

CONNECTICUT GREEN BANK

Board of Directors

Minutes

Friday, October 20, 2017

1. Call to Order

Commissioner Smith, Chairperson of the Green Bank, called the meeting to order at 9:05 a.m. Board members participating: Eric Brown, Bettina Bronisz, Matt Ranelli (by phone), John Harrity, Betsy Crum (by phone), Reed Hundt (by phone), Tom Flynn (by phone), Deputy Commissioner Mary Sotos representing the Department of Energy and Environmental Protection and Gina McCarthy

Members Absent: Rob Klee and Kevin Walsh

Staff Attending: Kerry O'Neill, Eric Shrago, Brian Farnen, Bert Hunter, Bryan Garcia, Dale Hedman, Mackey Dykes, George Bellas, Cheryl Samuels, Selya Price, Craig Connolly, Matt Macunas, Isabelle Hazlewood, Rick Ross, Suzanne Kaswan (by phone) and Kim Stevenson (by phone)

Others Attending: Guy West from Clean Water Fund, Janet Scott, Jerry Kardas from KardasLarson, LLC.

2. Public Comments

There were no public comments.

3. Consent Agenda

a. Approval of Meeting Minutes for September 28, 2017* and October 3, 2017

Resolution #1

Motion to approve the minutes of the Board of Directors Meetings for September 28, 2017 and October 3, 2017.

b. Infrastructure Sector Programs – Progress towards Targets through FY 2017 – Revised Memo (October 20, 2017)

c. Residential Sector Programs – Progress towards Targets through FY 2017 – Revised Memo (October 20, 2017)

d. Commercial, Industrial, and Institutional Sector Programs – Progress towards Targets through FY 2017 – Revised Memo (October 20, 2017)

e. Connecticut Green Bank – Investment and Public Benefit Performance from Clean Energy Projects from FY 2012 through FY 2017

Resolution #2

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80 (the Act), “AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT’S ENERGY FUTURE,” which created the Connecticut Green Bank (the “Green Bank”) to develop programs to finance and otherwise support clean energy investment per the definition of clean energy in Connecticut General Statutes Section 16-245n(a);

WHEREAS, the Act directs the Green Bank to develop a comprehensive plan to foster the growth, development and commercialization of clean energy sources, related enterprises and stimulate demand clean energy and deployment of clean energy sources that serve end use customers in this state;

WHEREAS, on July 22, 2016, the Board of Directors of the Connecticut Green Bank approved a Comprehensive Plan for FY 2017 and FY 2018, including an annual budget and targets for FY 2017; and

WHEREAS, on July 21, 2017, the Board of Directors of the Connecticut Green Bank approved of the draft Program Performance towards Targets for FY 2017 memos for the Infrastructure, Residential, Commercial, Industrial, and Institutional sectors.

NOW, therefore be it:

RESOLVED, that Board has reviewed and approved the restated red-line Program Performance towards Targets for FY 2017 memos dated October 20, 2017, which provide an overview of the performance of the Infrastructure, Residential, Commercial, Industrial, and Institutional sectors with respect to their FY 2017 targets.

RESOLVED, that Board has also reviewed and approved the Investment and Public Benefit Performance memo dated October 20, 2017.

- f. Approval of Regular Meeting Schedules for 2018 for the Committees of the Board of Directors**

Resolution #3

Motion to approve the Regular Committee Meeting Schedules for 2018 for the ACG Committee, B&O Committee, Deployment Committee, and Joint Committee.

