

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

Minutes – Regular Meeting
Wednesday, October 11, 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 October 11, 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 8:31 a.m. Audit Committee members participating: Matthew Ranelli (by phone) and Tom Flynn (by phone).

Staff Attending: Cheryl Samuels, Bryan Garcia, George Bellas, Eric Shrago, Bert Hunter and Brian Farnen (by phone)

Others Attending: Ron Nossek, Jessica Aniskoff, and Christina Long (by phone)

2. **Public Comments:**

There were no public comments.

3. **Approve Meeting Minutes for July 10, 2017:**

**Upon a motion made by Tom Flynn, and seconded by Matt Ranelli the
Committed voted unanimously to approve.**

Resolution #1

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for July 10, 2017. Second. Discussion. Vote.

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

George Bellas provided an overview of the CAFR and a brief overview of what would be discussed by the Green Bank’s auditors, Blum Shapiro .

Ron Nossek of Blum Shapiro provided an overview of the Financial Section of the CAFR and discussed their report on the Green Bank’s financial statements and the results of their audit. . He stated that they performed the audit under two sets of standards, Generally Accepted Audit Standards (GAAS) and Generally Accepted Government Audit Standards (GAGAS). He stated an unmodified, “clean” opinion will be issued

regarding these statements.. Blum Shapiro did not discover any significant material weaknesses or significant deficiencies during its audit.

Mr.Nossek discussed financial highlights for the fiscal year 2017 noting stating that there was not a significant variance in the Green Bank's net position between 2016 and 2017. He stated that some reclassifications are still need to be made between the various components comprising net position from what is being presented in the current draft to reflect minority interests in several component units but cumulative net position amount will not change.

George Bellas also stated that net position was also affected by an increase in the State Employee Retirement System unfunded pension liability, as measured by Government Accounting Standards Board (GASB) Statement 68, allocated to the Green Bank of approximately \$9 million. Long-term debt to fund lease and loan programs also increased by approximately \$11 million.. Matt Ranelli questioned the increase in pension liability and if that adjustment was received from the State. Mr. Bellas stated that yes, this allocation is calculated by the State Comptroller's Office and it is based upon the Green Bank's proportionate share on total contributions made to the plan by all State Quasi-Public agencies.

Mr.Nossek then discussed the Green Bank's operating statement. He stated that operating revenues of approximately \$34 million decreased from the prior year by about \$3.8 million. Mr. Bellas stated that this is due to the decline in RGGI auctionproceeds received by the Green Bank. Mr. Nossek stated that operating expenses increased by approximately \$8 million., Operating expenses comprises both financial incentive disbursements and program and administrative overheadheads. Mr.Ranelli questioned the nature of the increase. Mr. Bellas stated that increase was primarily the result of increased financial incentive disbursements. Mr.Garcia stated that Performance Based Incentive payments under the RSIP was the main driver of this increase.. Mr. Bellas stated that management has worked to control costs during the past fiscal year.

Mr. Nossek then discussed the required audit communications to the Board under GAGAS. He stated that there were no transactions entered into where there was a lack of authoritative guidance.. He stated that all transactions from their perspective have been recognized in the proper period. He stated that they evaluated the estimates to determine any bias from a management perspective. He stated that in their opinion there was no management bias determined.

Mr.Nossek stated that they encountered no difficulties with management when performing the audit. He stated that there were no uncorrected misstatements identified in the audit and that there were no disagreements with management. He stated that there was nothing outside of the normal course of communications. He thanked the Green Bank for their professionalism.

Tom Flynn questioned the utilization of the financial statements. He questioned how often the management team was asked for the financial statements when entering into a transaction. Mr. Bellas stated that the financial statements are posted on the Green Bank's website when issued. Tom Flynn asked how often they get asked for them when they do business. Bert Hunter stated that when they are trying to get new financial facilities they are asked to supply them. He also noted that all financing facilities require that the Green Bank submit their financial statements to the capital providers on a periodic basis (even though the financials are available on the Green Bank website). As to Mr. Flynn's question about the Green Bank's financial situation given the State's budget situation, Mr. Hunter observed that, as in past years, a few capital providers have asked about the Green Bank's financial position. He noted that he handles them on a case-by-case basis.

Matt Ranelli thanked Blum Shapiro.

Upon a motion made by Tom Flynn, and seconded by Matt Ranelli, the Resolution passed unanimously.

Resolution #2

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;

NOW, therefore be it:

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. Staff Project Authorization increase to \$500,000 and related Update to Bylaws:

Bryan Garcia discussed the issue with a previous transaction that had just crossed the threshold of the less than \$300,000 limit, which is one of the reasons that they want to adjust the policy on Staff Project Authorization. Matt Ranelli asked whether this had been approved by the Deployment Committee, because he recalled that was the usual path and he didn't have a good recollection of the request. Mr. Garcia stated that the Deployment Committee was requesting the staff to propose revising the process as long as the projects are consistent with all underwriting standards, and although the Deployment Committee did not formally approve the increase by resolution, the committee suggested staff proceed with the approval of the increase. He stated that the

revision will allow the staff to approve up to \$500,000 and no more than \$1 million in aggregate.

