Board of Directors of the
Connecticut Green Bank
845 Brook Street
Rocky Hill, CT 06067
Friday, December 18, 2015
9:00-11:00 a.m.

1. **Call to order**

   Catherine Smith called the meeting to order at 9:01 a.m. Board members participating: John Harrity, Reed Hundt (by phone), Bettina Ferguson, Tom Flynn (by phone), Rob Klee, Matthew Ranelli, Norma Glover, Mun Young Choi (by phone), and Catherine Smith.

   Staff Attending: Bryan Garcia, , Brian Farnen, George Bellas, Kerry O'Neill, Genevieve Sherman, Mackey Dykes, Bert Hunter, Cheryl Samuels, Andy Brydges, Matthew Yorzinski, Anthony Clark, Jane Murphy, Kim Stevenson, Matt Macunas, Nick Zuba, John D'Agostino, Ben Healey (by phone) and Mike Yu (by phone).

   Others Attending: Henry Link

2. **Public Comments**

   There were no public comments.

3. **Consent Agenda**

   a. **Approval of Meeting Minutes for October 16, 2015**

      <u>Resolution #1</u>

      Motion to approve the minutes of the Board of Directors Meeting for October 16, 2015

   b. **Approval of Board of Directors, ACG Committee, B&O Committee, and Deployment Committee Regular Meeting Schedules for 2016**

      <u>Resolution #2</u>

      Motion to approve the schedule of meetings for 2016 for the Board of Directors, ACG Committee, B&O Committee, and Deployment Committee

   c. **Employee Handbook**

      <u>Resolution #3</u>

      RESOLVED, that the Board of Directors of the Connecticut Green Bank approve of the revisions to the Green Bank Employee Handbook materially consistent with this memorandum dated November 23, 2015 to the Audit, Compliance, and Governance Committee.

d. Transactions – Under $300,000 and No More in Aggregate than $1,000,000

Upon a motion made by John Harrity, and seconded by Norma Glover the Board voted unanimously in favor of the Consent Agenda.

Resolution #4

WHEREAS, on January 18, 2013, the Connecticut Green Bank (the "Green Bank") Board of Directors (the "Board") authorized the 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, on July 18, 2014 the Board increase the aggregate not to exceed limit to $1,000,000 ("Staff Approval Policy for Projects Under $300,000"); and

WHEREAS, Green Bank staff seeks Board review and approval of the funding requests listed in the Memo to the Board dated December 11, 2015 which were approved by Green Bank staff since the last Deployment Committee meeting and which are consistent with the Staff Approval Policy for Projects Under $300,000;

NOW, therefore be it:

RESOLVED, that the Board approves the funding requests listed in the Memo to the Board dated December 11, 2015 which were approved by Green Bank staff since the last Deployment Committee meeting. The Board authorizes Green Bank staff to approve funding requests in accordance with the Staff Approval Policy for Projects Under $300,000 in an aggregate amount to exceed $1,000,000 from the date of this Board meeting until the next Deployment Committee meeting.

4. President's Update

Bryan Garcia provided an update. He stated that in 2014 there was a matchmaking event co-hosted by REEBA in collaboration with DECD. He explained that the event was to match-make renewable energy contractors with energy efficiency contractors, as well as to connect those contractors with the programs that Catherine Smith administers to support small businesses. He stated that Sheila Hummel provided a training workshop on DECD programs and discovered C-Tech, a local solar PV installer. He stated that C-Tech was able to grow its staff from 21 employees in 2014 to 39 staff today and that they're looking to continue their expansion throughout the northeast region.

He provided an update on the State Energy Efficiency Action Network (SEEAction Network), which is managed by the Department of Energy and the EPA. He stated that there was a paper that was recently released through the Financing Solutions Working Group to provide an overview of financing programs using utility rate payer funds.

He explained that there was a second report that was released by the Department of Energy on Energy Investment Partnerships – akin to green banks – as part of COP 21 in Paris that featured a number of states and their financing programs. He explained that various financing structures were discussed throughout the report.

He discussed the OECD and Bloomberg release of a Green Investment Banks report and announced the creation of the international Green Bank Network – coordinated by the Coalition for Green Capital and the Natural Resources Defense Council. He noted that there are six co-founders of the network including the UK Green Investment Bank, Australian Clean Energy Finance Corporation, Malaysian Green Technology Corporation, the Japanese Green Fund, New York Green Bank, and the Connecticut Green Bank. He explained that Connecticut is looking forward to the continued relationships established through the network to exchange best practices and lessons learned.

