NYSERDA AUDIT AND FINANCE COMMITTEE MEETING
April 26, 2023
Clean Copy of Transcript

Jay Koh:
Yes, I have power cords.

Sherburne Abbott:
Okay. Okay. Here you go. You ready?

Jay Koh:
We ready? Well, I call this meeting to order a notice of the meeting and agenda was mailed to Committee Members on April 12, 2023, and to the press on April 19, 2023. This meeting is being conducted by video conference. The Authority will post a video and a transcript of this meeting on the web. Confirm that we have a quorum. I would lead each of the Committee Members to introduce themselves. I will start. I am Jay Koh, Chair of the Committee.

Sherburne Abbott:
Shere Abbott, Member of the Committee, Member of the Board.

Sadie McKeown:
Sadie McKeown, Member of the Committee. Member of the Board.

Frances Resheske:
Frances Resheske, Member of the Committee. Member of the Board.

Jay Koh:
Thank you. The first item of the agenda is the approval of the Minutes of the 151st Committee meeting held on January 25, 2023. Are there any comments on the Minutes? May I have a motion approving the Minutes.

Sherburne Abbott:
Second.

Jay Koh:
Second. All in favor?

Members of the Committee:
Aye.

Jay Koh:
Opposed? The Minutes are approved. Next item concerns a presentation from our independent auditors on the audit of the Authority's financial statements and NY Green Bank's financial statements for the Fiscal Year 2022 to 2023. Marty Dunbar from KPMG, LLP will present this item. Marty.

Martin Dunbar:
Thank you, Jay. Good morning everyone. I'm Marty Dunbar. As you recall the partner from KPMG. I'd like to introduce two of my colleagues here this morning. As you may all recall that in accordance with the Authority's standing policy that the Lead Audit Partner rotate off of the account every five years. 2022 was my final in fifth year of my tenure over of in 2023. And moving forward, Dean Geesler will be the Lead Audit Partner for the Authority's audit. Dean may be an afil familiar name to you all. He was the Lead Audit Partner during the years prior to my arrival. Dean will be joined by Jeff Coach, who's a Managing Director in our office. Managing Director is effectively consistent with a, an Engagement Partner. So in my replace my replacement will be Dean and Jeff to lead the audit moving forward here in 2023 and beyond. And so with that, I'll hand the presentation over to Dean and Jeff to walk you through and, and wish you all the best of luck.

Dean Geesler:
Well, hello everybody. Thank you Marty. Jay, it's nice to see you again. I, I know you were on the Committee in my last stint as the Engagement Partner on the audit. So it's nice to see you again and nice to see everybody else as well. So we have a presentation. I know you've had it for some time. And, and I will go through it fairly quickly hitting the high points and the things that I think need to be discussed. But certainly if you have questions as I go through this, please let me know. As Marty noted, we do have Jeff Coach here a new face for NYSERDA and the Committee, but we'll, we'll add a lot to the team and has a lot of experience at serving New York State and, and other related entities.

So I'm happy to have him supporting me. And we also have Jeff Mabb here who should be a familiar face to all of you as the engagement manager as well. So if we flip to flip to the next page, yeah, we can go to the next page as well. So we do have some themes within the, the presentation here. Some of this is, is probably familiar to you given the, the audit itself and, and the familiarity that you have with our requirements as far as risk assessments and, and the, the nature of our audit. However, we do have a couple of other themes here as well and wanna make sure that we do talk to you a little bit about some of the areas where, where we're updating our audit plan and, and factoring in some of the transactions and risks, as well as considering some of the technology associated risks that exist within NYSERDA and the potential impact on the financial statements. So we can go to the next page.

So here is the summary of the updates to the plan. There are essentially three things that are changing that not necessarily changing, but three factors that result in us modifying our plan to some extent. One is the fact that there will be some new GASB pronouncements that impact the, the financial statements of NYSERDA and NY Green Bank to some extent. The first well, you can see 'em in the top box here. The leasing standard is required to be adopted. So there will be a recognition of lease related assets and liabilities. So a, a balance sheet of the gross up, if you will. There will be some other disclosures and, and I'll call it somewhat minor impacts related to conduit, debt, oblig, oblig, obligor, as well as the subscription-based information technology arrangements.

