

**Deployment Committee of the
Connecticut Green Bank**

845 Brook Street
Rocky Hill, CT 06067
Tuesday, May 29, 2018
2:00-3:00 p.m.

A regular scheduled meeting of the Deployment Committee of the Board of Directors of the Connecticut Green Bank was held on May 29, 2018 at the office of the Green Bank, 845 Brook Street, Rocky Hill, CT.

1. Call to order

Commissioner Rob Klee called the meeting to order at 2:03 p.m. Deployment Committee members participating: Matt Ranelli (by phone), Bettina Bronisz (by phone).

Staff Attending: Bryan Garcia, Cheryl Samuels, Brian Farnen, Kerry O'Neill (by phone) Nick Zuba (by phone), Eric Shrago (by phone), Mackey Dykes, Bert Hunter (by phone), Alex Kovtunencko and George Bellas.

2. Public Comments

There were no public comments.

3. Consent Agenda

a. Approval of Meeting Minutes for September 5, 2017

Resolution #1

Motion to approve the meeting minutes of the Deployment Committee for September 5, 2017.

b. C-PACE Transaction Time Extensions

Resolution #2

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”) had previously approved and authorized the President of the Green Bank to execute financing agreement for the C-PACE projects described in the Memo submitted to the Deployment Committee on May 22, 2018 (the “Finance Agreements”);

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

WHEREAS, due to delays in fulfilling pre-closing requirements the Green Bank will need more time to execute the Finance Agreements.

NOW, therefore be it:

RESOLVED, that the Deployment Committee extends authorization of the Finance Agreements to no later than 120 days from May 29, 2018 and consistent in every other manner with the original Board authorization for the Finance Agreements.

c. Transactions – Under \$500,000 and No More in Aggregate than \$1,000,000

Upon a motion made by Matt Ranelli, and seconded by Bettina Bronisz, the Committee unanimously approved the Consent Agenda.

4. Proposed Loan Loss Decision Framework and Process

Bryan Garcia provided an overview on proposed Loan Loss Framework and Process. He stated that the Green Bank has a strong Balance Sheet. He stated that there are 4300 different types of transactions on the Balance Sheet, with over \$70 million in assets. He stated that the portfolio has been performing in regard to repayment. He stated that they have had 6 defaults, totaling approximately, \$100,000. He stated that they are ensuring that they are underwriting transactions with high standards, resulting in high repayment. He stated that as they want to ensure a process is in place to deal with transactions that may need to be written off or restructured.

Brian Farnen stated that the process is consistent with the Bylaws. He stated that he discussed the process with a General Counsel group of other quasi-public agencies and that it appears that the Green Bank is the first to go this route.

Bryan Garcia stated that the process is from the structure that they currently have for transactions, allowing the staff to approve transactions under \$500,000 and no more in aggregate of \$1 million. He stated that they are proposing a similar process with regards to the Loan Loss Framework. He stated that the key criteria is determining the value of the modification, the value of the transaction or the outstanding principal balance. He

stated that the principal outstanding would be the focus for modification and provisional loss, which would be determined by the Budget and Operations Committee and ACG Committee. He stated that they would only write off transactions that have no possibility of asset recovery. He stated that George Bellas would be working with the auditors on an annual basis, but the principal amount would be less than \$500,000 and no more in aggregate than \$500,000.

Bettina Bronisz questioned if there is any recovery insurance or any property. George Bellas stated that the Green Bank does not carry any type of insurance for that. Mackey Dykes stated that C-PACE was removed from the example, because it's a bit different since they do have the building as security. In an incident such as that, they would act on their foreclosure rights.

Matt Ranelli questioned the Bylaws on Governance, stating that there is nothing stating writing off bad debt. He questioned if the idea of setting up a Loan Loss Reserve was equivalent to writing something off. Brian Farnen stated that the Deployment Committee and ACG Committee can make a recommendation to the Board and that the combination of both with the authorization from the Board should be sufficient.

Matt Ranelli questioned the provisional loss and how it would work in the case of multiple losses on a transaction, or if it is limited to one loss or restructuring. Bryan Garcia stated that the Provisional Loss is a way to anticipate from an expense and budget perspective. George Bellas stated that what they call a provisional loss is for general Accounting purposes. He stated that they do the best they can in estimating based on the portfolio value. He stated that the portfolio last year was valued at approximately \$42 million. He stated that they assign a percentage to the outstanding balance and they book in a provision, setting up a reserve. He stated that if one of those loans goes bad, it has already been recognized in the year you expected it to occur. He stated that it is then written off. He stated that this is just a first step and that the auditors review it. He stated that it must be done to determine if there are any potential losses and to provide a reserve for those. He stated that they had \$5 million in loss reserves last year, against about a \$42 - \$43 million portfolio. He stated that the current value of the portfolio is approximately \$46 million. He stated that nothing has been written off the Balance Sheet. He stated that this is just a process to the potential.