Bert Hunter discussed the $100 million Hannon Armstrong transaction and the new and innovative financing structure for the C-PACE Program. He explained a few of the benefits and why the arrangement is of strategic importance. He explained that the facility establishes a scalable funding facility that is controlled by an SPE, which is owned and controlled by Hannon Armstrong. He explained that the Green Bank will get liquidity from this facility. He explained that the flexibility will optimize the tradeoffs. He explained that there is a 9 – 1 leverage ratio, which will come from the SPE along with the overall yield. He explained that a key benefit is that capital to fund transactions will be in a warehouse fashion, but it also secures the follow on term financing. The Green Bank will financially benefit in that securitization, but there will be no market risk to the Green Bank from these arrangements – which is assumed by Hannon Armstrong in the structure. He went on to explain that the structure will provide securitization of financing at a low cost. He explained that there will be a clear and streamlined underwriting process, which will enable C-PACE to reach new heights. It will offer the ability to do transactions more efficiently.

Bryan Garcia explained that the House had just passed the Tax Extenders Bill, inclusive of the extension of the ITC for solar pv. He stated that assuming final passage, this would be a benefit for clean energy.

Commissioner Klee discussed Gina McCarthy and her visit to Connecticut. He stated that there was going to be an event highlighting the innovations that Connecticut has made.

Bryan Garcia discussed the international collaborative effort of the Connecticut Green Bank effort. He explained that the model is about clean energy and needs to be accelerated using limited public resources.

John Harrity questioned if the interest rate hike announced by the Federal Reserve would affect the Connecticut Green Bank. Bert Hunter explained that the Federal Reserve (the “Fed”) raised the interest rate range for Federal Funds by 25 basis points:

from 0-0.25% to 0.25%-0.50%. He observed that the increase had been well-telegraphed by the Fed, and that according to press releases and media interviews with Chairman Janet Yellen suggested that future increases would be gradual. He noted that Fed forecasts released this week suggested rates were likely to be increased by an additional 0.50% to 1.00% by the end of 2016, but that the Fed has made it clear that increases will be dependent upon the Fed's assessment of economic activity, employment and inflation. He went on to explain that the impact of this increase in rates will be for the most part on two programs, the Smart E Program and the C-PACE Program. For Smart-E, he explained that the rise in rates has the potential to eat into the margin that the lenders realize. He observed that since the Smart-E program was launched in 2013, the 5 year Federal Home Loan Bank Board (FHLBB) lending rate to member banks had risen about 25 basis points, but that the 10 year rate had actually fallen 30-35 basis points. He explained that staff will continue to monitor interest rates and will discuss the situation with the Smart-E member banks. He went on to explain that the Smart-E program has in effect a "bundle rate" which buys down the interest rate for comprehensive measures. He explained that for the Green Bank to maintain the bundle rate it will have to pay a little bit more to bring the rate down should the program's "not to exceed" rates be increased. He explained that staff will monitor that.

Bert Hunter went on to explain that as rates go up over the course of the year, the cost of borrowing for the C-PACE Program is likely to increase. He stated that they are in no immediate pressure with C-PACE, but that staff will monitor the situation and see how they need to adjust.

Commissioner Smith stated that it's still an attractive rate in the long term scheme of rates.

Matt Ranelli congratulated everyone that worked on the deal with Hannon Armstrong. He stated that they need to look at low income communities and over incent them. Bert Hunter agreed and explained that the Green Bank has been shifting resources out of C-PACE and devoting more into that area.

5. Commercial and Industrial Sector Program Update and Recommendations

a. C-PACE Transactions – Extension of Approval Dates

Bryan Garcia discussed C-PACE transactions and the need for six date extensions to execute the transactions. He stated that they have all been approved previously, but there is a need for date extensions.

