

# CONNECTICUT GREEN BANK

Board of Directors

Minutes

Friday, December 16, 2016

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on December 16, 2016 at the officer of the Green Bank, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope board room.

## 1. Call to Order

Catherine Smith, Chairperson of the Green Bank, called the meeting to order at 9:08 a.m. Board members participating: Bettina Bronisz, State Treasurer’s Office (“Designee”), Norma Glover, John Harrity, Reed Hundt (by phone), Matt Ranelli, Tom Flynn (by phone), Rob Klee and Kevin Walsh (by phone).

Members Absent: Patricia Wrice, and Mun Choi

Others Attending: Bruce Chudwick

Staff Attending: Mariana Trief, Eric Schrago, Brian Farnen, Cheryl Samuels, Kerry O’Neill, Mackey Dykes, George Bellas, Bert Hunter, Bryan Garcia, Nicholas Zuba, Jane Murphy, Kim Stevenson, Selya Price, Craig Connolly, Ben Healey (by phone), and Anthony Clark.

## 2. Public Comments

There were no public comments.

## 3. Consent Agenda

**Upon a motion made by Matt Ranelli, and seconded by Bettina Bronize, the Consent Agenda was approved unanimously.**

### a. **Approval of Meeting Minutes for October 21, 2016\***

#### **Resolution #1**

Motion to approve the minutes of the Board of Directors Meeting for Oct 21, 2016

### b. **Position Descriptions\***

#### **Resolution #2**

Motion to approve the position descriptions for Vice President of Residential Programs and Director of Clean Energy Finance (Director II)

**c. Financial Statements through October 2016**

**4. President's Update**

Bryan Garcia provided an update on the strategic retreat. He discussed the items on the agenda as well as the special guests that they would have in attendance. He thanked Eric Schrago for his assistance in putting the retreat together. He also discussed the format that would be followed during the retreat. Matt Ranelli provided some suggestions on what should be included in the discussion.

Norma Glover discussed natural gas and stated that it needs some clarification regarding climate change. Commissioner Smith agreed, stating it's a very important topic for discussion.

Commissioner Klee stated that a key part of discussion will be the 80% reduction in greenhouse gases. John Harrity stated that they need to consider the type of legislation needed to get to the 80% reduction.

Commissioner Smith stated that a key part of discussion should be on the GC3 Planning Process.

Bryan Garcia discussed the 5-year anniversary of the Connecticut Green Bank and the evening celebrating that. Norma Glover stated that it was a very nice evening in education. Commissioner Smith congratulated the Connecticut Green Bank on realizing their successes.

Craig provided the Board with a video regarding moving forward with ideas and innovation.

Commissioner Klee requested a paper or leave behind version of the video for the upcoming legislative session.

**5. Committee Recommendations and Updates**

**a. Audit, Compliance, and Governance Committee**

**i. Revision of Bylaws**

Brian Farnen discussed the cleanup and annual review of the Bylaws of the Connecticut Green Bank. He stated that there are three changes in the Bylaws. They will change the Board schedule for meetings from calendar year to fiscal year and Board meetings must be 6 times a year, but don't have to be regularly scheduled meetings. Lastly, the Bylaws will be revised to delete the section regarding the Connecticut Green Bank being within Connecticut Innovations.

**Resolution #3**

**RESOLVED**, that the Board of Directors of the Connecticut Green Bank approves of the revisions to the Green Bank Bylaws.

**ii. Revision of Operating Procedures**

Brian Farnen explained that the operating procedures were to be updated to reflect current business practices, statutory changes and lessons learned. The changes include: revising the CDFI enabling language to include both the Green Bank and an affiliate – (latter being the more likely option), deleting sections related to being within CI for administrative purposes, clarifying and simplify state contracting requirement language, and clarifying borrower Chief Financial Officer certification requirement only needed during time period when funds are dispersed, not afterwards. .

**Upon a motion made by Matt Ranelli and, seconded by John Harrity, Resolutions 3 and 4 passed unanimously.**

**Resolution #4**

**RESOLVED**, that the Board of Directors of the Connecticut Green Bank approves of the revisions to the Green Bank Operating Procedures.

