

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

Minutes – Regular Meeting

Wednesday, May 25, 2016

8:30 – 9:30 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 May 25, 2016, at the office of the Connecticut 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 8:32 a.m. Audit Committee members participating: Matthew Ranelli, John Harrity, & Patricia Wrice.

Staff Attending: Bryan Garcia, Brian Farnen (by phone), George Bellas, Bert Hunter, Cheryl Samuels, Jane Murphy, and Eric Shrago.

2. **Public Comments**

There were no public comments.

3. **Approve Meeting Minutes for December 4, 2015 Regular Meeting**

Matt Ranelli requested that a typo be fixed listing him as T. Ranelli.

**Upon a motion made by John Harrity, seconded by Pat Wrice, the
Committee unanimously approved the minutes from the December 4, 2015
meeting.**

Resolution #1

Motion to approve the minutes of the Audit, Compliance and Governance Regular Meeting for December 4, 2015

4. **Review Audit RFP Process and Recommendation**

George Bellas provided an overview of the Audit RFP Process. He stated that since the Green Bank has used the same accounting firm to provide audit services for six consecutive years we are statutorily obligated to change to a new accounting firm. He explained that they received three proposals in response to the RFP. Based upon the recommendation of the staff audit evaluation team that reviewed and scored each response based upon a myriad of scoring factors, staff is recommending Blum Shapiro to provide audit services for the fiscal years 2016 through 2018

George Bellas explained that Blum Shapiro is familiar with the Green Bank and that the audit evaluation team believes that they had the best overall response and that the hours that they proposed make sense. Matt Ranelli advised that there is a large difference between the hours estimated with Blum Shapiro and RSM. He questioned if it is a fixed price. George Bellas explained that it is a fixed price.

Brian Farnen explained that with Jane Murphy on board in the position of Controller, this should reduce the hours needed to complete the audit. George Bellas reiterated that thought stating the process of preparing the necessary financial statements and schedules should be more efficient.

Matt Ranelli questioned the sustainability and diversity responses. George Bellas explained that sustainability accounting is an evolving area of practice in the accounting field and the profession is developing standards, and individual firms are gaining experience as the demand for such engagements grows. He explained that staff is working with our current accounting firm, Marcum to develop a scope of engagement to provide a report to the Green Bank on its internal data collection system used to develop and report on sustainability metrics included in the annual CAFR. He explained that right now there are no established reporting standards in the United States pertaining to sustainability accounting.

Bryan Garcia stated that this is a very new process and that once the Green Bank begins issuing Green Bonds they must have accurate accounting for the use of proceeds in a format required by the bond investors. He explained that they are defining how the Green Bonds are going to be tracked and monitored in order to speak to the societal benefit (e.g., GHG emission reductions). Matt Ranelli noted the challenges with reporting emission reductions given that the REC goes into the Class I RPS. Bryan will work with DEEP on the appropriate way to communicate the Connecticut Green Bank's contribution to emission reductions through its programs. Matt Ranelli also commented that since this is a multiple year contract, the firm selected should be asked to report back annually on their standing in the areas of diversity and sustainability. Staff agreed with this view.

John Harrity stated that as for firm size and location Blum Shapiro is an excellent fit. He stated that they are not too large, yet not too small, yet they seem large enough to handle the complexity of the business of the Green Bank.

Matt Ranelli questioned if this was a three-year agreement. George Bellas stated that is, but the Green Bank will only enter into a PSA with the firm for one fiscal year at a time. During this three-year period if the Green Bank determined a need to engage another firm to perform the audit it could do so.

Matt Ranelli requested that they have a motion to approve Blum Shapiro, but asked staff to reach out to Blum Shapiro requesting clarification and further information on some of the terms and conditions that were discussed with staff during the meeting.

Upon a motion made by John Harrity, and seconded by Pat Wrice, the Committee voted unanimously in favor.

Resolution #2

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval of Blum Shapiro as the auditor of the Connecticut Green Bank based on the Audit RFP review and evaluation process.

