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**BUDGET AND OPERATIONS COMMITTEE OF THE
CONNECTICUT GREEN BANK**

Minutes – Regular Meeting
845 Brook Street
Rocky Hill, CT 06067

Friday, July 6, 2018
3:00-4:00 p.m.

A regular meeting of the Budget and Operations Committee of the Connecticut Green Bank (the “Green Bank”) was held on July 6, 2018, at the office of the Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope Board Room.

1. Call to Order

John Harrity called the meeting to order at 3:00 p.m. Committee members participating: John Harrity (by phone), Rob Klee, Eric Brown, and Catherine Smith

Members absent:

Others Attending:

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

2. Public Comments

There were no public comments.

3. Connecticut Green Bank – 5-Year Proformas and SCRF Obligations

Bryan Garcia discussed the 5-year proformas and the SCRF obligations. He stated that this had also been discussed at the previous Board Meeting. He stated that they are trying to make sure that all questions have been answered and that the Committee and Board are comfortable with it. He discussed the projections both, with and without the non-profit. He also touched on the Green Bank’s cash flow projections regarding the SCRF over the next 20 years. He also discussed the question of whether or not the creation of the non-profit adversely impacts the SCRF obligations. He stated that they would provide the proformas to Lamont Financial for an independent analysis. He stated that the proformas do not assume that the sweeps will continue.

Bryan Garcia discussed the \$5 million from DEEP that is going to support underserved markets, with the goal of attracting private capital. He stated that the Kresge funds would be leveraged to attract at least \$10 million.

Bryan Garcia discussed the operating expenses. He stated that the reduction in operating expenses would be lost if they do not move forward with the non-profit. He stated that starting in 2023, personnel and non-personnel expenses will be drastically reduced. He discussed the incentive business along with the transition post RSIP. He stated that the securitization is very important for the future of the Green Bank. Catherine Smith questioned if they're not able to do the non-profit, how they would proceed. Bryan Garcia stated that they would need to go back to the drawing board.

Bryan Garcia discussed the public policy stating that at the conclusion of 300 MW, RSIP will switch to a tariff system. He stated that they are currently at 210 MW. He stated that they should reach 300 by the end of 2019. Rob Klee stated that once it goes to a tariff system, there will be no more up-front money from the Green Bank. He stated that the Green Bank may still have a role during the transition period.

Bryan Garcia discussed the cash flow statement, including the non-profit for the next five years. He stated that the only changes are the ongoing improvement in the forecasting of the SHREC and REC revenues and the inclusion a slight modification to the forecast for the Meriden Hydro Project and including income and debt service associated with the CCSU solar PV transactions. Catherine Smith commented that there appears to be no impact except for the first year. She stated that it's pretty even after that. Bryan Garcia states that the difference in FY19 is the \$5 million from DEEP in the without Nonprofit scenario. George Bellas stated that there is a slight increase in interest and that they are managing to a \$4 million cash balance on the investment business. He stated that any savings would be put into investments (vs. changes to cash). He stated that they must have \$4 million in liquid assets at all times per agreements with certain capital providers. Catherine Smith stated that the stability of the Green Bank's forecasts should make their capital partners a bit less nervous. Bert Hunter stated that the Non-Impairment Clause should also help. Bryan Garcia stated that they are still subject to sweeps, but the non-profit will not be. He stated that they have already sent the non-profit proformas to Lamont Financial.

George Bellas stated that in the scenario without the non-profit, the Green Bank proforma income statement will show an increase in cost in staff expense and that they will have to absorb some other program expenses. He stated that they would see a fluctuation in interest income due to slight changes in investments under the scenario without the non-profit. Catherine Smith questioned the expenses. George Bellas stated that the admin costs had been built into the model. He stated that the Green Bank would pay for the admin costs for the non-profit's Connecticut programs since these are for the benefit of Connecticut residents. Catherine Smith stated that the investment numbers are still very healthy. In response to a question about cash building up on the incentive side of the business, Bert Hunter stated that they had not yet optimized the borrowing. He stated that the balances decrease over time until 2036 when they go down to \$0 in the incentive

business. He stated that they are securitizing to the move the money forward in order to pay the PBI and EPBB incentives up front. He stated that after the 2nd tranche, it might make more sense to securitize a little bit with the Connecticut banks because they could offer revolving credit facilities that are more flexible than a green bond issuance. He stated that they could then borrow if they needed and this would keep the interest costs down.

Bert Hunter discussed the SCRF obligations stating that the Meriden Hydro Project will require about \$54,000 a year on average over the life of the bonds. He stated that the Green Bank would recoup that money with the PPA in years 21-30. He stated that CCSU would be \$150,000 up front, which may need to be increased in the first year, depending on how Eversource deals with the PURA interest rate buydown. He stated that they would try to get the interest rate buydown effective upon completion of the bond. He stated that if they have to wait until projects are completed, they will still get ten years of buydown benefits, just shifted out one year. He stated that the non-profit has no impact on the SCRF transactions – but this would be confirmed by Lamont Financial. Bryan Garcia stated that they would provide the material to Lamont Financial for them to assess the adverse effects.

Upon a motion made by Rob Klee and seconded by Catherine Smith, the Resolution passed unanimously.

Resolution #1

RESOLVED, that the Budget & Operations Committee has reviewed and approved for a third party outside assessment and determination to be conducted by Lamont Financial Services Corporation (Lamont Financial), answers assembled by the staff of the Connecticut Green Bank in a memorandum on July 6, 2018, to Board of Director questions involving:

- 5-year proformas of the Green Bank with and without the Nonprofit, and
- determinations on whether or not the Special Capital Reserve Fund being used by the Green Bank for the Meriden hydro and Connecticut State College and University solar projects will be adversely impacted as a result of the Green Bank enabling such nonprofit.

4. Adjourn

Upon a motion made by Catherine Smith, and seconded by Rob Klee, the meeting was adjourned at 4:02 p.m.

Respectfully submitted,

John Harrity, Chairperson