**6. Staff Transaction Recommendations and Updates**

**a. Infrastructure Sector Program Transaction Recommendation**

**i. New England Hydropower Special Capital Reserve Fund Self-Sufficiency Finding**

Bert Hunter discussed the background of the Meriden Hydroelectric facility. He stated that staff and the developer, New England Hydropower, met with staff of the Federal Energy Regulatory Commission (FERC) and staff of the US Department of Energy (DOE) on the technology and that they were both excited about this technology.

Mariana Trief provided an overview of the project. She stated that \$3.9 million in construction finance from Key Bank had been approved for this project, of which 60% has already been drawn upon. She stated that they are well into in the construction phase. She stated that the project will be completed in the February/March time frame and commence operation in the Spring.

Commissioner Klee discussed the dam that is being used for the project, and that it was refurbished a few years ago by the State of Connecticut.

John Harrity questioned if people will be able to view the facility. Mariana Trief stated that a portion of the facility will be fenced off and the top of the screw will be protected with a see-through cover so people will be able to view it from a distance.

John Harrity suggested that a plaque be placed at the project for the public regarding this being a project done by the Connecticut Green Bank.

Mariana Trief discussed the term financing, stating that it is financed through Clean Renewable Energy Bonds. She stated that these are the first issuance of bonds by the Connecticut Green Bank.

Mariana Trief stated that the CREBs allocation from the IRS has been granted, which grants a 70% federal tax credit subsidy and requires bond issuance by April 4, 2017. Bert Hunter stated that they won't know the actual cost of the funds until the subsidy is locked in .

Mariana Trief discussed the \$4.8 million cost of the project and where the funds will come from. She also discussed the structure of the project.

Bruce Chudwick provided information on the structure of the bond documentation for the Hanover Pond Hydroelectric Project. He explained that the Indenture lays out the responsibilities of the Connecticut Green Bank and that the debt service reserve funds will be directed to and controlled by the trustee.

Bruce Chudwick discussed the self-sufficiency findings and the requirement by the Statute for the Connecticut Green Bank to access the SCRF. He stated that the Connecticut Green Bank is required to contribute \$100,000 annually under a project support agreement. He stated that the Connecticut Green Bank will maintain the Debt Service Reserve Fund. He discussed the CREBs and the fact that they bear an interest rate of not more than 4.19% (which Mr. Hunter confirmed is locked in through February 5, 2017 and the bonds are expected to be issued by this date). he stated that the PURA buy down applies to all the CREBs for the first 10 years of the project. He stated that the final agreed upon CREBs amount will not exceed \$3 million notwithstanding an increase in the federal tax credit rate.

Bettina Bronisz questioned the \$300,000 Debt Service Reserve Fund. Marianna Trief stated that the final figure will be between \$250,000 and \$300,000 and will be equal to "maximum annual debt service" and that staff are just giving themselves room.

John Harrity questioned if the 193 KW goes to the grid. Marianna Trief stated that the electricity will be consumed by the City of Meriden by way of a Virtual Net Metering Agreement. She stated that it will generate be about 115 homes. Matt Ranelli recused himself from the discussion and the vote.

Commissioner Klee stated that he is voting only as a member of the Connecticut Green Bank Board.

Bettina Bronisz stated that she is voting only on the findings as a member of the Connecticut Green Bank Board.

Matt Ranelli stated that he is abstaining since his law firm is serving as Bond Counsel to the Green Bank.

