NYSERDA 145th Audit and Finance Committee Meeting
April 27, 2021
Clean Copy of Transcript

Sara LeCain:
Jay, if you'd like to get started.

Jay Koh:
That'd be great. You ready? I call this meeting to order a notice that the meeting and agenda was mailed to Committee members on April 18, 2021 and the press on April 19, 2021. This meeting is being conducted by video conference. The authority will post a video and a transcript of this meeting on the web to confirm that we have a quorum. I would like to ask Sara LeCain Secretary to the Committee to conduct a roll call of each of the Committee members in attendance. Sara,

Sara LeCain:
Thank you. I will first note your attendance and now take the remainder of the roll call. When I call your name, please indicate present. Authority Chair, Richard Kaufman,

Chair Kauffman:
Present

Sara LeCain:
Shere Abbot

Sherburne Abbott:
Present

Sara LeCain:
Ken Daley

Ken Daly:
Present

Sara LeCain:
Kate Fish

Kate Fish:
Present.

Sara LeCain:
There are five members in attendance. Therefore we have a quorum.

Jay Koh:
Thank you, Sara. The first item of the agenda is the approval of minutes of the 144th Committee meeting held on June 23, 2020. Are there any comments on the minutes seeing none? May I have a motion approving the minutes?

Sherburne Abbott:
So moved.

Jay Koh:
A second.

Chair Kauffman:
Second.

Jay Koh:
When Sara calls your name, please indicate whether you are in favor by stating I or opposed by stating no.

Sara LeCain:
Thank you. When I call each name, please indicate your vote Committee Chair, Jay Koh

Jay Koh:
Aye.

Sara LeCain:
Authority hair, Richard Kaufman.

Chair Kauffman:
Aye.

Sara LeCain:
Shere Abbot.

Sherburne Abbott:
Aye.

Sara LeCain:
Ken Daley.

Ken Daly:
Aye.

Sara LeCain:
Kate Fish.

Kate Fish:
Aye.

Sara LeCain:
The minutes have been approved.

Jay Koh:
Thank you, Sara. The next item of the agenda concerns, the Annual Internal Audit Report and approval of the Internal Audit Plan for fiscal year 2021-2022. The Authority's Director of Internal Audit Mary pack will discuss this item, Mary.

Mary Peck:
Good morning. And thank you, Jay. The members are being provided the Annual Internal Audit Report for fiscal year 2020-2021. And the Internal Audit Plan for fiscal year 2021-2022. 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 2021-2022 audit plan as a result of our annual risk assessment. We've also updated the rotational audit plan and I've included a copy for your review. This item doesn't require your approval, but my professional standards require that I keep you apprised of any changes and ask your comments with regard to the Annual Internal Audit Report. The annual report included in the meeting packet summarizes the audits and the consulting activities that were performed and completed during the fiscal year. That ended March 31, 2021. In addition to audits that I've reported at previous meetings, I wanted to provide an update on the following items with regard to internal audit, 1920-04 Integrity of Solicitations.

This report was previously emailed to the members, but as a result of the Audit and Finance Committee, not meeting in January, the report was not formally presented for comment prior to this meeting, the I pardon me, the Authority's controls over its procurement functions are adequate appropriate and effective to provide reasonable assurance regarding the integrity of the solicitation process that's used for competitive procurements, the documentation for cost reasonableness for non-competitive and discretionary procurement needs improvement. And these items were reviewed with the auditee and relative changes have already been implemented with regard to 1920 03 Business Continuity and Disaster Recovery. We've completed the field work on this project and we are preparing the preliminary report for review of the audities. Given the activities of the past year. The Authority has had the opportunity to test its plans in real time. And there were no significant issues which will be reflected in our report.

