

MINUTES OF THE ONE HUNDRED THIRTY-SECOND MEETING OF THE
AUDIT AND FINANCE COMMITTEE
HELD ON JUNE 26, 2017

Pursuant to a notice dated June 8, 2017, a copy of which is annexed hereto, the one hundred thirty-second (132nd) meeting of the Audit and Finance Committee (the “Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the “Authority”) was convened at 10:30 a.m. on Monday, June 26, 2017 at the Authority’s New York City Office at 1359 Broadway, 19th floor, New York, New York, and in the Authority’s Albany Office at 17 Columbia Circle, Albany, New York, and at New York State’s Center of Excellence for Environmental and Energy Systems (conference room 203), Syracuse University, 727 East Washington Street, Syracuse, New York 13244.

The following members of the Committee were present:

Sherburne Abbott

Kenneth Daly

Richard Kauffman, *Chair of the Authority*

Member Jay Koh was unable to attend.

Also present were Janet Joseph, Vice President for Technology and Strategic Planning; Noah C. Shaw, Esq., General Counsel; Peter Mahar, Controller, Assistant Treasurer; Sara L. LeCain, Esq., Senior Counsel and Secretary to the Audit and Finance Committee; Elizabeth Clague and Dean Geesler, from KPMG, LLP; Bruce Van Dusen, Hawkins Delafield & Wood. LLP; and various other staff of the Authority.

Mr. Kauffman called the meeting to order and noted the presence of a quorum. The meeting notice and agenda were forwarded to the Committee members and the press on June 8, 2017. Mr. Kauffman stated that he would be leading the meeting as the Committee’s Chair, Jay Koh, was unable to attend.

Mr. Kauffman indicated that the first item on the agenda concerned the approval of the minutes of the one hundred thirty-first (131st) meeting of the Committee, held on April 27, 2017.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members, the minutes of the hundred thirtieth first (131st) meeting of the Committee, held on April 14, 2017 were approved.

Mr. Kauffman indicated that the next item on the agenda was the Authority's Investment Guidelines, Operative Policy and Instructions (June 2016) ("Investment Guidelines") and the Annual Investment Report ("Investment Report"). Peter Mahar, the Authority's Controller and Assistant Treasurer explained that the Investment Guidelines set forth the policies and procedures for the investing, monitoring and reporting of the Authority's investments. The Authority is required to review and approve its investment policies annually, pursuant to Public Authorities Law Section 2925. No substantive changes are recommended to the Investment Guidelines.

The Annual Investment Report summarizes the Authority's investments, and the results of its investment activities. The Authority's total investments decreased \$715.2 million to \$941.7 million on a fair market value- basis. The decreases across all legacy Public Service Commission-approved programs were principally due to expenditures made from funds already on hand, pursuant to the Clean Energy Fund ("CEF") Order's "Bill-As-You-Go" ("BAYG") approach, as well as transfers to NY Green Bank totaling \$150,000,000 for additional capitalization.

The investment balance of \$941.7 million is offset by commitments for contractual obligations and pending contract awards totaling over \$3.2 billion, which is reflective of the Authority's performance-based funding arrangements and the timing differences between the receipt, commitment, and expenditure of funds it administers.

Interest earnings for the fiscal year, excluding fair market value adjustments, were \$10.8 million, a decrease of \$4.3 million from the prior year, and the investment rate of return on this basis was .5% as compared to a yield of .8% in the prior year.

The Investment Report includes a report from the independent auditors, KPMG, LLP (“KPMG”), noting that the Authority has complied with the State Comptroller’s Investment Guidelines for Public Authorities and relevant sections of the Public Authorities Law.

Next, Mr. Mahar explained that two changes to the Investment Guidelines are recommended. The first change would modify the provisions for money market accounts as permitted investments. The current Investment Guidelines limit money market account investments to not more than 5% of the total portfolio if maintained for more than 30 days, and not more than 10% at any time. Historically, the Authority has not used money market accounts as investments, but based on discussions with the Authority’s fiscal agent, staff have identified the opportunity to use these accounts to improve cash management liquidity and reduce transactional expenses and provide higher returns than the traditional approach of maintaining uninvested cash balances. Staff propose to change the limitation to a 10% limit at any time, which will serve to meet cash management needs for the Authority and NY Green Bank, without using these accounts for primary investment purposes. The second change includes revisions to the responsibilities for the independent auditors’ review of investments which were incorporated into the changes to the Audit and Finance Committee Charter approved by the Members at the April 2017 meeting.