Upon a motion made by Matt Ranelli, and seconded by John Harrity the Board voted unanimously in favor to approve the date extensions.

i. Naugatuck – 1 Project

ii. Newtown – 1 Project

iii. Norwalk – 1 Project

iv. Plainville – 2 Projects

v. Stratford – 1 Project

Resolution #5

WHEREAS, pursuant to Conn. Gen. Stat. 16a-40g (the "Act") the Connecticut Green Bank ("Green Bank") is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE");

WHEREAS, pursuant to the C-PACE program the Green Bank Board of Directors (the "Board") or the Connecticut Green Bank Deployment Committee (the "Deployment Committee") has previously approved and authorized the President of the Green Bank to execute financing agreements for the six (6) C-PACE projects described in the Memo submitted to the Board on December 16, 2015 (collectively, the "Finance Agreements");

WHEREAS, the Finance Agreements were authorized to be consistent with the terms, conditions, and memorandums submitted to the Board or the Deployment Committee and shall be executed no later than 120 days from the date of Board or Deployment Committee approval; and

WHEREAS, due to delays in fulfilling pre-closing requirements for the C-PACE transactions listed above the Green Bank will need more time to execute the Finance Agreements.

NOW, therefore be it:

RESOLVED, that the Board extends authorization of the Finance Agreements to no later than 120 days from December 18, 2015 and consistent in every other manner with the original Board or Deployment Committee authorization for each Finance Agreement.

a. C-PACE Approval Process – Review

Bryan Garcia discussed the C-PACE approval process. He explained that they are looking at how the Hannon Armstrong facility affects them with regards to this process. He stated that the goal is to educate the Board on how to use the existing process to approve the transactions that are inside the underwriting "box" that Bert Hunter would explain to the Board. Norma Glover questioned whether this had gone to the Deployment Committee. Bryan Garcia explained that yes and that this had been approved by the Committee back in 2013 and subsequently adjusted in 2014.

Bert Hunter discussed the criteria of financial underwriting for the C-PACE Program. He explained that there is a standard criteria for all transactions: minimum amount of funding, valuation methods, a valuation of hard costs, improvements, and maximum loan to value, subject to certain exceptions. He explained that the owner must be current on their mortgage and taxes.

Bert Hunter explained that there is an expedited underwriting process for transactions that are not more than $1 million and for a loan to value that is less than or equal to 15%. He explained that if transactions don't fall within those criteria they would go to a consideration under full underwriting criteria. He explained that applicants have to meet specific profitability and leverage parameters. He also explained that the applicants and their projects also have to satisfy additional sub criteria. He noted that transactions that satisfy either the expedited or the full criteria are designated in the process as being "in the box". He explained that if transactions do not satisfy either the expedited or the full criteria, they can still be considered under the exception criteria.

Bert Hunter explained that exceptions will require more funding by the Connecticut Green Bank, a co-investment of 20% rather than 10% and that these "exception" transactions are limited to a small percentage of the portfolio jointly funded by the Green Bank and Hannon Armstrong. He explained that this has all been reviewed by the Board previously.

Bert Hunter explained that "in the box" is the standard, straightforward transaction. He explained that if the transaction is inside the box and the Green Bank's funding position is under $300,000, then it would fall under the current staff approval recommendation process. He explained that if it's more than $300,000 up to a maximum of $2.5 million, then it would go to the Deployment Committee. He then explained that any transaction above $2.5 million would go to the Board for approval.

Bert Hunter explained that if a transaction falls outside of the box, meaning that it is either an exception transaction under the Hannon Armstrong facility or one that the Connecticut Green Bank would want to approve on its own, then it has to go to the Deployment Committee or the Board, depending upon the Green Bank's funding position, but that these transactions would be ineligible for approval by staff even if the Green Bank's funding position is less than $300,000. Responding to a question from the Board as to whether this change requires action by the Board, Bryan Garcia stated that the Board had previously approved the overall limits, so this is just to advise the Board how staff is operationalizing the underwriting process in the context of the new Hannon Armstrong facility.

Bettina Ferguson questioned if this addresses low SIR. Genevieve Sherman explained that the SIR requirement is set by the C-PACE statute and that this process does not change it.

Norma Glover questioned if they were comfortable with the approvals at the level. Bryan Garcia stated that yes, they are comfortable with this. Commissioner Smith explained that this process is very much in line with other processes that are used.

b. Energy Services Agreement – Strategic Investment

Genevieve Sherman discussed the Energy Services Agreement (ESA) Strategic Loan Project. She explained that staff is proposing a $130,000 loan to Renew Energy Efficiency Bridgeport, LLC for a comprehensive energy upgrade at Bridgeport International Academy (BIA). She explained that this would enable an energy services agreement over a 9 year term.