Internal audit at 1920 02 Compliance with New York State Americans with Disability Act website requirements, field wa pardon me, field work has also been completed on this project and the auditee is currently reviewing the findings. We're preparing the formal draft report for their review and feedback. We also had one consulting activity the Annual OSC Internal Control Certification we completed our annual agreed upon review of the Authority's Internal controls for its annual certification to the State Controller. The consulting report was provided for the internal control officer's review. During the past year, we've also been performing a complete self-assessment of our department's procedures and practices, which is continuing into the new audit year. We anticipate reporting on this outcome at the September Committee meeting with regard to the Internal Audit Plan for fiscal year 2021-22 included in the meeting packet was a memorandum that asked the Committee to approve its annual internal audit plan for fiscal year 2021-22, if approved by the members, the Internal Audit Plan includes working with management on completing two consulting activities in three audits.

These activities include an audit of NYSERDA’S payroll processing. The, the audit will review the Authority’s, payroll policies and procedures and review changes for accuracy and approval. This audit has a recommended minimum cycle of every three years and was last completed in fiscal year, 2015, 2016, an audit of system access for NYSERDA as part of its Annual Internal Control Assessment. The Authority considers systems access and user role security for the statewide financial system or SFS. This review will be done in consideration of the State. Controller's expanding focus in this area to ensure that the author's financial system is reviewed with the same rigor. The third would be an audit of the New York State Green Bank's compliance program in 2020, the IRC approved an anti-money laundering policy that will require a biennial review from internal audit and preparation of the first review in 2022 will be doing a review of the broader compliance program at the NY Green Bank regarding the two consulting activities.

The first is with regard to MicroGen wireless. This is a recruitment audit we've been asked by council's office to undertake an independent review of sales reporting and recruitment of obligations under a contract with a contractor, the contractor reports, no sales and IR staff seeks internal audit to review the company's financial records to confirm the accuracy of the contractor's reports. We will also again, assist management with its annual internal control assessment. This is an insurance and consulting activity to reform a review of transactions, be reported on the annual certification. The scope and procedures are defined in consult in consultation with the Authority’s. Internal control officer internal audit is also required to perform additional activities to conform to internal auditing standards. These additional activities include participating in continuous professional development, maintaining a quality assurance and improvement program. Having a follow up process to monitor the implementation of recommendations communicated in internal audit reports, we will also be performing an annual view of the risk assessment and rotational audit plan to ensure it remains in alignment with the Authority’s' current structures and goals. The overall results will be factored into the development of next year's risk based internal audit plan for the next fiscal year. The anticipated timing of the planned audits is included on page four of the memo. Finally, the standards required 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. I'd be happy to answer any questions.

Chair Kauffman:
Mary. I've got a couple of questions.

Mary Peck:
Sure.

Chair Kauffman:
I think one was the question I think I asked before. So I don't remember the answer, which is the collaboration with our external auditors in your audit internal audit plan.

Mary Peck:
Yes, I do take that into consideration. Typically I will say that I meet with the external auditors once a year to discuss this. This past year has been a challenge, but we are discussing it for the coming year.

Chair Kauffman:
Okay. And then, and then on the Green Bank compliance I mean there are presumably a lot of things that we could look at at the Green Bank since it's grown a lot you know, happily mm-hmm <affirmative>. Do you think compliance covers enough of the scope of, of risk at the Green Bank?

Mary Peck:
At this point, I don't think I'd have enough information to accurately answer that question. We're looking specifically at the compliance portion in order to get us prepared for that anti-money laundering section that is required. Our goal though is to use the compliance program to see and what the key controls are that are in place right now at the Green Bank. It'll give us a better understanding of what should be included in the audit universe specific to the Green Bank.

Chair Kauffman:
Okay, good.

Jeff Pitkin:
Richard, this is Jeff. If I could just add a quick point on this. The Committee may wish to talk to KPMG. And, and I think when in the upcoming presentation from the KPMG team on the approach to the audit, you know, as you'll recall there is detail testing that's done in each year's financial audit with, with respect to, with respect to selected transactions from the Green Bank's portfolio. So I think the Committee and the Board can take some comfort in the detailed review that's done as part of the annual financial audit by KPMG.