**Upon a motion made by Norma Glover and, seconded by Bettina Bronisz, with an abstention by Matt Ranelli, the Board approved.**

**Resolution #5**

**WHEREAS**, Chapter 283 of the Connecticut General Statutes, as amended (the “Act”), among other things: (a) authorizes the Connecticut Green Bank (the “Green Bank”) to support financing or other expenditures that promote investment in clean energy sources, and to enter into contracts with private sources to raise capital for such purposes; (b) authorizes the Green Bank from time to time to issue negotiable bonds for any corporate purpose, as shall be authorized by resolution of the members of the Board of Directors; which resolution may contain provisions for the Green Bank to pledge all or any part of the revenues from a project or any revenue-producing contract or contracts to secure the payment of the bonds; and (c) provides that at the discretion of the Green Bank, any bonds may be secured by a trust agreement by and between the Green Bank and a corporate trustee, which trust agreement may secure said bonds by a pledge or assignment of any revenues to be received, any contract or proceeds of any contract, or any other property, revenues, moneys or funds available to the Green Bank for such purpose; and

**WHEREAS**, pursuant to the Act, the Green Bank Board of Directors (the “Board”), at its February 26, April 22, July 6 and July 22, 2016 meetings (the “Prior Meetings”) authorized the following elements of the development of a small hydroelectric facility at the Hanover Pond Dam on the Quinnipiac River in Meriden (“Project”):

- i) a guaranty to a third-party lender for construction financing in an amount not to exceed \$3.9 million,
- ii) funding from the Green Bank’s balance sheet in an amount not to exceed \$1,400,000
- iii) a working capital guaranty in an amount not to exceed \$600,000 for the benefit of New England Hydropower Company (“NEHC”), the project developer, with a 24- month maturity under the Green Bank’s existing working capital facility partnership with Webster Bank;
- iv) term financing based on:
  - a. proceeding with the prerequisites to the issuance of New Clean Renewable Energy Bonds (“CREBs”) in an amount not to exceed \$3,000,000 within 270 days of the original date of authorization by the Board of Directors (that is, February 26, 2016); and,
  - b. securing the issuance utilizing the Special Capital Reserve Fund (“SCRF”) subject to further Board, Office of the Treasurer, and Office of Policy and Management approval;
- v) a minimum debt service reserve fund required for the SCRF in an amount not to exceed \$250,000;
- vi) the creation of a Special Purpose Entity to be wholly owned by the Green Bank, to own, operate, and manage the Project, as required by CREBs regulations; and
- vii) the official intent that payment of Project construction and financing costs may be paid from temporary advances of other available funds and that such advances shall be reimbursed from the proceeds of the CREBs financing.

**WHEREAS**, the structure of the CREBs financing is substantially complete, which financing provides, in part, that:

1. The Green Bank make a loan to CGB Meriden Hydro LLC (the “Borrower”), a wholly-owned subsidiary of the Green Bank, for its purchase of the Project, as referred to and pursuant to a Loan Agreement, by and between the Green Bank and the Borrower (the “Loan Agreement”);
2. The loan to the Borrower shall be secured by an assignment to the Green Bank of all of the Borrower’s interests in the Project and the revenues therefrom;
3. For the purpose of providing the funds needed to make the loan to the Borrower for its purchase of the Project, the Green Bank shall issue the CREBs, to be known as the “Connecticut Green Bank New Clean Renewable Energy Bond” (the “Bond”) in an amount not to exceed \$3,000,000, secured by the Project revenues and the SCRF, as provided in an Indenture of Trust by and between the Green Bank and U.S. Bank National Association (the “Indenture of Trust”); and
4. The Bond shall be sold directly to Banc of America Leasing & Capital, LLC (the “Purchaser”) pursuant to a bond purchase contract (the “Purchase Contract”) by and between the Green Bank and the Purchaser.

**NOW, THEREFORE, BE IT RESOLVED**, that the actions taken by and resolutions adopted by the Board at the Prior Meetings are hereby ratified and confirmed in all respects, except as otherwise revised or amended by this Resolution, and

**FURTHER RESOLVED**, that the minimum debt service reserve fund required for the SCRF is hereby increased to an amount not to exceed \$300,000; and

**FURTHER RESOLVED**, that the Self Sufficiency Findings presented to the Board at this meeting and as attached hereto are hereby approved and adopted, and the President of the Green Bank and any other duly authorized officer are authorized to take appropriate actions to secure the SCRF for the CREBs issuance, provided the Green Bank complies with all statutory requirements for the SCRF, which will require among other things (1) State of Connecticut Office of Policy and Management approval, and (2) approval by the Office of the State Treasurer and other documentation required under the CGS; and

