



Audit, Compliance and Governance Committee

Meeting Date

May 17, 2022





Audit, Compliance, & Governance Committee Members

Thomas M. Flynn, Chair

Managing Member, Coral Drive Partners,
LLC

Lonnie Reed

Board Chair

Matthew Ranelli

Partner, Shipman & Goodwin LLP

Matthew Dayton

OPM

75 Charter Oak Avenue, Suite 1 - 103, Hartford, CT 06106
T 860.563.0015
ctgreenbank.com



May 10, 2022

Dear Audit, Compliance and Governance (ACG) Committee Members,

We look forward to our meeting on Tuesday, May 17th via GoToMeeting, <https://global.gotomeeting.com/join/381863301>, from 8:30 a.m. to 9:30 a.m. We will be discussing the following agenda items:

1. Discuss Status of and/or review APA Audit
2. Discuss Quarterly Board Reporting
3. Emeritus Board members Board recommendation
4. Legislative and Regulatory Policy Update
5. Update on Statutory Report Status
6. BOD Membership Status Update

As always, please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Brian Farnen". The signature is written in a cursive style and is followed by a long horizontal line.

Brian Farnen
General Counsel & Chief Legal Officer



AGENDA

Audit, Compliance and Governance Committee of the
Connecticut Green Bank
75 Charter Oak Avenue, Suite 1-103
Hartford, CT 06106

Tuesday, May 17, 2022
8:30 – 9:30 a.m.

Staff Invited: Jane Murphy, Brian Farnen, Bryan Garcia, Bert Hunter, Matt Macunas and Eric Shrago

Others invites:

1. Call to order
2. Public Comments
3. Approve Meeting Minutes for January 18, 2022* – 5 minutes
4. Discuss Status of and/or review APA Audit – 5 minutes
5. Discuss Quarterly Board Reporting – 10 minutes
6. Emeritus Board Members Board Recommendation – 5 minutes**
7. Legislative and Regulatory Policy Update – 10 minutes
8. Update on Statutory Report Status – 5 minutes
9. BOD Membership Status Update – 5 minutes
10. Adjourn

*Denotes item requiring Committee action

** Denotes item requiring Committee action and recommendation to the Board for approval

Join the meeting online at
<https://global.gotomeeting.com/join/381863301>

Or call in using your telephone:
Dial [+1 \(872\) 240-3311](tel:+18722403311)
- One-touch: [tel:+ +1872240-3311,,381863301#](tel:+18722403311,381863301#)
Access Code: 381-863-301

Next Regular Meeting: Tuesday, October 11, 2022
Connecticut Green Bank, 75 Charter Oak Ave., Suite 1-103, Hartford, CT



RESOLUTIONS

Audit, Compliance and Governance Committee of the
Connecticut Green Bank
75 Charter Oak Avenue, Suite 1-103
Hartford, CT 06106

Tuesday, May 17, 2022
8:30 – 9:30 a.m.

Staff Invited: Jane Murphy, Matt Macunas, Brian Farnen, Bryan Garcia, Bert Hunter, and Eric Shrago

Others invites:

1. Call to order
2. Public Comments
3. Approve Meeting Minutes for January 18, 2022* – 5 minutes

Resolution #1

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for January 18, 2022. Second. Discussion. Vote.

4. Discuss Status of and/or review APA Audit – 5 minutes – Jane Murphy
5. Discuss Quarterly Board Reporting – 10 minutes – Bryan Garcia
6. Emeritus Board members Board recommendation – 5 minutes** – Bryan Garcia

Resolution #3

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors the selection of Emeritus Board members. Second. Discussion. Vote

7. Legislative and Regulatory Policy Update – 5 minutes – Matt Macunas
8. Update on Statutory Report Status – 5 minutes – Matt Macunas
9. BOD Membership Status Update – 5 minutes – Brian Farnen
10. Adjourn

*Denotes item requiring Committee action

** Denotes item requiring Committee action and recommendation to the Board for approval

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Next Regular Meeting: Tuesday, October 11, 2022
Connecticut Green Bank, 75 Charter Oak Ave., Suite 1-103, Hartford, CT

ANNOUNCEMENTS

- **Mute Microphone and turn on Video**– in order to prevent background noise that disturbs the meeting, if you aren't talking, please mute your microphone or phone.
- **Chat Box** – if you aren't being heard, please use the chat box to raise your hand and ask a question.
- **Recording Meeting** – per Executive Order 7B (i.e., suspension of in-person open meeting requirements), we need to record and post this board meeting.
- **State Your Name** – for those talking, please state your name for the record if you cannot be on video.



