

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
Minutes of the 153rd Audit and Finance Committee Meeting
Held on June 26, 2023

Pursuant to a notice and agenda dated June 12, 2023, a copy of which is annexed hereto, the one hundred fifty-third (153rd) meeting of the Audit and Finance Committee (the “Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the “Authority”) was convened at 10:00 a.m. on Monday, June 26, 2023 at the Authority’s Albany Office located at 17 Columbia Circle, Albany, New York and the NY Green Bank (“NYGB”) Office located at 1333 Broadway, Suite 300, New York, New York. The two locations were connected by videoconference.

The following Members of the Committee were present:

Richard Kauffman, *Chair of the Authority*

Sherburne Abbott attended from Albany.

Sadie McKeown attended from Albany.

Frances Resheske attended from NYGB.

Committee Chair Jay Koh was unable to attend.

Also present were Doreen Harris, President and CEO; Peter J. Costello, General Counsel and Secretary to the Authority; Pam Poisson, Chief Financial Officer; Anthony J. Fiore, Chief Program Officer; Sara L. LeCain, Senior Counsel and Secretary to the Committee; Jeff Mabb; Dean Geesler; and Jeff Koch, KPMG, LLP and various other staff of the Authority.

The Chair called the meeting to order and noted the presence of a quorum. Notice of this meeting was provided to the Committee Members on June 12, 2023, and to the press on June 20, 2023. The Chair noted that Committee Chair Koh was unable to attend and therefore Chair Kauffman lead the meeting.

The Chair indicated that the first item on the agenda concerned the approval of the minutes of the one hundred fifty-second (152nd) meeting held on April 26, 2023.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee Members present, the minutes of the one hundred fifty-second (152nd) meeting held on April 26, 2023, were approved.

The Chair indicated that the first item on the agenda was the Annual Investment Report of the Authority and the *Investment Guidelines, Operative Policy and Instructions (June 2023)* (“Investment Guidelines”). The Authority’s Chief Financial Officer, Pam Poisson discussed this item.

CFO Poisson stated that pursuant to requirements of the Public Authorities Law, the Members were requested to adopt a resolution recommending the approval of the Annual Investment Report for the year ended March 31, 2023 and the Authority’s Investment Guidelines.

With respect to the Annual Investment Report, CFO Poisson reported that the amount of the Authority’s total investments decreased \$2.62 million from \$1.345 billion and described the primary drivers of the decrease as reflected on the Investment Report Summary.

CFO Poisson indicated that the Annual Investment Report summarizes the composition of the investment portfolio as compared to the prior year by investment type and percentage of the total portfolio.

CFO Poisson explained that the investment income increased by \$31.2 million primarily due to recent interest rate hikes by the Federal Reserve and corollary increases in prevailing market rates overall. The Authority generally holds investments to maturity and as a result all investments held to maturity should provide for realized income at the interest rate each was purchased.

CFO Poisson reported that the Authority’s independent auditors have issued a report stating that nothing came to their attention to indicate that the Authority was not in compliance with the provisions of the Investment Guidelines.

With respect to the Investment Guidelines, CFO Poisson stated that no changes were proposed.

In response to an inquiry from the Chair, CFO Poisson confirmed that an analysis and updated Investment Guidelines will be proposed at the October meeting.

In response to an inquiry from Member McKeown, CFO Poisson stated that the Authority intentionally models the Regional Greenhouse Gas Initiative (“RGGI”) allowance price conservatively.

In response to an inquiry from Member McKeown, CFO Poisson explained that the unrealized gains are the Authority’s temporary investments.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee Members present, the following resolution was adopted.

Resolution No. 493

RESOLVED, that the “Investment Guidelines, Operative Policy and Instructions (June 2023),” as presented at this June 26, 2023 meeting are hereby recommended for approval by the Board; and

BE IT FURTHER RESOLVED, that the Authority's “2022-2023 Annual Investment Report,” for the year ended March 31, 2023, as presented at this June 26, 2023 meeting, is hereby recommended for approval by the Board to be adopted as the annual investment report of the Authority required by Section 2800 and Section 2925(6) of the Public Authorities Law.

The Chair indicated that the next item on the agenda was the Annual Investment Report for the NYSERDA OPEB (Other Post-Employment Benefits) Trust and the Investment Policy Statement for the NYSERDA OPEB Trust (June 2023.)