- g. Review and Approval of EPA Methodology for Public Health Benefits using COBRA**

Resolution #4

WHEREAS, the Connecticut Green Bank, Connecticut Department of Energy and Environmental Protection (DEEP), and Connecticut Department of Public Health working with the U.S. Environmental Protection Agency (EPA) to assess the Co-Benefit Risk Assessment (COBRA) model to quantify public health benefits resulting from improved air quality with the deployment of clean energy;

WHEREAS, DEEP, DPH, and the EPA have demonstrated support for the environmental emissions methodology; and

WHEREAS, the Audit, Compliance, and Governance Committee at a meeting on October 11, 2017, reviewed and now recommends that the Board of Directors (the “Board”) approve through the Consent Agenda the proposed Connecticut Green Bank, DPH, and DEEP Evaluation Framework – Societal Perspective – Public Health Benefit Methodology documentation;

NOW, therefore be it:

RESOLVED, that the Board approves the proposed Connecticut Green Bank DPH, and DEEP Evaluation Framework – Societal Perspective – Public Health Benefit Methodology documentation to be used for reporting, communication, and other purposes as deemed necessary.

h. Financial Statements for August 2017

i. FY 2018 Q1 Progress to Targets

Upon a motion made by John Harrity and, seconded by Bettina Bronisz the Consent Agenda passed unanimously.

4. Committee Updates and Recommendations

a. Audit, Compliance, and Governance Committee

i. Review and approval of FY 2017 Comprehensive Annual Financial Report (CAFR) – Financial Statistics Audit

Bryan Garcia provided a brief overview on the Financial Statistics Audit.

George Bellas discussed the 2017 CAFR. He stated that the audit and compilation of the CAFR was more efficient this year as a result of the Green Bank’s new accounting software. He stated that Blum Shapiro performed the annual audit of the financial statements and will be issuing a clean, unmodified opinion. He stated that Blum Shapiro did not identify any

material weaknesses nor instances of non-compliance with internal controls over the financial reporting. He stated that Blum Shapiro will be issuing a letter to the Board as part of their audit discussing these matters.

Mr. Bellas stated that Blum Shapiro did not identify any transactions the Green Bank entered into that lacked authoritative guidance or consensus. He stated that all transactions have been recognized in the proper period in the financial statements. He stated that there were no material misstatements or disagreements with the Green Bank regarding transactions. He stated that the CAFR should be issued by October 31st. once minor adjustments are made to the draft being presented to the Board today. He stated that they have several partners and lenders looking for the audited financials. He provided the Board with the contact information of the Blum Shapiro audit team in the event Board members wished to contact them directly with questions or concerns.

Mr. Bellas provided a high-level overview of the results of operations. He discussed the GASB68, pension liabilities. He stated that the current liability on the Statement of Net Position is \$25 million. The State allocates a portion of its overall GASB 68 pension liability to the Quasi-Public agencies using the percentage of a Quasi's contributions to total contributions to the plan. Bert Hunter stated that this is the method that the State allocates pension liabilities to the Green Bank. Commissioner Smith questioned if this includes all staff past and present. Mr. Hunter stated that yes, but \$25 million is unfunded, stating that there is a disconnect, and it really doesn't sync up correctly. Commissioner Smith questioned if the \$9 million annual increase in the pension liability can be expected in future years. Mr. Bellas stated that this increase will fluctuate in future years because it is dependent on future contributions to the plan and the State's overall unfunded pension liability as calculated by its actuaries.

Mr. Bellas stated that the long-term debt has increased as a result of advances to CT Solar Lease 2 to fund acquisitions of commercial solar facilities.. He stated that the total net position has increased by approximately \$18 million. He stated that utility remittances are fairly flat and that they don't expect to see significant increases in the future. He stated that RGGI auctions are becoming less of a major source of revenue. He stated that REC sales have continued to increase year over year. He stated that the SHREC program is beginning to generate revenue in fiscal 2018 so REC revenues in general will continue to increase in the future., Fiscal 2017 REC revenue is non-SHREC based. He stated that the increase in total operating expenses is due mainly to Performance Based Incentives paid out to owners of solar facilities which was expected, He stated that another revenue source for the Green Bank is interest earned on the Green Bank's portfolio of loans made to finance solar and energy efficiency projects. He stated that revenues from interest income will continue to increase in the future. He stated that in his opinion the Green

Bank's balance sheet is strong. Bettina Bronisz commented that she feels this is a superb CAFR.