CONNECTICUT
GREEN BANKSM

Audit, Compliance and Governance Committee

May 17, 2022

ACG Committee

Agenda Item #1

Call to Order

ACG Committee

Agenda Item #2

Public Comments

ACG Committee

Agenda Item #3

Approve Meeting Minutes for January 18, 2022

ACG Committee

Agenda Item #4

Discuss Status of and/or Review APA Audit

APA Audit

Fiscal Year 2020 and 2021



- Engagement letter received April 14th
- Initial audit requests received and responses provided
- No follow-up questions to date
- Timing for audit completion not yet determined

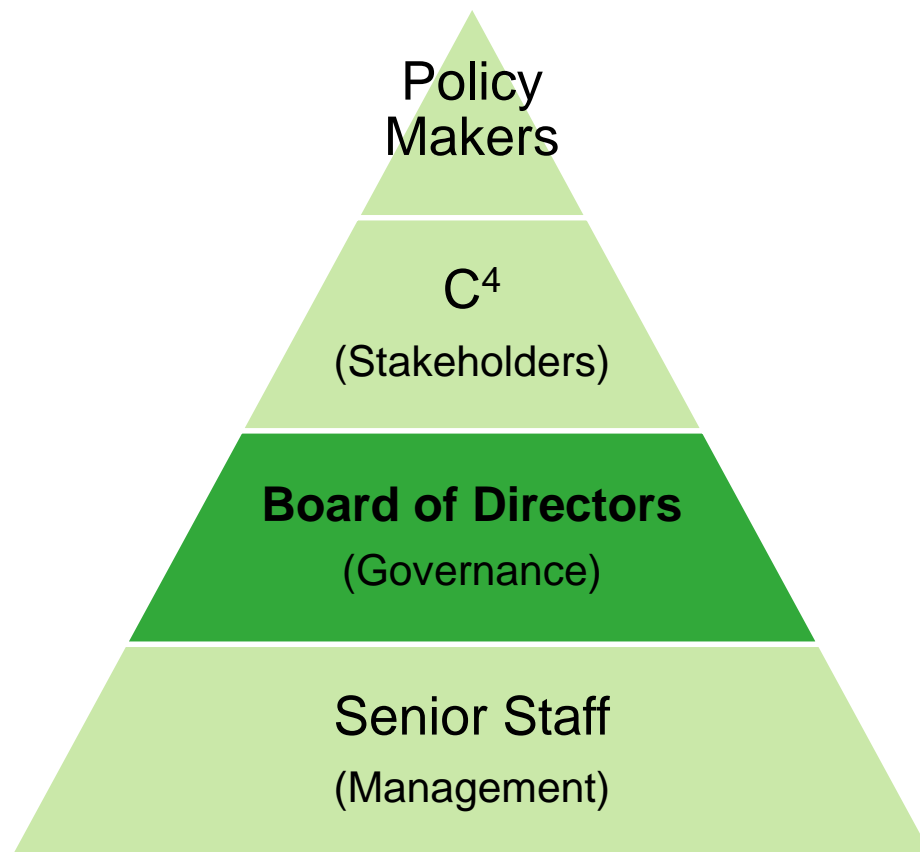
ACG Committee

Agenda Item #5

Discuss Quarterly Board Reporting

Reporting Pyramid

Board of Directors (ACG Committee)



Providing Board of Directors with **abridged version** (i.e., support communications) and **detailed version** (i.e., full disclosure of information) of financial statements on a **quarterly basis**.

Key Messages

Board of Directors



1. **Making an Impact** – causing measurable statewide benefits (e.g., investment, jobs, energy savings) in communities across the state
2. **Mobilizing Private Investment** – building a strong financial position to increase private investment in the green economy of the state
3. **Achieving Sustainability** – making sound investments from public revenues (e.g., CEF, RGGI) together with efficient operations that support the organization’s sustainability and continuous pursuit of mission
4. **State Benefit Allocation** – tracking operating expenses that are uncontrollable by the organization (i.e., state retirement plan contributions, medical and dental Rx premiums) and adversely impact the sustainability of the organization

Making an Impact



Board of Director Dashboard – What to Include?

FY Closed

CY Closed

2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	>
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2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	>
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Page Filtered on State Senate District

State Senate District 21

All Projects

Projects	Total Investment	kW STC	Lifetime MMBTUs	Lifetime Cost Savings	Total Job Years	Total Tax Revenues	Lifetime CO2 Emissions (tons)		Max of Total Investment	Max of kW STC	Latest Closed Date
2,191	\$67,591,228	16,500.94	1,668,377	\$64,882,580	710	\$2,193,943	290,890	\$12,631,640	\$429,462	231.00	4/18/2022

Vulnerable Community Projects

Projects	Total Investment	kW STC	Lifetime MMBTUs	Lifetime Cost Savings	Total Job Years	Total Tax Revenues	Lifetime CO2 Emissions (tons)	Lifetime Public Health (low)	Max of Total Investment	Max of kW STC	Latest Closed Date
1,767	\$52,078,732	12,621.94	1,275,395	\$51,860,478	532	\$1,636,443	226,313	\$10,623,403	\$429,462	126.72	4/18/2022

CRA Projects

Projects	Total Investment	kW STC	Lifetime MMBTUs	Lifetime Cost Savings	Total Job Years	Total Tax Revenues	Lifetime CO2 Emissions (tons)	Lifetime Public Health (low)	Max of Total Investment	Max of kW STC	Latest Closed Date
1,175	\$33,275,045	7,969.71	824,208	\$34,974,430	329	\$1,011,157	150,728	\$8,288,524	\$429,462	112.84	11/18/2021

Distressed Community Projects

Projects	Total Investment	kW STC	Lifetime MMBTUs	Lifetime Cost Savings	Total Job Years	Total Tax Revenues	Lifetime CO2 Emissions (tons)	Lifetime Public Health (low)	Max of Total Investment	Max of kW STC	Latest Closed Date
261	\$7,693,865	1,864.53	188,875	\$7,593,639	69	\$240,268	33,930	\$4,572,786	\$289,029	105.07	4/18/2022