CFO Poisson explained that the OPEB Investment Report summarizes the contributions; investment income; benefit payments; and administrative expenses for the fiscal year ended March 31, 2023. The OPEB Investment Report also provides the balance of investments in total and by asset category in comparison to the target levels established in the Investment Policy Statement.

CFO Poisson reported that the market value of the OPEB Trust's investments as of March 31, 2023, was approximately \$66.5 million, a reduction of about \$2.9 million from the prior fiscal year end, primarily because of market decline over the last twelve months. As of the most recent actuarial valuation, the OPEB Trust was 101.6% funded compared to its OPEB liability. The total return on the OPEB Trust's investments was -5.0% for the last fiscal year, however it still outperformed the benchmark indices by 0.1%.

CFO Poisson indicated that the lifetime average annual return on the OPEB Trust is approximately 5.9%. This is below the actuarially estimated long-term expected return of the OPEB Trust of 6.5%, which is based on the actuary's projections for long-term expected returns for the weighted average indices. The long-term rate has been included in the financial statement footnote disclosures and has been reviewed and deemed reasonable by the independent auditors.

With respect to the Investment Policy Statement, the Authority's OPEB Trust Investment Consultant and Plan Actuary, Milliman, conducted an asset allocation study and provided revised ranges and targeted levels of investments by asset class. These changes to the portfolio allocations and targets were noted in the Investment Policy Statement included in the Members' meeting package.

In response to an inquiry from the Chair, CFO Poisson indicated that a detailed report from Milliman would help provide a better explanation of the benchmark 6.5% and that would be provided as a follow-up. In addition, Controller and Assistant Treasurer, Peter Mahar stated that the Authority performs an annual review and can continue to increase or decrease the discount rate, if necessary, based on long-term projections.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee Members present, the following resolution was adopted.

Resolution No. 494

RESOLVED, that the “NYSERDA OPEB Trust Investment Report” for the year ended March 31, 2023, as presented at this June 26, 2023 meeting is hereby recommended for approval by the Board as the annual investment report of the NYSERDA OPEB Trust required by Section 2800 and Section 2925(6) of the Public Authorities Law; and

BE IT FURTHER RESOLVED, that the “Policy Statement for the NYSERDA OPEB Trust (Retiree Health Insurance Benefits Trust)” as presented at this June 26, 2023 meeting, is hereby recommended for approval by the Board.

The Chair indicated that the next item on the agenda concerned the financial statements of the Authority and NY Green Bank (“NYGB”) for fiscal year 2022-2023 and asked the Authority’s Controller and Assistant Treasurer, Peter Mahar to discuss this item.

Controller and Assistant Treasurer Mahar indicated that the Committee was being asked to adopt a resolution recommending approval of the annual audited financial statements for the fiscal year ending March 31, 2023 for the Authority and NYGB. Both financial statements include a clean opinion from the Authority’s independent auditors, KPMG, LLP (“KPMG”), which noted no instance of non-compliance or material weakness or uncorrected misstatements. KPMG saw no need to offer a management letter, which would customarily be provided to address control weaknesses or improvements if noted by the auditors.

Controller and Assistant Treasurer Mahar highlighted a few significant fluctuations and changes, including the fact that restricted Net Position, which is the cumulative difference between revenues and expenses, increased by \$202 million to \$1.87 billion principally due to greater than expected RGGI auction proceeds and from NYGB’s net income. Unrestricted net position increased from by \$5.7 million to \$9.1 million, principally from higher investment yields due to increased market rates and yields.

Controller and Assistant Treasurer Mahar explained that total Assets increased by \$186 million to \$2.3 billion primarily due to a large increase in RGGI cash and investments from higher than anticipated allowance proceed revenues and from an increase in the accrued Clean Energy Standard (“CES”) Zero Emission Credit (“ZEC”) program receivable which was based on a higher generated load calculation as compared to the prior year load calculation, these increases were offset in part by a net decrease in cash and investments due to the cumulative timing of other combined funds’ collections and expenditures.

Controller and Assistant Treasurer Mahar reported that other notable asset changes included NYGB’s loans and financing receivables portfolio and cash and investments. Over the 2022-2023 fiscal year, the loan portfolio increased by approximately \$132 million with a corresponding decrease in cash and investments for the deployment of new loans.

