



**Audit, Compliance and Governance Committee of the  
Connecticut Green Bank**

Meeting Minutes

Wednesday, October 18, 2018

8:30am – 9:30am

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 October 10, 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 8:32am.

Audit Committee members participating: Tom Flynn (by phone), Matt Ranelli (by phone) and Gina McCarthy (by phone).

Staff in Attendance: George Bellas, Brian Farnen, Bryan Garcia, Bert Hunter, Matt Macunas, Eric Shrago, Jane Murphy, Cheryl Samuels and Andrea Janecko.

Others in Attendance: Jess Aniskoff and Ron Nossek (from Blum Shapiro)

**Upon a motion made by Tom Flynn and seconded by Matt Ranelli, the Committee unanimously voted to take meeting agenda items out of order.**

2. **Public Comments:** No members of the public and no public comments

3. **Approve Meeting Minutes for June 8, 2018:**

**Resolution #1**

**Upon a motion made by Tom Flynn and seconded by Matt Ranelli, the Committee unanimously voted to approve the Minutes from the June 8, 2018 meeting.**

4. **Board Member Attendance Review:**

- Mr. Farnen noted there are no members out of compliance with the attendance Bylaws and that this is something that will be continuously monitored. There have been issues with achieving full attendance and participation for specially scheduled meetings that often require the expertise of our very valued members.
- Mr. Flynn stated that he does have problems with and has expressed his frustration with special meetings as they seem to occur quite frequently.
- Mr. Ranelli acknowledged that other members may have similar feelings due to their full outside schedules. He further acknowledged that due to last year’s needs there were more but that hopefully there will be a reduction of special meetings in the future.

- Mr. Farnen related that they are trying to communicate with staff to plan accordingly to fit requests into the regularly scheduled board meeting schedule.
- Mr. Ranelli asked for a report on board term expiration dates. He thought there would be statutory reports.
- Mr. Farnen stated he would be sure to send the reports later today.
- Mr. Garcia pointed out that there is still a vacancy for Reed Hundt and that Kevin Walsh's term ended; these were Governor Malloy's appointees. Furthermore, at the end of next fiscal year, Mr. Ranelli's and John Harrity's board appointments come to an end. The elections next month will have an impact on the future makeup of the Connecticut Green Bank Board.

## **5. Discuss Proposed Draft Comprehensive Annual Financial Report (CAFR)**

- Mr. Bellas stated that the CAFR is 95% complete pending some minor adjustments and formatting. Mr. Bellas stated that a few adjustments to the liability for other post-employment benefits (OPEB) remained to be made once the Green Bank receives a final report from the Comptroller's office. The adjustments are not expected to be material. Mr. Bellas then turned over further agenda to Ron and Jessica from Blume Shapiro.
- Mr. Nossek stated that most important is the engagement scope of reporting and that he just wanted to clarify that the audit was performed under generally accepted auditing standards. Under these standards, Blum Shapiro is required to gain an understanding of CGB's financial statements as well as perform a review of CGB's major federal programs and issue an opinion. The results of all of this;
  - It is anticipated that an unmodified opinion will be issued stating that the financial statements are presented in accordance with generally accepted accounting standards.).
  - No violations or issues of noncompliance with laws or accounting standards were identified.
  - Finally, under internal controls there were no material weaknesses or deficiencies.
  - Mr. Nossek discussed the financial results of operations and reviewed various balance sheet and income statement variances year over year with the Committee members. He answered questions on financial statement ratios and whether these ratios indicated that had adequate levels of current assets to meet current liabilities.
- Mr. Nossek discussed the increase in CGB's liabilities when compared to the prior fiscal year. There were two areas in which new liabilities were incurred. In the first instance CGB incurred an additional \$14 million in liability for the payment to be made to the State Treasury in fiscal year 2019 to help mitigate the budget deficit. In the second instance, CGB recorded its portion of the overall State liability for OPEB as required with the adoption of a new accounting standard in fiscal year 2018 in the amount of approximately \$25 million.
- Mr. Bellas stated that he will speak with the State Comptroller's office regarding the payment of the \$14 million.

- Mr. Garcia stated the challenge is the upcoming elections, but our focus is to try and have the payment made by the of the fiscal year in June of 2019.
- Mr. Flynn stated that he felt this decision should go to the full board and to assess how much time to manage the necessary cash.
- Mr. Bellas stated that long-term debt increased due to the CREBS bond that CGB issued in the amount of \$9.1M to finance Solar PV projects on the campuses of several of the State's colleges and universities.
- Lastly, the net position itself, or retained earnings, has decreased approximately \$17 million when compared to the prior year primarily as a result of the \$14 million payment made to the State Treasurer in fiscal year 2018 as part of the budget deficit mitigation plan enacted by the State legislature.
- Mr. Farnen stated that legislative aids may have interpreted the \$91M total net position as potential cash or liquid assets when in fact they were not liquid assets.
- Mr. Bellas pointed out that net position represents assets less liabilities not available cash balances. Mr. Bellas indicated that CGB staff will work with staff in the Office of Fiscal Analysis which provides financial information to legislators to continue to clarify this point.
- Regarding the liability of \$25 million incurred this year pertaining to OPEB, Mr. Ranelli asked "What does that represent, future payments of benefits system?"
- Mr. Bellas responded that it represents CGB's allocation of the State's total unfunded liability to provide health care to state retirees.
- Mr. Ranelli posed a question to the board; "Are there any questions the board would like to ask without the presence of staff?" The question was flipped to auditors who did not feel the need to share information without staff.