Brian Farnen stated that this has not been increased in a very long time. He stated that from a house cleaning perspective, it would be beneficial to increase the amount as it has been static for some time.

Upon a motion made by Tom Flynn, and seconded by Matt Ranelli, the Committee voted unanimously to approve.

Upon a motion made by Tom Flynn, and seconded by Matt Ranelli the Committee voted unanimously to amend the Bylaws to reflect the change from \$300,000 to 500,000.

Resolution #3

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 Connecticut Green Bank ("Green Bank") Board of Directors approved of a recommendation brought forth by the 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

NOW, therefore be it:

RESOLVED, that the Green Bank Deployment Committee hereby recommends 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.

Resolution #4

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval the proposed draft revisions to the Green Bank Bylaws.

6. Presentation by SustainAbility (CAFR Non-Financial Statistics Auditors):

Bryan Garcia discussed the CAFR Non-Financial Audit. He stated that over the years they have made a number of improvements to this section.

Eric Shrago discussed the non-financial statistics and turned it over to Christina Long from SustainAbility.

Christina Long provided an overview of the impact of Green Bank projects in social and environmental terms. She stated that they looked at how other banks are reporting and communicating that impact. She stated that they looked at the quality of the metrics, methodology, and transparency that they are using. She stated that the Connecticut Green Bank has high transparency on social and environmental impacts. She discussed the Metrics and Benchmarks Summary and highlighted the differences amongst the differing entities. Again, she stated that the Connecticut Green Bank has done a good job with transparency using clear externally verified methodologies.

Bert Hunter questioned if there was a simple explanation for the difference under the verification impact insurance offered by Deloitte. Christina Long stated that they were hired to verify their methodologies and the difference with the UK Green Investment Bank is that they hired Deloitte to do the calculations for them from their impact. She stated that Deloitte came up with some of their own methodologies.

Matt Ranelli questioned the social and environmental metrics stating that he was under the impression that the Connecticut Green Bank provides GHG (outside of just CO2) reduction as one of their metrics. Christina Long stated that they do. She stated that they noted in the 2017 CAFR that the Connecticut Green Bank is stepping up.

Eric Shrago stated that they adopted the AVERT Model for their environmental impact. Matt Ranelli asked if there was an opinion on the AVERT Model. Christina Long stated that they had looked at that methodology. She stated that the AVERT Model is a recommended method and that the Connecticut Green Bank is doing a good job using it.

Christina Long also highlighted some areas where the Green Bank could further improve their reporting such as making it more user friendly and visual.

7. Public Health Methodology

Eric Shrago discussed the Public Health Methodology. He stated that they are proposing a way of assessing the impacts with respect to public health supported by cleaner air

resulting from Green Bank projects. He stated that they are also proposing the adoption of the EPA's CoBRA for measuring those impacts.

Upon a motion made by Tom Flynn, and seconded by Matt Ranelli, the Committee voted unanimously to recommend this to the Board.

Resolution #5

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval on its consent agenda the proposed US Environmental Protection Agency CoBenefits Risk Assessment (CoBRA) Model for the Evaluation and Measurement of the public health impact of Green Bank supported projects.

8. 2017 Legislative and Regulatory Update:

Brian Farnen discussed the Legislative and Regulatory Update. He stated that both the Republican and Democratic budgets include raids on the Green Bank. He stated that the Democratic budget is the better option as it includes a mill rate increase to make up for the loss of funds through the proposed raid. He stated that they are working with the Governor's Office to minimize any potential impact and the best possible policy outcome would be for both parties to leave our organization alone so we could focus on our mission of leveraging and attracting private capital and jobs to the State.

Matt Ranelli questioned why the Energy Efficiency Fund was not on the radar. Brian Farnen stated that fund was the target of the Senate Republicans for a long time. He stated that it is his belief that when the House Republicans came into the budget conversations with the Senate Republicans for one budget proposal, the sweep flipped to us even though our public private partnership model as opposed to a grant subsidy model is more aligned with traditional Republican principles. He stated that the Green Bank has demonstrated to be a national leader in clean energy and has a track record we can defend. He stated that they had a strong Legislative outreach throughout this session. He stated that his fear is that they will come up with a deal that is not favorable to the Green Bank.

Brian Farnen discussed the Comprehensive Energy Strategy. He stated that the process draft was released on 7/26. He stated that they are concerned with many of the things within it and we prepared atypically long public comments to reflect the fact that we are not on the same page. He stated that they are working with DEEP and that they have been open to our proposed comments.

9. Other Business:

Brian Farnen discussed the recently completed Annual Review of the Bylaws and Operating Procedure Employee Handbook. He stated that they would like to make one

revision to the Bylaws as it relates to the increase of staff authorization to \$500,000.
Bryan Garcia mentioned CI's non-voting status.

Matt Ranelli questioned the status of their Statutory Review on all of their documents.
Brian Farnen stated that he will research that, but does think that it went out to everyone.

10. Adjourn:

Matt Ranelli adjourned the meeting at 9:43 a.m.

Respectfully Submitted,

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