

**AUDIT, COMPLIANCE, & GOVERNANCE COMMITTEE OF THE
CONNECTICUT GREEN BANK
Minutes – Regular Meeting
Friday, December 4, 2015**

A regular meeting of the Audit, Compliance, and Governance Committee (“Audit Committee”) of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on December 4, 2015, at the office of the Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT in the Albert Pope Board Room.

1. **Call to Order:** Mr. Ranelli, Chairperson of the Audit Committee, called the meeting to order at 8:31 a.m. Audit Committee members participating: Matthew Ranelli & John Harrity.

Members Absent: Patricia Wrice.

Staff Attending: Bryan Garcia, Brian Farnen, George Bellas, Cheryl Samuels, Mackey Dykes (by phone), Bill Sawicki (Marcum LLP), Suzanne Kaswan, Jane Murphy, Michael Brooder (Marcum LLP) (by phone), and Adam Canosa (Marcum LLP) (by phone).

2. **Public Comments**

There were no public comments.

3. **Approve meeting minutes for April 22, 2015 Regular Meeting**

**Upon a motion made by Mr. Harrity, seconded by Mr. Ranelli the Committee
unanimously approved the minutes from the April 22, 2015 meeting.**

4. **Discuss proposed draft Comprehensive Annual Financial Report (CAFR)**

Mr. Ranelli took a moment to congratulate Mr Bellas and his team on the Green Bank’s being awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association for its FY2014 CAFR.

Mr. Bellas provided an update on the status of the current FY2015 CAFR. The draft CAFR being presented to the Committee is essentially complete with respect to the audited financial information. The completion of some footnote disclosures remains. The statistical section of the CAFR which provides information on the Green Bank’s programs, and is not audited, is approximately 80% completed. The remaining sections will be completed prior to the CAFR being presented to the Board of Directors at their next meeting. Mr Bellas then provided the Committee with an overview of the financial position of the Green Bank as presented in the CAFR. Mr. Bellas then asked Bill Sawicki of Marcum LLP to provide the Committee with a summary of the results of their audit of the financial statements.

Mr. Sawicki stated that the audit had been conducted under the Generally Accepted Government Auditing Standards. He reviewed the remaining steps that Marcum had to complete before the audit opinion can be formally issued.

Mr. Sawicki reviewed the responsibilities of Green Bank management as well as the responsibility of the auditor, Marcum LLP when conducting the audit engagement. He also explained the new accounting standard implemented this year, *GASB 68 Accounting and Financial Reporting for Pensions*. He reviewed the required disclosures made by the Green Bank to comply with this standard. Mr. Bellas stated that the Green Bank's net pension liability as of June 30, 2015 was approximately \$14.9 million and that the footnotes to the financial statements explain in greater detail how that amount was arrived at. The Committee engaged in further discussion with staff to gain a more complete understanding of how the Green Bank calculates its monthly pension liability and expense and how funds are remitted to the State to satisfy its pension obligations. Mr. Sawicki concluded by stating that the amount of the net pension liability will be adjusted each year going forward as part of the audit process.

Mr. Ranelli asked if there were any changes to the way the Green Bank and its component units, specifically its leasing affiliate, Connecticut Solar Lease 2 LLC were presented in this year's CAFR when compared to the prior year. Both Mr. Bellas and Mr. Sawicki stated that the presentation of the component units was consistent with the prior year and in conformity with guidelines established by the Government Accounting Standards Board (GASB)

Mr. Harrity questioned the open items and the timeline for completion. Mr. Sawicki stated that the audit and final assembly of the CAFR will be complete prior to the end of December. Mr. Bellas stated that the Green Bank plans to submit the CAFR to the GFOA prior to December 31st for consideration under its Certificate of Achievement award program discussed above.

Mr. Garcia discussed the various statistical sections of the CAFR and why the reasons behind the Green Bank's effort to provide detailed programmatic as well as financial information to its constituents. He explained that this section provides information on the outcomes and outputs for societal benefits with respect to how the organization utilizes its financial resources. He explained that the Connecticut Green Bank has developed its current model to leverage private investment.

