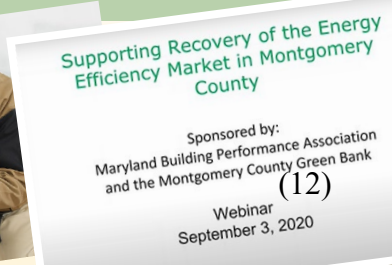
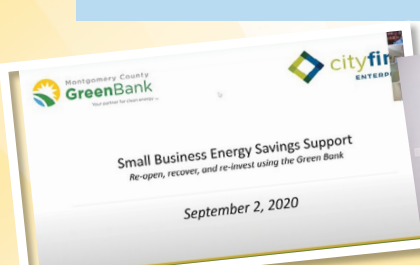
Renewable Energy for Homeowners and Renters

- ▶ Affordable solar power subscriptions offered by solar developers
- ▶ Subscribers pay a price per kWh at or below the kWh price from utility
- ▶ Lower-income households offered deeper discounts on kWh price
- ▶ Project In the works: Paddington Square Community Solar – early 2021 delivery

COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY (CPACE)

Renewable Energy and Energy Efficiency for Nonprofits, Businesses, Multifamily, Condominiums and Industrial

- ▶ Loan Program offered by lender partners
- ▶ 100% financing
- ▶ Up to 20-year terms
- ▶ Fixed rate loans or solar PPAs
- ▶ Surcharge lien placed on property
- ▶ Green Bank – Program Administrator



Building for the Future

Foundation of Partnerships

FINANCIAL



- Sandy Spring Bank
- Latino Economic Development Center
- Clean Energy Federal Credit Union
- City First Enterprises
- Skyview Ventures
- The Town Creek Foundation
- The JPB Foundation

CONTRACTORS



- 18** commercial energy performance contractors
- 9** commercial and residential solar PV installers
- 3** geothermal installers
- 6** residential home performance contractors
- 5** residential HVAC contractors

Financial Strength

Financials (in 000s)

	FY20
Assets	\$24,422
Liabilities	
Accounts Payable	\$15
Funds Held On Behalf of County for Energy Projects	\$6,285
Total Liabilities	\$6,300
Net Assets	
Without Donor Restrictions	\$9,995
With Donor Restrictions	\$8,126
Total Net Assets	\$18,121
Total Liabilities and Net Assets	\$24,422

Team Work

Growing Our Organization



Tom Deyo
Chief Executive Officer



Steve Morel
Chief Investment Officer



Jean Moyer
Business Operations Manager



Cindy McCabe
Solar Program Manager



Josh Myers
Administrative Specialist

If you would like to support the Montgomery County Green Bank,
please visit our website and click on the Donate button.



155 Gibbs Street, Suite 516 • Rockville, MD 20850
240-453-9000 • www.mcgreenbank.org





Montgomery County
GreenBank

Your partner for clean energy TM

-
- Nonprofit mission-driven organization chartered by Montgomery County
 - Independent, 501(c)3 non-profit corporation governed by a Board of Directors
 - 11- member Board includes Directors of Department of Finance and Environmental Protection



What is the purpose of the Green Bank?

- Historically, commercial lending institutions have not made significant investments in energy efficiency and clean energy due to perceived risk associated with such investments.
- The purpose of the Green Bank is to increase and accelerate investment in energy efficiency and renewable energy in the County by working with private capital partners to attract their capital into the market by de-risking the clean energy market.
- Outcomes include energy savings, reduced greenhouse gas emissions, clean energy jobs, improved properties.



How does this increased investment happen?

- The Green Bank is capitalized with public funds to use as a resource to mitigate risk to commercial lenders of investments in energy efficiency and clean energy projects, thus encouraging their increased commercial investment in the market.
- This risk-reduction is done through a variety of mechanisms all designed to create >\$1 of private sector investment for each \$1 of public money invested.
- It is this *leverage* that enables the Green Bank to promote more investment in energy efficiency and clean energy than could be achieved through direct spending by the County.