5. Review CT SL2 LLC audited financial statements issues May 11, 2016

George Bellas provided an overview of the audited financial statements of CT Solar Lease 2 LLC, CTSL2. He explained that CT SL2 is required to engage an accounting firm to issue an annual audit report on its financial statements which is to be distributed to CT SL2's equity investor and its creditors. He explained that for the year ending December 31, 2015 the accounting firm engaged by CT SL2, Marcum, issued an unqualified, "clean" opinion. Marcum also did not bring to management's attention any material weaknesses in internal accounting controls that needed to be corrected. He did advise that with the complexity of some of CT SL 2's activities, staff had some complicated accounting issues to work through, but that it took a team effort to work through these challenges and complete the preparation of the financial statements in a timely manner. He explained that the audit report was being presented to the Committee for their review and to answer any questions they might have on CT SL2's activities for informational purposes and that he wanted to the Committee to see it.

Matt Ranelli advised that typically Marcum has always contacted the Committee members individually. He explained that they did contact him to see if he had any concerns. George Bellas noted that ordinarily staff would have circulated a draft of the audit report in advance to obtain any comments from Committee members, but due to time constraints involving the report issuance deadline, this effort was overlooked this year. Staff will make sure the report is available sooner to the Committee next year to give them the ability to review it before its issuance.

John Harrity stated that there has been remarkable growth between 2014 and 2015. George Bellas stated that it has been a total team effort. Bert Hunter stated that revenues will significantly accelerate in the months ahead and that the Committee is not seeing the full revenue effect that they will see next year when a majority of the contracted revenues will be in place for a complete year.

The Committee would like George Bellas and Bryan Garcia to extend appreciation on behalf of the Board of Directors to Marcum for their services on prior audits of the Green Bank.

Resolution #3

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval the proposed CT SL2 LLC audited financial statements issued May 11, 2016.

Second. Discussion. Vote

6. Modification of Internal Control Procedure CGB 101— Purchasing and Accounts Payable, and CGB 102 – Consulting and Advisory Services to reflect the hiring of Eric Shrago, Director of Operations, to replace Mackey Dykes, COO

George Bellas welcomed Eric Shrago as Director of Operations to replace Mackey Dykes. Bryan Garcia explained that it had been a very competitive hiring process. He explained that Eric was the perfect fit for the position.

Matt Ranelli asked Eric Shrago to provide a bit of his background. Eric Shrago stated that he was at Goldman Sachs for just over nine years. He explained that he had spent a lot of his career building new business. He stated that he had left Goldman Sachs in 2011 and went to a financial tech firm. He explained that he decided to pursue his Masters at Columbia. He explained that he had graduated in May 2015 and spent about nine months doing consulting on his own.

George Bellas explained that Mackey Dykes has moved on to manage Commercial, Industrial, and Institutional Programs. He requested that the Committee replace Mackey Dykes name with Eric Shrago on purchasing, accounts payable, consulting and advisory services, and on credit cards. He requested that the Committee approve these changes and recommend them to the Board.

Upon a motion made by Pat Wrice, seconded by John Harranty, the Committee voted unanimously in favor of the changes.

Resolution #4

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval the proposed revisions to the current internal accounting control policies.

7. Review Draft Evaluation Framework and Recommendation

Bryan Garcia provided an overview of the Draft Evaluation Framework and Recommendation. He stated that they are developing their own systems to collect information on projects that the Connecticut Green Bank supports. He explained that in some cases they monitor the performance of projects over time. He explained, that in the past, that they have not had a formal evaluation framework to work from. He explained that they are going to have to have this foundation when they move into the Green Bond world in order to account for use of proceeds and to track and monitor system performance.

Bryan Garcia explained that Andy Brydges was the lead on this, but when Andy left in March Bryan Garcia took over the lead. He explained that through an RFQ process in 2013, that they have decided on a company, Opinion Dynamics and Dunsky Energy Consulting to assist them in developing the framework.

Bryan Garcia explained what the evaluation framework is and isn't. . He explained that the Connecticut Green Bank is very critical of assessing its impact, and that the evaluation framework is a management tool for the organization in helping to constantly look at how it is performing to targets. He explained that this is going to be an ongoing data integration system, less driven by incentives and less punitive. It will be more focused on their mission of doing more of what the Connecticut Green Bank does as an organization.