Chair Kauffman:
Well, so yes, I am. Thank you, Jeff. And, and I I guess what I was reminded of is when you were looking at solicitations, I didn't know when you looked at the solicitations Mary, whether you included in any testing the Green Bank solicitations.

Mary Peck:
Yes, actually we did have one item in the sample that was Green Bank specific.

Chair Kauffman:
Okay.

Mary Peck:
And their, their controls were quite frankly very excellent.

Chair Kauffman:
Okay, then. No, that's great. Thank you.

Ken Daly:
In area. Thank you. First and foremost, sounds like a very good audit plan. You know, two questions. One is I would've expected post COVID to see more of what I would call after action review. And I think NYSERDA has, you know, navigated through it very, very well. And perhaps you, you know, you're more online than let's say an organization with control centers and you know, more operational nature having said that I'm sure there were learnings this past year that will inform the future. So we'd love to hear about that, but secondly, a little bit of a follow up to Richard's question with the change in leadership now at the Green Bank, I was going, it's a good time, particularly from an audit standpoint, start fresh, you know, look at what's happened before you came instead of charter going forward, has that happened yet or, or their plans for audit and, you know, the new Green Bank team to sit down and discuss where the major risk may lay and what the best plan is to review them?

Mary Peck:
Yes, that is on my personal to-do list. It wasn't a formal part of the audit plan. My, my hope was to you know, schedule some sort of, be it virtual or in person meeting with the new leadership down there. I've met with the people that are specifically involved in the compliance program but not with the new leadership team yet to, to have those kinds of discussions with regard to the after action report. It's, it's funny that you phrased it that way, because that's exactly how we were looking at the business continuity and disaster recovery audit. We pivoted to make it more of an after action report than a true audit, because quite frankly, to do any level of like audit testing, I think would've been a misuse of resources because we were living and breathing the plan on a daily basis. So we were monitoring what the, what the team was doing in terms of their daily and weekly communications and looking at it from that perspective, as opposed to looking at past transactions, to audit from a testing perspective and our floor, our report rather will reflect that.

Ken Daly:
Great. Thank you very much. Sounds like a very good approach.

Jay Koh:
Any other questions for Mary on the Internal Audit Report or the Internal Audit Plan? I just wanna commend the efforts of your team, and I'm glad to hear that there will be an internal review of your process as well, that we'll hear, we'll look forward to receiving that report of, I think it's a really critical component that supplements our external audit process. The one thing I would just add for consideration, as you think about the rotation of internal audit activity is I know we've just undertaken a recent review of cybersecurity and given the remote operations that we've been involved with here. And I just think a heightened amount of activity that's been reported in the press about different agencies, federal and otherwise, as well as corporations being hacked by external both I think, criminal and State based activity and the heightened profile of New York State programs in this area, particularly with the Green Bank that we consider the regularity and frequency of that kind of approach to analyzing and just making sure that we're as buttoned up as possible from best practices standpoint on cybersecurity.

Mary Peck:
I would definitely do that. And in concert with our information security officer, I will say from a risk assessment standpoint I do factor in our current ICO structure when looking at that, we actually have a very active information security officer here at the authority. So it's not something that from an audit risk perspective, I would rate very high, but I will continue to monitor that and discuss it with our ISO.

Jay Koh:
No, appreciate that. And also you know, I think in other circumstances occasionally I regulators that are turned up through the internal audit process point back to potential anomalies in cybersecurity as well. So it's just simply an increased amount of awareness. Absolutely. That I think is important to take note of, but I appreciate the reports and the thoughtfulness and the Internal Audit Plan going forward as well. Thank you may have a motion recommending approval, the Internal Audit Plan for fiscal year 2021 through 22.

Kate Fish:
So I'll move

Jay Koh:
A second. When Sara calls your name, please indicate whether you are in favor by stating I, or opposed by stating no

Sara LeCain:
Thank you. When I call each name, please indicate your vote Committee Chair, Jay Koh

Jay Koh:
Aye.