In response to an inquiry from Mr. Kauffman, Mr. Mahar explained that staff has discussed the BAYG approach with the Authority’s fiscal agent, the New York State Department of Taxation and Finance (“Tax and Finance”). Tax and Finance suggested the Authority consider modeling BAYG based on their short-term investment pools. For example, the Authority would take some of the funds and place them in a money market account, which would allow the Authority to use the funds as cash flow for BAYG to draw down investments over time. This approach is similar the State’s approach to its income investment pool.

In response to an inquiry from Mr. Kauffman, Mr. Mahar indicated that staff has not reached out to the New York Power Authority directly, but the Authority’s proposed approach to its investments is in line with how other New York State entities handle their investments.

In response to inquiry from Mr. Daly, Mr. Mahar indicated that staff would provide an analysis of what the Authority's Net Position would be if BAYG were not in place.

Mr. Kauffman stated that a resolution considering approval of the Authority's Investment Report and the Investment Guidelines would be considered after the Committee members meet in executive session with the independent auditors.

Mr. Kauffman indicated that the next item on the agenda that the next item on the agenda concerned the NYSERDA OPEB (Other Post-Employment Benefits) Trust ("Trust") Investment Policy Statement ("Investment Policy Statement") and its Annual Investment Report for the fiscal year that ended March 31, 2017. Mr. Mahar explained that the Trust was established in March 2010 and is used to fund payments for health insurance premiums for eligible Authority retirees and eligible dependents for the Authority's share of retiree health insurance premiums provided through the New York State Health Insurance Program.

The Authority has contributed \$35.2 million to the Trust, has earned about \$8.6 million in investment income, has expended about \$5.4 million in benefit payments, and incurred about \$168,000 in administrative expenses, leaving a balance of \$38.1 million in the Trust as of March 31, 2017.

Investments have been made consistent with the Board-adopted Investment Policy Statement, which requires diversified investments in mutual funds and exchange traded funds. The market value of the Trust's assets was \$43.2 million, reflecting an appreciation of \$5.1 million in the Trust's assets as of March 31, 2017, and resulting in a 46% total return on the Authority's contributions for the 7-year period.

As of April 1, 2016, the most recent actuarial valuation of these OPEB liabilities, the actuarial accrued liability for benefits was \$51.6 million, and the value of plan assets at that time was \$36.7 million, so the plan was 71.2% funded. The funding of the Plan to date has been based on actuarially-determined Annual Required Contributions using a 30-year open amortization period, as permitted under GASB Statement No. 45 when the Trust was first created. As we

discussed with the Committee at the April meeting, GASB Statement No. 75 will become effective for fiscal year 2018-19 and require the recognition of any unfunded liability in the accrual-based financial statements. We are currently working with our actuary to update the actuarial valuation as of April 1, 2016, estimate the impacts of adoption of GASB 75, and explore implications of alternative funding contributions. We'll report more to you on this topic at a future meeting.

The Members are also requested to adopt a resolution approving the Investment Policy Statement for the NYSERDA OPEB Trust. There are three changes to the policy. First, while the Trust has produced an average annual return of 6.6% for the seven years since inception, the Investment Consultant advises that the long-term expected return using the current portfolio asset class target allocations would be about 6.1%. The Investment Consultant has recommended revisions to investment allocations which would provide a long-term expected return of 6.5% (in line with the discount rate used for the actuarial valuation of NYSERDA's OPEB liability), while at the same time resulting in a slight reduction in expected portfolio risk (as measured by standard deviation of returns). Second, changes are proposed to define the Plan Administrators in the Investment Policy Statement rather than through separate Board resolution. Finally, the requirement for consultation with the Chair of the Audit and Finance Committee to carry out investment of Trust assets will be revised and clarified to require consultation with the Investment Consultant.

In response to an inquiry from Mr. Daly, Mr. Mahar explained that the Trust is approximately 74% funded. Mr. Mahar indicated that the percentage will change over time given the yield of the investment portfolio of 2018 and the Authority's staffing levels from year-to-year.