Customized dashboard for each member of the Board of Directors to speak to **appointer and hometown impact of Green Bank**

Mobilizing Private Investment

Quarterly Balance Sheet Compared to FY22



		CGB-Primary Government As of 12/31/2021	CGB-Primary Government As of 06/30/2021	CGB-Primary Government YTD \$ Change
Assets				
Current Assets				
Cash and Cash Equivalents	{a}	52,533,889	41,325,251	11,208,638
Due From Component Units (SL2/SL3/CSS)	{b}	43,091,668	40,214,090	2,877,578
Other Current Assets	{c}	12,290,364	11,201,099	1,089,265
Total Current Assets		107,915,921	92,740,440	15,175,481
Noncurrent Assets				
Program Loans/Notes Receivable and Other Investments	{d}	90,847,457	99,353,879	(8,506,422)
Capital Assets, net	{e}	14,037,474	14,317,215	(279,741)
Restricted Assets	{f}	14,726,059	17,121,688	(2,395,629)
Total Noncurrent Assets		119,610,990	130,792,782	(11,181,792)
Total Assets		227,526,911	223,533,222	3,993,689
Liabilities				
Current Liabilities				
	{g}	10,565,849	11,827,744	(1,261,895)
Noncurrent Liabilities				
Bonds Payable-SHREC ABS 1	{h}	32,831,710	34,065,119	(1,233,409)
Bonds Payable-Green Liberty Bonds	{i}	39,985,000	41,629,000	(1,644,000)
Total RSIP Bonds Payable		72,816,710	75,694,119	(2,877,409)
Bonds Payable-CREBs	{j}	9,966,230	9,966,229	1
Pension & OPEB Liabilities	{k}	43,957,238	43,957,238	0
Total Noncurrent Liabilities		126,740,178	129,617,586	(2,877,408)
Total Liabilities		137,306,027	141,445,330	(4,139,303)
Deferred Inflows of Resources				
	{l}	2,509,946	2,509,946	0
Total Net Position		87,710,939	79,577,946	8,132,993

- **Liquidity** – shows cash on hand
- **Assets** – includes non-current assets with focus on loans
- **Liabilities** – includes non-current liabilities with focus on RSIP-related bonds payable
- **Net Position** – overall strength of the organization

Achieving Sustainability



Quarterly P&L Statement Compared to FY23 Budget

		Consolidated 07/01/2021 Through 12/31/2021				
		Actual	Budget	Variance	Prior Year	Variance
Total Revenues						
Public Revenues	{a}	18,470,854	18,455,227	15,628	15,917,217	2,553,637
Earned Revenues	{b}	10,524,027	9,971,115	552,911	10,028,031	495,996
Total Revenues		28,994,881	28,426,342	568,539	25,945,248	3,049,633
Total Operating Expenses						
Personnel Related Operating Expenses	{c}	4,918,672	5,504,290	(585,618)	4,177,423	741,249
Non-Personnel Related Operating Expenses	{d}	4,531,065	6,240,249	(1,709,185)	4,993,409	(462,344)
Total Operating Expenses		9,449,737	11,744,539	(2,294,803)	9,170,832	278,905
Margin (\$) - Pre Public Revenues		1,074,290	(1,773,424)		857,199	
Margin (%) - Pre Public Revenues		3.7%	-6.2%		3.3%	
Margin (\$) - All Revenues		19,545,144	16,681,803		16,774,416	
Margin (%) - All Revenues		67.4%	58.7%		64.7%	
Total Non-Operating Expenses						
Program Incentives and Grants	{e}	8,655,804	8,720,640	(64,836)	9,117,790	(461,986)
Non-Operating Expenses	{f}	2,772,090	3,003,719	(231,630)	2,639,883	132,207
Total Non-Operating Expenses		11,427,894	11,724,359	(296,466)	11,757,673	(329,779)
Total Expenses		20,877,630	23,468,898	(2,591,268)	20,928,505	(50,875)
Net (*)		8,117,251	4,957,444	3,159,807	5,016,743	3,100,508

Demonstrates operations management (i.e., margins) without and with public revenues, and includes non-operating expenses to help discern organizational sustainability (i.e., net)