Sara LeCain:
Authority hair, Richard Kaufman.

Chair Kauffman:
Aye.

Sara LeCain:
Shere Abbot.

Sherburne Abbott:
Aye.

Sara LeCain:
Ken Daley.

Ken Daly:
Aye.

Sara LeCain:
Kate Fish.

Kate Fish:
Aye.

Sara LeCain:
The Internal Audit Plan has been approved.

Jay Koh:
Thank you. The next item on the agenda is a proposed financing of the Authority's' Green Jobs-Green New York program. Jeff, will you discuss this? Oops, sorry. We're talking about Internal Controls. Next on the item. Next item on the agenda is proposed. Amendment's the Authority's Internal Control Manual. This item will be presented by the Authority's Internal Control Officer Jeff Pitkin. Jeff.

Jeff Pitkin:
Yes. Good morning. Thanks Jay. As noted in the memo in your Committee packet there are a number of changes in the Internal Control Manual including updates to the Waste and Facilities Committee Charter to match recent changes that were proved in the By-laws. There's updates to certain NY Green Bank disbursement processes. There's updates to the organizational responsibilities for freedom of information requests updates to the internal audit section particularly with risk clarifying communications with the Committee and also renaming the section as the internal audit charter to comply with internal audit standards and a number of other ministerial and clarifying changes. And I'd be happy to answer any questions on any the changes on any of the proposed changes.

Jay Koh:
Are there any questions for Jeff seeing none? May I have a motion recommending approval for the amendments, the Internal Control Manual

Kate Fish:
So moved.

Jay Koh:
Thank you a second.

Chair Kauffman:
Second.

Jay Koh:
When Sara calls your name, please indicate whether you are in favor by stating I, or opposed by stating no

Sara LeCain:
Thank you. When I call each name, please indicate your vote Committee Chair, Jay Koh

Jay Koh:
Aye.

Sara LeCain:
Authority hair, Richard Kaufman.

Chair Kauffman:
Aye.

Sara LeCain:
Shere Abbot.

Sherburne Abbott:
Aye.

Sara LeCain:
Ken Daley.

Ken Daly:
Aye.

Sara LeCain:
Kate Fish.

Kate Fish:
Aye.

Sara LeCain:
The amendments to the Internal Control Manual have been recommended for approval.

Jay Koh:
Thank you, Sara. The next item on the agenda is proposed financing of the Authority's' Green Jobs-Green New York program. Jeff, will you discuss this item?

Jeff Pitkin:
Yes. For this next item, I'm going to introduce two members of our financing solutions team. First I'll call on Heather Clark. Who's a Senior Project Manager with a financing solutions team. Heather will provide an overview of the Green Jobs-Green New York program and summarize some of our prior bond securitizations. And then John Joshi, the Director of Financing Solutions team will provide a summary of the proposed transaction for loan participation sale through the LoanStreet platform and comparing and contrasting the results for this transaction, with our prior bond securitizations. Heather, do you wanna start?

Heather Clark:
Thanks Jeff. And thank you everybody for having me here. A little bit background on the Green Jobs-Green New York loan fund. Since inception, the program has issued more than 30,000 loans, totaling more than 362 million to finance, residential energy efficiency improvements and solar and other renewable tech energy systems. The program was funded to date with $154 million of RGGI funds. The RGGI funds were used to fund the revolving loan fund and the loans issued. We have also issued seven bond issuances to date totaling 193 million in bond principle which are secured by the pledge loan repayment, revenues. The proceeds of those bonds partially replenished the revolving loan fund to beat bond investor in rating agency structure requirements. These bonds were structured with over collateralization, generally resulting in an advance rate or bond as a percentage of loan collateral of about 70 to 75%.