Eric Brown questioned the volume and timing of the Green Bank's receipt of utility company remittances. Mr. Bellas stated that the Green Bank receives the remittances monthly from the State's two privately held electric utilities but not from the municipal-owned utilities. Volume is down because of reductions in electricity usage over the past several years.

Resolution #5

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;

WHEREAS, the Committee met on October 11, 2017 and recommends to the Board the approval of 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.

NOW, therefore be it:

RESOLVED, that the Board hereby recommends approval of 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.

ii. Review and approval of FY 2017 Comprehensive Annual Financial Report – Non-Financial Statistics Audit

Eric Shrago provided an overview of non-financial statistics audit. He stated that they have included the details of their activities and their impact over the past year. He stated that they are doing this in compliance with the CAFR standards. He stated that next year it will include EPA COBRA to provide an overview on the public health benefits created from the deployment of clean energy displacing fossil fuels. He stated that they work with Marcum to assess their processes last year. He stated that they are building on that. He stated that the Green Bank was compared to a few other banks and that Marcum felt that the Green Bank has one of the highest degrees of transparency.

Bryan Garcia stated that they have been working with Denise Mulholland on the AVERT Model. He stated that on the GHG perspective they are using AVERT as part of their functional analysis system. He stated that this will enable them to have conversations about public health through the outputs of AVERT as inputs into COBRA. Matt Ranelli stated that this is a really good effort. He stated that they need to figure out how to tell the story visually.

Commissioner Smith thanked the group for their outstanding CAFR.

Upon a motion made by Bettina Bronisz and, seconded by John Harry, with an abstention from Tom Flynn, the Board voted to approved the Resolution.

b. Budget and Operations Committee

i. Proposed Revisions to Compensation Structure

Eric Shrago discussed the proposed revisions to the Compensation Structure. He noted that in October of 2013 was the last assessment done with Connecticut Innovations and Buck Consulting. He stated that they went out for an RFP approximately two years ago for the new study. He stated that they engaged Kardas Larson, a local company.

Jerry Kardas provided an overview of their company. He said that CGB's Succession Planning document calls for a comprehensive benchmark compensation analysis and he discussed the Project Summary that was a result of this analysis. Eric Shrago stated that it's important for the Green Bank to retain its talent so, they need to make sure they are paying comparatively and competitively versus the market.

Jerry Kardas discussed the two parts of the assessment on the study of compensation. He stated that they did a comprehensive review of CGB's job descriptions and compared them to the market.

Janet Scott stated that the benchmarks were representative of the work that was being done by CGB employees. She stated that they did market pricing and looked at a number of sources to price CGB positions against the marketplace. She stated that they developed a simplified salary structure. She stated that they compared present CGB salaries to the marketplace and that nothing appeared out of sync. She stated that CGB had provided a list of comparable organizations to participate in the benchmark compensation analysis but that very few elected to participate. She stated that they received responses from 10 organizations. The results of the benchmark compensation analysis were supplemented with some propriety benchmark data from KardasLarson. She stated that the survey was a mix of private and public

organizations. She stated that they did competitive market pricing. She stated that they were able to collect reportable data on only 10 of the 37 positions of the Green Bank. She stated that they did find that all of the salaries were very competitive. She stated that they had developed a job grades map. She stated that it is a very simple document. She stated that they did a comprehensive analysis by race, ethnicity, and gender. She stated that they did determine that the Green Bank is in very good shape, but that they could improve diversity in the professional ranks. Commissioner Smith stated that that is something to pay attention to as they're hiring.

Janet Scott stated that they came up with a new job grades structure that contains 11 grades and includes all of the positions throughout the organization. She stated that the midpoint for the lower grade is set by the market and that everything else is built off of that. Commissioner Smith stated that this makes a lot more sense and she was appreciative of the work that has gone into this. She stated that having it market based is very important. She stated that it gives more ability to manage performance in a comprehensive manner.