State Benefit Allocation



Quarterly Analysis Compared to Prior Fiscal Years

	FYE 6/30/22 YTD Actual	FYE 6/30/21 Actual	FYE 6/30/20 Actual	FYE 6/30/19 Actual	FYE 6/30/18 Actual	FYE 6/30/17 Actual
<u>Compensation:</u>	\$ 2,600,204	\$ 4,476,214	\$ 3,931,596	\$ 4,204,855	\$ 5,154,021	\$ 5,108,500
<u>Employee Benefits:</u>						
State Retirement Plan Contributions	\$ 1,781,206	\$ 2,903,780	\$ 2,411,864	\$ 2,869,823	\$ 3,013,747	\$ 2,674,275
Medical Dental Rx Premiums	349,147	625,480	553,908	545,779	678,633	681,595
Total Employee Benefits	2,130,353	3,529,260	2,965,772	3,415,602	3,692,380	3,355,870
Total Compensation and Benefits	\$ 4,730,557	\$ 8,005,474	\$ 6,897,368	\$ 7,620,457	\$ 8,846,401	\$ 8,464,371
Total Benefits Cost @ Hypothetical Benefits Rate	35% 910,071	1,566,675	1,376,059	1,471,699	1,803,907	1,787,975
Actual Total Compensation and Benefits	4,730,557	8,005,474	6,897,368	7,620,457	8,846,401	8,464,371
Less Total Compensation and Benefits @ Hypothetical Rate	(3,510,275)	(6,042,889)	(5,307,655)	(5,676,554)	(6,957,928)	(6,896,476)
Incremental HR cost due to State Benefits Charge	1,220,282	1,962,585	1,589,713	1,943,903	1,888,473	1,567,895

Employee benefit assignments to address long-term structural impacts on state budget from pension and healthcare, are above and beyond hypothetical market rate **causing approximately \$2 MM more in uncontrollable employee benefit expenses per year.**

ACG Committee

Agenda Item #6

Emeritus Board Members Board Recommendation

Kevin Walsh

Emeritus Board Member



CT Green Bank Board of Directors XXXX-XXXX

Kevin is a Senior Operating Partner at Stonepeak Infrastructure since 2019 supporting its investing activities in the power and renewable energy space globally.

Prior to joining Stonepeak, Kevin was Managing Director and Head of U.S. Renewable Energy at GE Energy Financial Services from 2006-2019 where he led the team that invested \$1 -2 billion annually in renewable energy projects.

ACG Committee

Agenda Item #7

Legislative and Regulatory Policy Update

Legislative Update



- PA 22-6 C-PACE
 - Enables climate resilience and EV charger projects
- PA 22-14 Clean Energy Tariffs
 - Doubles NRES and SCEF program caps, larger project sizes
- PA 22-5 Zero-Carbon Electric Sector by 2040
- SA 22-8 Hydrogen Task Force
 - CGB lead
- PA 22-55 EDC Storage and Reliability
 - Grid-side storage pilots, 3 per EDC
- HB-5020 Exempting New Nuclear from Moratorium
 - Intended for small future small modular

Legislative Update



PA 22-25 CT Clean Air Act

- RGGI over-average collections go to EV incentives (i.e., vouchers for MHDV, including electric school buses)
- CHEAPR covers e-bikes, and more rebates available for towns, businesses, NGOs
- Matching grant program for medium/heavy-duty vehicles, longer contracting allowed for ESBs
- Adopts CA MHDV standards
- Electrification targets for state fleet, transit and school buses, target EJ communities
- Common interest property policies for EV charging, solar PV
- New construction standards for EV charging
- Property tax exemptions for chargers

HB-5506 State Budget Implementer

- Funds for school bus electrification, IJJA-related programs, medium/heavy duty ZEV vouchers with EJ focus
- Dept. Agriculture climate resilience grants
- RPS changes to support Class II market for sustainable materials management

ACG Committee

Agenda Item #8

Statutory Report Status

Connecticut Green Bank

Statutory Report



Report	Last Delivered	On time?
Quarterly Cash Flow	3/11/22	✓
Quarterly Human Resources	4/1/22	✓
Sec. 1-123 Annual Report	12/29/21	✓
REEEFA Bonding	12/29/21	✓
SCRF Notice	11/24/21	✓
RSIP (biannual)	12/31/20	✓
Annual Report	12/29/21	✓
Open Checkbook	3/15/21	✓
Board Diversity	9/14/21	✓

Checklist of Statutorily Required Reports

Quarterly Cash Flow		Quarterly Human Resources		Sec. 1-123		REEEFA Bonding		SCRF Notice		RSIP		Annual Report		Board Meetings			OpenCT Checkbook Data to Comptroller		Board Diversity		
Quarter End	Submitted	Quarter End	Submitted	Due	Submitted	Due	Submitted	Reason Required	Submitted	Due	Submitted	Due	Submitted	Held	Type	Held	Type	Requested by	Delivered	Due	Submitted
9/30/13	3/14/14	10/1/13	6/17/14	1/1/2015	12/30/2014	1/1/13	2/8/13	CSCU deal	12/1/17	1/1/2014	-	1/1/15	12/30/14	12/16/15	regular	1/26/18	regular	1/15/19	1/10/19	10/1/2019	9/25/2019
12/31/13	3/14/14	1/1/14	6/17/14	1/1/2016	12/31/2015	1/1/14	1/15/14	CSCU, Meriden	11/30/18	1/1/2017	1/30/2017	1/1/16	12/31/15	1/15/16	regular	2/15/18	special	2/1/20	1/31/20	10/1/2021	9/14/2021
3/31/14	4/21/15	4/1/14	6/17/14	1/1/2017	12/29/2016	1/1/15	3/15/15	CSCU, Meriden	12/30/19	1/1/2019	1/11/2019	1/1/17	10/17/16	2/26/16	special	4/3/18	regular	3/15/21	3/15/21		
6/30/14	4/21/15	7/1/14	8/5/14	1/1/2018	12/27/2017	1/1/16	12/23/15	CSCU, Meriden, SHREC	12/7/20	1/1/2021	12/31/2020	1/1/18	12/1/17	3/3/16	special	4/27/18	regular				
9/30/14	6/16/16																				
12/31/14	6/16/16																				
3/31/15	6/16/16																				
6/30/15	6/16/16																				