So although none of these will have a huge impact on the financial statements, we do have the responsibility to ensure that what does get included as updates to the financial statements is materially accurate and complete. There's one auditing standard. There's a supporting slide related to the auditing standard update that does apply this year. And when I mentioned technology focused earlier, it really is related to what we call SAS 145. So we have some enhancements to our own risk assessments that we need to make. And one of those, a big focus of it is documenting a little bit more about our understanding related to the reliance on it of NYSERDA. And so we, we don't necessarily need to get into testing all of the IT controls and, and whatnot that NYSERDA has, but we do need to have a good understanding of where it is relied upon where it's used and, and some of the, I'll call it, broader control designs that that are in place. And so we may be asking some different questions and documenting some different aspects of reliance on it as part of our audit planning.

Oh, sorry, was there a question? Okay. So the, the, the third bucket relates to transactions. So each year there are certain transactions that might be new that, that we would include or factor into our overall audit plan. And, and there was one that we mentioned here. There was a, a settlement of the Bank of America's securitization. And so we will do some procedures around that accounting for, that's, this is specific to NY Green Bank, by the way. And make sure that that transaction is appropriately accounted for and reflected in the financial statements at your end so we can move forward. The next slide is a team slide. Marty discussed the biggest change adding myself and Jeff to the team in his place. As you can see on this page, everyone else has an asterisk, which denotes that they are continuing from the prior year.

So a number of team Members that that do know and understand NYSERDA, and that helps us as far as our own ability to deal with risks that exist in the audit efficiently. And it also helps management and, and ensures that the folks that are on the audit do understand NYSERDA and the, the systems and processes that are in place. So, and although my name doesn't have an asterisk, because I did serve several years on the NYSERDA audit, I have a, a running headstart, if you will for this year's audit.

So we can move forward the, the two slides, I guess the, the next few slides are what we call the required communications. And I'm not gonna cover each slide individually, but you can see here on the left side, we do talk about the scope of the audit, which has not changed. We will perform our audit of NYSERDA as well as the NY Green Bank in accordance with the US auditing standards and Government auditing standards. That includes the issuance of other reports what we refer to as the Yellow Book report for each of those entities. And, and we also do the required examination of I'll call it investment compliance for the Authority. These are all annual components of our audit that that have not changed from the prior year. The table on the right gives the req the, the, the required communication topic, if you will.

In the left hand column, there's a middle column that shows whether it applies or not. So if there is a check mark, there is generally a slide following this, this slide or within the deck that impacts or discusses that that topic. And then there is at least one topic with an X there that where there are no matters to report. So just looking at, at the matters that are on the left hand side here, there really aren't any significant changes from past year. So unless the Committee wants, I, I don't necessarily need to go over all of these. The pages that follow, talk a little bit about the, the application and material materiality as part of our audit. And that essentially is a threshold where we assess what might be material to the users of the financial statements based on the nature of the items, based on the amounts involved.

And, and based on the focus of what the users of the financial statements might be, be looking at as they look at the financial statements and use them. There are also discussions around the timeline, if we, we probably a good time to, to turn to that slide on page nine, I think it's two slides away. Yeah, next slide. So the timeline itself generally consistent with what we've had in the past. So no big changes here. We've already had discussions with management on what's been happening at NYSERDA for the last 12 months. And have factored in these discussions into this audit plan, into the timing of our audit. And are ready to begin our, our audit in earnest in in just a week or two. So we do anticipate obviously meeting with this Committee near the end of June at which time we'll be materially complete with our audit and be able to talk about any issues or observations that come up during our audit process. We can move forward.

So there are a couple of pages on, on risks. I won't get into them in detail. This page talks about what we consider and significant risk is a, a defined term within our audit requirements. And I, I, this is, there's nothing new related to what is called a significant risk of management override. And you can see the bolded and underlying text there. This is a risk that is present at all entities being audited and we do have to consider in every audit. And what this is really related to is the fact that management could override controls. They, they, they could book entries without people reviewing, et cetera. And it is our job to consider what those controls are and ensure that there hasn't been any material management overrides. So, again, nothing unique to NYSERDA that makes this a significant risk. It is something that we do with every financial statement audit.