**FURTHER RESOLVED**, that, regarding the issuance of the Connecticut Green Bank New Clean Renewable Energy Bond:

Section 1. To accomplish the purposes of the Act and to provide for financing the cost of the Project, an appropriation of \$3,000,000 is hereby ratified and confirmed, and to pay for said appropriation the issuance of the Bond by the Green Bank is hereby authorized subject to the provisions of this Resolution and the Indenture of Trust. The Bond shall be in an aggregate principal amount not to exceed \$3,000,000 and the redemption provisions, if any, sinking fund installment payments, if any, interest rates, maturity dates and other terms of the Bond shall be determined and/or approved by the Authorized Representative (as hereinafter defined) within such limitations permitted herein and by the Act, and the execution of the Purchase Contract reflecting such terms by an Authorized Representative shall constitute conclusive evidence of such determination. The form of the Bond and all other provisions with respect thereto shall be substantially as set forth in the Indenture of Trust.

Section 2. The Bond shall be a special obligation of the Green Bank, payable solely by a pledge or assignment of any revenues to be received, any contract or proceeds of any contract, or any other property, revenues, moneys or funds available to the Green Bank for such purpose as described in the Indenture of Trust. Neither the State

of Connecticut nor any political subdivision thereof shall be obligated to pay the principal of or the interest on the Bond except from revenues of the Project for which the Bond is issued. Neither the full faith and credit nor the taxing power of the State of Connecticut or any political subdivision thereof, including the Green Bank, is pledged to the payment of the principal of or interest on the Bond.

Section 3. The form of the Bond and the Indenture of Trust substantially in the forms presented to this meeting or as subsequently delivered by an Authorized Representative of the Green Bank, and made a part of this Resolution as though set forth in full herein, are hereby approved. The Authorized Representative of the Green Bank is hereby authorized to execute and deliver the Bond, the Indenture of Trust, the Loan Agreement, the Purchase Contract, and any other documents or instruments, with such changes, insertions and omissions as may be approved by the Authorized Representative, as he or she deems advisable for the purpose of issuing the Bond (collectively, the "Financing Documents") and the execution and delivery of said Financing Documents shall be conclusive evidence of any approval required by this Section 3. The Bond shall be sold to the Purchaser in accordance with the Purchase Contract and executed in the manner provided in the Purchase Contract.

Section 4. All covenants, stipulations, obligations and agreements of the Green Bank contained in this Resolution and the Financing Documents shall be deemed to be the covenants, stipulations, obligations and agreements of the Green Bank to the full extent authorized or permitted by law, and such covenants, stipulations, obligations and agreements, shall be binding upon the Green Bank and its successors from time to time and upon any board or body to which any powers or duties, affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law.

Section 5. No covenant, stipulation, obligation or agreement contained in this Resolution or the Financing Documents shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of the Green Bank in his or her individual capacity and neither the members of the Board nor any person executing the Bond shall be liable personally on the Bond or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 6. The President and Chief Executive Officer of the Green Bank (the "Authorized Representative") is hereby designated the authorized representative of the Green Bank to execute and deliver the Financing Documents and any and all papers, instruments, opinions, certificates, affidavits and other documents, and to do and cause to be done any and all acts and things necessary or proper for carrying out this Resolution and the issuance of the Bond, including changes or revisions in the forms of or supplements or amendments to such documents as he or she deems advisable.

Section 7. The law firm of Shipman & Goodwin LLP of Hartford, Connecticut is hereby appointed Bond Counsel to the Green Bank for the issuance of the Bond.

**FURTHER RESOLVED**, that the proper Green Bank officers, employees and representatives are authorized and empowered to do all other acts to complete the Project and issue the Bond as they shall deem necessary and desirable to carry out the intent of this Resolution.

