



REINVESTMENT FUND
SUSTAINABLE
DEVELOPMENT FUND

The 2018 Annual Report of the Sustainable Development Fund

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The 2018 Annual Report of the Sustainable Development Fund

I. INTRODUCTION

This 2018 Annual Report was prepared by Reinvestment Fund, the manager of the Sustainable Development Fund (“SDF”), to summarize for the Pennsylvania Public Utility Commission the initiatives and accomplishments of SDF in calendar year 2018.

II. HIGHLIGHTS AND ACCOMPLISHMENTS

SDF began 2018 with little available capital for new loans. In 2018, SDF closed one energy loan totaling \$150,000 and one energy grant for \$200,000.

Since its inception, SDF has deployed at total of \$49,300,631 towards its mission of supporting renewable energy, energy efficiency and other advanced clean energy technologies as shown on the following table:

Type of Support	# of Closed Transactions	Total \$
Debt Financing	42	\$24,267,683
Equity Investments	6	\$3,788,770
Grants	<u>377</u>	<u>\$21,244,178</u>
TOTALS:	425	\$49,300,631

The total funding SDF received from PECO was \$31,815,216, so the PECO dollars have been fully deployed and are revolving again, as was the original intent.

III. SDF's FINANCIAL APPROVALS IN 2018

A. SDF's Energy Loans and Investments

In calendar 2018, Reinvestment Fund approved and closed one energy loan supported by a total of \$150,000 of SDF funding.¹ This closed loan is listed in the table below:

SDF Energy Loans Closed in 2018			
Borrower	Amount of SDF Financing	Loan Closing Date	Comments
Green Line Workspace, LLC	\$150,000	8/16/18	Financing for a 38.4 kW _{DC} solar photovoltaic project as part of a loan for the gut rehab of a 6,000 s.f. former light industrial building into 12 artist workspaces.
TOTALS:	\$150,000		

At the end of 2018, Reinvestment Fund was working on loan requests for \$8.4 million from seven energy projects. Whether these loans are closed with SDF capital depends on several factors., including the location of the project, the project's energy savings, the availability of energy capital in our other programs, etc.

SDF is no longer making equity investments in projects or companies, so no new equity transactions were closed or approved in 2018.

B. SDF's Energy Grants

In 2018, SDF made one energy grant to Green Building United in the amount of \$200,000. This awarded grant is listed in the table below:

SDF Energy Grants Executed in 2018			
Grantee	Amount of SDF Grant	Grant Award Date	Comments
Green Building United	\$200,000	4/18/18	Support for a wide range of educational programming for code officials, architects, engineers and designers to implement the 2018 International Energy Conservation Code for commercial buildings and the 2015 IECC for residential buildings.
TOTALS:	\$200,000		

¹ As noted in earlier annual reports, Reinvestment Fund has received other capital for energy lending from the Commonwealth of Pennsylvania (the Pennsylvania Green Energy Loan Fund or GELF), the City of Philadelphia (EnergyWorks), the Bank of America (the Bank of America Energy Efficiency Finance Program), the Kresge Foundation, the City of Baltimore (the Baltimore Energy Initiative Loan Program), the CDFI Fund Bond Guaranty Program, Met Life Insurance Company (Clean Energy Fund 1) and its own core dollars. In addition to the energy loan closed with SDF capital, Reinvestment Fund closed an additional \$17,740,962 of energy loans in 2018 using these other energy capital sources. Since the beginning of its clean energy financing in 1993, Reinvestment Fund has deployed \$130 million in total for energy efficiency, renewable energy and other clean energy projects.

IV. 2018 FINANCIAL DISBURSEMENTS

A. SDF's Energy Loans and Investments

In 2018, SDF made the following disbursements on its energy lending:

SDF Energy Loans Disbursed in 2018			
Borrower	Amount Disbursed	Loan Closing Date	Comments
Strategic Finance Group – Rittenhouse-Claridge CHP	\$53,450	12/10/15	For a 225 kW Combined Heat and Power system in a 242 apartment multi-family residential building in Philadelphia.
Green Line Workspace, LLC Keystone Academy	\$145,000	8/16/18	Full range of energy measures in the gut rehab of an existing historic school building in Philadelphia (the Mary Disston School) and the new construction of a classroom wing.
TOTAL:	\$198,450		

In 2018, SDF made no disbursements on any equity investments.

