



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

Tuesday, October 11, 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 October 11, 2022.

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

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

Committee Members Absent: None

Staff Attending: Brian Farnen, Bryan Garcia, Bert Hunter, Cheryl Lumpkin, Jane Murphy, Ariel Schneider, Eric Shrago, Dan Smith

Others present: Jennifer Castor from Guidehouse, Joseph Centofanti and Katherine Patnaude from PKF O’Connor Davies, and Nicole Fry

1. Call to Order

- Thomas Flynn called the meeting to order at 8:31 am.

2. Public Comments

- No public comments.

The meeting did not start with a quorum but was gained after Matt Ranelli joined the meeting at 8:45 am.

3. Approve Meeting Minutes for May 17, 2022

Resolution #1

Motion to approve the minutes of the Audit, Compliance, and Governance Committee meeting for May 17, 2022.

Upon a motion made by Lonnie Reed and seconded by Thomas Flynn, the ACG Committee voted to approve Resolution 1. None opposed or abstained. Motion approved unanimously.

4. Proposed Draft Annual Comprehensive Financial Report (ACFR)

- Joseph Centofanti from PKF O'Connor Davies began his summary of the ACFR with notable new items for 2022 which includes the new entities of Green Liberty Notes, LLC and CGB CPACE, LLC, the implementation of GASB 87, and a new independent auditor report format. He stated the report has an unmodified opinion on financial statements, limited responsibility for Required Supplementary Information, and no responsibility for the introductory or statistical sections. He reviewed the financial highlights for the Green Bank including changes to revenue and expenses compared to the prior year.
 - Thomas Flynn asked for clarification regarding the decrease in provisions for loan losses and if that will change as COVID-19 winds down further. Jane Murphy responded that yes, monitoring of the loan losses is happening but the large decrease this year was due to the release of loan loss reserves that were specifically for COVID-19, and nothing materialized indicating they would be needed.
 - Thomas Flynn asked about the changes to administrative expenses and program administration costs and their drivers. Jane Murphy stated they are independent of each other, but the program administration cost increases are mostly due to meter replacement costs. The administrative expenses are mostly due to OPEB and pension expenses as they were re-evaluated from the actuaries which resulted in a decrease for the Green Bank. Joseph Centofanti noted that the evaluation is also done on the 2021 numbers so there is an expected increase for next year. Thomas Flynn asked if 5-year smoothing was done on the evaluations and Joseph Centofanti responded yes.
 - Matthew Ranelli asked for clarification about the net position and increase in revenues, and Joseph Centofanti answered it was mostly due to an increase in unrestricted funds. Thomas Flynn also clarified its presentation of an increase by \$21.6 million, not from \$21.6 million. Jane Murphy added that about \$3 million to \$3.5 million is from the SHREC ABS bond each year, and some is from the reserve release for the loan losses.
- Joseph Centofanti reviewed the revenue history and trend in revenue for the last 5 years.
- Katherine Patnaude reviewed the Federal Single Audit, which was given an unmodified opinion on compliance. For Required Communications, the disclosures were found to be neutral, consistent, and clear with no material uncorrected misstatements. She reviewed the passed adjustments, of which there were two though both were not material to the financial statements.
 - Thomas Flynn asked for clarification about the recording of federal grant revenue and Katherine Patnaude explained what was found. Thomas Flynn asked how that information was found in the testing, and Katherine Patnaude explained it was found when testing the expenditures.
 - Matthew Ranelli asked for more clarification about the way the funds related to the federal grant revenue had been recorded. Katherine Patnaude answered they had been recorded for interest rate buydowns and Eric Shrago clarified some had originally been used for loan loss reserves and then the Green Bank transitioned away from that to use it for interest rate buydowns instead. Bert Hunter noted that several million dollars were used for loan loss reserves early in the program, meaning they were utilized but not fully expended, and then explained the process for how the funds were moved around in more detail.
- Katherine Patnaude reviewed the recommendations.

Subject to Changes and Deletions

- Thomas Flynn asked if there were any informal observations or recommendations found as a first-year auditors to the Green Bank's documents. Joseph Centofanti stated there weren't too many informal notes needing to be addressed but had a couple things for themselves for the future to get a refresh on some data. But Jane Murphy and Dan Smith were both responsive and helpful overall.
- Thomas Flynn asked Jane Murphy and Dan Smith if they had any areas of note that could be improved next year, and Jane Murphy answered a new staff member has been hired to consolidate the workload for C-PACE transactions, but she noted it was helpful to have a fresh set of eyes on the financial statements via the new auditors.
- Katherine Patnaude summarized the future considerations for GASBs that will be coming into effect at future dates.
 - Thomas Flynn asked for a brief, detailed summary of GASB 96 which comes into effect in 2023 and Katherine Patnaude explained.
- Eric Shrago added along with the financials, there are non-financial statistics in the Detailed Annual Impact Report.

Resolution #2

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval the proposed draft Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2022.

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

5. Impact Methodology Update

- Eric Shrago summarized the Jobs Creation and Tax Generation methodologies. The original studies for jobs and taxes were refreshed to include new technologies and update rates. The tax methodology now also includes property tax generation in addition to income (personal and corporate) and sales and use tax estimates.
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Resolution #3

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

Upon a motion made by Lonnie Reed and seconded by Matthew Ranelli, the ACG Committee voted to approve Resolution 3. None opposed or abstained. Motion approved unanimously.

- 6. Governance Document Review**
 - a. Governance Documents**
 - i. Resolution of Purpose**

Subject to Changes and Deletions

- ii. **Bylaws of the Connecticut Green Bank**
- iii. **Operating Procedures**
- iv. **Ethics Statement**
- v. **Ethical Conduct Policy – Board of Directors**
- vi. **Ethical Conduct Policy – Staff**

- Brian Farnen summarized the annual review of the Governance Documents and recommends no changes since governance documents were updated with our expansion in scope last year.

b. Reporting Requirements

- Brian Farnen stated that all reporting requirements have been recorded on time.

7. BOD Membership Term Updates and Attendance Review

- Brian Farnen stated there are no current open appointments needing to be filled and no members were out of compliance during the previous period.

8. Adjourn

Upon a motion made by Matthew Ranelli and seconded by Lonnie Reed, the Audit, Compliance and Governance Committee Meeting adjourned at 9:30 am.

Respectfully submitted,

Thomas Flynn, Chairperson