Controller and Assistant Treasurer Mahar noted that total liabilities decreased by \$23 million to \$406 million primarily from a decrease in accounts payable due the timing of vendor billings at year-end (a lower amount of invoices were received and remained unpaid at March 31 of this year as compared to the same time last year), this decrease was offset in part by an increase in accrued expenses for actual and estimated expenses incurred but where these costs were not yet billed by the vendor to NYSERDA at March 31, 2023.

Controller and Assistant Treasurer Mahar reported that total revenues of \$1.6 billion were \$127.5 million less than budget primarily from lower utility surcharge assessment revenues and Offshore Wind Port development state appropriations, as well as the deferment of the Clean Energy Standard ZEC backstop collections. The Utility Surcharge Assessment revenues and the Port Development Appropriation are both intended to be reimbursement mechanisms for program spending. These two revenues were less than budget due to lower spending than what was anticipated in the budget for the NY-Sun, Clean Energy Fund (“CEF”), and Energy Storage programs, in addition to updated project timelines relating to the Offshore Wind Port infrastructure development.

Controller and Assistant Treasurer Mahar stated that ZEC backstop revenues were not received this fiscal year due to a deferral of a NYS Public Service Commission (“PSC”) Order authorizing the collection of these revenues which are now anticipated to start in fiscal year 2023-24 pursuant to a recently approved June 2023 PSC Order.

Controller and Assistant Treasurer Mahar explained that these variances were offset in part by an increase in RGGI auction proceeds which were significantly higher than what was assumed in the Budget and from higher interest earnings on investments due to higher interest rates than what was assumed in the Budget.

Controller and Assistant Treasurer Mahar reported that the Authority’s total expenses of \$1.4 billion were \$327 million or -18.6% less than budgeted. Of that, program expenditures were \$326 million or -19.7% below budget due to timing of expenditures in the NY-Sun, CEF, CES, and the Energy Storage Programs. Variance in NY-Sun was primarily driven by general solar market challenges affecting the volume of community and residential solar projects reaching completion. The underspending in the CEF, CES, and Energy Storage were driven by persistent economic conditions impacting project completion such as continued inflation, ongoing supply chain constraints, and labor challenges.

Next, Controller and Assistant Treasurer Mahar explained that the Members’ meeting package included separate stand-alone financial statements for NYGB, which ended the fiscal year with \$1.0 billion in total assets.

Controller and Assistant Treasurer Mahar reported that cash and investments decreased by \$99 million primarily due to additional capital deployed for new and existing transactions in the portfolio and cash used to terminate the prior year’s monetization loan transaction.

Controller and Assistant Treasurer Mahar indicated that loans and financing receivables increased by \$132 million due to deployment of new loans and financing receivables and the prior year monetization loan transaction mentioned earlier.

Controller and Assistant Treasurer Mahar explained that Management continues to use a specific identification method for asset impairment for loans and financing receivables. There was one impairment recorded at fiscal year-end in the amount of \$141,000 which represents .02% or 2/10 tenths of one percent of the overall NYGB loan portfolio. All other portfolio loans and financing receivables have been assessed and recorded at their appropriate carrying value.

Controller and Assistant Treasurer Mahar noted that total operating and non-operating revenues of \$51.1 million were \$20.2 million higher than budgeted resulting in a net income of \$35.3 million. This was principally related to the following: higher loan interest income on larger outstanding loan balances, higher interest rates associated with various loans in the portfolio, higher investment income because of increased bond yields, and from loan transaction fees.

Overall, Controller and Assistant Treasurer reported that NYGB's total expenses were generally in line with its budget and its cumulative net profit from inception is \$89.0 million dollars.

Lastly, Controller and Assistant Treasurer Mahar noted that the Authority's control environment remains strong, NYGB continued its solid earnings performance, the Authority's ending unrestricted net position remains appropriate to meet working capital needs. The Authority continued its long track record of receiving clean audit opinions and operating within its approved Budget.

In response to an inquiry from Member McKeown, Controller and Assistant Treasurer Mahar stated that NYGB charges a market rate that is not subsidized.

In response to an inquiry from Member McKeown, Controller and Assistant Treasurer Mahar confirmed that cost of capital is fixed and that is the financial statements note an increase in income.

In response to an inquiry from the Chair, President and CEO Harris indicated that the Program Planning Committee report from Director of Performance Management, Jennifer

Meissner would address the question of trajectory toward 2023 goals and the Authority's investments associated with those goals.