**b. Commercial, Industrial, and Institutional Sector Program Transaction Recommendations**

**i. C-PACE Transaction (Shelton)**

**Pulled from the agenda.**

**c. Residential Sector Program Transaction Recommendations**

**i. Multifamily Pre-Development and Gap/Health & Safety Financing Programs**

Kerry O’Neill provided a program update along with a request for approval of a new program. She stated that they have identified new needs in the market. Approval would allow the Connecticut Green Bank to finance projects that are having problems financing through HDF. She stated that the projects have a level of underwriting that requires a level of technical expertise. She stated that they are asking to do those projects at the Connecticut Green Bank with additional funding to meet the market needs. They are looking to replicate Multifamily for health and safety. She stated that they are requesting an additional \$2 million. She stated that the focus is on outreach in the affordable market.

Brian Farnen explained that he was not comfortable with the Green Bank doing stand-alone health and safety loans (or any other non-energy improvement) or loans that are primarily focused on a non-clean energy improvement as our enabling statute only speaks to “clean energy”. He stated that the financing and investments need to be on clean energy.

Commissioner Smith stated she was confused about the numbers. Kerry O’Neill clarified, stating that they currently have authorization to use \$500,000. They are looking for an additional \$2 million. She stated that \$1.5 million would be used for gap financing and/or health and safety.

Commissioner Smith discussed the word affordable stating that she felt it should be, “targeted to affordable.” Kerry O’Neill stated that they struck the word affordable because of the mixed use of the monies.

Kim Stevenson stated that they don’t want to limit themselves and this is the reasoning behind requesting additional funds.

Brian Farnen stated that we should put limitations or rules of the road on how much we can do for non-energy improvements like health and safety. He stated for example that he does not feel comfortable with standalone health and safety loans. Further, Brian was concerned about getting outside the scope of what we were set up for and if we ever defaulted on a non-energy loan/investment, the press, legislators and other stakeholders would ask what we were doing.



Bert Hunter stated that the Statute broadly encompasses the proposed transaction as the statute permits funds to be used expenditures that promote investment in clean energy – and dealing with health and safety barriers would promote investment in financing energy efficiency – which is under the definition of clean energy by statute. Brian Farnen further explained that he believes there needs to be a (1) direct linkage or nexus between any non-energy improvement and the energy improvement and (2) the improvement must be predominantly focused on clean energy improvement (e.g., more than 50%). Commissioner Klee stated that health and safety is a huge barrier. He stated that this is keeping them out of important goals of the entity itself. He stated that he wouldn't want to put a limit on a project.

Commissioner Smith stated that there are other entities that focus on health and safety and questioned how the Connecticut Green Bank is working with those other agencies. Kerry O'Neill stated that these are not properties that are engaging with CHFA. She stated that CHFA is asking the Connecticut Green Bank to pilot some solutions.

Commissioner Smith stated that does not see how health and safety will pay back loans. Kerry O'Neill stated that they have rational underwriting criteria. She stated that there is a lot of flexibility on how these loans can be structured.

Commissioner Klee stated that they would be giving the market better financing opportunities.

Matt Ranelli stated that they must do more in this space than in others. He stated that they do this in the C-PACE area. He stated that he is in favor of putting limits on it.

John Harrity questioned how much is really in this space. He stated that he feels that low income housing and renewables really speaks about community solar and shared solar for those homes. Kim Stevenson stated that they are partnering with different agencies and that complex and vulnerable properties are coming to the Connecticut Green Bank. She stated that other agencies are not willing or able to fund them. She stated that they need flexibility to do those outliers, but that that's not the predominant strategy.

Kerry O'Neill stated that the estimates in the low income sector are that 25 – 40% of units have some sort of health and safety issue. She stated that their preference is efficiency first.

Tom Flynn stated that they need to adopt a very clear policy on what they will consider as a percentage and what will go towards health and safety.

Bettina Bronisz stated that she is unclear as to why this cannot be addressed by other agencies. Kerry O'Neill stated that in affordable housing there are federal and state subsidies along with natural occurring affordable housing. She stated that the majority of the low income market is natural occurring.

Commissioner Klee questioned if there is a way to partner with banks. Kerry O'Neill stated that the Connecticut Green Bank will do the predevelopment part and then the customer will go to their local lender and refinance it out that way.