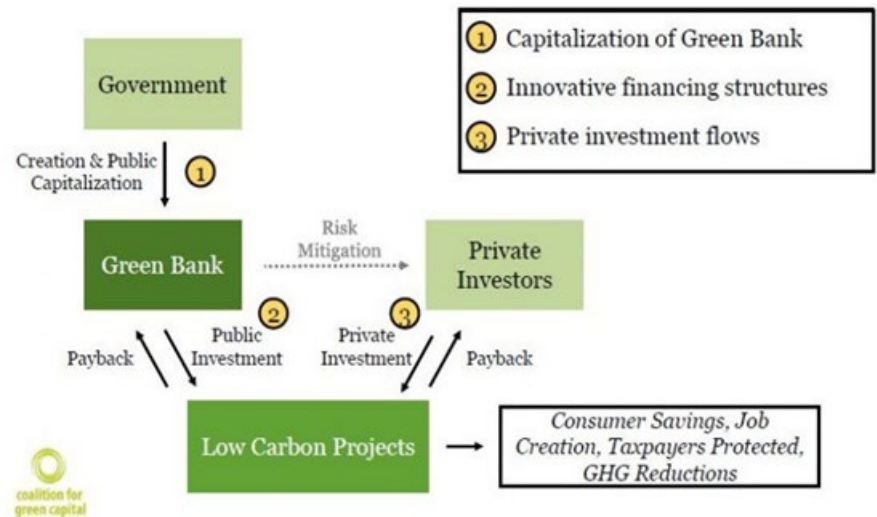
How Does the Green Bank Use Its Capital?

- ❑ **Establishes a Strong Balance Sheet for Financial Partner Confidence – Investments are Assets on Financial Statements**
 - ✓ Assure ability to meet agreements
 - ✓ Establishes reserves for structures
- ❑ **Used to Leverage in Private Capital by De-Risking strategies:**
 - ✓ To Create Tailored Financing Products via Agreements
 - ✓ To Offer Flexible Terms on Transactions
 - ✓ To Invest on Our Balance Sheet for Green Bank Re-Lending
- ❑ **Generate Revenues to Support Expenses**
 - ✓ Earned Income from Transactions, Products
- ❑ **Multiply Leverage by Recycling Repayments**
 - ✓ Use repayment from transactions to re-use in new transactions



How Does the Green Bank Make This Work.

- ✓ *Equity investments create the assets on its Balance Sheet to establish confidence in the financial markets of a strong financial partner to enter agreements, transactions, and investments.*
- ✓ *The Green Bank then finds the gaps in the existing market of private capital not offering clean energy financing*
- ✓ *The Green Bank Creates Partnerships with private financial capital providers to:*
 - ✓ LEVERAGE Green Bank capital
 - ✓ By defining Green Bank roles in products and transactions
 - ✓ That de-risk the structure to attract this private capital into the market.
- *Target at least 4:1 leverage as a portfolio of our capital with private market capital*

