Members present were: Kristopher Knight (teleconference), Doug Bacher, NW Financial Group (teleconference), Brent Shaffer, Young Conaway Stargatt & Taylor, LLP (teleconference), Trey Paradee, Andrew Slater (teleconference), Anthony J. DePrima, and Lisa Gardner.

1. Review Loan Application – First Presbyterian Church of Newark – Energy Efficiency Measures – Mr. DePrima informed members that First Presbyterian Church of Newark has requested a loan in the amount of $175,000 direct loan for purposes of funding energy efficient measures in connection with its facilities in Newark, Delaware. The energy efficiency project consists of 3 HVAC units for the church and administration building and LED light fixtures. Total Project cost is $228,169. Below is a summary provided by Mr. Douglas Bacher, NW Financial Group:

**The Project and Loan Request**
The Church is a non-profit organization originally founded in New Castle, Delaware in 1839. In 1955, they purchased 13.5 acres in Newark, Delaware and have since constructed the Sanctuary, Hall and administrative building on that site. They have approximately 475 members and are institutionally affiliated with the Presbyterian Church USA and New Castel Presbytery. Their annual operating budget is $566,000 for 2017.

**Loan Request**
As noted, the loan request is for $175,000 and Project costs total $228,169. The balance of the Project costs will come from a DNREC Grant totaling $14,780 (currently have approval from DNREC for $13,180 and awaiting approval of an additional $1,600) and a Church contribution of $38,389 to cover miscellaneous costs. Although expected, if the additional $1,600 DNREC grant is not approved, the Church will pay the $1,600 for the operating budget. The Church is requesting a 15 year maturity with a 2% interest rate. The loan has a simple payback period of approximately 9 years. Energy savings are estimated to be $19,733 or $295,995 over the 15 year term of the loan.

**Loan Security**
The financial information reviewed indicates that the Church has a strong financial position. They also have a very long operating history. As noted, the operating budget is $566,000 in 2017. Cash assets on hand have been high in the years reported ($530,418 in 2013; $761,340 in 2014; $669,543 in 2015; and $685,423 in 2016). They own the 3 buildings on the Newark property. The Church does have an outstanding loan through the Presbyterian Church USA Investment and Loan Program, Inc. The original loan was for $100,000 and as of January 31, 2017, the Church owes $56,004. The term of the loan is through October 2029 but the Church has indicated that they expect to retire the loan in October of 2020. Interest rate on the loan is 3.5%. There is no indication that the Church is delinquent with any loan or other expense payments. There is also no evidence that the holder of the loan will not permit additional debt; however, I have advised the church to confirm.
**Summary**
Based on the review of the information noted above NW has no reason to believe that the Church will have any difficulty in retiring the proposed loan.
- Because the Church is a not for profit, it is suggested that the DESEU provide a loan at 2.00% with a term of 15 years as requested.
- Equipment should be collateralized as security for the loan.

Mr. Paradee moved to approve the loan to First Presbyterian Church of Newark in an amount of $175,000 at 2% interest rate and a term of fifteen (15) years. The motion was seconded by Mr. Knight and unanimously carried.

**2. Bruce and Pamela Daisey – Solar System** - Bruce W. Daisey Farm, Inc., (“Daisey Farm”) has requested a loan in the amount of $199,999 for purposes of purchasing and installing a Ground Mount Solar Array (the “Project”). Daisey Farm is a chicken farm located in Millsboro, Delaware. There are 5 chicken houses comprising approximately 170,000 sq. ft. Annual energy savings (electric) are estimated to be $8,067.

**The Project and Loan Request**
Total Project costs are estimated to be $199,999 with other sources of revenue (i.e. a $49,999 REAP Grant and a $27,927 upfront DESEU SREC payment and Federal Tax Credit) potentially available to fund the Project costs. As a “for-profit corporation” Daisey Farm is eligible for a 30% Federal Tax Credit (i.e. $60,000) that is available once the Project is constructed and operational.

**Security**
As noted, the loan request is for $199,999 with a request that the loan maturity be as long as possible. Daisey Farm has other money that will be made available as Project revenue either before or right after Project completion. The first is a $49,999 REAP Grant. The REAP Grant is applied for following a decision by the DESEU to give Daisey Farm a loan. Second is the revenue to be received from the sale of SRECs. EnSave has estimated that an upfront payment through a forward purchase contract for 20 years of SRECs would be worth $27,927. Third is the Federal Tax Credit. The Tax Credit is available to for-profit companies that install solar panels for purposes of reducing energy consumption. The Federal Tax Credit is calculated on the total Project costs times 30%, in this case $60,000. It becomes available in the tax year following Project completion. Although the tax credit is available in the first year following Project completion there is no requirement that 100% of the credit be submitted in that first year but instead can be submitted in whole or in part with any available balance rolled over and submitted in subsequent years.

The annual savings, although substantial to Daisey Farm, are not enough to pay the proposed $199,999 DESEU loan over a 20 year period. I suggest that money that will become available to Daisey Farm (i.e. the REAP Grant, SREC revenue and/or the Tax Credit) be made available to reduce the principal on the loan.

The REAP Grant would be an easy capture for repayment. It is paid in a lump sum following the approval of the application. Utilizing the REAP Grant, the loan could be reduced from $199,999 to $150,000. The lower principal is helpful but is still not enough to allow the savings to cover annual debt payments. A $150,000 loan over 20 years at 2% interest has annual debt payments totaling $9,227. However, Daisey Farm will have other revenue coming in over time (SREC and Tax Credit) that is more than adequate to offset the difference.

A second option to Daisey Farm is to also capture SREC revenue over 20 years through a forward
purchase contract and to use this lump sum payment to also reduce the loan principal. EnSave has estimated that an upfront SREC purchase contract for 20 years of SRECs is valued at $27,927. Utilizing both the REAP Grant and SREC revenue would reduce the loan amount to $122,073 which is low enough to allow the annual savings to pay the annual debt payments over 20 years. A $122,073 loan over 20 years at 2% produces annual debt service payments of $7,532, below the estimated annual savings of $8,067.

The DESEU should consider a loan no greater than 20 years and should require, at a minimum that the REAP Grant be utilized to reduce the principal amount of the loan. The initial 20 year loan would be for $199,999 at 2% interest. The loan would be recast upon receipt and application of the upfront revenues to provide for a lower principal amount of either $150,000 or less (approximately 6 months). During the approximate 6 month period, interest would be capitalized and added to the principal amount upon recasting. The 6 month period allows time for construction, the receipt of energy savings from the Project and the receipt of the offsetting revenues. The DESEU should receive the personal guarantee and require that the equipment be collateral against the loan.

Mr. DePrima moved to approve the loan to the Bruce W. Daisey Farm, Inc. in an amount of $199,999 at 2% interest rate and a term of twenty (20) years. The motion was seconded by Mr. Paradee and unanimously carried.

Meeting adjourned at 9:30 AM.