Commissioner Klee questioned how everyone felt regarding the numbers and this being the first step. Matt Ranelli states that he is not comfortable. He stated that he would rather know more than just a number. He would also like to know about frequency. He questioned what the trigger points would be regarding unusual activity in various programs. Bryan Garcia stated that this would be put into the Quarterly Report. He stated that they can structure what the number of projects are, as well as the amount of principal being restructured, and look at it by program, frequency, and percentage. George Bellas stated that they can put in a monthly Financial Sheet with loan loss

provisions by line so that the Board can see the composition of the provisions. He stated that they are not writing anything off, that it is just provisional. Bettina Bronisz stated that they should be made aware of provisions so that they can spot any trends that may be starting.

Bryan Garcia stated that the average size of a C-PACE project is about \$300,000, SMART-E is about \$15,000, and Commercial Solar Lease about \$200,000. He stated that SMART-E is a bit unique in that the first 1½% of their loan portfolio must be paid by the lender. He stated that they can put the data together in the Quarterly Report to show any trends and summarize staff approvals.

Matt Ranelli questioned what the motivation is, questioning if they are worried about a drag on time, and if there was any downside to having a relatively low number. Bryan Garcia stated that they want to keep it simple, but also stay on top of it. Brian Farnen stated that the Committee does not need to review and approve residential. He stated that they can report out on that to see the trends. He suggested putting the line at \$100,000.

Commissioner Klee stated asked the Committee if they were comfortable with \$100,000. Bryan Garcia stated that he feels good about it. He suggested that they go with it for 6 months to a year to see how it goes. Matt Ranelli stated that he was comfortable with that. He questioned how they will know what happening in the residential area. Bryan Garcia stated that they will include it in the reporting and track trends similarly. Commissioner Klee stated that about 6 or so, should be an alert. George Bellas stated that yes, that's possible.

Bryan Garcia discussed the process, stating that they the team would look at economics detailed in the memo on the transaction as a recommendation for restructure or writing off, documenting, reviewing, and approving based on the new threshold. He stated that this will sit on the Quarterly Memo.

Brian Farnen stated that they can bring a recommendation to the Board to approve with the revision that the authorization is lowered to \$100,000. Commissioner Klee stated that as long as they have discretion he's okay with the \$100,000 to \$2.5 million, assuming that they can suggest it go to the Board. Matt Ranelli stated that he would prefer a much lower number than \$2.5 million. Bettina Bronisz agreed with lowering the amount. Mackey Dykes stated that they it could be a certain percentage of the outstanding principal balance. Bettina Bronisz questioned if he was recommending a number or a percentage. Mackey Dykes stated that he was recommending both. He stated that where there is \$1 million in principal outstanding and the restructure is more than 80% of the outstanding balance, then the Board must approve. Commissioner Klee stated that anything where they're doing more than \$500,000 worth of modifications should go to the Board.

Bryan Garcia stated that the recommendation to the ACG Committee is below \$100,000 to the staff, \$100,000 to \$1 million to the Deployment, and over \$1 million will go to the Board. He stated that they will amend the Resolution.

Upon a motion made by Matt Ranelli, and seconded by Bettina Bronisz, the amended Resolution passed.

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 Green Bank Board of Directors approved of a recommendation brought forth by the Audit, Compliance, and Governance Committee and 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;

WHEREAS, on October 20, 2017, the Green Bank Board of Directors approved of a recommendation brought forth by the ACG Committee and Deployment Committee to approve the authorization to amend the Staff Approval Policy to increase program funding requests 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; and

WHEREAS, the Staff of the Green Bank propose in a memo to the Deployment Committee on May 29, 2018, a Loan Loss Decision Framework and Process for managing assets requiring restructuring or write-off from the Green Bank's balance sheet.

NOW, therefore be it:

RESOLVED, that the Deployment Committee recommends that the Board approve of the Staff proposed Loan Loss Decision Framework and Process for managing assets requiring restructuring or write-off from the Green Bank's balance sheet; and

RESOLVED, that the Deployment Committee recommends to the Audit, Compliance and Governance Committee their review and consideration of the Staff proposed Loan Loss Decision Framework and Process, with revisions discussed and included in a revised memorandum that will be presented to the Audit, Compliance and Governance Committee, for managing assets requiring restructuring or write-off from the Green Bank's balance sheet, and then the consideration by the Board of Directors of the Green Bank.

5. Investment Business Recommendations

a. C-PACE Transaction – Proposed Restructuring

Upon a motion made by Commissioner Klee, and seconded by Bettina Bronisz, the Committee voted to go into Executive Session at 3:06 p.m.

6. Adjourn

The Committee came out of Executive Session and the meeting was adjourned at 3:07 p.m.

Respectfully Submitted,

Rob Klee, Chairperson