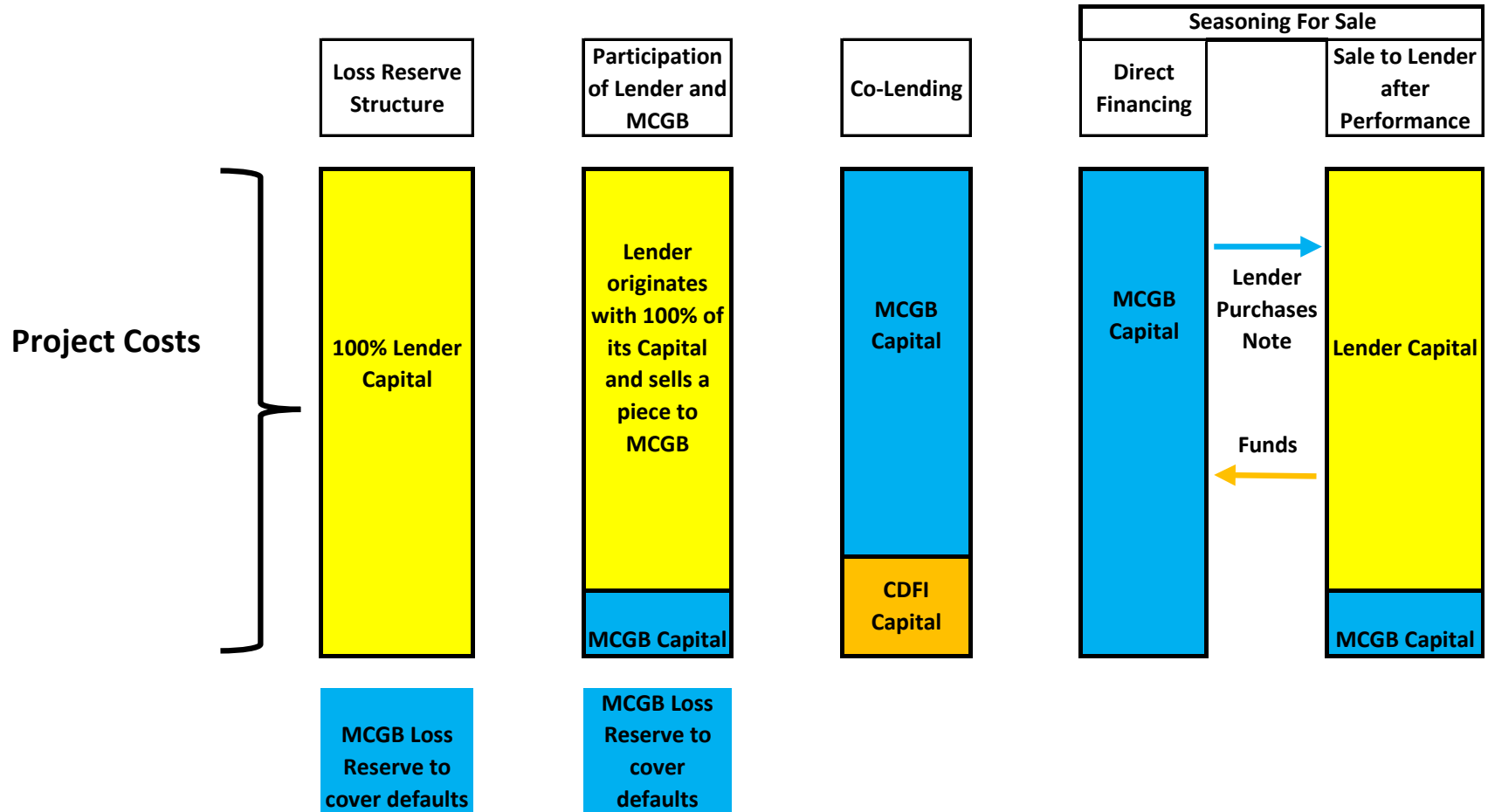


Green Bank Strategies for Project Leverage

- **Loss Reserves:** Agreements with private lenders that provides “insurance” in the event that a project were to default. This approach provides the lender with more security in entering the market and offering benefits to County customers.
- **Participations:** The Green Bank provides some of its capital to purchase a portion of a loan originated by a lender to address lender concerns for assuming risk for the entire loan amount.
- **Co-Lending:** The Green Bank will be a joint lender with a financial partner and assume greater risk in the transaction to provide more flexible terms to the customer. This approach fills gaps in the lending market where the market is not efficiently serving the market.
- **Direct Debt / Recycling:** The Green Bank will provide the funds for a transaction to address market reluctance and the project needs to show a level of performance to be attractive for the private market. The Green Bank undertakes the transaction and looks to sell the loan to the private capital market after the performance of the project has been demonstrated.

