

BUDGET AND OPERATIONS COMMITTEE OF THE CONNECTICUT GREEN BANK

Minutes – Regular Meeting
Tuesday, June 7, 2016
9:00 AM - 10:30 AM

A regular meeting of the Budget and Operations Committee (“Budget Committee”) of the Board of Directors of the Connecticut Green Bank (the “Green Bank”) was held on June 7, 2016, at the office of the Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT.

1. **Call to order:** Commissioner Klee called the meeting to order at 9:20 a.m.

Members Attending: Rob Klee (Chair) and Norma Glover

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

2. **Public Comments:**

There were no public comments.

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

Upon a motion made by Norma Glover, and seconded by Commissioner Klee, the Committee voted unanimously to approve the Meeting Minutes from the May 25, 2016 meeting.

Resolution #1

Motion to approve the minutes of the Budget and Operations Committee meeting for May 25, 2016.

Second. Discussion. Vote

4. **FY 2017 Comprehensive Plan – Budget and Targets:**

Bryan Garcia discussed the Goals and Targets, with a focus on underserved markets. He explained that four goals had been set as well as, targets. He explained that the targets and goals are very achievable. He explained that there is approximately \$390 million in clean investment in the state economy, in terms of the FY 2017 targets for the various sectors. He explained that they have allocated human and financial resources – investment and expenses – to meet the targets that have been set.

Eric Shrago discussed the investment goals and targets. He provided an overview of the various sectors. Commissioner Klee questioned energy efficiency in the PosiGen product within the residential sector. Bryan Garcia explained that every project goes through Home Energy Solutions Income Eligible. He explained that 65% of those customers also pay \$10 more per month for “deeper” and more comprehensive energy

efficiency measures, including insulation and thermostats. Commissioner Klee asked if they must do solar as the energy efficiency ESA is interesting. Bryan Garcia advised that yes that is a requirement because PosiGen is a solar PV financing program with an energy efficiency special offer. Commissioner Klee questioned the leverage ratio of \$20 million of funds invested versus the \$400 million of clean energy investment for FY 2017. Bryan Garcia explained that this is the target for FY 2017.

Commissioner Klee stated that this will be the first full year of SHREC. George Bellas explained that they invoice approximately \$2 million this year in conventional RECs that were sold.

Bryan Garcia discussed the Research and Development budget. He explained that they are targeting areas that they need to understand a bit better in order to be a catalyst in the market. Commissioner Klee stated that HES IE, Home Energy Investment Audits, points to the need to have the next step taken for "deeper" energy efficiency. Consideration should be given to looking at energy efficiency ESA's more for the residential sector. He advised that solar is one that is easily done and that he is seeing it all over Connecticut. He advised that efficiency difficult to see, but that it needs to be done. Bryan Garcia explained that the residential teams are working with the utilities and spending time to drive "deeper" efficiency. He explained that 65% of households participating in PosiGen are also doing the \$10 per month energy efficiency upgrade. Commissioner Klee asked if they can do just the ESA. Bryan Garcia stated that he will touch base with Kerry O'Neill to discuss how through the Joint Committee "deeper" energy efficiency can be done through ESA's. Norma Glover advised that this should be put into the Joint Committee goals.

Eric Shrago discussed the Commercial and Industrial sector. Norma Glover stated that they need to get C-PACE back up and running. Eric Shrago stated that Mackey Dykes is working on that pipeline. Bryan Garcia stated that they are looking at how they're using the C-PACE vehicle. He explained that he'd like to see those investments being made. He stated that that market is there for that type of investment. Commissioner Klee advised that if that market keeps growing they can help bring in new contractors and new entrants. Bryan Garcia stated that Green Works is identifying the contractors with the most work. He explained that they need to build a larger pipeline of contractors. He explained that as they start to open up the customer channels they'll start to market into those channels. Commissioner Klee stated that it's about catalyzing and getting the deployment scale, the other part of it is that we're seeing it in our comprehensive strategy. He explained that it's putting pressure on farms and forests. He stated that he'd rather see solar put on roofs than on the farm land. He explained that they should get a map of the roofs out there that should be having solar installed. He explained that they should be putting solar where the load is, in the larger cities. He explained that C-PACE is part of that.

