

**AUDIT, COMPLIANCE AND GOVERNANCE COMMITTEE OF THE
CONNECTICUT GREEN BANK**

Minutes – Regular Meeting

Monday, July 10, 2017

8:30 – 9:30 a.m.

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 July 10, 2017 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 8:34 a.m. Audit Committee members participating: Matthew Ranelli (by phone) and Tom Flynn (by phone).

Staff Attending: Brian Farnen, Bryan Garcia, Cheryl Samuels, and George Bellas,

Others Attending: Paul Horowitz, Consultant.

2. **Public Comments:**

There were no public comments.

3. **Approve Meeting Minutes for April 24, 2017 Special Meeting:**

**Upon a motion made by Tom Flynn, and seconded by, Matt Ranelli,
approval of the Minutes from April 24, 2017, was unanimous.**

Resolution #1

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for April 24, 2017. Second. Discussion. Vote.

4. **Annual Review of Accounting Internal Control Policies:**

George Bellas provided an overview of the Green Bank’s Internal Control Policies (“Controls”). He stated that the Controls are reviewed by both the State Auditors of Public Accounts (“APA”) and by Blum Shapiro as part of their annual audit of the Green Bank’s financial statements.. He explained staff is proposing some minor adjustments to the procedures. He explained that both the APA and Blum Shapiro recommend that a review of these Controls is undertaken e by the ACG at least once a year. He explained that the last review by the ACG was done in 2016.

Mr. Bellas stated that this year staff is proposing three minor revisions to these Controls. The first revision is to the Credit Card Policy. This change would replace Bryan Garcia

with Eric Shrago as an approver of the monthly credit card invoice. He stated that the Green Bank has two Green Bank administered credit cards , one which the Operations department utilizes for office and IT expenditures, which was issued to Mackey Dykes, and one issued to Bryan Garcia. He stated that Mr. Garcia no longer utilizes his card and has returned it to him for cancellation.. He also stated that when the monthly credit card invoice is received it is required, per the Controls, to be approved by himself and Mr. Garcia. Tom Flynn asked whose name was on the credit card used for operations. George Bellas stated that right now it is in Mr. Dykes name, but that he is in the process of replacing Mr. Dykes with Mr. Shrago who has taken over the responsibility of overseeing the Green Bank's operations. Mr. Flynn questioned Mr. Shrago being an approver since the card will be in his name. Mr. Flynn stated that Mr. Shrago in this case, is more of a submitter, resulting in only one level of independent approval of credit card charges.. Mr. Flynn suggested that the second approver should be someone other than the person whose name appears on the credit card. After further discussion it was decided to replace Mr. Garcia with Mr..Farnen, the Chief Legal Officer, as the second independent approver. Mr. Bellas stated that staff would reflect this change in the Control documentation before presentation to the Board for final approval.

Matt Ranelli asked about controls over bank wire and ACH disbursements of Green Bank funds. Mr. Bellas explained that the Green Bank has implemented a dual control system over these disbursements. He stated that the banks require two Board authorized account signers to release either an ACH or wire transaction.. This provides a significant level of control over these types of disbursements since no one individual can release Green Bank funds using wires or ACH transactions..

Mr. Bellas then discussed the proposed revision to the Green Bank's mobile device reimbursement policy. Currently the Green Bank subsidizes a portion of the cost of a cell phone purchased by new employees who have been authorized to do so Since new employees own a cell phone prior to employment at the Green Bank staff is proposing eliminating this subsidy.. The Green Bank will continue to subsidize monthly access and service fees. The amount of subsidy will continue to be set by Mr. Garcia and Mr. Shrago.

Mr. Bellas also discussed the proposed revision to increase the threshold used to capitalize and depreciate capital assets from \$500 to \$1,000. After further discussion, the Committee was in agreement with this proposed change.

Upon a motion made by Tom Flynn, and seconded by Matt Ranelli, the Committee agreed to bring the recommendations to the Board.

Resolution #2

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval the proposed revisions to the current internal accounting control policies as amended by the Committee.

Second. Discussion. Vote

5. Board Selection Update

Brian Farnen provided an update on Board Selection. He advised that Norma Glover has retired and that they are currently working to find a replacement. Tom Flynn questioned how many empty seats they currently have. Brian Farnen stated that there are currently two empty seats. Bryan Garcia stated that they may want to revisit with Catherine Smith regarding her position on both the Green Bank Board and the Board of CT Innovations (CI). Brian Farnen explained that the Green Bank was previously within CI for administrative purposes. He explained that they were taken out of CI about two years ago through a legislative revision that included our expanded bond authority. He explained that they did not open Board Governance through this legislative process. Matt Ranelli stated the Green Bank does not select or appoint, but that CI is the appointing authority and they can appoint at their discretion. Brian Farnen stated that they can provide recommendations but the ultimate decision to appoint is at the discretion of CI. He also noted that CI appointment would be as a non-voting member per the statute.