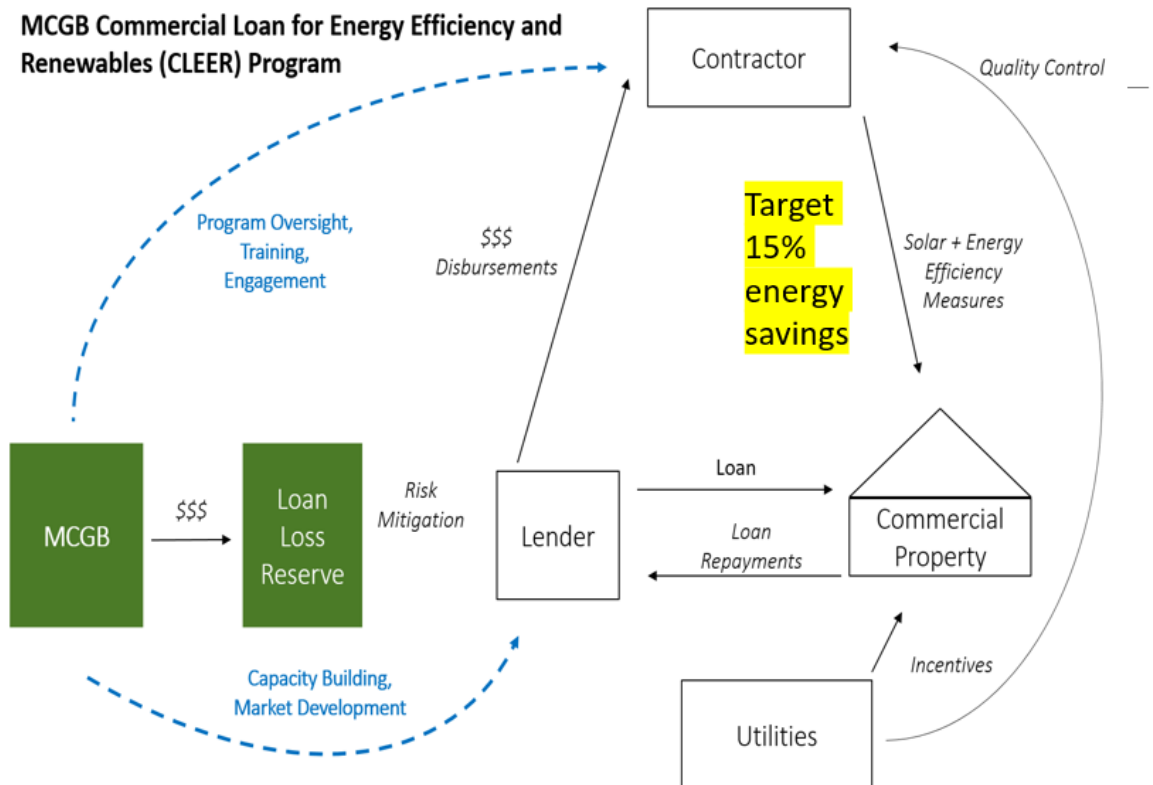


Green Bank Strategies for Project Leverage



Example: Green Bank Loss Reserve Structure

- MCGB stands behind lender for losses up to a limit as a percent of total originations.
- MCGB authorizes contractors for program
- Lenders make loans on specific energy efficiency and renewable scopes of work
- Lenders approve borrowers on credit; but savings support payments
- MCGB pays lender a percent of loss if loan defaults



Product Suite Created with Private Capital to Fill Gaps and De-Risk Market

Product	MCGB Financial Structure	Partners	Leverage	Gap / De-Risk
Homeowners				
Clean Energy Advantage – Energy Efficiency & Renewable	Loss Reserve	Credit Union	10:1	Affordable, Transparent Financing
Commercial, Nonprofit, Multifamily				
C-PACE (Program Administrator)		Private Capital	4:1	Long-term capital; low-cost Property Tax Surcharge
Commercial Loan for Energy Efficiency & Renewables (CLEER)	Loss Reserve / Participation Option	Community Banks	20:1	Not C-PACE acceptable
Small Business Energy Savings Support	Co-Lending	CDFI	1.2:1	Highly Flexible for re-opening needs
Commercial Solar PPA	Direct Debt in Solar PV SPE	Private Capital	1.4:1	Small arrays; no out-of-pocket costs; long-term steady operating costs
Tailored Structured Finance	Co-Lending / Participation / Subordination in Deals	CDFI	1.5:1	Bridge loans; higher risk gaps
Low-Moderate Income Owners and Renters				
Community Solar for Low- and Moderate Income	Direct Debt in Solar PV SPE	Private Capital	8:1	LMI subscriber risk on turnover

Green Bank Funding To Date

Private Grant funds: \$1.2 million has been provided by foundations as grant funds in support of Green Bank activities.

