



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

Tuesday, October 8, 2024
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 8, 2024.

Committee Members Present: Thomas Flynn, Matthew Ranelli, Joanna Wozniak-Brown

Committee Members Absent: Lonnie Reed

Staff Attending: Joe Buonannata, Sergio Carrillo, Shawne Cartelli, James DeSantos, Emma Ellis, Brian Farnen, Bryan Garcia, Sara Harari, Bert Hunter, Cheryl Lumpkin, Jane Murphy, Ariel Schneider, Eric Shrago, Caleb Smith, Dan Smith, Leigh Whelpton, Joseph Centofanti and Katherine Patnaude from PKF O'Connor Davies

Others present:

- 1. Call to Order**
 - Brian Farnen called the meeting to order at 8:32 am.
- 2. Public Comments**
 - No public comments.
- 3. Approve Meeting Minutes for May 14, 2024**

Resolution #1

Motion to approve the minutes of the Audit, Compliance, and Governance Committee meeting for May 14, 2024.

Upon a motion made by Tom Flynn, the ACG Committee voted to approve Resolution 1. None opposed or abstained. Motion approved unanimously.

4. Annual Comprehensive Financial Report (ACFR) Review

- Joseph Centofanti reviewed the highlights of the results of the ACFR including changes to CEFIA Solar Services and that all entities are now presented as blended component units in the financial statements.
 - Tom Flynn asked if the change to the presentation was a reclass and Joseph

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Centofanti responded it is a reclass in terms of being the total, but it's more of a presentation change as the final numbers don't actually change. Tom Flynn asked if there are any implications to the change and Jane Murphy responded there shouldn't be, but managerially it gives access to the resources of the subsidiaries to pay off intercompany debt and use cash for investments. Bert Hunter added that it gives unfettered ability to manage the portfolio in a way that benefits the Green Bank in the long term.

- Joseph Centofanti continued with the highlights for FY 2024. He summarized the findings of the financial statements, noting that the Green Bank is being issued an Unmodified Opinion. He summarized the revenue highlights.
 - Katherine Patnaude reviewed the expense trends of the last 3 years and the current year's highlights. She continued with the highlights and trends for the overall net position.
 - Katherine Patnaude reviewed required communications and the GASB changes effective for FY 2025 and FY 2026.
 - Tom Flynn asked if there are any risks in the operations that puts the Green Bank at a higher risk for loss. Joseph Centofanti responded that the loss reserves are analyzed and there do not appear to be. Tom Flynn clarified that he didn't mean to imply there is anything of issue now but just wanted to look ahead given all the different types of projects the Green Banks takes on, and Joseph Centofanti responded that still nothing comes to mind. Tom Flynn posed the same question to Bert Hunter who responded that he also does not think there are any issues, especially given that the portfolio is well diversified and has a good dispersion of risk.

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, 2024.

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

5. Legislative Process

- James Desantos summarized the upcoming legislative session schedule, process, and measures of note to be presented including a Resilience measure. He noted there will not be a Special Session before the upcoming presidential election.
 - Matt Ranelli commented that he wasn't sure what the Green Bank's stake in the Airport Authority (CAA) legislation is and urged caution to avoid any unintended friction with any of the Green Bank's other stakeholders. Brian Farnen responded he believes the Airport Authority is looking for the Green Bank's guidance in the development of that project, but he doesn't believe it will disrupt the NRES. James Desantos added that the language within the measure does apply to all quasi-public state agencies. The group discussed the issue further.
- Joanna Wozniak-Brown thanked the Green Bank for participating in Connecticut's first Sustainability and Resiliency Week.
 - Brian Farnen summarized that the statutory reporting requirements have all been met and the Green Bank is in compliance for all 2024 Statutory Filings.

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6. Smart-E Energy Saving Methodology

- Eric Shrago reviewed an update to the Smart-E evaluation framework especially in relation to energy efficiency and proposal to use estimates based on the annual Program Savings Document developed by the utility companies to bring the Green Bank in line with that.
 - Joanna Wozniak-Brown noted that there doesn't look like a specific methodology for resiliency, but she would be happy to work with the team. Eric Shrago responded that he was planning on discussing it further with her and would be in touch.

