

Delaware Sustainable Energy Utility  
Loan Committee  
DESEU Office - 500 W. Loockerman Street, Suite 400, Dover, DE 19904  
September 19, 2018, 2:00 PM

Members present were: Kristopher Knight (teleconference), Senator Harris McDowell, Trey Paradee, Andrew Slater, Doug Bacher, NW Financial Group (teleconference), and Anthony DePrima. Also present were Brent Shaffer and Lisa Gardner.

**1. Approval of Minutes – August 9, 2018 - Mr. Slater moved for the approval of the minutes seconded by Mr. Paradee and unanimously carried.**

Regarding real estate/commercial loans, Mr. Knight stated that in certain cases; the Committee spends much time discussing and forming motions with required terms and conditions. In some cases, when finalizing the loan, the terms and conditions, which are typically related to the collateral and/or securities, were not obtained for one reason or another.

Responding, Mr. Bacher explained that the strategy is to build as much security into the loan as possible. Mr. Bacher offered to add language into his Loan Application Report that includes minimum collateral requirements that is acceptable; and allow the Executive Director to negotiate for more if desired.

**2.a. Loan Application - Hebert C. Wright Family Farms, LLC** - Herbert C. Wright Family Farms, LLC (the "Wright Farm") has made application to the DESEU for a \$140,300 loan for purposes of purchasing and constructing a 62.4kW ground mount solar array (the "Project"). The Project will provide electricity to the Wright Farm buildings and agricultural watering pumps. The Wright Farm is located at 4814 Blackwater Branch Road, Delmar, DE. It is a fourth generation owned farm that grows grains and vegetables. It is organized as an LLC and is owned 50%/50% by a father and son, Herbert and Jeff Wright. As the loan was made as part of the DESEU's Farm Program and the applicants are eligible for a loan at 2%. The owners of the Farm have also indicated that they are willing to provide a personal guaranty for the loan repayment and are willing to have a lien on the Project equipment.

Mr. Bacher reviewed the Loan Application Report (which was previously emailed to all members of the Loan Committee for review).

**After discussing, Mr. Slater moved to approve the loan request (including all noted terms and conditions) in the amount of \$140,300 with a 17 year term at 2% interest. The motion was seconded by Mr. Paradee and unanimously carried.**

**2.b. The Magnolia Manor Farm** - The Magnolia Manor Farm (the "Farm") has made application to the DESEU for a \$504,900 loan for purposes of purchasing and constructing a 277.2 kW ground mount solar array (the "Project"). The Project will provide electricity to the farm buildings. The Farm is owned by William and Mary Skotta and is located at 21090 Persimmon Tree Lane, Georgetown, DE. The property is comprised of 2 farms and includes 10 poultry houses and fields that are used to raise beef cattle and to grow corn and soybeans.

Mr. Bacher reviewed the Loan Application Report (which was previously emailed to all members of the Loan Committee for review).

Per the guidelines of the Farm Program, the Magnolia Manor Farm is eligible for a loan of 2% for up to \$400,000. However, in recent instances where the loan request has been greater than the \$400,000 allowable under the program, an interest rate of 2.5% was used, assuming a blended interest rate with an interest rate higher for the balance of the loan request. He recommended a 20 year term. The owners of the Farm indicated that they are willing to provide a personal guaranty for the loan repayment and are willing to have a lien on the Project equipment.

Responding to Mr. Knight, Mr. Bacher stated that he did not have an appraisal on the farm.

**Pending receipt of the appraisal, Senator McDowell motioned to table the loan request, seconded by Mr. Knight and unanimously carried.**

**3. Energy Savings Performance Contract Financing- Bond vs Lease** – Mr. DePrima stated that there are now three projects ready for long term financing. Two of the projects (DHSS and Colonial School District) have already started and were funded with DESEU bridge loans. The Indian River School District is finishing their final approvals and is anticipating a bridge loan through the DESEU; the three projects put forth will bring the amount closer to issuing \$19 million in financing.

According to Mr. Bacher, the \$19 million financing put into question whether financing through a tax-exempt master lease would be more cost effective than a traditional bond issue. To evaluate a bond vs lease decision, our financial advisor, NW Financial, issued a Request for Proposals that was open to either bonds or leasing. Five proposals were received from traditional bond underwriters and one proposal from Bank of America for a 21-year financed lease. Raymond James had the lowest proposed underwriter's discount, the lowest cost for underwriter's counsel and expertise including experience in pricing and selling pooled bond issuances with multiple issuers. The Raymond James proposal was then compared to the Bank of America proposal. Details on the proposals were previously provided to the Board for review.

NW's evaluation proved that a bond issue would be more cost effective with lower interest rates and interest payments, which would save approximately \$400,000 when all cost factors are included.

**Mr. Paradee moved to endorse (to the Oversight Board) moving forward with issuing a bond. Noting that a bond issue can take 8 to 10 weeks to complete; they are also recommend moving forward with a short term bridge loan for Indian River School District. The motion was seconded by Senator McDowell and unanimously carried.**

Meeting Adjourned at 3:30 PM