

**AUDIT, COMPLIANCE, & GOVERNANCE COMMITTEE OF THE
CONNECTICUT GREEN BANK**

Minutes – Special Meeting

Friday, October 21, 2016

8:00 – 9:00 AM

A regular meeting of the Audit, Compliance, and Governance Committee (“Audit Committee”) of the Board of Directors of the Connecticut Green Bank (the “Green Bank”) was held on October 21, 2016 at the office of the Green Bank, 845 Brook Street, Rocky Hill, CT in the Albert Pope Board Room.

1. **Call to order:** Mr. Ranelli, Chairperson of the Audit Committee, called the meeting to order at 8:10 a.m. Audit Committee members participating: Matthew Ranelli, John Harrity, & Patricia Wrice.

Staff Attending: Bryan Garcia, Brian Farnen, Eric Shrago, George Bellas, Jane Murphy, Cheryl Samuels, Jessica Aniskoff, Blum Shapiro, (by phone), and Ron Nossek, Blum Shapiro (by phone).

2. **Public Comments**

There were no public comments.

3. **Approve Meeting Minutes for May 25, 2016 Regular Meeting**

Upon a motion made by John Harrity and, seconded by Pat Wrice the Meeting Minutes for the May 25, 2016 meeting were approved.

Resolution #1

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for May 25, 2016. Second. Discussion. Vote

4. **Discuss proposed draft revisions to Green Bank Bylaws and Operating Procedures**

Brian Farnen provided an update on the revisions to the Green Bank Bylaws and the Operating Procedures. He stated that they want to make a change that the Committee schedules their meetings to the fiscal year rather than the calendar year and removed the requirement that the minimum number of board meetings required had to be regular meetings. He also stated that they are going to remove the section stating that the Green Bank is within Connecticut Innovations for administrative purposes. He stated that if the Committee agrees with these revisions then they will provide an opportunity for public comment, and then bring it to the Board in December for approval.

Brian Farnen discussed revisions to the operating procedures. He discussed the ability of the Green Bank to set up CDFI to enable low income financing. He stated that under Federal rules it cannot be a government controlled entity. As such, if the Green Bank were to establish a CDFI, it would likely be through an affiliate. Pat Wrice questioned how the Green Bank would use a CDFI. Brian Farnen stated that it would be another

tool to enable them to get low cost capital into the state for clean energy deployment in the low income and multifamily sector.

Brian Farnen discussed the guidance the statutory change enabling the Green Bank to establish subsidiaries and OPM's guidance on the applicability of state contracting requirements to these subsidiaries. For the Operating Procedures, the state contracting requirements were revised so that instead of listing out each statutory requirement that is subject to change, they will put in more broad language to meet all the applicable state contractor requirements. John Harranty questioned the applicability. Brian Farnen stated that the Green Bank will comply with all state contracting requirements but they are subject to change and would not apply to subsidiaries. He also stated that we use the standard OPM state contracting forms.

Brian Farnen discussed the eighty percent requirement for renewable financing, how it is potentially addressed through tax equity and whether we should go back to the legislature next session and get it changed. Lastly, Brian discussed the Operating Procedure change related to the Chief Financial Officer certification requirement only being needed during time period when funds are dispersed, not afterwards. He stated that he would like to publish these in the Connecticut Law Journal and allow for public comments. He stated that they would be voted on at the December Board Meeting after the public comment period.

**Upon a motion made by John Harranty and, seconded by Pat Wrice
Resolution 2, amended with the change described, passed.**

Resolution #2

RESOLVED, that the Audit, Compliance, and Governance Committee hereby recommends to the Board of Directors of the Connecticut Green Bank approval of the revisions to the Green Bank Bylaws.

RESOLVED, that the Audit, Compliance, and Governance Committee hereby recommends to the Board of Directors of the Connecticut Green Bank approval of the revisions to the Green Bank Operating Procedures, which shall be contingent upon no material or substantive revisions pursuant to the public notice and comment period under CT Gen Stat § 1-121.