Genevieve Sherman explained that staff has reviewed or approved C-PACE applications in excess of $50 million that were unable to execute a C-PACE financing agreement. She stated that for these transactions that did not move ahead, staff finds there is generally an inability to obtain consent from a senior mortgage lender. She explained that almost all of the projects have been in public purpose facilities.

She explained that the Green Bank staff has researched other financing options that could serve as "off-ramps" for non-qualifying C-PACE projects and that ESAs were viewed to be a promising structure. She explained that ESAs share many of the core benefits of C-PACE, namely the projects are fully funded, the repayment structure is performance based (e.g. energy improvements are repaid from energy savings), ESA can have long terms, and are off-balance sheet. She explained that an ESA is similar to a PPA, only for energy efficiency. She explained that the facility owner is not taking on debt; the project developer or ESA provider is taking on the debt to finance the implementation of the energy efficiency measures, which they then own and operate on behalf of the facility (i.e., the property owner) for a period of time.

She explained that Renew Energy Partners, a registered C-PACE capital provider, brought the BIA project to the Green Bank after BIA failed to achieve lender consent on C-PACE financing for the project.

Commissioner Smith questioned if this covers the cost of time. Genevieve Sherman stated that it does.

Genevieve Sherman discussed the strategic loan schematic for the ESA with Renew Energy Efficiency Bridgeport, LLC and Bridgeport International Academy. Commissioner Smith questioned how the ESA rate is determined. Genevieve Sherman stated that it's determined the same way as a PPA. They price out the cost of the energy upgrades and determine how much the project will save; the ESA provider then provides the facility a discount on their current retail cost of energy that is adequate to both pay for the energy improvements while capturing a net savings to the facility. The facility generally needs to capture at least a 5% – 10% savings to consider this structure attractive. She explained that the savings are based on an energy audit.

Commissioner Smith asked what happens if energy savings are not realized. Genevieve Sherman stated that generally ESAs are "pay for performance": payments are made by the property owner based on realized energy savings and any lack of energy savings is covered through a performance guarantee provided by the energy efficiency installation company. In the case of BIA, there is a predetermined, agreed-upon schedule of both energy savings and ESA payments, so BIA will be required to make a payment each year; however there is a significant O&M contract to ensure equipment is performing to specifications.

Matt Ranelli stated that he felt that they should be looking for a more sustainable, scalable financing solution and expressed concern over the complexity of the M&V conditions typically found in ESAs. Genevieve Sherman stated that they are looking for that solution. She explained that M&V is one of the issues, stating that this project does not have repayment conditional upon M&V. She stated that the other key to scaling an ESA model is determining the right role for the Connecticut Green Bank's capital. For example, she explained that most ESA's are done on a short term of five to seven years. She stated that ESAs need to get it out to at least 10 years to capture deep energy efficiency measures.

Bert Hunter explained that part of the challenge is that they are really limited on the maturity, because it's unsecured. He explained that the Green Bank did do a residential condominium in West Haven in partnership with a community bank. He stated that it pretty much worked the same way. He explained that the Connecticut Green Bank took the backend years of principal repayments.

Commissioner Smith explained that she was under the impression that they were trying to cover 100% of the cost. Genevieve Sherman stated that Renew Energy Partners are funding 100% of the project through construction until the project is implemented. She explained that at that juncture, Renew Energy Partners would receive the CEEF incentives from the project and the loan from the Connecticut Green Bank. She explained that this would take out the equity capital from about 100% to 25%.

Matt Ranelli questioned what recourse they will have for assets. Genevieve Sherman stated that it's a first priority lien on the energy efficiency assets of the borrower, as well as taking a collateral assignment of all of the contracts. She explained that the Green Bank is trying to achieve a junior lien on all of the property. She explained that in a default, the Green Bank would step into the shoes of the LLC, taking over the ESA and all of the contracts. Matt Ranelli questioned if the Connecticut Green Bank would do that if it wasn't performing. Brian Farnen explained that when they're dealing with an established service provider in the market.

Bert Hunter explained that this is similar to what's being done in the C-PACE Program. He explained that most of the improvements in this transaction were presented to SRS previously as part of a C-PACE application. He stated that clearly there are risks in other situations, but their recourse is still to the property. He explained that it's a risk that they really can't get away from.

Commissioner Smith stated that the difference is in the amount of security you have. She explained that in C-PACE it's property, but under the ESA, the security is equipment.