In response to an inquiry from Mr. Daly, Mr. Mahar stated that the Trust is expected to achieve a 6.5% discount rate-of-return on the current portfolio, but the long-term portfolio is showing 6.1% rate of return. This has been the consistent rate-of-return on the portfolio. The Authority's Investment Consultants are tweaking the allocations to bring the portfolio in-line with long-term rates.

In response to an inquiry from Mr. Kauffman, Mr. Shaw, the Authority's General Counsel, stated the proposed change to the Investment Policy Statement is not a delegation of authority. The Board still has the authority to approve the changes to the Investment Policy Statement and the OPEB Investment Report. The proposed change is within the Members' discretion and is going to provide the Plan Administrators the ability to make mid-year, mid-stream adjustments in accordance with the Investment Policy Statement.

Mr. Mahar explained that changes to the portfolio are presented annually as part of the OPEB Investment Report and the Investment Policy Statement. This change allows for the Plan Administrators to work with the Investment Consultant to ensure the portfolio is in compliance with the Investment Policy Statement.

Mr. Shaw added that what is being proposed would more accurately reflect how things operate on a cyclical basis. He indicated that the consultation with the Members occurs at the annual meeting where decisions are being made as to whether or not to change the Investment Policy Statement.

Mr. Geesler from KPMG stated that the Members approve the Investment Policy Statement which details the Plan Administrators' responsibilities. Then, the Independent Auditors review the OPEB Investment Report to ensure the Plan Administrators are adhering to the Investment Policy Statement.

Mr. Mahar agreed to provide Mr. Kauffman with further clarification following the meeting.

In response to an inquiry from Ms. Abbott, Mr. Shaw stated that the Committee and its Chair would still be consulted. However, the Plan Administrators would be responsible for all of the day-to-day decisions.

Mr. Kauffman stated that a resolution recommending approval of the OPEB Trust Investment Report and the Investment Policy Statement would be considered after the Committee members meet in executive session with the independent auditors.

Mr. Kauffman, indicated that the next agenda item concerned Financial Statements of the Authority and NY Green Bank for fiscal year 2016-2017. Mr. Mahar explained that the Members are requested to adopt a resolution approving the annual audited financial statements for the fiscal year ended March 31, 2017 for the Authority and NY Green Bank.

The financial statements include an unmodified, clean opinion from the independent auditors, KPMG. A separate audit of the NY Green Bank was conducted in order to provide stand-alone financial statements to NY Green Bank counterparties.

Accounting standards require the Authority report separate financial statements on an accrual basis of accounting similar to the private sector, called the “Government-wide Financial Statements” and one on a modified accrual basis of accounting called the “Fund Financial Statements”. These statements are segregated between: statements for governmental funds that provide basic services; the Proprietary Fund for NY Green Bank; and Fiduciary funds, which consist of funds held by the Authority for the benefit of others, including the OPEB Trust, low level radioactive waste, and Western New York Nuclear Service Center (“West Valley”) Perpetual Care funds.

Mr. Mahar noted some of the changes in this year’s financial statements.

First, the Clean Energy Standard (“CES”) is included in the Financial Statements as a separate program/function on the Statement of Activities.

Next, during the year, the Authority implemented Governmental Accounting Standards Board 72: Fair Value Measurement and Application (“GASB 72”). GASB 72 establishes valuation techniques used to measure the fair value of assets. Fair value is measured using quoted market prices for U.S. governmental obligations, mutual funds, and exchange traded funds. The adoption

of GASB 72 resulted in enhanced financial statement disclosures, but did not change the measurement of the Authority's assets.

Mr. Mahar noted that cash and investments decreased from the prior year by \$703 million principally due to expenditures made from funds already on hand, pursuant to the Clean Energy Fund ("CEF") Order BAYG approach establishing a two-month working capital balance.

Other Assets increased by \$302 million principally due to \$248.5 million in NY Green Bank in net deployed capital issued (called loans and other financing receivables), as well as a \$54.0 million increase in loans issued and outstanding through the Green Jobs-Green NY ("GJGNY") Program.

Bonds and notes payable had a net increase of \$36.4 million primarily due to bonds issued for the GJGNY Program to finance loans.

Restricted Net Position, which is the cumulative difference between revenues and expenses, decreased from \$1.68 billion to \$1.2 billion primarily from the BAYG approach.