Mr. Garcia explained that once this year's CAFR is complete, the Green Bank will engage Marcum LLP to review in greater detail the methods used to compile programmatic data throughout the organization. He explained that they will look at data collection systems, project status, and project reporting. Mr. Ranelli questioned when this project will commence. Mr. Bellas stated that he anticipated beginning this engagement in January or February of 2016.

Upon a motion made by Mr. Harrity, and seconded by Mr. Ranelli the Committee voted unanimously in favor.

Resolution #2

RESOLVED, that the Committee hereby recommends to the Board of Directors for approval 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.

5. Discuss Annual Governance Review

Brian Farnen discussed the bylaws, operating procedures and other governance documents of the Green Bank. He explained that the Green Bank has implemented an annual governance review, and upon review of our governance documents, staff wants to clean up the Employee Handbook. Suzanne Kaswan explained that there are title changes, as well as phone number changes that they would like to make within the handbook. She explained that they had added a statement regarding the promotion policy that needed to be clarified to be consistent with the operating procedures. Matt Ranelli questioned the employee acknowledgement form. Suzanne Kaswan explained that it was incorrect in the last handbook. She stated that they are just cleaning it up and make it correct for this version. Brian Farnen stated that if these changes/corrections are acceptable they would request approval from the Board.

Upon a motion made by John Harrity, seconded by Matt Ranelli, the Committee voted unanimously in favor of the changes/corrections.

Resolution #3

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

6. 2016 Legislative Agenda

Brian Farnen discussed the Legislative Agenda for 2016. He explained that there are four main items, C-PACE and SHREC technical fixes, establishing the Connecticut Green Bank as its own authority that is not within CI for administrative purposes, and residential (RESI)PACE. He explained that they would like to make RESI-PACE work without being the senior lien position as industry is moving in this direction on the residential side and the senior lien position was the biggest hurdle to adoption in Connecticut. He explained that they see RESI-PACE as a real economic and jobs opportunity.

Bryan Garcia stated that the team met with Commissioner Perez of the Department of Banking to discuss all of the developments at HUD, FHA, and the White House. He explained that post ITC world, they're looking at the PACE structure to bring in low cost capital. Brian Farnen explained that this is a big challenge, because of the short session and the focus on the budget. Matt Ranelli questioned if this can be positioned as a Job's Bill. Brian Farnen stated that they are going to position it as both a jobs and clean energy bill.

Brian Farnen stated that they want to clarify the consent language in C-PACE. He explained that they would also like the ability to be able to finance the cost of natural gas expansion. Matt Ranelli stated that he is not convinced that this would be a good thing. Brian Farnen explained that if it were to become a drag on getting the other technical fixes that they would drop it or break out the C-PACE technical fix related to consent from the natural gas component of the bill.

John Harrity questioned the status of Shared Solar. Brian Farnen explained that they are trying to show the success of the pilot program. Brian explained that the SEC had opined on Crowd Funding and the ability for the Connecticut Green Bank to set forth Legislation is going to be difficult since there is now a federal framework to address crowd funding.

Brian Farnen explained the SHREC technical fix. He explained that the Green Bank has been actively negotiating a Master Purchase Agreement (MPA) with both utilities. He explained that this has been slow, but that they have closed out every single issue, but one that being in relationship to the 15 term of the SHREC. He explained that 15 years is what the Connecticut Green Bank needs to make it work from a financing/securitization standpoint. Brian explained that they are trying to propose to the utilities to bring the MPA to PURA in a coordinated approach and providing a legal memo to support it. He explained that the EDC's would not agree to that. They felt that the statute was clear. He stated that we are working with DEEP and the Governor's office on next steps. He stated that they want to get the MPA approved and get everything tied up and agreed upon but still bring it to forward next Legislative Session as a technical fix.

Matt Ranelli asked if there is a schedule of reports due to the Legislature. Brian Farnen said yes and that they will get it to the Board. Matt Ranelli explained that he would like to keep it as a regular agenda item. Brian Farnen agreed.

7. Adjourn

Upon a motion made by John Harrity, seconded by Matt Ranelli, the Audit Committee members voted unanimously in favor of adjourning the December 4, 2015 meeting at 9:40 a.m.

Respectfully Submitted,

Matthew Ranelli, Chairperson of the Audit,
Compliance, and Governance Committee