Jerry Kardas stated that the key takeaway is that they have a simpler grade structure that provides more transparency and fluidity in the organization. He also stated that they have more information on where things stand on race, ethnicity, and gender. He stated that there are no compensational adjustments. John Harrity stated that it adds professionalism to the organization. He stated that it makes a lot of sense. Reed Hundt questioned if this could be put in the context of the current political situation. Commissioner Smith stated that the current political situation has no impact on this effort because there is not any financial impact as a result of this implementation, and if anything, it's positive on the political side. Bettina reminded the Board that the State employees are currently in a salary freeze.

Eric Shrago thanked Kardas Larson for their work. Matt Ranelli stated that this is great, but his question was why they needed to increase the upper pay scale. Jerry Kardas stated that it's just the way that the math works out when it's constructed. He stated that they do have the option of not indicating a maximum salary. Suzanne stated that the ranges that are currently in place are the result of the last compensation study and at that time in order to have the study approved, the maximum of the executive range was based on the market midpoint and the ranges were not accurately reflected at the top of the market before. Matt Ranelli stated that he was a little bit uneasy about doing this in the current climate. Commissioner Smith questioned if instead of using the minimum and maximum if they could go to 25%, 75%. Suzanne stated that this structure really works and that everything above Director would need Board approval. Matt Ranelli was in favor of changing to the 25%, 75%.

Jerry Kardas stated that the structure that is being presented to the Board shows salaries at the minimum and maximum grade. John Harrity stated that this is usually how this is done. Commissioner Smith requested that Eric Shrago pull up the current data to understand where they are to date. Matt Ranelli stated that it looks like they're increasing the maximum. Jerry Kardas stated that by collapsing the grades from 33 down to 11 they have to accommodate for a few more people within a range. Commissioner Smith questioned if it was the maximum level that they were concerned about. Eric Shrago stated that the average change is a 6% increase in each grade. Gina McCarthy stated that she feels that it makes sense.

The consensus is to move to the 25%, 75%, methodology Commissioner Smith stated that they need to modify the Resolution.

Upon a motion made by John Harrity and, seconded by Gina McCarthy the modified Resolution passed.

Resolution #6

WHEREAS, per the Operating Procedures and Section VII Personnel Policies of the Connecticut Green Bank, grade classifications for each job title are established by the President, subject to Board approval,

WHEREAS, pursuant to the Succession Plan developed by the President of the Connecticut Green Bank, there is a need to conduct a market compensation analysis every 3 to 5 years,

WHEREAS, through a competitive Request for Proposals (RFP), the Connecticut Green Bank engaged KardasLarson to conduct a compensation study that benchmarks the current salaries of staff at the Connecticut Green Bank with other comparable public and private organizations to determine market competitiveness of compensation,

WHEREAS, the Budget and Operations committee has reviewed the results of the study prepared by KardasLarson and recommends their adoption by the Green Bank Board of Directors,

WHEREAS, the adoption of such ranges will not cause any immediate financial impact to the Green Bank or its staff,

NOW, therefore the following be resolved

RESOLVED, the Connecticut Green Bank's Board of Directors recommends the approval of the grade classifications and salary ranges for the positions as outlined

in Attachment A and that this document be modified to reflect these salary ranges be presented at the 25th and 75th percentiles.

c. Deployment Committee

i. Proposed Revision to Under \$300,000 and No More than \$1,000,000 Investment Policy

Bryan Garcia discussed the proposed revision to the Investment Policy. He stated that they are coming to the Board with a recommendation from the Deployment Committee to increase the funding request amounts per project. The recommendation is to increase from \$300,000 to \$500,000, the aggregate will stay the same at \$1 million. He stated that this will require a change in the Bylaws. Commissioner Smith stated that her assumption is that that Committee is in favor of this. Bryan Garcia stated that they are.

Upon a motion made by Bettina Bronisz and, seconded by John Harrity, the Board voted unanimously to approve.

