

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

Regular Meeting Minutes

Friday, June 8, 2018

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 June 8, 2018 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: Matt Ranelli (by phone) and Tom Flynn (by phone) and Gina McCarthy (by phone).

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

2. **Public Comments:**

There were no public comments.

3. **Approve Meeting Minutes for October 11, 2017:**

Upon a motion made by Tom Flynn, and seconded by Matt Ranelli, with an abstention from Gina McCarthy, the Committee voted to approve the Minutes from the October 11, 2017 meeting.

Resolution #1

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for October 11, 2017.

Second. Discussion. Vote.

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

George Bellas reviewed the Green Bank’s Internal Accounting Controls over disbursements, contracts, cell phones and credit cards. He reviewed minor changes being proposed to the procedures. In response to questions from Mr. Ranelli pertaining to controls over credit card disbursements, Mr Bellas stated that the credit limit for the one card maintained by the Green Bank is \$10,000 and that both he and Brian Farnen review the monthly credit card statement. Mr. Ranelli asked if cash advances could be transacted with the card and Mr. Bellas didn’t think so but would check on this with the credit card company.

Upon a motion made by Eric Shrago, and seconded by Gina McCarthy, the Resolution passed.

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.

Second. Discussion. Vote

5. Employee Handbook Revisions for Recommendation to BOD:

Eric Shrago discussed the cleanup of the Employee Handbook. He stated that they are updating a few items that reflect the current state of affairs of the Green Bank. He stated that they made changes to the vacation payout language. He stated that the maximum payout would remain the same, at 240 hours. He stated that they have allowed employees to accrue over that amount within a Fiscal year but will not allow more than the 240 hours as a payout. He stated that if there is an involuntary separation, the separation date will be updated to reflect their vacation accrual. He discussed Tuition Assistance stating that will be in line with State and other quasi-organizations. He stated that they would assist part-time employees on a prorated basis. He stated that they do not have many part-time employees. He stated that there were some minor tweaks to IT to reflect their current structure.

Tom Flynn questioned the vacation payout. Eric Shrago stated that the max that will be paid out will be 240 hours. Tom Flynn questioned if they can use the time over 240 hours that they have accrued. Eric Shrago stated that yes, they can take those vacation hours prior to a separation, but that they will not pay for any unused hours over 240. Tom Flynn questioned why the number was 240. Eric Shrago stated that it is in line with State employees. Tom Flynn questioned how many days an employee accrues throughout the year. Eric Shrago stated that it depends on their tenure in the organization. Matt Ranelli questioned how many hours they can carry forward. Eric Shrago stated that you cannot roll over 240 hours. You can accrue, but you cannot roll over. Gina McCarthy questioned the maximum aggregate carryover and if there was a change. George Bellas stated that it's just carryover. Matt Ranelli questioned the allowance of an exception. Eric Shrago stated that that had been in there in the past. He stated that Bryan can give an exception of up to 10 days. Maximum aggregate carryover will be 30 days, or 240 hours. Matt Ranelli questioned if the employee takes the vacation payout if it counts towards vesting. Eric Shrago stated that they will need to check on that. Gina McCarthy questioned if this is all in line with the State and other quasi organizations. Eric Shrago stated that they are in line with them. Matt Ranelli questioned if the Green Bank offered comp time. Eric Shrago stated that they do, but that they rarely use it. George Bellas stated that managers are excluded. He stated that they have given some staff comp time when they've worked shows over weekends.

Upon a motion made by Gina McCarthy, and seconded by Tom Flynn, the Resolution passed.

Resolution #3

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends that the Board of Directors of the Connecticut Green Bank approval of the revisions to the Connecticut Green Bank Employee Handbook presented to on June 1, 2018.

6. Proposed Loan Loss Decision Framework and Process:

Bryan Garcia discussed the proposed Loan Loss Decision Framework. He stated that it had been reviewed by the Deployment Committee. He stated that the Green Bank had built a strong Balance Sheet with \$70 million in income and assets. He stated that the Green Bank has had very few delinquencies and defaults, but that they are proposing a process on how to deal with transactions that do go awry regarding restricting and/or writing off. He stated that delegation of the authority is through the Deployment Committee. He stated that the structure that the senior staff has come up with would give the staff the ability to approve under \$100,000 and no more in aggregate than \$500,000. He stated that the staff is recommending that they look at the principal outstanding. With regards to losses, he discussed the loan loss reserve determination process. Mr. Bellas stated that staff reviews the Green Bank's investment portfolio and determines if any impairment on future cash flows from these investments exist. He stated that after this review staff allocates a percentage of outstanding principal to a loan loss reserve. Matt Ranelli questioned if they do a specific or a general reserve. Mr. Bellas stated that they do a general reserve and do some specific reserves on certain loans. He stated that the Green Bank has had very few write-offs. He stated that both the financial statement auditors and state auditors review these reserve calculations.