6. 2017 Legislative and Regulatory Update

Brian Farnen discussed the Legislative update. He stated that with the competing budget proposals, the Green Bank has been impacted in numerous ways. He stated that there have been cuts from RGGI. He stated that they are working hard to show results and our best to defense is our continued success in deploying clean energy and attracting private capital and jobs to the State. He stated that they don't feel that the Green Bank will get out completely unscathed, but we do not expect sweeps or reductions that will impact our ability to complete all the programmatic objectives, projects and products that they envision in the near term. He stated that they need to stay proactive and demonstrating the success of the green bank model.

Brian Farnen stated that to date they have not had any CPACE foreclosures but we needed to clarify the CPACE statute through a technical fix to clearly and unambiguously demonstrate how the foreclosure process would work with a CPACE financing. He stated that although it's not an issue now, at some point it will be. He stated that they want to make it clear how the Non-Acceleration and the Non-Extinguishment language works. Tom Flynn questioned if they currently have CPACE for new construction. Brian Farnen stated that they do not but the technical fix clarifies that new construction is possible under CT's CPACE law. Tom Flynn questioned the process was going to be for evaluating the ability to pay back. Brian Farnen stated that they will not do anything until they have clear underwriting criteria set forth, reviewed and approved by the Board. Matt Ranelli stated that it may worth talking to developers in different areas to get a handle on how they handle new construction. Matt Ranelli questioned if the Green Bank has any protection in a Bankruptcy scenario. Brian Farnen stated that the way that the language has been bolstered, they're making CPACE benefit assessments akin to a Sewer/Water Assessment.

Brian Farnen discussed the Productive Farmlands and Solar legislation passed this session. He stated that the Department of Agriculture is looking to protect prime farmland and forestry. He stated that they're trying to balance the incentives provided for solar and the public policy behind trying to protect farmland and forestry in the State. He stated that overall, the final compromise legislation adopted is not a problematic public act.

Brian Farnen discussed Public Act 144, citing that it extends the ZREC by one year and addresses a myriad of items important to the clean energy industry. He stated that DEEP is going to be involved in more clean energy procurements. He stated that the Office of Fiscal Analysis is now reviewing the ratepayer impact of legislation under Public Act 144. He stated that he is okay in theory with this legislation but is worried about how the analysis occurs in execution. Matt Ranelli stated that they need some way to educate OFA on how to account for the value of solar and other renewables. Brian Farnen stated that they will reach out and offer assistance on how that will be done.

Brian Farnen went on to provide an update on the items that did not survive the Legislative Session.

7. Other Business

Bryan Garcia discussed the Evaluation Framework and introduced Paul Horowitz. He explained that about this time last year, the Board approved the Evaluation Framework. He explained that since then several methodologies to value societal impacts of the CGB programs have been developed and approved: one for Economic Development program impacts, presenting associated jobs production, in conjunction with DECD and Navigant, and one for Environmental Performance program impacts, working with DEEP and EPA using a tool called AVERT. He stated that they are wrapping up the Public Health program impacts approach with the Connecticut Department of Public Health, DEEP, and EPA using a tool called COBRA.

Bryan Garcia stated that they are working on finalizing surveys for program participants in their existing programs, notably low to moderate income participants in the Posigen program, which is delivering both renewable energy production and energy efficiency savings. He stated that this is a biannual survey. He discussed the Comprehensive Plan process, stating that it starts with looking at the markets that they are focusing on. He explained that all the data collection gets built into the non-financial statistics of the CAFR. He explained that RSIP requires them to report to the Legislature, every other year, on how it is performing.

Paul Horowitz provided a high-level overview of what types of evaluations can be performed. Bryan Garcia noted that they have set aside \$100,000 to conduct independent evaluation(s) under guidance from the Board of Directors. Criteria to determine which programs to evaluate were presented and discussed. He stated that they are seeking the Committee's recommendation on which programs they should allocate resources to. He

explained that Paul Horowitz would serve in some capacity as the independent intermediary between the Board of Directors and staff.

Paul Horowitz discussed the value to the CGB of conducting independent third party evaluation of program performance to avoid, to the extent possible, appearances of or actual CGB influence on the study results. He noted that this is particularly important in the use of public monies, to provide confidence both in the claimed program results and in the appropriate spending of those public monies. Tom Flynn stated that given where they are in the State's financial health, he felt that one program area that they ought to be looking at for independent verification are those projects they think are doing well, and that any program that they are not confident in right now would be the next leg of the program evaluation that he would be interested in seeing. Paul Horowitz stated that an impact evaluation can take a few years from beginning to end. He stated that a process evaluation typically takes less time and that the process evaluation might be a good approach for programs that the Green Bank may not be quite as confident in. Tom Flynn stated that he agrees with the process side, for the ones that they have concerns about. Bryan Garcia stated that he will reconnect with Paul Horowitz and come back to the Committee to continue the discussion and help them make a final determination on the type of program evaluation(s) to be conducted and for which programs.

8. Adjourn

Upon a motion made by Tom Flynn, and seconded by, Matt Ranelli, the meeting was adjourned at 9:33 a.m.

Respectfully Submitted,

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