County Funds: The County provided initial capitalization of the Green Bank between April 2017 and May 2019 through the granting of funding received by the County from two utility merger settlement funds – Pepco-Exelon and Altagas. This funding provided the Green Bank with the capital to use in its leveraged investment activities in developing products and financial structures for clean energy measures undertaken by residents and businesses in the County. A portion of the Pepco-Exelon funding was also available to support Green Bank expenses.

- \$17.3 million of Pepco-Exelon Settlement Funds
 - \$2.6 million (about 20% of this funding) is dedicated to efforts supporting low- and moderate-income families and multifamily housing.
 - \$1.7 million dedicated to supporting only nonprofits
 - \$1.5 million of Pepco-Exelon dedicated to supporting only affordable common ownership communities.
 - \$2.115 million allowed for administrative expenses
- \$1.5 million of Altagas Settlement Funds dedicated to supporting only affordable common ownership communities

Additional Support to Market

Green Bank Is Helping to Grow The Clean Energy Marketplace

The Green Bank focused attention on growing the marketplace for clean energy efforts through services that create market awareness and develop new market participants.

Education / Engagement – Informing on what and how to do energy efficiency and renewable energy improvements

- ✓ 58 presentations in FY21 to community groups, condos, stakeholders
- ✓ 43 already in FY22

Technical Assistance Pilot – Studies Funded to Define Need and Improvements

- ✓ Condos: 7 provided reports, plans and financing options; 2 more in process
- ✓ New C&I pilot: 2 commercial property audits underway
- ✓ Affordable housing properties: 2 completed

Clean Energy Business Generator – Connecting Owners to Experts

- ✓ Referring solar and C&I inquiries to contractors to build business
- ✓ Building trust and interest in market

(24)



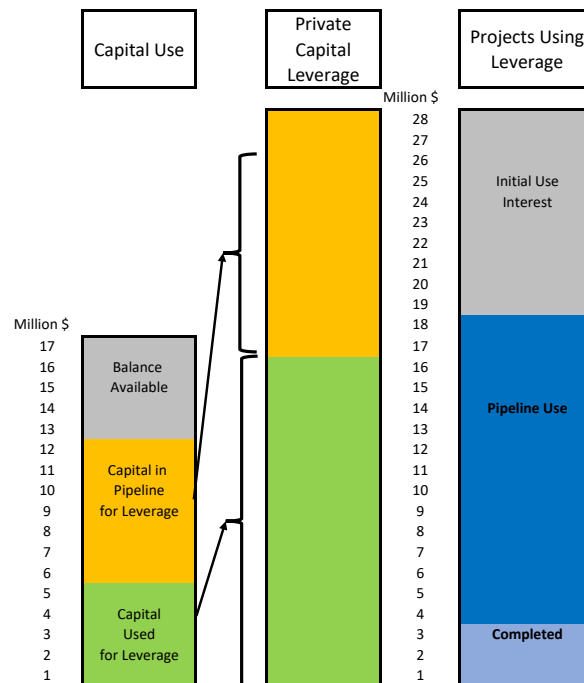
Additional Leverage with Fuel Energy Tax Funds

- ☐ **BEPS: Address substantially increased demand to undertake clean energy improvements**
 - ✓ Several hundred property potentially needing to respond to BEPS which will require hundreds of millions of dollars in energy savings improvements
 - ✓ Funding Green Bank can:
 - Attract more private capital to enter market to meet project financing needs
 - Offer more flexible financing terms to owners in co-lending and direct loans
- ☐ **Attract other debt capital to balance sheet to blend with Green Bank funds to re-lend to the market at favorable terms**
 - ☐ \$20 Billion potential in Federal Funds Through Build Back Better
 - ✓ Strong balance sheet attractive
 - ✓ Bring low-cost funds to County that can be re-lent and repaid to US
- ☐ **Climate Action Plan:**
 - ☐ Support many activities in plan looking for Green Bank support
- ☐ **Support Growing the Market Activities**
 - ✓ Educate, instruct, define approach to respond
 - ✓ Funding strategy to achieve