Continual year-on-year timeliness and early reporting improvements

ACG Committee

Agenda Item #9

BOD Membership Status Update

Current BOD Members

(all positions filled)



- **Lonnie Reed (Chair)** - Term ends 10/9/2023
- **Victoria Hackett (DEEP) Vice Chair** - ex officio
- **Brenda Watson (Operation Fuel)** - Term ends 6/30/23
- **Matt Ranelli (Shipman & Goodwin)**- Term remains until a successor is appointed & qualified
- **Binu Chandy (DECD)** - ex officio
- **Adrienne Farrar Houel** - Term ends 3/1/25
- **Laura Hoydick (Mayor Stratford)**- Term ends 6/30/23
- **Dominick Grant** - Term ends 6/30/25
- **Matthew Dayton – OPM** - ex officio
- **Sarah Sanders – OTT** - ex officio
- **Tom Flynn** - Term remains until a successor is appointed & qualified
- **John Harrity** - Term remains until a successor is appointed & qualified

ACG Committee

Agenda Item #10
Adjorn



**AUDIT, COMPLIANCE AND GOVERNANCE OF THE
CONNECTICUT GREEN BANK**
Regular Meeting Minutes

Tuesday, January 18, 2022
8:30 a.m. – 9:30 a.m.

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on January 18, 2022.

Due to COVID-19, all participants joined via the conference call.

Committee Members Present: Jeffrey Beckham, Thomas Flynn, Matt Ranelli, Lonnie Reed

Committee Members Absent: None

Staff Attending: Brian Farnen, Bryan Garcia, Sara Harari, Bert Hunter, Cheryl Lumpkin, Matt Macunas, Jane Murphy, Ariel Schneider, Eric Shrago

Others present:

1. Call to Order

- Thomas Flynn called the meeting to order at 8:32 am.

2. Public Comments

- No public comments.

3. Approve Meeting Minutes for October 12, 2021

Resolution #1

Motion to approve the minutes of the Audit, Compliance, and Governance Committee meeting for October 12, 2021.

Upon a motion made by Matt Ranelli and seconded by Lonnie Reed, the ACG Committee voted to approve Resolution 1. None opposed and Jeffrey Beckham abstained. Motion approved.

Subject to Changes and Deletions

4. Review 2020 – 2021 SOC 2 Audit Report

- Eric Shrago summarized the history of the Service Organization Control Type 2 (SOC2) audit, which evaluates the company's controls in relation to data and privacy. He summarized the process and what is reviewed and noted that the Green Bank received a favorable opinion in full compliance.
 - Thomas Flynn asked what the plan is going forward, and Eric Shrago stated that typically the audit is performed every year and that has been the case.
 - Matt Ranelli asked if there were any recommendations that came out the report. Eric Shrago stated that there were a handful of small suggestions made and will be more thoroughly reviewed in an upcoming debrief meeting. As for more formal recommendations, there were none.

5. Update on the Selection of Audit Firm for Audit Services for FY2022

- Jane Murphy summarized the recommendations for new audit firms which submitted proposals. An internal team was assembled to review and evaluate the proposals, and PKF O'Connor Davies was selected. She summarized the review process.
 - Thomas Flynn noted that he was not part of the process at all and did not know that PKF O'Connor Davies was a possible option, but he has had positive experiences with them through the Town of Fairfield.
 - Thomas Flynn asked what the timing of the next audit would be. Jane Murphy responded that during May, pre-work will be done to get a better understanding of the Green Bank. Confirmations will also be done, and they will be given a Trial Balance in August. The financial statements, footnotes, and various levels of review will be completed within 120 days of the close, so usually by October 31.

Resolution #2

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval PKF O'Connor Davies to perform professional audit services for the Connecticut Green Bank for the fiscal years 2022, 2023, and 2024.

Upon a motion made by Lonnie Reed seconded by Matthew Ranelli, the ACG Committee voted to approve Resolution 2. None opposed or abstained. Motion approved unanimously.

6. Discussion of Key Organizational Metrics

- Bryan Garcia summarized the financial reporting background and proposed a change to the level of detail maintained in financial reports. The goal is to make a more streamlined approach focused on key metrics can that be more easily communicated. The benefits would be an easier ability to resonate with political leaders and stakeholders by highlighting more efficient use of public resources, the pursuit of organizational sustainability, and effective investments to achieve impact. He asked if the Committee members had any additional suggestions.
 - Lonnie Reed stated she thinks the adjustment is smart as to not distance the Green Bank from its audience because of lofty vocabulary. Matt Ranelli also agreed but said he would like to know the detailed metrics, in addition to the

Subject to Changes and Deletions

streamlined approach. He suggested a category for benefit multipliers, such as funding projects for municipalities or other public entities.