### **Resolution #3**

WHEREAS, Article V, Section 5.3.1(ii) of the Connecticut Green Bank ("Green Bank") Operating Procedures requires the Audit, Compliance, and the Governance Committee (the "Committee") to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board of Directors of the Green Bank (the "Board") with respect to the approval of the audit report;

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends to the Board of Directors for approval the proposed draft Comprehensive Annual Financial Report (CAFR) for 2018 and with the associated Federal Single Audit Report contingent upon no further adjustments to the financial statements or additional required disclosures which would materially change the financial position of the Green Bank as presented.

**Upon a motion made by Tom Flynn and seconded by Gina McCarthy, the Committee unanimously voted to approve Resolution #3.**

Mr. Ranelli thanked the Blum Shapiro personnel in attendance and their staff for their work on this audit review.

## **6. Governance Review**

- Mr. Farnen stated that as part of annual house-keeping the Green Bank completes a review of our governance documents, which includes Bylaws, Operating Procedures and enabling statutes. There are currently no recommendations for change except we are considering one statutory change related to the tax treatment of Green Bank subsidiaries which are currently taxable to tax exempt similar to other quasi-public subsidiaries.

## 7. Tax Methodology

- Mr. Shrago stated that 3 years ago CGB began the evaluation framework. CGB has worked on our data collection analysis protocol.
  - Societal benefits are what we're getting out of our metrics. In 2017 we updated our environmental methodology at the same time we adopted EPA's risk assessment model for evaluating health impact.
  - On the economy side we have adopted a study that helps with jobs associated. The Green Bank now decided to take a look at what else we can do. Building off the jobs study, the Green Bank engaged Navigant Consulting.
  - What are the taxes being generated in the state? Three areas that we should investigate; income tax, corporate income tax and sales tax.
  - For Personal Income Tax, the calculator looks at what jobs were created, wages associated with the jobs and the applicable state tax rates.
  - For Corporate taxes Navigant worked with industry contacts and CGB's finance team to look at the various models and profit margin assumptions then they applied CT corporate tax rates to that. For Sales Tax, the tool looks at the portions of projects that are estimated to be on hardware and applies the state sales tax to that.
  - The end result is a calculator that shows how much tax CGB generated. The calculator that Navigant built we took to the department of revenue series and they are endorsed the model.
- Mr. Garcia stated one of the materials you saw was commissioner Jackson of the DRS stating that this is a reasonable assessment of tax revenue generated in the state.
- Ms. McCarthy stated this is great. She worried about this being taken as a measure of the mission of CGB. She pointed out that this is not a benefit—it is a co-benefit. She asked, "How do you marry this in a more wholistic way of the work that CGB [does]?"
- Mr. Garcia asked why doesn't CGB frame this up at the board level? He further pointed out that society is getting all these benefits as well, included environmental, public health, and economic development
- Mr. Ranelli would like to amend the motion to remove this issue from the consent agenda and recommend it for review to the board.

**Upon a motion made by Gina McCarthy and seconded by Matt Ranelli, the Committee unanimously approved the following:**

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval the proposed Tax Calculator for the Evaluation and Measurement of the tax revenue generated by Green Bank supported projects

## **8. Auditors of Public Accounts Overview**

- Mr. Garcia brought up severance agreements. Per CGB's bylaws the B&O committee has the ability to address severance agreements but what the auditors recommend is that any severance agreement be presented to the Board of Directors for their approval.
- Mr. Garcia maintained that in the context of the most recent severance, those were done in December with approval by the Board of Directors.
- Mr. Ranelli stated that absent a strong rational reason not to bring to the board, he felt that the Board should be engaged in these decisions.

Mr. Garcia stated that the practice will be to go to the B&O and then be followed-up with a recommendation to the Board of Directors.

Mr. Ranelli asked if CGB needs to change the bi-laws to make this change? Mr. Farnen will look into that but the decision to revise the Bylaws will ultimately come down to how the Board wants to handle severances.

## **9. 2019 Legislative and Regulatory Update**

- Mr. Farnen stated with a new governor being elected and two large energy related public acts passing last legislative session, this will likely not be a big year for energy policy.

## **10. Adjourn**

**Upon a motion made by Gina McCarthy and seconded by Matt Ranelli, the Committee unanimously voted to adjourn the meeting.**

Meeting adjourned at 9:35am.

Respectfully Submitted,

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