Bryan Garcia explained the process framework and that they will look at the market potential (e.g., total available market), what are the key performance indicators, what data are they collecting and analyzing, as well as what human and financial resources are being devoted to products and programs through the annual budget and accounting processes. He explained that they report out impact through the non-financial statistics section of the CAFR. He explained that they will look at how the Connecticut Green Bank measures its social impact.

Bryan Garcia explained that on the efficiency side data collection is estimated, but renewables can be metered. On the environmental side he explained that they are working with DEEP on how to collect and analyze data on clean energy and what the associated greenhouse gas emissions and criteria pollutant reductions are. He explained that historically EPA data has been used through e-Grid, but not they are transitioning to AVERT. He explained that DEEP suggested that the Connecticut Green Bank use the EPA AVERT tool.

Matt Ranelli questioned how the REC's are being handled. Bryan Garcia stated that the Connecticut Green Bank is helping Connecticut to hit meet its Class I RPS through the installation of instate clean energy projects. Matt Ranelli questioned if this accounts for the REC's being sold back into the market. Bryan Garcia advised that it does not and noted that he will work with DEEP through the process to properly communicate this.

Matt Ranelli requested a modified resolution to provide comments prior to the Board Meeting, conditioned on whatever comments that they might have.

Upon a motion made by John Harrity, seconded by Pat Wrice, the Committee voted unanimously to approve the modified resolution.

Resolution #5

RESOLVED, that the Audit, Compliance and Governance Committee provides a conditional recommendation to the Board of Directors for approval of the proposed draft Evaluation Framework subject to written comments from the members of the Committee before the next Board of Directors meeting.

8. 2016 Legislative and Regulatory Update

Brian Farnen provided an overview of the Legislative and Regulatory update. He explained that it had been an overall successful session. Brian explained that Green Bank offered a suite of legislative proposals, and also worked to defend its operating budget by educating policymakers on the negative impact of fund sweeps on the Green Bank and our unique model. He explained that there had been four overall that needed to be addressed. They were (1) technical changes to the Solar Home Renewable Energy Credit (“SHREC”) policy to enable master purchase agreements to proceed, (2) a technical fix to the C-PACE enabling statute, (3) a redraft of the Green Bank’s authorizing statute so that it is not within Connecticut Innovations (“CI”) for administrative purposes and allows for direct access to the same powers, and (4) overhauls the existing Residential PACE (“R-PACE”) statute to operationalize the program

He explained that he had met with the Majority and Minority Leaders in the House and Senate, all the statewide constitutional officers and that we were going to continue that outreach.

Brian Farnen discussed three bills that were combined into one related to the Connecticut Green Bank Administrative Authority plus the technical fixes to CPACE and SHREC. He explained that as a result of the passage of the bill, the Green Bank is no longer within Connecticut Innovations for administrative purposes. He also provided clarification on the SHREC. He stated that the Green Bank and the electric utilities needed this legislative change to move forward with implementation of the SHREC legislation from last year.

Brian Farnen discussed RPACE explaining that staff wanted to enact residential PACE, similar to what was done on the Commercial PACE side. He explained that the Green Bank is making progress, but that the biggest hurdle is with FHFA, and the bill failed to achieve passage in this year’s session.

Matt Ranelli requested that the rate design issue be brought back for discussion at the next meeting of the ACG Committee.

9. Discuss FY 2016 Compliance Reporting

To be taken up next time.

10. Discuss Board Member Appointments Ending During FY 2016

To be taken up next time.

11. Discuss Draft Succession Plan

Matt Ranelli noted that Bryan Garcia should check to see if senior staff indeed are likely to stay over the long-term as was stressed in the document with all of the “D’s” in the table. Bryan Garcia requested that if the Committee members had additional comments, they can send them to him prior to June 10th. The Succession Plan will be discussed at a future meeting of the Board of Directors.

12. Adjourn

Upon a motion made by John Harrity, seconded by Pat Wrice, the Audit Committee members voted unanimously in favor of adjourning the May 25, 2016 meeting at 9:38 a.m.

Respectfully Submitted,

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