The unrestricted portion of net position (which can be used to finance operations without constraints established by debt covenants, enabling legislation, or other legal requirements) decreased from \$3.9 million to \$2.8 million. Unrestricted net position at March 31, 2017 represent .2% of total expenses budgeted for fiscal year 2017-18 and are anticipated to be sufficient to meet working capital needs and to meet unanticipated expenditures, such as protecting public health and safety at West Valley.

The OPEB Trust and Fiduciary fund assets increased from contributions in excess of payments and interest and investment earnings.

Mr. Mahar indicated that State appropriation revenues were \$10.6 million less than budgeted principally due to lower than anticipated expenses for the Cleaner Greener Communities Program.

Ratepayer assessment revenues were \$7.2 million less than budgeted due to EEPS gas amounts billed under BAYG being slightly lower than budgeted.

The Regional Greenhouse Gas Initiative (“RGGI”) Allowance auction proceeds were less than budget by \$26.2 million principally due to significantly lower clearing prices for allowances sold than had been estimated.

Salaries and benefit expenses were \$3.5 million lower than anticipated principally due to vacancies not filled.

Program expenditures were \$164.3 million less than budgeted primarily due to the level of expenditures for the Market Development/Innovation and Research, EEPS, Renewable Portfolio Standard, and NY-Sun programs being lower than anticipated in the budget.

Program operating costs were less than budgeted primarily due to lower than expected costs incurred for professional services related to NY Green Bank.

General and administrative costs were less than budgeted primarily due to lower than expected computer services and software costs.

Mr. Mahar explained that the Authority administers certain programs on behalf of the New York State Public Service Commission (“PSC”) whereby funds are provided at program inception or on a fixed payment schedule over the program duration, but the terms of the program sponsor or enabling legislation to limit the use of funds to certain program purposes. Frequently, the collection and recording of revenues does not occur in the same accounting period as the expenditure of such funds. Mr. Mahar provided a summary of changes in cash balances from the prior year and of each fund’s related commitments as of March 31, 2016.

Next, Mr. Mahar provided the Committee with further detail on the separate stand-alone financial statements for NY Green Bank. The financial statements report that NY Green Bank has

committed \$258.5 million to its counterparties. \$248.5 million reflects the net deployed amount that occurred during fiscal year 2016-17.

NY Green Bank earned \$8.8 million in operating revenues, \$921,000 in interest earnings, and incurred \$7.0 million in operating expenditures resulting in \$2.7 million in net income, its first operating income since inception and reached this achievement one full year early.

NY Green Bank received a transfer of \$150 million from uncommitted ratepayer funds as additional capitalization for meeting certain commitment milestones pursuant to a July 2015 PSC Order. Total net position increased by \$152.7 million during the fiscal year resulting in a total Net Position of \$365.2 million at March 31, 2017.

Lastly, Mr. Mahar indicated that the meeting packet included some additional reports issued by the independent auditors under governmental auditing standards. The independent auditors, KPMG, disclosed no instances of noncompliance or material weaknesses, found reasonable management's estimates and financial disclosures, noted no disagreements with management, and offered no management letter comments to address control weaknesses or suggestions for improvement.

The letter does describe one misstatement relating to an out-of-period entry recognizing third party revenue in the financial statements for fiscal year 2016-17. In fiscal year 2015-16, the Authority understated revenue (and overstated unearned revenue) for expenses incurred under the Authority's Fuel NY Program in the amount of \$863,000, representing .1% of fiscal year 2015-16 revenues and .4% of fiscal year 2016-17 revenues. Staff identified this and made the correction in fiscal year 2016-17. The correction was made by recognizing the additional revenue in fiscal year 2016-17 rather than restating the prior year's financial statement results since management determined the amount was not material, to the basic financial statements of governmental activities or other governmental funds. KPMG has determined the out-of-period misstatement is immaterial, and has concurred with management's approach, but pursuant to auditing standards is required to report this matter to the Committee.

This misstatement does not affect the Authority's financial condition and is just a timing difference in revenue recognition between fiscal year 2015-16 and fiscal year 2016-17. The revenue resulted from an unusual funding arrangement for Fuel NY Program expenses in fiscal year 2014-15 and fiscal year 2015-16. Revenues were recorded for program expenses during the first three quarters of fiscal year 2015-16, but as a result of an oversight, no revenue entry was recorded in the fourth quarter of fiscal year 2015-16. The misstatement was an isolated occurrence, and does not reflect any weaknesses in internal controls over financial reporting, and additional review procedures have been implemented to strengthen our Internal Control Structure.

