



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

Draft Minutes – Special Meeting
845 Brook Street
Rocky Hill, CT 06067

Wednesday, June 12, 2019
1:00 – 2:30 p.m.

A regular meeting of the Budget and Operations Committee of the Connecticut Green Bank (the “Green Bank”) was held on Wednesday, June 12, 2019 at the office of the Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT, in the Bernard Baker Conference Room.

1. Call to Order

Mr. John Harrity called the meeting to order at 1:02pm

Committee members participating: Eric Brown, John Harrity (by phone)

Members absent: Mary Sotos

Others attending:

Staff attendees: Brian Farnen (by phone), Bryan Garcia (by phone), Bert Hunter (by phone), Jane Murphy, Eric Shrago

2. Public Comments

There were no public comments.

3. Approve Meeting Minutes for December 6, 2018 and May 15, 2019 - Regular Meetings

Resolution #1

Motion to approve the minutes of the Budget and Operations Committee meeting for December 6, 2018

Upon a motion made by John Harrity and seconded by Eric Brown, the Resolution passed unanimously.

Motion to approve the minutes of the Budget and Operations Committee meeting for May 15, 2019

Upon a motion made by Eric Brown and seconded by John Harrity, the Resolution passed unanimously.

4. FY 2020 – Budget and Targets

Mr. Shrago presented a recap of the annual budget and targets process and quickly highlighted the targets, investments and revenues. He noted that the targets include multiple Programs and that the overall total is contingent upon implementing the EEPP-Battery Storage incentive program (still under review and awaiting a decision by PURA). Mr. Brown asked about the timeline for the battery storage approval. Mr. Garcia stated a meeting is upcoming and by autumn, a decision is expected from PURA.

Mr. Shrago then proceeded to walk the committee through the proposed expenses for FY2020. Mr. Harrity asked if another marketer will be hired for C-PACE specifically to which Mr. Shrago responded that that is included in the staffing budget. Mr. Harrity stated that to the extent we can expand our origination, it would be helpful to bring awareness to our programs. Mr. Brown asked what other marketing programs are there? Mr. Shrago gave a high level overview. Mr. Brown asked if utility companies have been asked about marketing in their mailings? There is currently no commercial marketing program for Energize CT or the SMART-E loan programs. Mr. Brown stated he would be happy to bring up this marketing option at the next Joint Committee meeting to which Mr. Garcia responded that it was a good idea.

Next Mr. Shrago reviewed the staffing plan. He highlighted the organization's commitment to the sustainability plan and its desire to keep costs in line with that plan but emphasized that there are some critical hires that need to be made. In order to attain investment goals, manage risk, etc. Mr. Harrity inquired about bond issuance costs and asked if these included employee time spent working on that and were these onetime expenses or long-term engagements? Mr. Shrago confirmed that some experts are necessary and incur independent costs, that there are additional costs for temporary employees and Ms. Murphy added that some costs for bonding include SEC filings and underwriting

Mr. Harrity reviewed a list of employees with regular hours, others with less hours and asked if some are part-time or interns? Mr. Shrago stated that where some employees recently retired, at least one is back in a consulting role, some are part-time interns and—depending on the timing of staff hiring—it will affect the hours and budget figures. Mr. Harrity asked, for example the Asset Manager, how does the Green Bank go about attracting and hiring [qualified] candidates? Mr. Shrago shared that for the summer interns there was an overwhelming response with over 100 applicants for 4 positions and 3 were hired. He went on to share that for the recent Controller position there were 79 applicants. Mr. Shrago feels the Green Bank does well to attract talented potential employees.