Resolution #3

WHEREAS, the Smart-E Loan continues to be a tool for Connecticut Homeowners to finance energy efficiency measures to reduce their energy burdens;

WHEREAS, the Connecticut Green Bank has an established evaluation framework with approved methodologies that allow us to speak to the impact of our programs and which have built our track record of transparency;

WHEREAS, the Connecticut Energy Efficiency Board regularly establish and review methodologies for energy savings and approve estimations made by the utilities for these savings;

NOW, therefore be it:

RESOLVED, the Audit Compliance and Governance Committee recommends to Connecticut Green Bank Board of Directors to approve of staff using the utility estimates as the updated way to estimate energy savings for smart-e energy efficiency measure and to update these numbers on an annual basis.

This Resolution was not voted on due to lack of quorum that occurred at the time of the discussion of this agenda item. The present committee members informed staff that they are amendable to staff presenting this agenda item at the next Board of Directors meeting.

7. Employee Handbook Revisions

- Joe Buonannata reviewed the presented revisions to the employee handbook, including edits and clarifications to the Employee Assistance Program, the Microsoft Teams policy, and the Ethical Conduct Policy.
 - Matthew Ranelli asked if the Ethical Conduct Policy change was run by the Office of State Ethics. Brian Farnen responded it has not but could clarify further or just remove the addition since the number of publicly traded companies the Green Bank works with is so limited. Matt Ranelli suggested investigating it further to avoid accidentally putting any employees at risk.

a. Artificial Intelligence Policy

- Sara Harari summarized the proposed policy regarding the use of AI technologies and the guiding principles for its potential use. The guiding principles include purposeful use, accuracy review, oversight for use, and privacy.

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- Matt Ranelli commented that he does not feel he cannot support the policy as it is written, that although it identifies the risk it does not seem to mitigate the risk enough and the language is too broad. He made some suggestions about how to improve the policy and potential use. Sara Harari responded that the policy is written that in order to use AI, it must go through a review process, but the review itself is not written so that it can be determined as things evolve. Matt Ranelli responded that the lack of structure for the review process is still a concern, especially with the Green Bank in a position as a leader within several industries and worries about there being too many pitfalls at this stage.
- Brian Farnen commented that one struggle he has is that AI technology is changing so quickly that it is hard to formalize a formal policy as the technology and its application to business is still so fluid, asking if Shipman & Goodwin has a policy. Matt Ranelli responded that Shipman & Goodwin does which is more structured than what is being presented, and though he does not try to present as an expert on AI, he urges more caution given the Green Bank's position. Leigh Whelpton asked for more specific examples within Shipman & Goodwin's policy to better understand and Matt Ranelli said he would be happy to have that conversation offline after reviewing what can be shared. He also suggested reaching out to other businesses to see what other examples or literature are out there. Brian Farnen noted that Sara Harari and the team did review the State's policy and have discussions with relevant State stakeholders. Sara Harari added there was a literature review to other financial institutions and quasi public companies but most of them do not have a policy currently or want to support it, so what was presented is in line with the State's policy as best as currently possible.
- The group discussed next steps to discuss and improve the policy further offline.

Resolution #4

WHEREAS, pursuant to Section 5.2.1 of the Connecticut Green Bank (Green Bank) Bylaws, the Audit, Compliance, and Governance (ACG) Committee is charged with the review and approval of, and in its discretion recommendations to the Board of Directors (Board) regarding, all governance and administrative matters affecting the Green Bank, including but not limited to the Green Bank Employee Handbook;

NOW, therefore be it:

RESOLVED, that the ACG Committee hereby recommends that the Board of the Green Bank approve of the revisions to the Green Bank Employee Handbook specifically presented on October 8, 2024 and as described in the memorandum to the ACG Committee dated October 1, 2024.

This Resolution was tabled pending further discussion and improvement.

8. Governance **a. Annual Governance Review**

- Brian Farnen summarized that there were no changes being recommended by staff to our governance documents for 2025.

b. Reporting Requirements

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- The Green Bank is up to date and in compliance for all FY 2024 Statutory Reporting requirements.

9. BOD Membership Term Updates and Attendance Review

- Brian Farnen reviewed the changes to the Board of Directors members.

10. Adjourn

The Audit, Compliance, and Governance Committee Meeting adjourned at 9:31 am.

Respectfully submitted,

Thomas Flynn, Chairperson

DRAFT