Resolution #7

WHEREAS, pursuant to Section 5.3.1 of the Connecticut Green Bank (Green Bank) Bylaws, the Audit, Compliance & Governance (ACG) Committee is charged with the review and approval of, and in its discretion recommendations to the Board regarding, all governance and administrative matters affecting the Green Bank, including but not limited to matters of corporate governance and corporate governance policies;

WHEREAS, on January 18, 2013, the Board of Directors authorized Green Bank staff to evaluate and approve funding requests less than \$300,000 which are pursuant to an established formal approval process requiring the signature of a Green Bank officer, consistent with the Green Bank Comprehensive Plan, approved within Green Bank's fiscal budget and in an aggregate amount not to exceed \$500,000 from the date of the last Deployment Committee meeting ("Staff Approval Policy for Projects Under \$300,000");

WHEREAS, on July 18, 2014, the Green Bank Board of Directors approved of a recommendation brought forth by the ACG Committee and Deployment Committee to approve the authorization of Green Bank staff to evaluate and approve program funding requests less than \$300,000 which are pursuant to an established formal approval process requiring the signature of a Green Bank officer, consistent with the Green Bank Comprehensive Plan, approved within Green Bank's fiscal budget and in

an aggregate amount not to exceed \$1,000,000 from the date of the last Deployment Committee meeting; and

WHEREAS, that the Green Bank ACG Committee hereby recommended on October 10, 2017 that the Board of Directors adopt a resolution amending the Staff Approval

Policy to increase the program funding request for Projects Under \$300,000 to \$500,000 with an aggregate amount limit of \$1,000,000 from the date of the last Deployment Committee meeting.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors approve amending the Staff Approval Policy to increase the program funding request for Projects Under \$300,000 to \$500,000 with an aggregate amount limit of \$1,000,000 from the date of the last Deployment Committee meeting.

RESOLVED, that the Board of Directors approves the proposed draft revisions to the Green Bank Bylaws to effectuate the revised staff authorization amount of \$500,000.

d. Joint Committee of the Energy Efficiency Board and Connecticut Green Bank

i. Update on Working Group Progress to Goals and Proposed New Goals

Bryan Garcia provided a high-level overview of the Joint Committee and the proposed goals. He discussed the joint goal and the principle that guides the discussions. He stated that there are several different working groups to implement a set of goals within the Comprehensive Plan.

Kerry O'Neill discussed the Residential 1-4 Sector. She stated that they have been collaborating since 2013. She stated that the work of the group is going well. She stated that they are focusing on aligning with the new CES.

Kerry O'Neill stated that in the Multifamily Sector there is an intensive amount of work to align programs and processes. She stated that there is a lot of work needed to realize that vision. She stated that it took four years to see loans come through the utility channel on the single-family side. She stated that they are hoping to minimize that time from for Multifamily.

Mackey Dykes discussed C and I and Government. He stated that there is not as close to a level of coordination. He stated that they've identified a first project to coordinate around, identifying a cheaper source of capital for the Small Business Energy Advantage Program and felt that that would get them off to a positive start. He stated that that has not been as easy as they had envisioned. He stated that there are issues that the EEB sees with the deal

with JP Morgan. He stated that they did identify a process to come to a resolution. He stated that they also laid out the beginnings of the plan to dive into data to see what types of projects are being done by both utility and CGB programs. He stated that they need to see what types of projects are being done to identify markets that we're both serving and opportunities to collaborate our products there. In markets we're not serving, we can work together to identify financing solutions. He stated that they will be able to unlock great opportunities if they can bring in the private capital from JP Morgan.

John Harrity discussed the previous meeting of the Joint Committee and the issue with the JP Morgan deal. He stated that his concern is that if they wait too long they will lose the investor. He thanked Eric Brown for chairing the meeting and stated that he looks forward to substantive discussions. Commissioner Smith stated that she feels there's still a lot of work to be done and that they need to continue working on it. Bryan Garcia stated that it felt like evidence of progress. He stated that Kim Stevenson provided a very candid response to a question that was raised at that meeting, and that although contentious, the utility partners responded and weren't put off. He stated that it felt good to see that. He feels that there's still work to be done. Commissioner Smith stated that she's thrilled to see them trying to make things easier for customers. She stated that the more they can streamline the process for the customer the better. She stated that they need to continue to try to figure out a way to settle the JP Morgan issue.