Eric Shrago discussed the revenues. He explained that staff is forecasting an overall increase in revenues primarily as a result of the initial revenues to be generated from SHREC sales in FY17. He also noted that revenues related to interest earned on program loans is expected to increase in FY17 as well. . George Bellas stated that RGGI is forecast to decrease in FY17 as a result of market forces... Eric Shrago stated that they're trying to do more with less money.

Eric Shrago discussed the budget. He stated that employee costs will net to a slight decrease. He explained that that is due to the renegotiated and statutory relationship with CI. George Bellas stated that the Green Bank no longer shares CI employees for certain administrative and IT functions and that the Green Bank has engaged an outside vendor to provide IT services. He explained that the Green Bank has not budgeted for additional employee in FY17., but that he is waiting on more information regarding the cost of employee benefits. He explained that the Green Bank's contribution to the State Employee Retirement System is a significant percentage of the Green Bank's benefit costs with the Green Bank contributing 54% of every dollar paid out in compensation to the plan. He is waiting for notification from the State Comptroller's office as to what that contribution percentage will be in FY17.

Bert Hunter stated that he understands there are three proposals dealing with the pension matter. He explained that the difficulty is in changing the game after the rules have already been set. He questioned interplay between the P&L item and that portion that is buried in the pension liability on the balance sheet. George Bellas stated that one feeds off of the other. He explained that they will receive information as to the Green Bank's pension liability for FY16 sometime in August from the State Auditors.

Bert Hunter questioned if the Green Bank is paying for just benefits of their own employees or if we are also paying for unfunded pension liabilities associated with State of Connecticut government employees generally. George Bellas stated that this is not specifically for the Green Bank's employees as he understands it. He stated that he doesn't know the actual calculations. Bert Hunter stated that a 30% to 40% loading factor is typical for businesses. He explained that the 54% loading factor suggests the Green Bank is paying about an extra \$2 million in the budget for P&L.

Eric Shrago stated that staff are reducing program administration and development expenses. He explained that there is a slight increase in EM&V. He stated that the Consulting and Advisory fees have decreased by about \$200,000, excluding this year's R&D classification. He explained that budget for rent is remaining the same. Additional space sought in Stamford in FY 2016 was not secured during the fiscal year and is being sought in FY17. He advised there is a slight increase in Technology to improve efficiency and transparency.

George Bellas stated that they have \$1 million budgeted for the Clean Energy Business Solutions (CEBS) grant program. He also explained that Clean Energy Communities grant program's budget is about \$1.2 million for FY17. Bryan Garcia stated that municipalities participating in the program must meet certain milestones before the Green Bank will disburse grant monies to them. He stated that they want to end that program by the end of the calendar year. He explained that they will work with DEEP and others for the next generation of sustainability. He explained that they are not doing any other grants other than those two programs.

Commissioner Klee asked if DECD will be requesting the funds set aside for the CEBS program in FY17. Bryan Garcia stated that he believes so. He also stated that if DECD requests the monies, this request will be brought to the Deployment Committee or Board of Directors for approval. George Bellas also stated that funds have been budgeted for the DECD program Energy on the Line in the form of interest rate buy downs. Bryan Garcia stated that they are working with DECD trying to open up a marketing channel in manufacturing through the partnership.

Eric Shrago discussed the program budgets. He explained that they have a slight down tick from the budget to budget from year to date. He explained that there is a slight increase on S&I for Residential. He explained that they expect continued growth for the SMART E loan. He explained that they expect growth to be through a strong C-PACE pipeline. Eric Shrago discussed staffing and space, stating that there is no additional space needed in Rocky Hill.