Brian Farnen explained that this is the first ESA and it is a pilot. He suggested that staff come back and report to the Board if this is something that they want to move forward with prior to doing another ESA. Commissioner Smith stated that they should go forward with this one and think about the structure. She explained that some of the risks can be structured around.

Genevieve Sherman stated that they are considering the benefits of aggregation and diversifying the risks. She explained that they are looking to other lenders in the space.

Bettina Ferguson questioned why the interest rate is 8%. Bert Hunter explained that the front end is only 2%, and when combined with the 8% interest rate at the back end of the facility, the overall rate is 6%, which is at a slight premium to the C-PACE rate for the same term and that this premium reflects the additional risk of the ESA structure vs. C-PACE. Genevieve Sherman stated that they also want to make sure that these transactions work with more traditional debt financing standing in for the Green Bank's capital and explained that they want to replicate the real world.

Norma Glover explained that she feels that staff needs to look at the risk to the state. She explained that they need to do something that's different, but that they need to be cautious to the risk to the Connecticut Green Bank and the state.

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

i. Bridgeport International Academy

<u>Resolution #6</u>

WHEREAS, in accordance with (1) Connecticut Green Bank's ("Green Bank") statutory mandate to foster the growth, development and deployment of clean energy sources that serve end use customers in the State of Connecticut, (2) the State's Comprehensive Energy Strategy and (3) Green Bank's Comprehensive Plan for Fiscal Year 2015 and 2016 (the "Comprehensive Plan") Green Bank continuously aims to develop financing tools to further drive private capital investment in clean energy projects in the commercial and industrial market sector;

WHEREAS, the Green Bank wishes to continue its support and commitment to driving investment in comprehensive clean energy projects in public purpose facilities underserved by current financing products and not well addressed by C-PACE;

WHEREAS, RENEW Energy Efficiency Bridgeport, LLC (“Borrower”), a limited liability company and affiliate of RENEW Energy Partners, LLC, is seeking financing from the Green Bank for the purchase and installation of multiple energy efficiency measures at a facility owned by Bridgeport International Academy, Inc. (“BIA”), a Connecticut nonprofit organization, located at 285 Lafayette Street, Bridgeport, CT. The installation of these measures shall be part of the energy services provided by Borrower to BIA pursuant to an Energy Services Agreement (“ESA”) with a term of nine years (the “BIA ESA Project”); and

WHEREAS, Green Bank staff recommends that the Board of Directors approve a strategic selection and award of a term loan not to exceed $130,000 (the “Loan”) to Borrower to finance the BIA ESA Project because advantages of this strategic selection and award clearly outweigh the general public interest in an open and public process for the following reasons: the special capabilities of RENEW Energy Partners, LLC in developing such ESA projects, the uniqueness of the BIA ESA Project and its leverage, and the strategic importance and urgency of reducing energy costs for a nonprofit organization in a distressed municipality.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors approves the Loan to Borrower for development of the BIA ESA Project as a strategic selection and award pursuant to the Green Bank Operating Procedures Section XII;

RESOLVED, that the President of the Green Bank and any other duly authorized officer is authorized to execute and deliver the Loan with terms and conditions consistent with the memorandum submitted to the Board dated December 11, 2015, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board of Directors; and

RESOLVED, that the proper the 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.

6. Residential Sector Programs Update and Recommendations

a. MacArthur Foundation Program-Related Investment – Guaranty and Program Agreement with Housing Development Fund

Kerry O’Neill provided an update on the MacArthur Foundation. She stated that the key focus for the multifamily sector is the launch of its predevelopment programs which the Board approved in June of 2015. She explained that this money supports that. She explained that the challenge is that MacArthur Foundation was unable to accept the state contracting requirements the Green Bank requires. She explained that staff is now asking for Board approval on the program agreement and guarantee with the Housing Development Fund (“HDF”), so that the MacArthur Foundation program-related investment could be made to HDF, with the Green Bank providing a guaranty to HDF, along with programmatic support and coordination.

Matt Ranelli asked who the Housing Development Fund was. Kerry O'Neill stated that they are known to the Connecticut Green Bank and known to the MacArthur Foundation. She explained that the MacArthur Foundation has underwritten them. She explained that they are an affordable housing lender and a CDFI. Brian Farnen explained that a CDFI has access to low cost of capital treasury funds.

Commissioner Smith questioned what their balance sheet looked like. Ben Healy stated that it was upwards of $40 million.