So we can go to the next page. I think the next couple of pages talk some of those areas that are also part of the audit focus. Again, I'm not gonna go over detail, but these are generally consistent with last year and, and, and prior years before that. So we obviously want to look at based upon our risk assessments, each of those material line items the processes and controls around those line items, if, if they're if controls are relevant as well as making sure that we get support for year end balances, as well as those items that show up on the statement of activities for each of these material line items. So, again, nothing new here. We do obviously focus on the NY Green Bank as well, and the loans and transactions that are also included in the NYSERDA financial statements. And, and as part of our estimates also look at the OPEB and pension liabilities that are recorded on the financial statements. These are rolled forward, if you will, every year. And we look at any updates to assumptions that are made and, and include actuarial reviewers that are within KPMG to ensure that appropriate changes each year are made.

We can move to the next slide. So these are some of the other specialists that are involved in our audit. Nobody that is new. The, the big thing here is the, the reminder that we do use a couple of subcontractors that are MWBE certified. You can see them listed here. They are also very experienced with NYSERDA. They serve as some of our audit staff during the performance of the audit. Otherwise, I, I already mentioned some of the actuarial specialist work. And, and the other item of note on this page is noting the tax resources that we have to ensure that any potential related income tax matters are identified. And the big thing they're paying attention to is ensuring that there are no issues with the Authority’s exemption from income taxes.

So the next slides after this generally relate to oh sorry, new effective accounting standards. I already mentioned this, but there are a list of them that are coming into effect over the next couple of years. The, the, the leases is a, a fairly big one for, for many organizations, and I know management's already done a lot of work for this. The expectation here is that because of the nature of the adoption of this standard as well as the, the work done by management that this year there most likely will be only a one year presentation of the financial statements because of the I'll call it non-com comparability of the current year impacted amounts or the leasing standard impacted amounts not being comparable with the, the prior year where lease the leasing standard was not applied otherwise.

There won't be a lot of significant impacts to the financial statements for these standards that are coming into play for this year as well as the next couple of years. Okay, now we can move forward. So the, the next couple of slides are really focused on I already hit this one so we can move to independence. The, the independence and oh, sorry, I, I, I keep forgetting. No, no, you can go forward. The, the slide here is provide some links. There are links to our transparency quality reports and impact reports. So each of these we present, we present to our audit Committees and clients to give you the opportunity to look at those things that we're focused on from an audit quality perspective, as well as the things that we're doing from a people planet prosperity and governance perspective.

So we've got some commitments out there and tracking those commitments each year. So we do want to give the Committee Members and others who are stakeholders in our clients the ability to look at our updates on a year to year basis. So now the next few slides are related to independence and the responsibilities of the audit. There really aren't any changes to these to these requirements that are included in the, the following pages. We obviously need to track independence very carefully, so we're tracking engagements and relationships within all of our clients to ensure we maintain our independence. And then the responsibilities of the audit have not changed. In summary, management is required to prepare the financial statements maintain controls, et cetera. We are required to apply the auditing re requirements and abide by our auditing standards to get comfortable with those financial statements.

And that whole audit process as well as management's financial statement preparation process is overseen by this Committee to ensure that they write up the right level of governance is applied. And then the, the last slide. So I, I, you know, just sometimes the, the last slide of inquiries is a, a little concerning, but there are questions that, that we ask of management each year. And, and tho those questions have been answered already from an audit planning perspective. And we're, we're comfortable with that. And all of those types of compliance and other types of questions that, that we ask throughout the audit are factored into our overall audit plan. So no, no general expectations of any material issues have come up during, during those procedures and inquiries. So that was our prepared presentation. Not a lot of change from the prior year. Just be comfortable that those things that aren't updated, if you will, those transactions and some of the auditing and accounting changes are reflected in our plan during, for the performance of the audit. And we'll report again in in about two months. But happy to answer any questions now, if you have any.

Jay Koh:
Any questions from the Committee? I have three somewhat technical questions. I hope that these are appropriate. But Dean, it's good to see you again. And I think it's great that we have a continuous best practice of rotating just to keep ourselves fresh and have a, you know, a new set of eyes on things all the time.

Dean Geesler:
Agreed.

Jay Koh:
The first relates to the OPEB trust. This is both kind of an audit question and a policy question. You know, we're facing a very different interest rate environment that's caused bank runs at Silicon Valley Bank and its signature, and it's caused the collapse of recent major global financial flare. You know, a lot of the original sin, if you were, if you will, in that whole process, has been extended duration of fixed income exposure which was not appropriately hedge or traded out of as the interest environments changed, rattling.

