

**BUDGET AND OPERATIONS COMMITTEE OF THE  
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY  
Minutes – Special Meeting  
Wednesday, January 23, 2013**

A special meeting of the Budget and Operations Committee (“Budget Committee”) of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “CEFIA”)** was held on January 23, 2013, at the office of the Clean Energy Finance and Investment Authority, 865 Brook Street, Rocky Hill, CT 06067.

1. **Call to Order:** Daniel Esty, Chairperson of the Budget Committee, called the meeting to order at 2:44 p.m. Budget Committee members participating: Mun Choi (by phone), Daniel Esty, and Norma Glover.

Staff Attending: George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter and Shelly Mondo.

2. **Public Comments:** There were no public comments.

3. **Approval of Meeting Minutes:**

Mr. Esty asked the Budget Committee members to consider the minutes from the September 21, 2012, September 26, 2012 and December 7, 2012 meetings.

**Upon a motion made by Ms. Glover, seconded by Mr. Choi, the Budget Committee members voted unanimously in favor of adopting the minutes from the September 21, 2012, September 26, 2012 and December 7, 2012 meetings as presented.**

4. **FY13 Q1 and Q2 Budget to Actuals:**

Mr. Dykes summarized the first and second quarter financial reports for fiscal year 2013. He noted that revenues were slightly more than projected. Customer utility assessments were slightly under budget but were offset by greater than projected Regional Greenhouse Gas Initiative auction proceeds. General operational expenses were lower than projected, and program expenses were lower than projected primarily because positions were filled later than anticipated. The Budget Committee members asked staff to provide information on revenues and expenses related to programs on a regular basis.

The Budget Committee discussed the programmatic spending and indicated the importance of being systematic about doing more things that work and less of the things that are not working. Staff was asked to report to the Board on the programs and activities that are working and to publish and share the information because it may be valuable to the broader community and CEFIA may be able to contribute to best

practices. Staff was encouraged to expand Solarize Connecticut since the pilot is working so well. Mr. Garcia mentioned that CEFIA already has underway an expansion of Solarize to more towns in the next round and is working with the Energy Efficiency Fund on expanding and applying the Solarize model to energy efficiency. Additionally, CEFIA is working with the University of Connecticut on other creative ideas to expand upon the Solarize model and look at the role of employee benefit programs and clean energy.

It was noted that CEFIA's balance sheet will be provided on a quarterly basis to the Board. Following a review of the quarterly financial statements by the Budget Committee, the financial statements will be provided to the Board. Mr. Dykes indicated that staff will start working on the fiscal year 2014 budget within the next several months. At the next Budget Committee meeting, the third quarter 2013 financial statements will be reviewed and preliminary information on the 2014 fiscal year budget will be provided. In response to a question, Mr. Dykes stated that CEFIA will be moving in to Building #2 at the end of February or early March. A suggestion was made to inquire about having an electric vehicle charging station.

#### **5. Financing Program Update:**

The Budget Committee members discussed a suggestion made at the January Board meeting about the cash reserves and increasing program activities. Mr. Dykes indicated that staff will present a proposal for consideration later on the agenda about funding for C-PACE. Questions arose as to whether CEFIA should do more to start an on-bill financing program or other mechanisms to get money out faster for clean energy.

Mr. Hunter explained that staff has made significant progress with finalizing programs. He referred to the chart with information about each of the residential sector loan programs. Mr. Hunter spoke about the Pilot Cozy Loan Program, the Smart-E Pilot Program, the Solar Loan Pilot Program and Solar PV and Solar Hot Water Lease/PPA Program. With respect to the Smart-E Program, Mr. Hunter mentioned that the Deployment Committee approved increasing the size of the program to \$2,500,000 to include all territories in the State. He reported on the progress of each of the programs and stated that within the next few months all of the programs will be active, starting in February with the Cozy Loan, Smart-E and Solar Loan programs, followed by a launch in mid-to-late March of the Solar Lease 2 program. The Budget Committee encouraged staff to focus on execution and ensuring that the programs are launched and the products become available as soon as possible.

Mr. Garcia spoke about the challenges with determining the appropriate amount of ratepayer funds needed to attract various amounts of private capital. In some cases, ratepayer investments will be modest (i.e. credit enhancements with the Smart-E loans) while in other cases the use of ratepayer funds to finance the deployment of clean energy will be significant. He also spoke about the need to have further discussions about short-term investments. Mr. Garcia mentioned that staff will be working with financial institutions to determine CEFIA's best options.