Commissioner Smith questioned what would happen if things went wrong. Kerry O'Neill explained that it is the same as if the MacArthur money had come directly into the Green Bank – the funds would need to be repaid, only now this was being handled as a guaranty to HDF. She explained that from the MacArthur Foundation's perspective, HDF is running the program. She explained that the Connecticut Green Bank wants HDF's input and that the relationship is very collaborative. She explained that the Connecticut Green Bank is co-underwriting loans with HDF.

Upon a motion made by Norma Glover, and seconded by Matt Ranelli the Board voted unanimously to approve.

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 affordable multifamily housing sector;

WHEREAS, the John D. and Catherine T. MacArthur Foundation ("MacArthur") offers concessionary financing in the form of Program Related Investments ("PRIs") to support core social welfare goals;

WHEREAS, MacArthur agreed to make a PRI in the amount of $5,000,000 (the "MacArthur Funds") to support the Green Bank's efforts to accelerate energy efficiency and clean energy upgrades in affordable multifamily properties across the state of Connecticut;

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

WHEREAS, the Green Bank proposes to pay HDF an annual amount not-to- exceed $125,000 on a contracted, renewable basis, which amount shall include an annual fixed administrative fee initially set at $40,000 per annum, a direct pass-through loan servicing fee, carrying costs associated with interest payments on the PRI due to MacArthur, and related legal fees;

WHEREAS, the Green Bank proposes extending a guaranty (the "Guaranty"), in an amount not to exceed $5,000,000, to HDF for the purpose of securing loans for energy upgrades and clean energy to affordable multifamily owners made with MacArthur Funds; and

WHEREAS, the proposed Guaranty qualifies as a strategic selection and award pursuant to Green Bank Operating Procedures Section XII due to HDF's proven experience in the state's affordable multifamily sector, the organization's robust and proven lending platform, and MacArthur's independent selection of HDF as an appropriate recipient of its PRI funds.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors ("Board") authorizes the President of the Green Bank and any other duly authorized officer of the Green Bank, to pay HDF for its services and execute and deliver the Guaranty materially consistent with the memorandum submitted to the Board dated December 11, 2015, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by 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. **Audit, Compliance and Governance Committee Update and Recommendations**

a. FY 2015 Comprehensive Annual Financial Report

Matt Ranelli discussed the audit done by Marcum LLC. He explained that they had a clean audit. He explained that Marcum noted the recognition that the Connecticut Green Bank had received for the last CAFR.

George Bellas explained that they are going to receive an unmodified opinion on their financials. He went on to explain how the audit was completed and discussed the open areas for cleanup. He explained that Marcum is planning to issue their report prior to the end of December 2015.

George Bellas discussed what the responsibilities of the Connecticut Green Bank were as well as the responsibilities of Marcum LLC. He explained that there were no audit adjustments and no disagreements on how to account for transactions. He explained that there were no difficulties encountered and no material errors or fraud. He explained that there were no issues that needed to be brought to the Audit Committee or the Board.

Commissioner Smith asked if Marcum had made any recommendations. George Bellas stated that they had recommended that management consider hiring a Controller to help with the increased financial reporting requirements of the Green Bank.. George Bellas stated that a Controller had recently been hired for this reason. He then introduced the Green Bank's new Controller,Jane Murphy, to the Board.

Bryan Garcia discussed the non-financial statistics section of the CAFR and explained that they had included all of the metrics from the Comprehensive Plan. He explained that Marcum LLC will be brought in in Q1 of 2016 to look at how the Connecticut Green Bank is collecting data, designating project status, and reporting public impact. He explained that Marcum will provide feedback on the societal impact that the Connecticut Green Bank is making through the use of its financial and human resources. He explained that the goal is to set the benchmark or "gold standard" for how other green banks across the country should report performance. Commissioner Klee noted that he was surprised to see such detailed disclosures like installer performance with the RSIP. Bryan responded that information transparency is important for market development and competition.

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

Resolution #8

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 recommended to the Board for approval the 2015 Comprehensive Annual Financial Report which includes the Financial Statements and the Federal Single Audit Report of the Connecticut Green Bank for the Fiscal Year Ending June 30, 2015.