Brian Farnen again stated that he feels that the Connecticut Green Bank needs to be focused on clean energy and does not feel that they should be doing standalone health and safety loans per our enabling statute.

Commissioner Klee stated that he's concerned that there is nobody lending in this space and that he feels that they should pilot it out.

Matt Ranelli stated that their mission is not so limited that they can only do what the market drives.

Bryan Garcia stated that the Legislature in the statute defaults to the governance of the organization through its Board of Directors approval of a Comprehensive Plan. The Comprehensive Plan clearly states that the Connecticut Green Bank must tackle barriers (e.g., health and safety) in this market for energy efficiency. He also questioned the source of funding (e.g., ratepayer vs. non-ratepayer) to support health and safety measures that would lead to clean energy improvements.

Commissioner Smith stated that there must be additional guidelines around the health and safety market. She stated that her concern is that it's not clearly written. She proposed that the staff come back to the Board with a policy.

Kerry O'Neill stated that they are also requesting expanding the predevelopment loan program. They are requesting an additional \$500,00.

**Upon a motion made by Commissioner Klee and, seconded by Bettina Bronisz the additional funds for the predevelopment loans was approved.**

#### **Resolution #7**

**WHEREAS**, the Connecticut Green Bank ("Green Bank") is actively seeking to deploy private capital to support clean energy upgrades in the state's multifamily housing sector;

**WHEREAS**, the Green Bank Board of Directors (the "Board") has previously approved a Program Related Investment ("PRI") in the amount of \$5,000,000 from the John D. and Catherine T. MacArthur Foundation ("MacArthur") to support the Green Bank's efforts to accelerate energy efficiency and clean energy upgrades in affordable multifamily properties across the state of Connecticut as outlined in the proposal presented by the Green Bank to MacArthur;

**WHEREAS**, MacArthur later selected the Housing Development Fund ("HDF") to receive and administer the MacArthur PRI;

**WHEREAS**, the Green Bank Board of Directors has previously approved \$1,000,000 for a pre-development loan fund with \$500,000 of that coming from MacArthur funds to support affordable multifamily properties and \$500,000 coming from Green Bank funds; and

**WHEREAS**, Green Bank staff is now requesting a reallocation of \$2,000,000 from the Statutory and Infrastructure Sector (\$1,000,000 from Anaerobic Digester Projects and \$1,000,000 from MicroGrids) to support: i) pre-development energy improvement loans; and ii) term financing for energy and related health and safety improvements,

**NOW**, therefore be it:

**RESOLVED**, that the Board authorizes additional funding from the Green Bank's balance sheet through a reallocation from the Statutory and Infrastructure Sector, in addition to the existing \$500,000 authorization for pre-development energy loans for affordable multifamily properties, in an amount not to exceed \$2,000,000, with \$500,000 of that total allocated for pre-development loans and \$1.5M for affordable gap and health & safety financing loans (with the health and safety financing contingent upon staff bringing back a policy as it relates to establishing a nexus between the non-energy and clean energy components of a project financing), with terms and conditions consistent with the memorandum dated December 9, 2016 and associated exhibits submitted to the Board; and

**RESOLVED**, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

7. **Executive Session**

**Upon a motion made by Commissioner Klee and, seconded by Bettina Bronisz, the Board voted unanimously to go into Executive Session at 10:49 a.m.**

8. **Other Business**

Anthony Clark provided an update on the Kresge Foundation. He stated that they will bring the term sheet to Board as a full agenda item in January.

Bert Hunter mentioned the success of the RFP for private capital for the Small Business Energy Advantage program – and noted that the Green Bank received \$300 million in proposals for private capital for the program and that the Green Bank, together with Eversource, United Illuminating and the C&I committee of the Energy Efficiency Board agreed on the private capital source to focus on for further discussions.

John Harrity discussed PURA and the issuance of a decision on the UI rate case. He stated that it's not a decision that utilities will be pleased with.

9. **Adjourn**

**Upon a motion made by Bettina Bronisz and, seconded by John Harrity, the meeting was adjourned at 11:08 a.m.**

Respectfully Submitted,

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Catherine Smith, Chairperson