Bryan Garcia stated that he had a conversation with Commissioner Smith, discussing the Research and Development (R&D) budget - its naming and appropriateness, including various elements like green bonds. He explained that they want to ensure that all of their Green Bond transactions are carbon ready. He stated that they are looking to develop their first issue this year.

Bryan Garcia stated that they are looking into whether or not to create a CDFI under Public Act 11-80. He explained that federal banks like to put money into them at lower interest rates and longer term maturities. He explained that the Housing Development Fund is a CDFI, helping new homeowners. Brian Farnen stated that a CDFI cannot be owned or operated by a government entity. Bryan Garcia stated that the Hampshire Foundation is interested in scaling up what the Connecticut Green Bank develops for the rest of the country and will contribute a grant to the study on the CDFI.

He gave other examples of what the R&D initiative would be doing, including SRS, renewable thermal technologies with Yale, and utility 2.0 and grid modernization pilots with Avangrid.

Bert Hunter asked if Lamont should be on the list of core partners. Bryan Garcia stated that they should be on the list. George Bellas stated that they will layer that into the budget.

Commissioner Klee questioned if they have a general rule of thumb on how often they go out for an RFP. Eric Shrago stated that they review, but that they don't have a max time yet. He stated that it's usually about three years and they look at it.

Norma Glover asked what the time commitments are the professional service agreements. George Bellas stated that the general commitment is one year.

Upon a motion made by Norma Glover, and seconded by Commissioner Klee, the Resolution passed unanimously.

Resolution #2

RESOLVED, the Connecticut Green Bank's (Green Bank) Budget and Operations Committee recommends that the Green Bank Board of Directors approve the Fiscal Year 2017 Targets and Budget;

RESOLVED, the Budget and Operations Committee recommends that the Board of Directors authorizes Green Bank staff to extend the professional services agreements (PSAs) currently in place with:

- i. Archaeological & Historical Services, Inc.
- ii. The Cadmus Group
- iii. Clean Power Research, LLC
- iv. Cortland Capital Services
- v. EnergySage Inc.
- vi. Lamont Financial Services Corporation
- vii. Locus Energy LLC
- viii. METIS, Financial Network, Inc.
- ix. New Ecology
- x. Opinion Dynamics and Dunskey Energy Consulting
- xi. SmartPower Inc.
- xii. Sustainable Real Estate Solutions, Inc.
- xiii. Wegowise
- xiv. Yale University

For fiscal year 2017 with the amounts of each PSA not to exceed the applicable approved budget line item

RESOLVED, the Budget and Operations Committee recommends that the Board of Directors authorize and empower the proper Green Bank officers to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to execute these extensions.

Second. Discussion. Vote

5. Evaluation Framework:

Bryan Garcia provided an overview regarding the Evaluation Framework. He explained that it's important that they have it in place, because it plays into the Green Bonds. Given limited time on the agenda, he asked the B&O Committee members to review the document and provide him with comments. He expects to bring the Evaluation Framework to the Board of Directors at the July meeting.

They did not move on Resolution 3.

Resolution #3

RESOLVED, that the Budget and Operations Committee hereby recommends to the Board of Directors for approval the proposed draft Evaluation Framework.

Second. Discussion. Vote

6. Executive Session:

The Committee voted unanimously to go into Executive Session for personnel reasons at 10:26 a.m.

Upon reconvening from executive session, a motion was set forth by Norma Glover, and seconded by Commissioner Klee.

The Budget Committee members vote unanimously in favor of a resolution accepting and approving the recommendation of the President and the Vice President of Human Resources regarding three release and separation agreements and one transition agreement as discussed in executive session and consistent with the approved guidelines set forth in the Green Bank's Severance Policy.

7. Adjourn:

Commissioner Klee adjourned the meeting at 10:53 a.m.

Respectfully Submitted,

**Rob Klee, Chairperson of the
Budget Committee**