Funding: Under the contract between Montgomery County and the Green Bank, the Green Bank was provided one-time funding for its capital base. This funding from settlement funds from Pepco-Exelon and Altgas came over three years with the most significant amount in mid-2019. The funding provided several requirements for use. The total funding for capital provided to the Green Bank was \$16.7 million with \$15.2 million from the Pepco-Exelon settlement funds limited to the Pepco service territory of Montgomery County. Of the total funding, about \$2.6 million is set aside for low- and moderate-income households and multifamily properties, \$1.7 million for nonprofits, \$3.0 million for common ownership communities, and the balance of about \$9 million for general use.

Capital Use: The Green Bank is leveraging its capital to create a suite of products and transaction structures in financial agreements with partners. The presence of a strong balance sheet from the funding received provides the confidence in the Green Bank as a credible partner that can meet its obligations under such agreements. The Green Bank has committed \$5.2 million of the funds in current agreements and transaction structures and has defined uses on additional agreements and transaction structures in its pipeline for another \$7 million. This amount of capital is creating (or leveraging) \$28 million in private capital lending and investment capacity for the Green Bank. The Green Banks has used about \$3 million of this capacity, has another \$15 million in demand with projects in various stages of underwriting that substantially uses this capacity, and has a deeper pipeline of project interest exceeding \$20 million.



With this level of overall demand, the Green Bank will have used much of its initial capital and filled much of its leveraged capacity, in particular with respect to use of the \$9 million in general use funds.

Use of Capital in Products: In creating the suite of products, the Green Bank worked with the financial and energy contractor communities to identify the funding gaps and to create the initial financial agreements to leverage this funding. Over the past three years, the Green Bank developed this suite of financing programs and products using various financial de-risking structures as loan loss reserves, participations, and co-lending for the benefit of the benefit of residents (including low/moderate income families), commercial/multifamily/ nonprofit property owners, and renewable energy developers.

Product	MCGB Financial Structure	Partners	Leverage	Gap / De-Risk
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Tailored Structured Finance	Co-Lending / Participation / Subordination in Deals	CDFI	1.5:1 to 5:1	Bridge loans; higher risk gaps
Low-Moderate Income Owners and Renters				
Community Solar for Low- and Moderate Income	Direct Debt in Solar PV SPE	Private Capital	2:1	LMI subscriber risk on turnover

Creating the Demand / Growing the Market: The Green Bank has worked to educate County residents and businesses on its products and drive clean energy demand. In the past year, the Green Bank has held over 100 different presentations to community groups, condominium association, faith-based organizations, and other stakeholders to inform on the benefits of energy efficiency and solar PV, how to proceed with their project, and how Green Bank financing can support their needs, making these investments more accessible and affordable. The Green Bank has also hired two people dedicated to working with the residential and solar markets and the commercial market. The efforts of the Green Bank is generating increasing interest and demand for the Green Bank products.

Future Need: With projected increasing demand given rising fossil fuel prices, needs of the Climate Action Plan, and anticipated enhancements that could come with any approved building energy standards, the Green Bank will regularly need more capital to continue to make the health, savings, jobs creation, property value, and climate benefits that clean energy and energy efficiency improvement investments convey, available to all County businesses and residents.

Leverage (making limited public money go further with private capital investment) relies on a strong and dependable Green Bank balance sheet, achieved through a reliable annual funding mechanism, as successfully demonstrated for more than a decade by the Connecticut Green Bank. Such leverage from a strong balance sheet can include accessing low-cost funds lent to the Green Bank from sources such as the proposed National Climate Bank at the national level, or other private sources.¹

¹ Under the contract Montgomery County established with the Green Bank a “Public Building Green Performance Revolving Fund” in the amount of \$6,285,374. These funds are held by Green Bank (and recorded on its balance sheet) for the purpose of implementing clean energy and energy efficiency improvements in Montgomery County Government public facilities or infrastructure in Pepco’s service territory. Green Bank is not responsible for when this revolving fund is used or for identifying projects to which the revolving funds are applied.