- Thomas Flynn agreed with Matt Ranelli that the Board of Directors should receive a more detailed report, and that should be available alongside a more public-relations style document. He noted the importance of including the financial metrics as well.
- Lonnie Reed commented that the fine-tuning of metrics in relation to key districts would also be helpful in communicating effectively with legislators. Eric Shrago noted that there has been a lot of district-level reporting in the past but asked for assistance to fine-tune it even more so that it can be as impactful as possible.
- Bryan Garcia commented that he will have more recommendations ready for proposal at the next ACG Committee meeting.
- Bert Hunter added that he thinks the individual-investor level of participation should also be highlighted, as the citizens of Connecticut have really begun investing in their communities.

7. Legislative and Regulatory Policy Update

- Matt Macunas summarized the plan for the next legislative short session. One is for C-PACE financing for EV chargers and resilience improvements, and the other is to allow for longer school board contracting terms for electric school buses to provide zero-emissions transportation. Brian Farnen added that this did not seem the session to ask for anything major because of the recently awarded expanded scope to include environmental infrastructure.
- Brian Farnen reviewed the 2021 Regulatory Activity which includes addressing battery storage, residential tariffs, non-residential tariffs, shared clean energy facilities, and grid modernization. Matt Macunas summarized the details of each piece in more detail.

8. Update to Statutory Report Status

- Brian Farnen summarized the history of the statutory reporting process and noted that all the statutory reporting requirements have been done on time in the past year.
 - Thomas Flynn asked if there are any anticipated timeliness issues given the change in auditors. Jane Murphy responded that in relation to financial reporting, it should be on time. It was redesigned to be faster and more efficient, so there are no anticipated issues. Brian Farnen responded that the update to the process has also streamlined the non-financial reporting process so there are no concerns for those reports.

9. Adjourn

Upon a motion made by Lonnie Reed and seconded by Jeffrey Beckham, the Audit, Compliance and Governance Committee Meeting adjourned at 9:24 am.

Respectfully submitted,

Thomas Flynn, Chairperson

Memo

To: Audit, Compliance, and Governance Committee

From: Bryan Garcia (President and CEO), Jane Murphy (EVP Finance), Eric Shrago (VP of Operations), and Dan Smith (Associate Director, Financial Reporting)

Date: May 17, 2022

RE: Recommendation for Quarterly Reporting of Key Impact and Financial Metrics

As you may recall, at the January 18, 2022 meeting of the Audit, Compliance, and Governance Committee (“ACG Committee”), we discussed the importance of succinct quarterly reporting of impact and financial metrics for members of the Board of Directors.

As a follow-up to that meeting, the staff identified and recommend the following communication messages, and developed associated reports to support those messages:

1. **Making an Impact** – causing measurable statewide benefits (e.g., investment, jobs, energy savings) in communities across the state;
2. **Mobilizing Private Investment** – building a strong financial position to increase private investment in the green economy of the state;
3. **Achieving Sustainability** – making sound investments from public revenues (i.e., System Benefits Charge through the Clean Energy Fund and Regional Greenhouse Gas Initiative allowance proceeds) together with efficient operations that support the organization’s sustainability and continuous pursuit of its mission; and
4. **State Benefit Allocation** – tracking operating expenses that are uncontrollable by the organization (i.e., state retirement plan contributions, medical and dental Rx premiums) and adversely impact the sustainability of the organization.

The first three messages are the why, what, and how, respectively, of the Green Bank; and the last message is the impact of long-term structural budget deficits of the state on the Green Bank’s operations.

To support these messages, we have developed and recommend the following associated reports:

- **Impact Reports** (Attachment A) – for each member of the Board of Directors, we will provide a link to an online real-time report through Power BI that captures the investment in projects, and their associated benefits, within their respective areas of interest (e.g., Chair, as appointed by the Governor, will receive a statewide report, as well as that of the community in which she

resides). Eric will provide a demonstration of these impact reports during the ACG Committee meeting. We have provided an example report for Senate District 21 – Minority Leader of the Senate

- **Balance Sheet** (Attachment B) – consolidated quarterly balance sheet for the organization, including its components (i.e., see Appendix), compared to the end of the last fiscal year, with an emphasis on key assets (e.g., cash, due from component units, program loans) and liabilities (e.g., bonds payable, pension and OPEB liabilities) resulting in a strong net position.
- **Profit and Loss Statement** (Attachment C) – consolidated quarterly profit and loss statement for the organization, including its components (i.e., see Appendix), compared to the fiscal year budget, with an emphasis on earned revenues and operating expenses (i.e., margin), and including public revenues and non-operating expenses (e.g., incentives, loan loss reserves, and interest expenses).
- **State Benefit Allocation** (Attachment D) – year-to-date breakdown of uncontrollable employee benefits (i.e., state retirement plan contributions, medical dental Rx premiums) by fiscal year in comparison to a hypothetical market rate for such employee benefits (i.e., 35%) to discern the incremental costs to the Green Bank as a result of the high state benefits charge.

If the ACG Committee supports this recommendation, then we will provide quarterly reports to the Board of Directors at the July, October, January, and April Board of Directors meetings. Beyond these succinct reports, we will include a comprehensive set of financials for those interested in further detail.

It should be noted that the leaders of the Incentive Programs and Financing Programs will present their respective status of their business units on a biannual basis during the October and April meetings of the Board of Directors.