In response to an inquiry from Mr. Daly, Mr. Mahar explained that the lower budget amounts were because expenditures came in lower than anticipated. Ms. Joseph added there have been some policy changes in the solar industry that have resulted in a temporary slowdown of development. This slowdown effected the overall NY Sun Program expenditures.

Mr. Shaw pointed out that there is a transition going on both within the market and the State, and these projections and expenditures cover the period of those transitions. The financial statements reflect how the Authority is working through those changes and getting to a steadier position.

In response to an inquiry from Mr. Daly, Mr. Mahar stated that over time the Authority will expend the full budget amount. However, with respect to the Authority's legacy programs, funds may be disencumbered as projects fail to move forward.

In response to an inquiry from Mr. Daly, Mr. Mahar indicated that staff will continue to monitor the Authority's revenues to ensure it is meeting its commitments.

In response to an inquiry from Mr. Kauffman, Mr. Shaw stated that the last RGGI auction was held in June and the price was \$2.53. Mr. Shaw indicated that John Williams, Director of Policy and Regulatory Affairs would be available at a later meeting to discuss the effects of the most recent auction on the RGGI Program.

In response to an inquiry from Mr. Daly, Mr. Mahar indicated that with respect to GJGNY, more than 95% of the outstanding loans are current, and less than 5% are more than 120 days past due. Since the GJGNY Program's inception, the Authority has only written off \$69,000. Mr. Mahar stated that the Authority loan servicer actively follows-up on the receivables, and the Authority has the ability to use resources at the New York State Attorney General's Office should any issues in collecting payment persist.

In response to an inquiry to Member Daly, Mr. Mahar explained, NY Green Bank actively assesses each transaction individually because the portfolio is unlike any other in the market. It is not like a bank that has existing energy efficiency loans. Staff are monitoring the transactions through a quarterly investment review committee and monthly management meetings with NY Green Banks staff, and if there is an impairment, staff determine what that impairment will be and record that during the fiscal year. Mr. Mahar indicated that there are no general NY Green Bank reserves.

Mr. Shaw explained that as NY Green Bank matures, there will be more thought put into the portfolio by management and as more of these deals come into their own, the conversation about how to handle those issues will continue to evolve.

In response to an inquiry from Mr. Daly, Ms. Angoorly, Chief Operating Officer and Managing Director from NY Green Bank stated that credit quality is assessed by NY Green Bank staff and management, as well as the Authority's Treasurer. Ms. Angoorly indicated that NY Green Bank conducts a monthly portfolio review with the management team, the Investment Review Committee, and the independent auditors.

Mr. Geesler explained that the independent auditors review the recent loans and payment history. He indicated that if some of loans are starting to look delinquent, the independent auditors will ask for additional information. Mr. Geesler stated that the additionally inquiry has not been needed with respect to NY Green Bank.

In response to an inquiry from Mr. Daly, Ms. Angoorly explained that NY Green Bank does perform stress tests for different scenarios.

Mr. Kauffman highlighted that NY Green Bank, is already \$2.7 million a year ahead of schedule, and the intent of NY Green Bank is not to be a profit enterprise per se. The question is whether this is a good use of public dollars, and is there additionality taking place. The financial results of NY Green Bank are evidence that NY Green Bank is meeting this.

Mr. Kauffman noted that Mr. Koh, Chair of the Committee was unable to attend the meeting, but he requested that Mr. Kauffman raise a couple of follow-up questions with respect to the Financial Statements misstatement. First, Mr. Mahar confirmed that management and the independent auditors have determined that it is not a material misstatement. Second, Mr. Mahar confirmed that it was the result of a ministerial oversight and did not reflect inadequate internal controls. Lastly, Mr. Mahar state that the misstatement does not affect the Authority's record of receiving clean and unqualified opinions from the independent auditors.

Mr. Kauffman stated that a resolution considering approval of the Financial Statements would be considered after the Committee members meet in executive session with the independent auditors.

Mr. Kauffman indicated that the next item on the agenda concerned a resolution to convene in executive session pursuant to Section 105(a) of the Public Officers Law to discuss the financial statements, investment report and related matters with the auditors.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Member present, the following resolution was passed.