You know, I think that probably has implications for other parts of NYSERDA's operations from a, a lending perspective and from a credit perspective. But just wondering if you're doing anything in the review and from a process standpoint of those types of retirement and benefit benefits vehicles to ensure that they're complying with best practices. And then separately, I think we should probably at some point revisit off out of this context, you know, making sure that we're paying attention to appropriate recommendations around investment guidelines in terms of duration. Most people were surprised because for 15 years we've basically had anti-gravity in the interest rate environment. And now the sudden falling of objects to earth over a longer durations has caused a lot of issues. So, you know, general question on, on is the, is your, you know, is that part of the approach? Would you suggest any different kind of analysis from a process standpoint of the OPEB trust being one of our, you know, critical responsibilities to former staff?

Dean Geesler:
No, it's a, a, a good question, Jay. And, and so there are a couple of aspects. Obviously as the interest rates have come up, there's the technical aspect of the discount rate that is included within the calculations of all of your defined benefit obligations, those rates go up. And so your obligations actually come down. We, we obviously are, are paying attention to that, but as far as the in, in investments allocation, the liquidity of the trust, et cetera, it's something we'll pay attention to. In a, you know, I think based upon management's feedback we do understand that there are that there's some movement happening related to an asset allocation study now, and this is pretty typical of, of what we're seeing at a lot of clients where there might have been a tendency to move into equities in the past because that was the only place to get any type of return.

Now there's been a shift back, okay, well, if I can get four, five, 6% in fixed income securities and, and they may have long-term duration they, they, they may not, and hopefully there's an appropriate laddering going on, but we do see a shift going back. So those allocations are probably in the, in the process of being updated. And, and I think, you know, NYSERDA certainly considering that. But we although we do pay attention to duration a little bit generally within these trusts, they're, they're, you know, our, our experience shows that there's a sufficient amount of cash that's generally held to, to meet any, any obligations that are due over the, the next year or two. And then the other aspect of it that, that impacted the banks was they were generally choosing to, to sell out of those securities to, to free up liquidity to, you know, fund loans to, to rebalance portfolios and whatnot. Generally, these long-term benefit trusts don't need to, right. Do such things. They don't necessarily need to create that liquidity or, or, or shift things as quickly. So usually you can let them play out, collect the cash flows that were anticipated from the beginning and, and then rebalance if need be. And. Go ahead.

Pam Poisson:
I can offer maybe just two complimentary points. So agreeing with all that, and from NYSERDA'S standage point, we have historically been very conservative in the mix intentionally. We actually fund the liability each year, which is more conservative than many organizations do. And with that as allocation study controller, Peter Mahar and I are working with our outside advisor Milliman Financial to update both the actuarial projections and also the overall portfolio sensitivities. And we'll have an update for the Committee here and the Board in June as part of the audit report.

Jay Koh:
That's great. And, and I understand it's a process evaluation and materiality question when it comes to the audit process itself, but I just wanted, you know, the fact that we are attending to what is clearly a different economic and financial environment and wanna make sure that we're fulfilling our responsibilities piece of er current and former employees. The second question is consistent with the changes that are being moved forward into on the GASB treatment of leasing. I think there's been a discussion internally here about moving towards accumulator versus a comparative reporting of our financial statements. And I just wanted to confirm that that is well, in keeping with other practices that KPMG and external auditors have seen, no requirement exists for comparative reporting as it stands anyway. And, and if you have changes in the treatment of things like leases that could have a material effect on financial reporting going forward, you know, comparative reporting also maybe more misleading than actually providing transparency. Is that a fair characterization from your standpoint?

Dean Geesler:
Yeah, yeah, very fair. You, you know, he, Jeff happens to have gone through one of these one, two of these already and is in the process of one or two others. And what we're seeing is most of the folks in the, the, the GASB world are, are moving to that single year presentation as well, because there is no requirement to present comparable financial statements and exactly like you said presenting well, you, you can do a lot of extra work to, to get to presenting them on a comparable basis. But then there's big changes from the actual financial statements that were issued last year. So in, in the instead of doing all of that work and presenting different numbers for the prior year, most entities are going with this single year presentation.