Mr. Harrity further asked regarding retaining employees with cost-of-living, bonus or other increases. Mr. Shrago shared that there is a Merit Pool at a 3% increase with no cost-of-living increases. Increases in pay are based on a specific review process where employees have the ability to earn between 0-5% based on performance. Mr. Harrity asked that increases are based all on merit and that there are no cost-of-living increases? Mr. Shrago verified that increases are based solely on merit. Mr. Garcia expanded on the three-part merit-based program stating that there are established goals for employees with quantitative and some qualitative, with a 360° view from the entire organization, and a determination as to how each department is helping the balance sheet and “contributing to the bottom line.” Reviews are done in August, reviewed by management and increases implemented by October. There are currently 40 employees who will be reviewed this year. Mr. Harrity asked if there is any employee who does not

receive a raise? Mr. Shrago shared that most receive a raise. Mr. Harrity asked if an under-performing employee would receive notice before this review? Mr. Garcia stated that as the organization has grown, there are very few employees not performing up to par. If this situation does arise, the applicable manager will sit with the employee, issue a performance plan with a timeline to improve and with outcomes defined if performance does not change. Mr. Garcia noted they have had to deal with some employees in this situation in the past. Mr. Shrago confirmed that management gives employees a lot of notice and guidance for improvement. Mr. Harrity asked how is the situation handled if the employee does not agree with their performance assessment? Although Mr. Garcia stated this is a rare occasion, the applicable manager would have a discussion with either Mr. Garcia or Mr. Shrago before the manager's discussion with the employee to outline a plan of improvement. Mr. Garcia stated the door is always open for managers or employees to talk with him or Mr. Shrago to discuss issues further. Mr. Harrity stated that some employees may not agree with an assessment of their job performance and with a strong organization like the Green Bank, employees need to know where they can go for remediation. Mr. Hunter agrees with Mr. Harrity that something should be available to those employees and that they should know where to go if necessary. Mr. Brown asked if this should be discussed with the Board of Directors? Mr. Shrago stated he will provide information to the B&O Committee off-line with details of current program and if they wish to update them, this Committee can discuss further. Mr. Harrity wants employees to have the opportunity to raise their hand and say they disagree if such a situation arises and that this information should be available in the Employee Handbook.

Mr. Shrago continued with a review of the expenses, so all can see the funds expended on each program. Mr. Harrity asked if the additional expenses in the Multifamily programs include remedial work to which Mr. Shrago responded no, these are strictly Operating expenses. Mr. Harrity asked if all that remedial work [in multi-family program] without depleting margins? Mr. Garcia stated that there may be returns for various projects finance (e.g., fuel cells) with a 7-8% return that could be used to support (or subsidize) a lower return for affordable multi-family homes. Together, as a portfolio, they would meet the 5% return over a 10-year term.

Next Mr. Shrago reviewed the Core Partners to which the B&O Committee will ask the Board of Directors to approve and sign PSA's with. Mr. Brown asked about ReCurve Analytics and inquired about what they do. Mr. Shrago stated the Green Bank has done work with them in the past on EM&V for CPACE and are looking to do more. Mr. Garcia stated they do a better job of measuring energy savings with a proprietary IT system to determine savings.

Resolution #2

RESOLVED, the Connecticut Green Bank's (Green Bank) Budget and Operations Committee recommends that the Green Bank Board of Directors approve the Fiscal Year 2020 Targets and Budget;

RESOLVED, the Budget and Operations Committee recommends that the Board of Directors authorizes Green Bank staff to extend the professional services agreements (PSA's) currently in place with the following, contingent upon a competitive bid process having occurred in the last three years (except Cortland Capital Services and Inclusive Prosperity Capital):

- I. Adnet Technologies, LLC
- II. Clean Power Research, LLC
- III. Cortland Capital Services

- IV. CSW, LLC
- V. Inclusive Prosperity Capital
- VI. Locus Energy LLC
- VII. ReCurve Analytics
- VIII. Sustainable Real Estate Solutions, Inc.

For fiscal year 2020 with the amounts of each PSA not to exceed the applicable approved budget line item;

RESOLVED, the Budget and Operations Committee recommends that the Board of Directs authorize and empower the proper Green Bank officers to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to execute these extensions.

Upon a motion made by John Harrity and seconded by Eric Brown, the Resolution passed unanimously.