B. SDF's Energy Grants

In 2018, SDF made the following disbursements on its energy grants:

SDF Energy Grants Disbursed in 2018			
Grantee	Amount Disbursed	Grant Award Date	Comments
Green Building United	\$54,147	12/10/15	Support for a wide range of educational programming for code officials, architects, engineers and designers to implement the 2018 International Energy Conservation Code for commercial buildings and the 2015 IECC for residential buildings.
TOTAL:	\$54,147		

V. THE PECO-UNICOM MERGER PROGRAMS

As of December 31, 2015, SDF had disbursed all of the funding received from the PECO-Unicom merger for wind (\$12,000,000), solar (\$4,000,000) and public education (\$2,500,000). These three “Temporarily Restricted” accounts are now closed and all SDF funds now appear as “Unrestricted but Contractually Limited as to Use.” Please see the SDF annual reports from 2015 and earlier years for information about this \$18.5 million of funding and support for renewable energy.

VI. FINANCIAL REPORT

SDF has received a total of \$31,815,216 from PECO Energy. This figure consisted of eight quarterly payments in 1999 and 2000 from distribution charges that total \$3,335,216 and the lump sum accelerated payment of PECO quarterly payments through December 31, 2006 totaling \$9,980,000. SDF had also received, pursuant to the terms of the PECO Energy/Unicom merger agreement, three installments of \$4,000,000 for the Pennsylvania Wind Development Program (total of \$12,000,000); five annual installments of \$500,000 for public education about renewable energy (total of \$2,500,000); and four annual installments of \$1,000,000 for SDF's solar photovoltaic program (total of \$4,000,000). PECO's financial support of SDF ended with the last payment received on December 31, 2006.

SDF's unaudited financial statements for the twelve-month period ending December 31, 2018 show total financial income of \$379,291 and net financial income of \$350,270.

Operating expenses for 2018 totaled \$54,456, consisting mostly of Reinvestment Fund's management fee for managing the SDF (\$48,341)² and \$6,115 for SDF's portion of the audit expense.

On December 31, 2018, SDF held \$2,406,333 of funds in SDF's cash and investment accounts available for lending. This is up from the \$1,689,093 figure at the end of 2017.

Outstanding receivables (loans, energy performance contract leases, net of allowance for losses) as of December 31, 2018 totaled \$7,430,836, of which \$670,069 were current assets and \$6,760,767 are non-current assets. Total assets on December 31, 2018 were \$10,018,222. SDF's liabilities at December 31, 2018 totaled \$157,969. As of December 31, 2018, SDF's net assets totaled \$9,860,253, an increase of \$226,569 over 2017's figure.

Audited financial statements for the year ending December 31, 2018 will soon be available and will be shared with the Commission. The audited financial statements will be available upon request by contacting Roger Clark, Fund Manager, Sustainable Development Fund, Reinvestment Fund, 1700 Market Street, 19th Floor, Philadelphia, PA 19103. He can be reached by email at roger.clark@reinvestment.com or by telephone at 215.574.5814.

VII. SDF BOARD ORGANIZATIONAL ISSUES

SDF board of directors in 2018 consisted of the following people:

- Alex Dews (Green Building United)
- Michael Freeman (Emerald Energy Consulting)
- Matthew Madia (Bridgeway Capital)
- Sonny Popowsky (retired PA Consumer Advocate)

² The SDF board approved Reinvestment Fund annually taking a management fee equal to 0.5% of the SDF funds under management. This fee is in lieu of personnel, space, and other internal expenses. Third-party expenses (such as the audit) are likewise recoverable.

- Richard Schlesinger (PECO)
- Christine Simeone (Kleinman Center for Energy Policy)
- Sidharth Singh (Strategic Finance Group)
- Lori Van der Voort (PWI Engineering)
- Sherif Youssef (Philadelphia Gas Works)

The board held a board meeting on March 20, 2018. A new board meeting is being scheduled.



The 2018 Annual Report of the Sustainable Development Fund Addendum

1. Administrator's Expenses for SDF in 2018

SDF's Administrative Expenses for 2018	
Fund Management Fee	\$48,341
Professional Services (financial audit)	\$6,115
TOTAL:	\$54,456

2. Loans, Equity Investments and Grants Approved by SDF in 2018

SDF Approvals in 2018		
Type	Number	Dollar Value
Loans	1	\$ 150,000
Equity investments	-	-
Grants	1	\$ 200,000
TOTALS:	2	\$ 350,000

3. Loans, Equity Investments and Grants Closed/Executed by SDF in 2018

SDF Loan Closings and Grants Executed in 2018		
Type	Number	Dollar Value
Loans	1	\$ 150,000
Equity investments	-	-
Grants	1	\$ 200,000
TOTALS:	2	\$ 350,000

4. Loans, Equity Investments and Grants Disbursed by SDF in 2018

SDF Dollars Disbursed in 2018		
Type	Number	Dollar Value
Loans	4	\$ 198,450
Equity investments	-	-
Grants	-	\$ 54,147
TOTALS:	4	\$ 252,597

5. The Year-End Fund Balance (Net Assets)

\$ 9,860,253