Attachments

- A. Example Impact – State Senate District 21
- B. Balance Sheet
- C. Organizational P&L
- D. State Benefit Allocation

FY Closed

2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	>
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CY Closed

2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	>
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State Senate District 21

All Projects

Projects	Total Investment	kW STC	Lifetime MMBTUs	Lifetime Cost Savings	Total Job Years	Total Tax Revenues	Lifetime CO2 Emissions (tons)		Max of Total Investment	Max of kW STC	Latest Closed Date
2,191	\$67,591,228	16,500.94	1,668,377	\$64,882,580	710	\$2,193,943	290,890	\$12,631,640	\$429,462	231.00	4/18/2022

Vulnerable Community Projects

Projects	Total Investment	kW STC	Lifetime MMBTUs	Lifetime Cost Savings	Total Job Years	Total Tax Revenues	Lifetime CO2 Emissions (tons)	Lifetime Public Health (low)	Max of Total Investment	Max of kW STC	Latest Closed Date
1,767	\$52,078,732	12,621.94	1,275,395	\$51,860,478	532	\$1,636,443	226,313	\$10,623,403	\$429,462	126.72	4/18/2022

CRA Projects

Projects	Total Investment	kW STC	Lifetime MMBTUs	Lifetime Cost Savings	Total Job Years	Total Tax Revenues	Lifetime CO2 Emissions (tons)	Lifetime Public Health (low)	Max of Total Investment	Max of kW STC	Latest Closed Date
1,175	\$33,275,045	7,969.71	824,208	\$34,974,430	329	\$1,011,157	150,728	\$8,288,524	\$429,462	112.84	11/18/2021

Distressed Community Projects

Projects	Total Investment	kW STC	Lifetime MMBTUs	Lifetime Cost Savings	Total Job Years	Total Tax Revenues	Lifetime CO2 Emissions (tons)	Lifetime Public Health (low)	Max of Total Investment	Max of kW STC	Latest Closed Date
261	\$7,693,865	1,864.53	188,875	\$7,593,639	69	\$240,268	33,930	\$4,572,786	\$289,029	105.07	4/18/2022

CGB-Primary Government Balance Sheet

	CGB-Primary Government	CGB-Primary Government	CGB-Primary Government
	As of 12/31/2021	As of 06/30/2021	YTD \$ Change
Assets			
Current Assets			
Cash and Cash Equivalents	{a} 52,533,889	41,325,251	11,208,638
Due From Component Units (SL2/SL3/CSS)	{b} 43,091,668	40,214,090	2,877,578
Other Current Assets	{c} 12,290,364	11,201,099	1,089,265
Total Current Assets	107,915,921	92,740,440	15,175,481
Noncurrent Assets			
Program Loans/Notes Receivable and Other Investments	{d} 90,847,457	99,353,879	(8,506,422)
Capital Assets, net	{e} 14,037,474	14,317,215	(279,741)
Restricted Assets	{f} 14,726,059	17,121,688	(2,395,629)
Total Noncurrent Assets	119,610,990	130,792,782	(11,181,792)
Total Assets	227,526,911	223,533,222	3,993,689
Liabilities			
Current Liabilities			
	{g} 10,565,849	11,827,744	(1,261,895)
Noncurrent Liabilities			
Bonds Payable-SHREC ABS 1	{h} 32,831,710	34,065,119	(1,233,409)
Bonds Payable-Green Liberty Bonds	{i} 39,985,000	41,629,000	(1,644,000)
Total RSIP Bonds Payable	72,816,710	75,694,119	(2,877,409)
Bonds Payable-CREBs	{j} 9,966,230	9,966,229	1
Pension & OPEB Liabilities	{k} 43,957,238	43,957,238	0
Total Noncurrent Liabilities	126,740,178	129,617,586	(2,877,408)
Total Liabilities	137,306,027	141,445,330	(4,139,303)
Deferred Inflows of Resources			
	{l} 2,509,946	2,509,946	0
Total Net Position	87,710,939	79,577,946	8,132,993

Appendix

- {a} Cash and Cash Equivalents includes all unrestricted cash accounts for the CT Green Bank and all entities included within the Primary Government for financial reporting purposes.
- {b} Due from Component Units represents the balance due to CGB's primary government through intercompany receivable accounts, the bulk of which relates to investment made in the CTSL2 and CTSL3 programs via CEFIA Solar Services Inc.
- {c} Other Current Assets are made up of Accounts Receivable, Utility Remittance Receivable, Interest Receivable, Other Receivables and Prepaid Expenses
- {d} Program Loans/Notes Receivable and Other Investments include the principal balances of all outstanding Program Loans, SBEA Notes, Solar Lease 1 Notes as well as some additional smaller investments made.
- {e} Capital Assets, net represent the cost of all capital assets that are owned by entities of the Primary Government, including Solar PV systems, furniture and equipment, leasehold improvements and computer hardware.
- {f} Restricted Assets includes all restricted cash accounts such as loan loss reserves, Special Capital Reserve Funds (SCRFs) related to the bonds outstanding and other contractually restricted cash accounts
- {g} Current Liabilities includes accounts payable and accrued expenses (including accrued incentives), accrued interest, and custodial liabilities
- {h} SHREC ABS 1 Bonds Payable represent the outstanding principal remaining on \$38.6M in bonds issued in March 2019. These bonds were collateralized by revenue from sales of SHRECs for two tranches of approx. 14,000 residential Solar PV systems to two CT utilities. These mature in 2033.
- {i} Green Liberty bonds represent the outstanding principal remaining on the \$16.8M Series 2020 and \$24.8M Series 2021 Green Liberty Bonds, collateralized by revenues from sales of SHRECs related to Tranche 3(Series 2020) and Tranche 4 (Series 2021). These mature in 2037.
- {j} Bonds Payable- CREBs are two separate Clean Energy Renewable Energy bonds issued in February 2017 for just under \$3.0M(Meriden Hydro project) and December 2017 for \$9.1M (CSCUs project). These mature in 2038.
- {k} Pension and OPEB Liabilities represent the actuarially determined Pension and OPEB liabilities allocated to the CT Green Bank out of the SERS retirement plans. This number is uncontrollable by the Green Bank, with the amount to be booked provided by the actuarial valuation on an annual basis.
- {i} Deferred inflows of resources are a governmental accounting function which represents an acquisition of net position that applies to future periods and will not be recognized until that time. Amounts included here are functions of the Pension and OPEB actuarial valuations and are updated on an annual basis.