In response to a question, Mr. Hunter indicated that under the Cozy Loan Program that will be administered by the Housing Development Fund, unsecured loans will be provided to help low- and moderate-income customers to finance comprehensive energy upgrades. He explained that the program will allow CEFIA to leverage a \$410,000 credit enhancement mechanism to support a \$2,500,000 fund of third-party capital.

Mr. Hunter reported on some of the efforts being done by staff to encourage and develop energy strategies and programs for multifamily developments. Once the programs are developed, a suggestion was made to hold an event at a multifamily dwelling announcing the programs available.

Staff was encouraged to take positive steps to move the processes forward and get the programs launched.

#### **6. Programmatic Reporting Templates:**

Mr. Dykes indicated that staff anticipates providing a chart similar to the one provided listing the programs, the targets, metrics, goals for energy savings, production, and budget to the Budget Committee on a quarterly basis. A suggestion was made to include timetables for moving things forward in the chart (i.e. when private capital is expected, etc.). The template for programmatic reporting was acceptable to the Budget Committee.

#### **7. Future C-PACE Budget Request:**

Ms. Bailey provided an update on the C-PACE Program. She indicated that there are currently 40 deals at various stages of the application and approval process. The Website will be officially launched on January 24, it is anticipated that activity will significantly increase. With little to no marketing of the program, CEFIA has already reached approximately 79 percent of its goal in terms of municipalities opting into the C-PACE program – which represents about 20 percent of the commercial market building footprint. Staff was asked to put together some talking points about the program for the Board members.

Mr. Hunter indicated that there are eight qualified capital providers and several other applications pending. He discussed some of the issues that have arisen and are being worked out with capital providers. Mr. Hunter explained that there have been some coordination questions and some of the financial institutions are unsure where the program fits within their portfolio and organization. Meetings have been held with many different groups from the banks at once to try to address some of these issues. The banks are also considering how to assess the risks associated with the transaction. Ms. Bailey noted that there is a lot of interest from the banks for the new product. Mr. Hunter mentioned that some of the banks are reluctant to take on the construction risk but are prepared to provide financing following the construction period. Mr. Hunter

mentioned that another challenge is the lender's consent (where the lender holds the mortgage on the property being improved), and discussions are being held on how to address this issue.

In an effort to address some of the challenges and help prove the process, Mr. Hunter stated that staff recommends a significant reallocation of funding in the fiscal year 2013 budget to the C-PACE Program. He indicated that staff anticipates utilizing a large portion of the allocation for construction loans. Mr. Hunter mentioned that the fiscal year 2013 budget has a \$1,000,000 allocation for C-PACE, and staff recommends a total of \$20,000,000 for the program. It was noted that the funding could be a catalyst to move the first several deals and demonstrate the ability to make loans that can be repaid quickly. In response to a question, Mr. Hunter stated that it is possible that the \$20,000,000 of funding will be utilized by the end of the 2013 fiscal year, although the portion of the \$20,000,000 utilized for construction loans would be repaid via permanent financing from capital providers and as a consequence would be recycled into additional projects. A suggestion was made to reassess the program by the fourth quarter of 2014 to determine how to proceed and whether additional funding is necessary.

**Upon a motion made by Ms. Glover, seconded by Mr. Choi, the Budget Committee members voted unanimously in favor of adopting the following resolution recommending to the Board for consideration a budget reallocation of \$19,000,000 from unrestricted cash to C-PACE:**

**WHEREAS**, the Clean Energy Finance and Investment Authority ("CEFIA") wishes to increase funding to make direct loans to support clean energy projects in the Commercial Property Assessed Clean Energy ("C-PACE") Program; and

**WHEREAS**, per Article V, Section 5.3.2(vi) of the CEFIA Bylaws, the CEFIA Board of Directors (the "Board") must approve reallocations in excess of Seventy-Five Thousand Dollars (\$75,000).

**NOW**, therefore, be it:

**RESOLVED**, that the CEFIA Budget and Operations Committee hereby recommends to the Board for approval a reallocation of NINETEEN MILLION DOLLARS (\$19,000,000) from the unrestricted cash account to the C-PACE loan line item.

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**8. Adjournment:** Upon a motion made by Ms. Glover, seconded by Mr. Choi, the Budget Committee members voted unanimously in favor of adjourning the January 23, 2013 meeting at 3:42 p.m.

Respectfully submitted,

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Daniel Esty, Chairperson of Budget  
Committee