5. Other Business

a. Strategic Retreat – Progress to Date

b. Other Business

Bryan Garcia discussed the relationship with the EEB and referred to the prior conversation. He discussed the Board's director to assess the creation of a private entity (e.g., CDFI) to achieve a greater impact and deliver more efficient operations. He stated that they have raised some foundation funding to help think about how such an organization could address opportunities outside of Connecticut as well. He noted that the team is meeting with members of the Board individually and will bring back for further discussion with the full Board in December. He stated that they will identify areas of operational improvements and changes. He stated that they talked a lot about improving efficiencies and showing how the Green Bank model improves impact. He stated that they are developing a battery storage component and steadily chipping away at that. He stated that there is a big GHG reduction effort, including renewable heating and cooling and EV's, and expanding existing programs to support the balance sheet. He stated that they are increasing their PosiGen investment and shift some of their loan loss reserves. He stated that they have expanded the low-income multifamily energy loan, the LIME Loan. He stated that they've put a lot of their balance sheet to work for

the organization and strengthening it. He stated that George Bellas has done a great job in presenting the balance sheet. He stated that the focus is now on the budget. He stated that they're doing great things and leading the green bank movement. He stated that the US Green Bank Act will continue to chip away at that.

Bryan Garcia discussed the Legislative strategy. He stated that they have been working to limit the impact of a Green Bank raid. Brian Farnen stated that they've received some information from some reliable sources regarding what the amounts might be. He stated that they are trying to confirm. He stated that the Governor's Office has been great. He stated that they are relying on their Legislative partners. He stated that there is a level of complexity in what the Green Bank does and a Legislator and the Office of Fiscal Analysis struggles with the model, because of that. He stated that the strength of the balance sheet gives them the ability to leverage private capital. He stated that they need to help them understand that. Commissioner Smith stated that they need to ask for no raid of the Green Bank. Brian Farnen stated that they continue to educate. Eric Brown commented that it sounds like a lost opportunity for the Joint Committee.

Bettina Bronisz stated that they need to remind people that they have SCRF backing their bonds. Brian Farnen stated that it would be hard for them to prove that in a clear way. He stated that they are trying to focus on capital flight and other issues. Commissioner Smith stated that the biggest issue would be if they cut dollars they will cut off the Green Bank's ability to leverage private capital. Gina McCarthy stated that they're failing to explain that the Green Bank is a bank. Bert Hunter stated that the Green Bank trades on capital and confidence.

Bryan Garcia discussed the GC3 Meeting. He stated that they act on climate change by reducing Greenhouse gases. He touched on a slide that was discussed at the meeting regarding REMI. Commissioner Smith stated that REMI is a tool that the GC3 uses to show the action that has been taken to reduce Carbon Emissions. She stated that there has been some debate on what should be included in this model. She stated that it shows an increase in employment by 16,000 and goes up to 26,000 of you try a steeper curve, meaning the more you invest the better it is for employment. She stated that this is very impressive. Eric Brown questioned if this was total green jobs. Commissioner Smith stated that this is total jobs, a mix of direct and indirect. Gina McCarthy stated that it is just jobs and does not include any environmental impact. It's just to determine if going green decreases or increases jobs. John Harranty stated that this indicates the folly of taking money from the Green Bank. Betsy Crum stated that this model speaks to multiple audiences and that it is for a specific audience. She stated that it provides a very powerful talking point. She stated that having this data is very important, but who the audience is and how the data is used is the more important.

6. Executive Session – Personnel Matters

Upon a motion made by Bettina Bronisz and, seconded by John Harranty, the Board voted unanimously to go into Executive Session.

7. **Adjourn**

Upon a motion made by John Harrity and, seconded by Bettina Bronisz the meeting was adjourned at 11:02 am.

Respectfully Submitted,

Catherine Smith, Chairperson