Discussion. Vote

5. Discuss proposed draft Comprehensive Annual Financial Report (CAFR)

George Bellas discussed the Comprehensive Annual Financial Report. He stated that the draft 2016 CAFR is substantially complete. He stated that there are three footnotes to be completed, program loans, notes payable, and future program commitments. He stated that there should be no material changes to financial position as presented in the draft CAFR. He stated that there are minor adjustments but, nothing material. He stated that the structure of the CAFR and disclosures contained in the document are consistent with the prior year. He stated that they have received Certificates of Achievement for 2014 and 2015 from the Government Finance Officers Association for financial reporting.

He stated that they will submit the 2016 CAFR sometime in November for Certificate of Achievement consideration.

Ron Nossek of Blum Shapiro. provided the audit presentation. He provided information on the scope of the audit engagement. He stated that there were no material internal control weaknesses found and no level of significant deficiency in these controls. He stated that there were no instances of noncompliance with financial reporting requirements. He stated that the balance sheet is in tremendous shape with current assets at two times the current liabilities. He stated that from a liquidity point of view, the balance sheet is in tremendous shape.

Mr. Nossek discussed management's responsibility for the financial statements themselves and, required communications to management by Blum Shapiro is their role as auditors of the financial statements. He advised that this information was communicated in the original engagement letter that was issued in advance of the audit engagement. He advised that they will provide a final communication to management and the Board when the financial statements are issued. Matt Ranelli requested that Mr. Nossek be available should the Committee need contact him with any further questions they may have regarding the audit.

Mr. Bellas requested the Committee recommend to the Board approval of the issuance of the CAFR barring any material changes to the financial position of the Green Bank as presented. John Harrity questioned if the document was complete. George Bellas stated as previously mention it is substantially complete with the exception of some additional footnote disclosures and minor edits. Mr. Nossek agreed. Mr. Ranelli congratulated Mr. Bellas and his team for a job well done.

Mr. Ranelli expressed concern regarding the increase in administrative costs when compared to the prior year. He asked that staff review these expenses for cost effectiveness should they be questioned. Mr. Garcia stated that staff is developing metrics on the contribution of marketing and other administrative costs with respect to deliverables being achieved.

Upon a motion made by Pat Wrice and, seconded by John Harrity the Resolution passed.

Resolution #3

WHEREAS, Article V, Section 5.3.1(ii) of the Connecticut Green Bank ("Green Bank") Operating Procedures requires the Audit, Compliance, and the Governance Committee (the "Committee") to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board of Directors of the Green Bank (the "Board") with respect to the approval of the audit report;

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends to the Board of Directors for approval the proposed draft Comprehensive Annual Financial Report (CAFR) contingent upon no further adjustments to the financial statements or additional required disclosures which would materially change the financial position of the Green Bank as presented.

Discussion. Vote

6. 2016 Legislative and Regulatory Update

Brian Farnen provided an update on Legislative and Regulatory. He advised that a priority will be preserving the Green Bank's cash resources to satisfy future commitments under its Residential Solar Investment Program (RSIP). He stated that future commitments to fund programs are not reflected on the Green Bank's balance sheet but rather disclosure in the footnotes to the financial statements. He stated that they do have contractual commitments that cannot be broken. Pat Wrice questioned why these future commitments are not reflected on the balance sheet. Mr. Bellas stated that a future event, such as the generation of electricity or the installation of a PV system needs to occur before a future commitment can be considered a liability of the Green Bank, requiring disbursement of Green Bank cash resources, as of the balance sheet date from a GAAP perspective.

Brian Farnen stated that the Green Bank will continue to have a very proactive Legislative effort. He stated that they have a light Legislative agenda and their main priority is defense to protect their funding sources. John Harrity suggested that they show the jobs created section to each Legislator and allow them to see what is actually being done by the Green Bank.

7. Discuss FY 2016 Compliance Reporting

Matt Ranelli advised that they are on schedule with all reports that are due.