Resolution No. 425

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, 2017 for the purpose of reviewing the financial condition of the Authority.

The Committee members then met with only the independent auditors in executive session.

Mr. Kauffman reconvened the meeting in open session and announced that no formal action was taken during the executive session. He said the Committee members had a complete and thorough discussion with the independent auditors and that the independent auditors stated that Authority staff was responsive to their requests for information.

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

Resolution No. 426

RESOLVED, that the “Investment Guidelines, Operative Policy and Instructions (June 2016),” as presented at this June 21, 2016 meeting are hereby recommended for approval by the Board; and

BE IT FURTHER RESOLVED, that the Authority's “2015-2016 Annual Investment Report,” for the year ended March 31, 2016, as presented at this June 21, 2016 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.

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

Resolution No. 427

RESOLVED, that the “NYSERDA OPEB Trust Investment Report” for the year ended March 31, 2017, as presented at this June 26, 2017 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, 2017 meeting, is hereby recommended for approval by the Board.

BE IT FURTHER RESOLVED, that Resolution No. 1241 of the Authority is hereby recommended to be revoked and superseded.

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

Resolution No. 428

RESOLVED, that the Authority's Financial Statements and the Financial Statements of NY Green Bank as of March 31, 2017, as presented at this June 26, 2017 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; and

BE IT FURTHER RESOLVED, that the Authority's Four Year Financial Plan, as contained in the Financial Statements, is hereby recommended for approval by the Board for submission as required by Section 2800 of the Public Authorities Law.

Mr. Kauffman indicated that the next item to be considered is the appointment of the Authority's independent auditors for fiscal year 2017-2018. Mr. Mahar stated that the Members are asked to approve a resolution appointing KPMG as the independent auditors of the Authority for the fiscal year ending March 31, 2018. Fees and expenses will not exceed \$102,000 for providing an opinion on the Authority's consolidated financial statements and a separate opinion on stand-alone financial statements for the NY Green Bank.

KPMG was competitively selected under an RFP issued in 2016. NYSERDA may renew the agreement annually for four, one-year extensions, with annual adjustments to the fees. This would be the second year of the agreement.

The engagement letter from the auditors indicating the services they will provide in conjunction with the audit was provided to you and is consistent with the prior year's services.

Staff have been satisfied with the services rendered by the independent auditors and recommend their reappointment.

In response to an inquiry from Mr. Kauffman, Mr. Geesler stated that KPMG does not expect to make any staffing changes. Mr. Geesler explained that KPMG working with a minority-

or women-owned business entity (“M/WBE”) partner and they expect to continue working with this partner over the next fiscal year.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Member present, the following resolution was passed.

The next item to be considered is the appointment of KPMG, LLP as the Authority’s independent auditors for fiscal year 2017-2018.

Resolution No. 429

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, 2018.

Mr. Kauffman indicated that the next agenda item was the Annual Bond Sales Report (“Bond Sales Report”), and he called upon Senior Counsel Sara LeCain will discuss this item. Ms. LeCain stated that in accordance with Public Authorities Law Section 2800 and the Authority’s Financial Services Firms Guidelines, the Members are asked to adopt a resolution approving the Annual Bond Sales Report.

The report summarizes two bond issues completed during the fiscal year ended March 31, 2017.

The schedule of bonds outstanding reports information on the Authority’s bonds outstanding which totaled about \$2.7 billion.

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

Resolution No. 430

RESOLVED, that the Authority's Annual Bond Sales Report for the fiscal year April 1, 2016 through March 31, 2017, and the information contained therein,

as presented at this June 26, 2017 meeting is hereby recommended for approval by the Board for submission pursuant to Section 2800 of the Public Authorities Law

Mr. Kauffman indicated that the next item on the agenda was a resolution authorizing the issuance of a series of bonds by the Authority to finance the GJGNY Program. Ms. LeCain explained that the Members are requested to adopt a resolution authorizing the issuance of recipient bonds to the New York State Environmental Facilities Corporation (“EFC”) in an aggregate principal amount not to exceed \$15,000,000 in connection with State Revolving Fund Revenue bonds expected to be issued by EFC through the State Clean Water Revolving Fund.