Mr. Harrity added that staff continues to innovate—despite obstacles—and he appreciates [their hard work]. He further stated that this work is possibly why other states are looking to the Green Bank for innovations to their own programs.

5. Green Bank Bond Strategy and Authorization Resolution

Mr. Shrago reviewed the organization's bonding strategy and plans for FY2020. He introduced the Bond Team, the need for bonding and the 2019 timeline. The Bond Team includes financial advisor Bob Lamb at Lamont Financial, legal advisor Bruce Chudwick at Shipman & Goodwin, Board Member advisor Bettina Bronisz from the Office of the Treasurer and the Green Bank team of Mackey Dykes, Brian Farnen, Bryan Garcia as Facilitator, Bert Hunter as Lead and Eric Shrago. In development for the Bond Team will be Underwriter(s), a Trustee, Rating Agencies and Green Bond Certifiers. The goals are to scale-up investment and lower the cost capital. The team are working on an official intent resolution that will be presented to the board for each project at the time of approval allowing it to be used for bonding. Mr. Harrity asked how unusual is it for our organization to be issuing bonds? Mr. Garcia named other state agencies/authorities that issue bonds to raise funds and that it is common (e.g., CHEFA, CHFA, CI-CDA) — however it is atypical for the Green Bank. Mr. Harrity agrees this is a good move to make and thanked Mr. Garcia for naming the other state agencies that raise funds with issuing bonds.

6. Update on Green Bank Financial Sustainability Plan

Mr. Garcia presented an update on progress toward the Financial sustainability plan presented in 2017 in response to the Sweeps ahead of a planned update to the board in June.

The Green Bank segmented its businesses into two lines, incentive and financing where the incentive business is cost recovered (i.e. the SHREC recovers the costs of the RSIP and its administration).

The Financing Programs has had the need to get Revenues greater than Operating Expenses over time. The team successfully reduced operating expenses from FY 2018 to FY 2019 by at \$5MM. They also needed to increase interest income through investments. They successfully invested \$42.2M in transactions in FY 2019 achieving a 6.7% return and an average loan term of 8 years.

An additional part of the plan was the establishment of a non-profit lending partner to reduce costs. To that end, Inclusive Prosperity Capital (IPC) was launched in 2018 with former Green Bank staffers. IPC has been working hard to get additional funding by attracting other mission-related investors in underserved markets and meeting targets.

Mr. Harrity shared that with only 8 months of funds to operate at the Green Bank with a board member saying it would run out [of funds] and the legislature would have to do something (back in 2017)—what a difference the establishment of IPC made and how this benefits the State of Connecticut. Mr. Garcia remembers back to that time and is now optimistically looking ahead to 2020. Mr. Brown asked about the timeframe for self-sufficiency. Mr. Garcia stated that team continues to work on sustainability until it becomes the fabric of the organization—and for the Green Bank to continue the discipline of keeping expenses low and project/investment driven to keep a strong balance sheet for the future.

7. FY 2020 and Beyond Comprehensive Plan (Draft)

Mr. Garcia discussed recent history of actions and upcoming meetings and events and goals. A lot of Mr. Harrity's recommendations in the Comprehensive Plan will be presented to the Board of Directors later this month. The Comprehensive Plan document has been issued to the B&O Committee members for their review and feedback. Mr. Harrity stated he read through the draft and is please with it—he will also read it through again. Mr. Harrity wants to have an impact with this plan which points to the future in exciting ways.

Mr. Shrago noted that there will be some adjustments to the 2019 budget (which will include the grant from DEEP to IPC) to present at the next Board of Directors meeting as there was not ample time to compile that information for today's meeting.

Mr. Brown asked for Committee deadline for comments on Comprehensive Plan and Mr. Garcia asked that they be submitted the week before the Board meeting in June and that there would be another opportunity in early July.

8. Adjourn

Meeting was adjourned at 2:21pm

Respectfully submitted,

John Harrity, Chairperson