8. Discuss Evaluation Framework: Societal Performance: Economic Development Metrics

Bryan Garcia provided an update on the Evaluation Framework, Societal Performance, and Economic Development Metrics. He stated that they are working on how to report non-financial stats. He stated that they are implementing the evaluation framework since it has been approved by the Board in July. He stated that there had been an older jobs study done by the DECD, Connecticut Energy Efficiency Fund, and Connecticut Clean Energy Fund in 2009 and 2010, but that a lot has changed since then. He stated that they worked with DECD and Navigant Consulting to update the study. He stated that they will post the Evaluation Framework to the website and will link to all of the documents. He stated that the ACG Committee will be recommending that the Board approve this methodology.

Bryan Garcia stated that the next steps of the Evaluation Framework focus is on environment and data collection and analysis. He stated that they are going to work with DEEP and the EPA. Pat Wrice questioned if they are focusing on health. Bryan Garcia stated that the fourth goal is in regards to health and safety and that they hope to work with the EPA through the Co-Benefit Risk Assessment Model (COBRA) to better understand public health benefits. Bryan Garcia stated that they are proposing that the ACG Committee approve for recommendation to the Board.

Upon a motion made by John Harrity and, seconded by Pat Wrice the motion passed.

Resolution #5

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval of the proposed draft Economic Development: Societal Performance documentation in the memo to the Department of Economic and Community Development of September 13, 2016 to support the Evaluation Framework. Second. Discussion. Vote

9. Discuss Updated Banking Resolutions

Mr. Bellas provided an update on the Banking Resolutions. Matt Ranelli explained that the resolution provides the CEO the authority to execute Board resolutions in a format required by a financial institution in order to open a bank account. He advised that the change is in an effort to avoid having a Board meeting each time the Green Bank requires a bank account be opened with a new financial institution. He explained that all the same financial controls would apply to any account that is opened. Matt Ranelli suggested additional language for the resolution to address this.

Upon a motion made by Pat Wrice and, seconded by John Harrity, resolution passed.

Resolution #6

RESOLVED, that Audit, Compliance and Governance Committee (the "Committee") recommend that for any FDIC insured bank requiring a particular form of resolution of the Connecticut Green Bank ("Green Bank") Board of Directors for opening a bank account or for other bank account matters, the President and CEO of the Green Bank is authorized to approve the form of such resolutions after review and approval by the General Counsel of the Green Bank,

RESOLVED, the Committee recommends that upon such approval, each resolution is adopted and the Secretary or Assistant Secretary as applicable is authorized to certify the adoption of all such resolutions.

RESOLVED, that the Committee recommends that the Board of Directors authorize the President and CEO to open such bank accounts as are necessary or desirable in the ordinary course of business for the Green Bank and any affiliates it controls that are in existence as of the date of this resolution or to be created by the Board of Directors including but not limited to:

- CEFIA Holdings LLC
- CT Solar Loan 1 LLC
- CEFIA Services Inc.
- CT Solar Lease 2 LLC
- CGB Meriden Hydro LLC

RESOLVED, that the Committee recommends that the Board of Directors authorize the following Green Bank employee positions to draw checks and initiate and release wire or ACH transfers from such accounts in accordance with the Green Bank's Bylaws, Operating Procedures, and its established signatory authority as stated in the Green Bank internal control procedures manual:

- President and CEO
- Vice President Finance and Administration
- Executive Vice President and Chief Investment Officer
- Vice President, Commercial and Industrial Programs
- Managing Director, Statutory and Infrastructure Programs
- Director of Operations

RESOLVED, that the Committee recommends that the Board of Directors affirm that as of the date of this resolution these positions are occupied by the following individuals:

- President and CEO - Bryan Garcia
- Vice President Finance and Administration - George Bellas
- Executive Vice President and Chief Investment Officer – Roberto Hunter
- Vice President, Commercial and Industrial Programs – Michael Dykes
- Managing Director, Statutory and Infrastructure Programs – Dale Hedman
- Director of Operations – Eric Shrago
- Secretary – Matthew Ranelli

10. Adjourn

Upon a motion made by John Harrity, and seconded by Pat Wrice the meeting was adjourned at 9:02 a.m.

Respectfully Submitted,

Matthew Ranelli, Chairperson of the Audit,
Compliance, and Governance Committee