In response to an inquiry from the Chair, Controller and Assistant Treasurer Mahar indicated that an update with more specific details regarding the ZECs would be brought up at the Program Planning Committee meeting. In addition, President and CEO Harris stated that the Authority's legal team is working on contractual matters and how adjustments could be made.

In response to an inquiry from the Chair, CFO Poisson stated that NYGB has an evaluation committee that reviews assets monthly. NYGB Managing Director for Finance and Accounting Michael Fagan explained that the evaluation committee consists of himself, CFO Poisson, NYGB President, Andrew Kessler and Managing Director for Risk and Compliance, Brian Lee, and that the entire portfolio is reviewed on a monthly and quarterly basis.

In response to an inquiry from Member McKeown, NYGB Managing Director Fagan stated that there is a team that monitors everything, including greenhouse gas reduction and that a follow-up would be provided with additional information. CFO Poisson indicated that evaluation of the Authority's programs would be covered in the Program Planning Committee discussion.

The Chair stated that a motion for approving the financial statements would be considered after the Committee met with the independent auditors, KPMG in executive session.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee Members present, the following resolution was adopted.

Resolution No. 495

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Members of the Audit and Finance Committee of the New York State Energy Research and Development Authority shall convene in executive session on June 26, 2023 for the purpose of reviewing the financial condition of the Authority.

The Committee met in executive session with the independent auditors for the purpose of discussing the Authority's financial condition.

Following the executive session, the meeting was reconvened in open session. The Chair confirmed that no formal action was taken during the executive session.

The Chair indicated that the next item on the agenda was a resolution recommending the approval of the financial statements of the Authority and NYGB for fiscal year 2022-2023.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee Members present, the following resolution was adopted.

Resolution No. 496

RESOLVED, that the Financial Statements of the Authority and the Financial Statements of NY Green Bank as of March 31, 2023, as presented at this June 26, 2023 meeting is hereby recommended for approval by the Board as the financial reports required by Sections 1867(1) and 2800 of the Public Authorities Law.

The Chair indicated that the next item on the agenda was to consider the appointment of KPMG as the Authority's independent auditors for the fiscal year 2023-2024.

CFO Poisson stated that the Committee was requested to approve a resolution recommending the appointment of KPMG as the independent auditors of the Authority for the fiscal year ending March 31, 2024. In 2021, the Authority issued a Request for Proposals ("RFP") seeking proposals from public accounting firms to provide independent audit services for a term of up to five years and KPMG was selected. KPMG will perform a financial statement audit and deliver an opinion regarding the Authority's consolidated financial statements, and separate stand-alone financial statements for NYGB.

CFO Poisson indicated that KPMG's fees and expenses for these services will not exceed \$132,150.

In response to an inquiry from the Chair, CFO Poisson confirmed that there was a \$3,150 increase in KPMG's fees from the prior year.

In response to an inquiry from the Chair, CFO Poisson indicated that there will be a change in audit partners this year to Dean Geelser as per the five-year cycle requirement.

Member Abbott indicated that the resolution needed an edit from March 31, 2023 to March 31, 2024.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee Members present, the following resolution with an edit was adopted.

Resolution No. 497

RESOLVED, the Audit and Finance Committee recommends approval of a resolution authorizing the President and CEO to retain the firm of KPMG, LLP as independent auditors for the Authority and for NY Green Bank for the fiscal year ending March 31, 2023.

The Chair indicated that the next item on the agenda was the Annual Bond Sales Report and asked CFO Poisson to discuss this item.

CFO Poisson stated that pursuant to requirements of the Public Authorities Law, the Members are requested to adopt a resolution approving the submission of the Annual Bond Sales Report. The Annual Bond Sales Report indicates that during the year, the Authority completed one new issuance, but no conversions or refundings were completed. The schedule of Authority bonds outstanding provides a detailed listing of the Authority's bonds issued and outstanding as of March 31, 2023, totaling approximately \$1.6 billion.

In response to an inquiry from the Chair, CFO Poisson confirmed that there was one issuance of an asset backed bond that concluded in August of 2022.

In response to an inquiry from the Chair, CFO Poisson stated that this typical annual report is a requirement, but the authorization for the upcoming Green Jobs – Green New York bond issuance was approved at the April 2023 Board meeting.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee Members, the following resolution was adopted.