Jay Koh:
That's great. And the la the last just broad suggestion is in the course of this transition at the audit partner level and because of the, you know, nature of changes that occur over periods of time, I

just, you know, if there are new best practices that you as Lead Audit Partner can suggest to us that we consider valuation of our financial statements, I think we welcome that set of discussions. I just think it's important, good practice every couple of years to take a survey with our external advisors and think through whether or not we should, you know, be doing something differently, right? And the broad, you know, the changes just in the programmatic activity here at NYSERDA, much more deployment and large scale programs like offshore wind means that the financial statements, materiality threshold, it's a range of other activities are gonna look different going forward. And so, you know, I think it's a good opportunity with the shift in Lead Audit Partners to have the continuity, but also to say, okay, you know, every couple of years, why don't we think at and make sure that we explicitly are value whether there are changes in best practices.

Dean Geesler:
I, I think that's great feedback and, and we will obviously be going through the draft financial statements, so that'll be our first step as far as assessing whether we've, we see any improvements that could be made. I obviously am familiar with NYSERDA statements, but a lot has changed in the last few years, so I'll, I'll be taking in, in essence a fresh look with some historical basis, if you will. Jeff, on the other hand, has not been part of the NYSERDA team in the past, but has a, a tremendous amount of GASB experience. So we'll both be providing that that experience, if you will, and any feedback to management during that review of the financial statements. So hopefully you'll get pretty much a finished product by the time it comes to you. But if there are other things that, that come up during the process that we feel like need to be discussed during that June meeting, we will certainly bring them up.

Jay Koh:
Fantastic. Thank you very much. Are there any other questions from Members of the Committee? Seeing none, no formal action is required by the Committee Members under this item. The next item on the agenda concerns the Internal Audit, the Annual Internal Audit Report for Fiscal Year 2022-2023, and approval of the Internal Audit Plan for Fiscal year 2023-2024. The Authority’s Director of Internal Audit, Mary Peck, will discuss this item. Mary.

Mary Peck:
Thank you, Jay. The Members are being provided the Annual Internal Audit Report for Fiscal Year 22-23, and the Internal Audit Plan for Fiscal Year 23-24. In addition to our recent audit activity, I'll discuss the annual report review the internal audit plan with you, and ask that you approve the Fiscal Year 2023-24 Audit Plan. As discussed at the January meeting, we're still in the process of reviewing the ongoing Authority wide risk assessment and the corresponding Audit Risk Assessment. As such, we haven't yet updated the rotational audit plan.

This item doesn't require your approval, but my professional standards require that I keep you apprised of the status with regard to the Annual Internal Audit Report. The annual report included in the your meeting packet summarizes the audits and consulting activities that were performed and completed during the past fiscal year. That ended on March 31st. In addition to the audits I've reported at previous meetings, I wanted to provide an update on the following items, IA2022-03 was an audit of the NY Green Bank's Compliance Program. The Members were emailed a copy of the final report in February. In accordance with the Annual Audit Plan, a review was conducted at the NY Green Bank's Overall Compliance Program. The purpose of this engagement was to determine whether the Green Bank followed identified compliance requirements and whether senior management was effectively administering and monitoring them.

Specifically, we looked at compliance with requirements of the Public Service Commission Control Procedures outlined in the Green Bank's Operations and Procedures manual in compliance with specific NYSERDA ethics and training requirements. Relevant Green Bank and NYSERDA processes were considered. We reviewed all PSC filings within the scope period, as well as relevant investment and risk Committee materials. We also tested a sample of transactions to ensure appropriate review and approval. While we did note a few opportunities for improvement, none were significant. We also completed a consulting activity on 2223-01 which is the OSC Office of the State Controller Internal Control Certification. This is an agreed upon review of finance's, internal controls for its Annual Certification to the State Controller. This also encompassed the quarterly continuous monitoring project that's done in coordination with finance. The final report has been provided for the internal control officer's review prior to the President's required certification by April 30th, with regard to Internal Audit Plan for fiscal year 23-24.

Included in the meeting packet was a memorandum that asked the Committee to approve our Annual Internal Audit Plan for the coming fiscal year if approved by the Members. The Internal Audit Plan includes working with management on completing both consulting activities and audits. These activities would include an audit of the system access for Theta Enterprise Information System. As part of its annual internal control assessment, the Authority considers system access and user role security for the statewide financial system. This review will be done in consideration of the State Controller's expanding focus on this area to ensure that our financial system is being reviewed with the same rigor as discussed at the January meeting. This audit has been delayed pending the resolution of items identified in the preliminary survey. We'll also be conducting an audit of the NY Green Bank's anti-money laundering policy in 2020. The investment and risk Committee approved an anti-money laundering policy that requires a bi-annual review from internal audit.