CGB-Primary Government Organizational P&L

Consolidated 07/01/2021 Through 12/31/2021				
		Actual	Budget	Variance
Total Revenues				
Public Revenues	{a}	18,470,854	18,455,227	15,628
Earned Revenues	{b}	10,524,027	9,971,115	552,911
Total Revenues		28,994,881	28,426,342	568,539
Total Operating Expenses				
Personnel Related Operating Expenses	{c}	4,918,672	5,504,290	(585,618)
Non-Personnel Related Operating Expenses	{d}	4,531,065	6,240,249	(1,709,185)
Total Operating Expenses		9,449,737	11,744,539	(2,294,803)
Margin (\$) - Pre Public Revenues		1,074,290	(1,773,424)	
Margin (%) - Pre Public Revenues		3.7%	-6.2%	
Margin (\$) - All Revenues		19,545,144	16,681,803	
Margin (%) - All Revenues		67.4%	58.7%	
Total Non-Operating Expenses				
Program Incentives and Grants	{e}	8,655,804	8,720,640	(64,836)
Non-Operating Expenses	{f}	2,772,090	3,003,719	(231,630)
Total Non-Operating Expenses		11,427,894	11,724,359	(296,466)
Total Expenses		20,877,630	23,468,898	(2,591,268)
Net (*)		8,117,251	4,957,444	3,159,807

* Net represents the Operating Results of the Green Bank before impact of state benefit allocation and annual revaluations of expenses

Appendix

- {a} Public Revenues include system benefit charges from electric ratepayers and RGGI allowance proceeds.
- {b} Earned Revenues include interest income, REC sales, PPA income and other revenues earned by the Primary Government.
- {c} Personnel Related Operating Expenses include Salaries, benefits and payroll taxes.
- {d} Non-Personnel Related Operating Expenses include all other operating expenses not related to personnel, including O&M, tech support costs, IPC human capital, marketing, consulting, rent, insurance, IT and other office expenses.
- {e} Program Incentives and Grants are included in Non-Operating Expenses, and relate mostly to PBI & EPBB incentives paid out.
- {f} Non-Operating Expenses include Interest expense (mostly on bonds), loan loss reserve expense, and Interest Rate Buydowns using ARRA funds.

**Connecticut Green Bank
December 2021
State Benefit Allocation**

	FYE 6/30/22 YTD Actual	FYE 6/30/21 Actual	FYE 6/30/20 Actual	FYE 6/30/19 Actual	FYE 6/30/18 Actual	FYE 6/30/17 Actual
<u>Compensation:</u>	\$ 2,600,204	\$ 4,476,214	\$ 3,931,596	\$ 4,204,855	\$ 5,154,021	\$ 5,108,500
<u>Employee Benefits:</u>						
State Retirement Plan Contributions	\$ 1,781,206	\$ 2,903,780	\$ 2,411,864	\$ 2,869,823	\$ 3,013,747	\$ 2,674,275
Medical Dental Rx Premiums	349,147	625,480	553,908	545,779	678,633	681,595
Total Employee Benefits	<u>2,130,353</u>	<u>3,529,260</u>	<u>2,965,772</u>	<u>3,415,602</u>	<u>3,692,380</u>	<u>3,355,870</u>
Total Compensation and Benefits	<u><u>\$ 4,730,557</u></u>	<u><u>\$ 8,005,474</u></u>	<u><u>\$ 6,897,368</u></u>	<u><u>\$ 7,620,457</u></u>	<u><u>\$ 8,846,401</u></u>	<u><u>\$ 8,464,371</u></u>
Total Benefits Cost @ Hypothetical Benefits Rate	35%	910,071	1,566,675	1,376,059	1,471,699	1,803,907
Actual Total Compensation and Benefits		4,730,557	8,005,474	6,897,368	7,620,457	8,846,401
Less Total Compensation and Benefits @ Hypothetical Rate		(3,510,275)	(6,042,889)	(5,307,655)	(5,676,554)	(6,957,928)
Incremental HR cost due to State Benefits Charge		1,220,282	1,962,585	1,589,713	1,943,903	1,888,473



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