NOW, therefore be it:

RESOLVED, that the Board approves the 2015 Comprehensive Annual Financial Report which includes the Financial Statements and the Federal Single Audit Report of the Connecticut Green Bank for the Fiscal Year Ending June 30, 2015.

b. 2016 Legislative Agenda

Brian Farnen discussed the Legislative Agenda and the five items that are on the Agenda including, R-PACE, administrative powers, SHREC, C-PACE and the Heat Loan. He explained that they are working with the Banking Department and the banking community to bring forth an R-PACE Bill that is implementable. He explained that the Connecticut Green Bank seeks to create its own administrative authorities separate from Connecticut Innovations. He explained that the Green Bank is seeking to not be within CI for administrative purposes. They are looking to have the legislation match the reality since we are now doing our own HR, IT and accounting services. He explained that with C - PACE they are looking to clarify the existing mortgage lender consent language. He explained that with SHREC they have worked with the utilities on the Master Purchase Agreement over the last four months. He explained that the Connecticut Green Bank has worked through all the open items between the utilities and the Green Bank but there was a difference in interpretation as it relates to the 15 year fixed term purchase requirement. He stated that they believe that they have a solution that will work for all parties.

Bryan Garcia discussed that there is a ratepayer subsidized Heat Loan policy on the books that is distorting private capital from local lenders to support the market's development. He stated that there was a new provision passed in a recent budget bill to assist homeowners in owning propane tanks that led to an extension of the ratepayer subsidized Heat Loan. He explained that the Heat Loan is a ratepayer subsidized product that impedes market competition from local lenders through the Smart-E Loan product. He explained that they had run an experiment with Norwich Public Utility to support their natural gas expansion efforts and to demonstrate how the Smart E Loan from local lenders can work without ratepayer subsidies. He explained that they did this experiment in Norwich in partnership with the local utility, lenders, and contractors. He explained that the Smart-E Loan achieved a 1% penetration rate in Norwich through the Energize Norwich campaign. He explained that Norwich is a distressed community. He explained that had the rest of the state had a similar experience to Norwich, where private capital from local lenders was the focus instead of subsidized loans from ratepayers, that $120 million of loans could have been done by community banks and credit unions. He explained that the message in this coming legislative session will be that the legislature needs to stop using ratepayer funds to subsidize loan products in the market, because it creates distortions and prevents the market from growing. He explained that they need to move towards more private investment by engaging local lenders to support the market and energy policies. He explained that private capital is a very sustainable model at scale, while subsidized ratepayer financing is not. He explained that they're trying to come up with a Legislative fix to a policy that prevents private capital from fairly competing.

Brian Farnen explained that they would like to take the original Heating Loan language and leave in the existing sunset provision as it relates to the original program, but continue with the new propane program. He explained that they can't compete against cheap government money.

John Harrity questioned if they can expect the utilities to oppose this. Bryan Garcia stated that if the intent of the budget fix was to address the propane tank issue, then he felt that the utilities would not oppose this. Commissioner Smith stated that they need to make sure they are transparent and cautions the staff about its approach.

8. Other Business

a. Offsite Strategic Retreat

Bryan Garcia provided an update on the strategic retreat. He explained that the retreat is an opportunity for the senior staff to look back on the successes and failures of the last two years, as well as an opportunity to look ahead to identify and prioritize the agenda for the future and the next Comprehensive Plan. He discussed some of the creative ways that the staff sets goals for the Green Bank. He explained that upon completion of the retreat that the staff had come up with excellent ideas and goals for the future, including the creation of a Community Development Financial Institution (CDFI) allowed by statute that could be established to set-up an organization that takes the Connecticut Green Bank model to the rest of the country. Matt Ranelli expressed that this sort of structure could help lead to the deployment of more clean energy in upwind high-polluting states of Connecticut.

b. Public Policies

Commissioner Klee discussed transportation and if there is innovation that the Green Bank model can apply. Bryan Garcia explained that there are alternative fuel vehicles and infrastructure in the organization's definition of clean energy and that the staff had discussed that the green bank model could apply to environmental sustainability in general – beyond energy to waste, transportation, water, etc.

Commissioner Smith thanked and congratulated the team for a great year.

c. Executive Session

Upon a motion made by Norma Glover, and seconded by John Harrity the Board went into Executive Session at 10:59 a.m.

9. Adjourn

Upon a motion made by John Harrity, and seconded by Bettina Ferguson the meeting was adjourned at 11:17 a.m.

Respectfully submitted,

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Catherine Smith, Chair