This will be the first review following the wider compliance audit that was just completed in support of this audit. I recently obtained the necessary certification to qualify me to perform this review. We will also be conducting an audit of the employee Onboarding process. NYSERDA is anticipating an increase in its hiring and staffing levels. This audit will review existing policies and procedures for efficiency and effectiveness. We'll measure compliance as well as identify opportunities for improvement. This scope will also include the NY Green Bank. Finally, there'll be a consulting activity, which is the ongoing assist with management's internal and control assessment. This is an assurance and consulting activity to perform a continuous monitoring review of transactions that are reported on annual certifications. Scope and procedures are defined in consultation with the internal control officer, and as I mentioned, the redesign and update of the Authority wide risk assessment is ongoing.

In coordination with our Chief Financial Officer and the Vice President for Operations, we'll continue our efforts to refine the ongoing risk assessment and the Authority’s' Internal Control

Manual Internal Audit will then update and reissue its audit universe and vocational plan before drafting 2024-2025’s Audit Plan. The anticipated timing of the planned audit is included on page five of the memo. Internal Audit is also required to perform additional activities to conform to internal auditing standards. These activities include participating in continuous professional development training, which is 40 hours per auditor per year, is required by the Internal Patrol Act here in New York State. Maintaining a quality assurance and improvement program, having a follow up process to monitor the implementation of recommendations communicated in internal audit reports. Finally, the standards require that I make an annual statement of independence to the Members of the Board. My staff and I have reviewed the standards, and we have no concerns regarding any impairments. This review in our formal individual attestations are documented in our quality assurance files. At this time. I'd be happy to answer any questions.

Jay Koh:
Do you have any questions for Mary?

Sherburne Abbott:
I just have one question. What, what's the threshold between the opportunity And a

Mary Peck:
And a significant thing? That was a very, that was a very Richard Kaufman question as well, Shere. Generally we, we always come up with something that, you know, is an opportunity for improvement. For me, in order for it to be significant, it would have to be non-compliance with a policy or procedure or a mistake that had ramifications. None of those were found in the Green Bank audit. They were all things with, just with regard to the timing of things being approved and whether or not documentation was stored, you know, in an easily accessible form.

Jay Koh:
You have any questions for Mary? Mary, thank you for your hard work on this. I know internal controls function, it's a critical what also, certainly appreciate your undergoing the necessary training to, to achieve the certifications report, different parts of this process.

Mary Peck:
And thank you, Jay.

Jay Koh:
You and your team work very hard on this. We have a incredibly successful history and external audits without comments or at least an unqualified audit reports. Same thing as I pretty consistently true on the internal control side. You know, I, I'm glad to see that there is focus on systems access and we continue to think about the increasing amount of cybersecurity concerns that the agency faces increasingly in this environment's financial entity that has more visibility and an increasingly fraught cybersecurity environment. So, glad to hear that. Any other questions for may I have a motion to approve in the Internal Audit Plan for Fiscal Year 2023 to 2024? Second.

Sherburne Abbott:
Second.

Jay Koh:
All in favor?

Members of the Committee:
Aye.

Jay Koh:
Internal Audit Plan for Fiscal 2023 to 24 is approved. Thank you very much, Mary.

Mary Peck:
Thank you.

Jay Koh:
Next item on the agenda is proposed financing of the Authority's Green Jobs Green New York program. The Authority's CFO, Pam Poisson, will discuss this item.

Pam Poisson:
Thank you, Jay. Good morning Officials and Members. The Members are requested to adopt a Resolution authorizing the issuance of the Residential Clean Energy and Energy Efficiency financing Green Revenue Bonds Series 2023A in the aggregate principle amount not to exceed $45 million. The bond issuance allows continued financing of residential energy efficiency and clean energy loans that are issued through the Green Jobs-Green New York program. An approval motion and the supporting materials are included in your advanced accurate as context. The Green Jobs-Green York program, of course, provides New Yorkers with access to energy assessments, installation services, low interest financing for efficiency improvements, and clean energy installations. The Green Jobs-Green New York Act of 2009 and subsequent related amendments directed the Authority to establish a revolving loan fund, provide loans for such improvements at homes, multi-family buildings, small business facilities, and not-for-profit corporations. That act initially funded the program with $112 million in proceeds from the Regional Greenhouse Gas Initiative.