Like similar financing arrangements executed in prior years, the Bonds issued by EFC will finance residential energy efficiency loans issued pursuant to the GJGNY Program and secured by loan repayments. The Authority anticipates pledging loan repayments which will produce Projected Net Revenues of at least 125% of debt service over the term of the bonds and will covenant to EFC to maintain at least 120% coverage.

The Bonds will be issued as fixed-rate, taxable bonds with scheduled maturities (serial bonds or term rate bonds with mandatory sinking fund redemptions) structured to generally correspond to scheduled cash flow payments due from pledged loans. The final maturity will be no greater than approximately fifteen years. The Bonds will bear interest at a fixed rate determined at the time of pricing of the SRF Bonds, not to exceed 5%.

The Members were provided with a draft Project Finance Agreement, which sets forth the proposed terms and conditions of the Bonds. The Resolution presented to the Members requests the Authorized Representatives be authorized to execute the Project Finance Agreement and related documents, with such amendments as necessary.

Mr. Kauffman, the whole involvement of the EFC and providing the support to these bonds, there was a connection there to the EPA?

In response to an inquiry Ms. LeCain stated that the State Clean Water Revolving Fund is administered through the U.S. Environmental Protection Agency. Ms. LeCain explained that this

issuance was approved as part of EFC's overall application at the close of the prior federal fiscal year.

In response to an inquiry from Mr. Kauffman, Mr. Van Duesen explained, this program was approved a few years ago, it achieves a variety of objectives and was approved as part of the nonpoint source management program which has been on the books for a long time for the State Clean Water Revolving Fund. Mr. Van Duesen stated that it would be prudent to monitor changes in policies. However, the proposed transaction is very similar to what has been done on a couple of prior occasions through the revolving fund with EFC.

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

Resolution No. 431

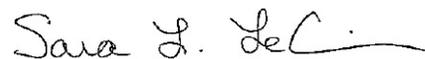
RESOLVED, that the Audit and Finance Committee recommends that the Board approve a resolution in substantially the same form as attached hereto as Exhibit A.

The Chair then indicated that the last item on the agenda was other business.

Member Daly commended staff on the austerity with respect to the management of staff costs and consultants.

Thereafter, there being no other business, upon motion duly made and seconded, and by unanimous voice vote of the members, the meeting was adjourned.

Respectfully submitted,



Sara L. LeCain
Secretary to the Committee



NOTICE OF MEETING AND AGENDA

June 15, 2017

TO THE MEMBERS OF THE AUDIT AND FINANCE COMMITTEE:

PLEASE TAKE NOTICE that the one hundred thirty-second (132nd) meeting of the AUDIT AND FINANCE COMMITTEE of the New York State Energy Research and Development Authority will be held in the Authority’s Albany Office at 17 Columbia Circle, Albany, New York, and in the Authority’s New York City Office at 1359 Broadway, 19th floor, New York, New York, and at New York State’s Center of Excellence for Environmental and Energy Systems (conference room 203), Syracuse University, 727 East Washington Street, Syracuse, New York 13244, on Monday, June 26, 2017, commencing at 10:30 a.m., for the following purposes:

1. To consider the Minutes of the 131st meeting held on April 27, 2017.
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 2017).*”
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, 2017 and the “*Investment Policy Statement for the NYSERDA OPEB Trust (June 2017).*”
4. To consider and act upon a resolution recommending approval of the Financial Statements of the Authority and NY Green Bank for fiscal year 2016-17.
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 appointment of the Authority’s independent auditors for fiscal year 2017-18.
7. To consider and act upon a resolution recommending approval of an annual bond sales report.

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**West Valley Site
Management Program**
9030-B Route 219
West Valley, NY
14171-9500
(P) 716-942-9960
(F) 716-942-9961

8. To consider and act upon a resolution authorizing the issuance of bonds to the New York State Environmental Facilities Corporation to finance residential energy efficiency loans issued through the Green Jobs - Green New York Program.
9. To transact such other business as may properly come before the meeting.

Members of the public may attend the meeting at any of the above locations. Video conferencing will be used at all locations and the Authority will be posting a video of the meeting to the web within a reasonable time after the meeting. The video will be posted at <http://www.nyserda.ny.gov/About/Board-Governance/Board-and-Committee-Meetings>.

A handwritten signature in black ink, reading "Sara L. LeCain". The signature is written in a cursive style with a horizontal line underneath it.

Sara L. LeCain
Secretary to the Committee