Resolution No. 498

RESOLVED, that the Authority's Annual Bond Sales Report for the fiscal year April 1, 2022 through March 31, 2023, and the information contained therein, as presented at this June 26, 2023 meeting is hereby recommended for approval by the Board for submission pursuant to Section 2800 of the Public Authorities Law.

The Chair indicated that the next item on the agenda was to consider a resolution recommending the approval of the Audit and Finance Committee Charter.

The Chair stated that pursuant to the Public Authorities Accountability Act of 2005, each of the Authority's Committees adopted Charters setting forth each Committee's responsibilities. One of those responsibilities is to periodically review its Charter and determine what, if any, amendments need to be made. These recommendations are then presented to the full Board for consideration and approval. Counsel's Office continually monitors relevant guidance from the Authority's Budget Office; the Comptroller's Office; legislation; and other authority practices to determine whether to recommend any modifications. Other authorities include: the New York Power Authority; the Long Island Power Authority; the New York State Dormitory Authority; and the New York State Environmental Facilities Corporation. Management is not recommending any changes to the Audit and Finance Committee Charter at this time.

In response to an inquiry from Member Abbott, General Counsel and Secretary to the Authority, Peter Costello stated that there is not a misalignment between the Climate Leadership and Community Protection Act and the PPC Charter.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee Members, the following resolution was adopted.

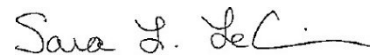
Resolution No. 499

RESOLVED, amendments to the Authority's Audit and Finance Committee Charter as presented for consideration at this June 26, 2023 meeting, with such non-substantive, editorial changes and grammatical changes as the President and Chief Executive Officer, in their discretion, may deem necessary or appropriate, is recommended for adoption and approval by the Board.

The Chair indicated that the last item on the agenda was other business. There being no other business, the Chair called for a motion to adjourn.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee Members, the meeting was adjourned.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sara L. LeCain".

Sara L. LeCain
Secretary to the Committee



NYSERDA

KATHY HOCHUL
Governor

RICHARD L. KAUFFMAN
Chair

DOREEN M. HARRIS
President and CEO

NOTICE OF MEETING AND AGENDA

June 12, 2023

TO THE MEMBERS OF THE AUDIT AND FINANCE COMMITTEE:

PLEASE TAKE NOTICE that the one hundred fifty-third (153rd) meeting of the AUDIT AND FINANCE COMMITTEE of the New York State Energy Research and Development Authority will be held at 17 Columbia Circle, Albany, New York, and at the NY Green Bank Office located at 1333 Broadway, New York, New York, on Monday, June 26, 2023, commencing at 10:00 a.m., for the following purposes:

1. To consider the Minutes of the 152nd meeting held on April 26, 2023.
2. To consider and act upon a resolution recommending approval of the Annual Investment Report of the Authority and the “*Investment Guidelines, Operative Policy and Instructions (June 2023)*.”
3. To consider and act upon a resolution recommending approval of the Annual Investment Report for the NYSERDA OPEB (Other Post-Employment Benefits) Trust for the year ended March 31, 2023 and the “*Investment Policy Statement for the NYSERDA OPEB Trust (June 2023)*.”
4. To receive the Financial Statements of the Authority and NY Green Bank for fiscal year 2022-2023.
5. To consider and act upon a motion to enter into executive session for the purpose of reviewing the financial condition of the Authority.
6. To consider and act upon a resolution recommending approval of the Financial Statements of the Authority and NY Green Bank for fiscal year 2022-2023.
7. To consider and act upon a resolution recommending approval of the appointment of the Authority’s independent auditors for fiscal year 2023-2024.
8. To consider and act upon a resolution recommending approval of an annual bond sales report.

New York State Energy Research and Development Authority

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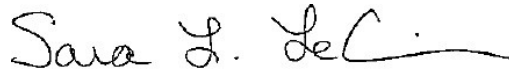
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9. To consider and act upon a resolution recommending approval of the Audit and Finance Committee Charter.
10. To transact such other business as may properly come before the Committee.

Members of the public may attend the meeting at any of the above locations or via the video conference which can be accessed at <https://www.nyserda.ny.gov/About/Board-Governance/Board-and-Committee-Meetings>.

The Authority will be posting a video and a transcript of the meeting to the web as soon as practicable after the meeting. The video and transcript will be posted at <http://www.nyserda.ny.gov/About/Board-Governance/Board-and-Committee-Meetings>.



Sara L. LeCain
Secretary to the Audit and Finance Committee