Over time, it has further been supported with some new capital via those RGGI allowance auction proceeds, as well as by recycling capital to leverage that initial funding. One way of recycling capital that we found to be cost effective is to issue bonds that are collateralized with the monthly payments to that end, NYSERDA to proposes to continue. Its regular and roughly annual practice of bond financing for the bond issuance at some point within the upcoming 12 months. The exact timing of which will be determined in consultation with our financial advisors and our underwriter As we consider the market conditions and liquidity needs, excuse me, at present, we are aiming for a late summer or early fall issuance that may shift depending on inflation prevailing interest rates and other market factors. Last year's bond issuance was fairly successful. We incorporated heat pump loans as part of the collateral for the very first time as it was positively received by the markets.

We plan to continue this practice to help drive market acceptance of building electrification technology. The upcoming issuance will be comprised of high credit quality loans and structured to provide a reasonably certain path to a fully subscribed market competitive bond offering. But your materials include more supporting details, but a few highlights I should focus on over the following. First, the bond proceeds will be used to replenish the revolving loan fund. That is, in turn you issue new loans to finance. The residential energy efficiency measures solar PV heat pumps, and other related installations, all consistent with the goals of Green Jobs-Green New York and the CLCPA goals for carbon emission reduction. Now, the bonds as typical, are anticipated to be issued as labeled green bonds that are verified as such to a second party opinion, the total principle amount is not to exceed $45 million with a maximum maturity of 20 years.

Bonds will be fixed free taxable, and based on the interest rate of the underlying loans, with a maximum weighted average interest rate of 7%, they will be secured by a plus fixated levels of both prepayments and defaults. They'll be structured to provide excess revenues relative to scheduled principle and interest payments. Finally, they will be structured to the single a rating category as characterized by parole bond rating agency. We expect them to be underwritten by Ramirez & Co., Inc., which was selectively exuded and competitively selected and will provide underwriting services for the program. As a reminder, the obligations are limited obligations of the Authority payable solely from the pledge to launder repayments. Process wise, the bonds will require the approval of the Public Authority's Control Board, and certain aspects of the transit will require approval by the State Comptroller's Office at the New York State Department of Tax and Finance. Again noted within the next year. So the issuance per the motion will occur as late as April 26, 2024. That impor affords an important degree of flexibility. As noted earlier, we are currently working toward a likely late summer or early fall closing date. Let me pause to see if there are any questions.

Jay Koh:
Are there any questions?

Sherburne Abbott:
I have one general question, which is, is there a built into the structure of governance of these bonds of mechanism for understanding whether or not achieving their objectives under the CLCPA submissions and <inaudible> and efficiency improvements? I don't, there's always that question.

Pam Poisson:
I, I would say generally yes, there, perhaps not specifically in the adventure. So the, the certification or flyers that it needs for certain purposes as consistent with the Green Job-Green New York Act, and then those loans meet very standardized criteria that in turn are consistent with the goals of the CLCPA. There's also a, a validation process that's used on the back end to make sure that what's being installed is consistent with the terms of the program. So I'd be happy to share more details on that validation process of a follow up.

Jay Koh:
It's fair to say that very second party verification here, right? And that the proceeds that fund, the repayment of the bonds come from specific programs that some requirements, but it may be that the dentures themselves don't require contrast matter contract law or securities law. Those set of

additional representations, the, the, the, the chain of causation ought to actually result in that really wouldn't have second verification.

Sherburne Abbott:
But. That's helpful.

Jay Koh:
I have just one question and, and if you don't have the answer right now, I'm just curious about it for, for later. Do you have any idea what the maximum interest rate was of last year's issue or the last prior issues?

Pam Poisson:
For the underlying Yeah. Among 6.99%.

Jay Koh:
Okay.

Pam Poisson:
And that would be consistent with the structure of this year as well.

Jay Koh:
Okay. Great. Any other questions? A motion recommending approval of the financing of the Green Jobs-Green New York program.

Jay Koh:
Second.

Sherburne Abbott:
Second.

Jay Koh:
All in favor?

Members of the Committee:
Aye.

Jay Koh:
Opposed? the financing of the Green Job- Green New York program is recommended for approval. Thank. Next item on the agenda is other business. Are there any other matters of Members wish to discuss? None. May I have a motion to adjourn? Second.

Sherburne Abbott:
Second.

Jay Koh:
All in favor?

Members of the Committee:
Aye. Aye.

Jay Koh:
Opposed? Meeting adjourned. My apologies for starting this meeting a little bit late.