Bryan Garcia stated that the proposed framework is that the staff approval will be no more than \$100,000 and the Deployment Committee would be \$100,000 up to \$1 million and the full Board would be above \$1 million. Tom Flynn questioned why they are putting the approval of write-offs through the Deployment Committee. Brian Farnen stated that the Bylaws empower the Deployment Committee with oversight of the management of assets and investments. Brian Farnen stated that the ACG has overall authority over policies and procedures in place by the Green Bank. He stated that they would like the procedures to go through both the Deployment and ACG Committees. Tom Flynn questioned how this will work for write-offs. Brian Farnen stated that once the policy is in place there will be a certain dollar amount done at staff level, another level will be brought to the Deployment Committee and then anything over that will go to the ACG. Tom Flynn stated that he was not comfortable with write-offs going to the Deployment Committee. He questioned what the next step after writing off was from a legal perspective in collecting the debt. Brian Farnen stated that from legal, the write off would not impact the Green Bank's ability to still pursue borrower for the amount of money owed. He stated that it would be on a case by case basis on what level of debt

collection would be implemented. He stated that they would pursue it vigorously. Bryan Garcia stated that it will be in the Quarterly Report to the Deployment Committee. He stated that they will report monthly on the Loss Reserve. He stated that they will look at trends and frequency of losses to understand if there are any long-term issues. Tom Flynn questioned whether write-offs belong with the Deployment Committee. Gina McCarthy stated that they want to make certain that the staff has properly looked at transactions before they are written off. Tom Flynn stated that he felt that this should not be left up to the Deployment Committee alone. Matt Ranelli stated that they should recommend to the Board that write-offs between \$100,000 and \$1 million go to the ACG Committee. Bryan Garcia stated that they will revise the memo accordingly.

Upon a motion made by Tom Flynn, and seconded by Gina McCarthy, the Resolution passed with modifications.

Resolution #4

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 memorandum to the Deployment Committee on May 29, 2018, and revised based on feedback by the Deployment Committee for review and recommendation for approval by the ACG Committee 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 ACG 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 consistent with the memorandum dated June 8, 2018 which incorporates feedback from the Deployment Committee and with the one additional modification from the ACG Committee that transactions requiring a write-off would be through the ACG Committee after legal remedies have been pursued by staff on the impaired asset in question; and

RESOLVED, that the ACG Committee recommends that the Board of Directors authorizes Green Bank staff to evaluate and approve loan loss restructurings or write-offs for transactions less than \$100,000 of the principal amount outstanding and no more in aggregate than \$500,000 from the date of the last Deployment Committee meeting (“Staff Loan Loss Approval Policy for Transactions Under \$100,000”) and consistent with the memorandum dated June 8, 2018 which incorporates feedback from the Deployment Committee.

7. 2018 Legislative and Regulatory Update:

Brian Farnen provided an update on the Legislative Session. He stated that overall it was a successful session. He stated that they were aiming to protect the Green Bank’s Balance Sheet. He stated that they were successful in doing that. He stated that they also want to protect the Green Bank from future raids. He stated that they bolstered language into the Green Bank’s enabling statute that says that the State cannot impair the Green Bank’s ability to contract with third parties. He stated that it’s called a Non-Impairment Provision. He stated that they used the opportunity to educate legislative leaders on what the nonimpairment provision is and what it means. He stated that it is meant to encourage third parties to feel comfortable entering into agreements with government bodies. He stated that the passage of the SB9 Energy Bill made a lot of long-term changes, with strong commitments to Clean Energy Policy while reducing costs. He stated that the GC3 Bill also passed.

8. Adjourn:

Upon a motion made by Tom Flynn, and seconded by Gina McCarthy, the meeting was adjourned at 9:29 a.m.

Respectfully Submitted,

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