The difference represents equity funding requirements for the bond securitization structures funded with RGGI funds. And generally we released and returned through subordinate loan cash flows after absorbing pledge loan losses in the past loans issued under the program's Tier 2 more flexible loan underwriting criteria were held for five years until they were included in the bond securitizations and our series 2019 a bonds included the first pool of Tier 2 loans in June, 2020. The Authority offered a temporary program offering loans at 0% for the full term of the loans in an effort to help contractors resume activities that had been impacted by the COVID 19 cause executive order. The offering lasted for only about 15 days with nearly $30 million in application received more than the amount of loans typically issued in the program. In a year the inclusion of these loans in a bond securitization were estimated to generate a lower advance rate of about 50%. I'll ask now to have John summarize the per proposed loan participation structure. John,

John Joshi:
Thank you, Heather. We're requesting the Committee to recommend to the Board to adopt a resolution, authorizing the sale of participation interest, not to exceed 90% of the principle balance of eligible Green Jobs-Green New York program, residential consumer loans to community banks or credit unions through a LoanStreet loan participation syndication platform LoanStreet was found in 2013 with a mission to create a more efficient, transparent and robust way to connect lenders and investors. Long street is the first fully integrated online platform that streamlined the process of sharing, managing, and originating loans for credit unions, banks and direct lenders. The platform has been used by 930 institutions in 50 States to sell or purchase participation interest in more than 155,000 loans. The authority will enter into participation agreement with LoanStreet on a non-competitive basis, consistent with the Authority’s procurement and program contract guidelines. The memo in your Board package summarizes the form of agreements and the process that is used to sell participation interest of prospective buyers.

LoanStreet has reviewed the characteristics and historical prepayments and lost rates for the green job premium of loans and compared those to similar loan participation completed through their platform and has offered potential price and yield levels that could allow the loans to be sold in four different pools. Through the platform. We have an engage, we have engaged an independent valuation consultant to determine that the proposed offering price is not less than fair market value, which will be confirmed prior to proceeding with the transaction. The loan participation will sell up to 90% interest in the loan calls with NYSERDA and the purchase services sharing Perata per Paso in all loan repayments prepayments and losses. Based on preliminary estimates, we anticipate that the loan participation sale will generate about 10.6 million in increased net present value proceeds as compared to a traditional bond securitization. As a result, this approach allows the authority to engage depository institutional capital in an effective way with risk sharing and will reduce the level of ready funds to support the loan program or allow the program to issue more loans with the same funding levels. I'll open it to questions

Chair Kauffman:
Just so that I understand this is about the, that we have a low advance rates on our securitization.

John Joshi:
So it's, it's a combination of very low advanced rate on securitization And then the second part of that is the execution allows us to lay off the risk of 90% of the portfolio on the sale. We don't re we don't retain any of the default risk on those loans at that point. Whereas in the securitization structure, we continue on a subordinate basis to hold the residual, which then is obviously covering expected loss

Jeff Pitkin:
And Richard, the, you know, the advance rate issue on our prior bond, securitizations is largely driven by the pricing that we've offered the green job security north loans at to the public, right? We're offering loans at either 3.4, 9% or 6.9, 9%. And generally speaking, the program gets to a blended rate of about 4.3% or so. So when you, when you look at that coupon rate on the portfolio of loans, and you look at that with structuring to achieve the over collateralization requirements and meeting the investor need to the institutional investors that buy these bonds, you know, it, it ends up resulting in the advance rate that we've able been able to structure these bond securitizations. So I don't know that I would necessarily say it's a low advance rate. It's an advance rate. That's being driven by the pricing structure. And in order to meet over collateralization investor yield requirements, what we see is the opportunity to get to a higher advance rate by utilizing this participation structure

Ken Daly:
In the materials. It was a helpful chart on the financial details of each of the pools. Is it possible that kind of just walk me through from an economic standpoint, I get the accounting as we have an accounting loss, but from an economic standpoint, what's actually happening here. So I assume on the 0% loans, clearly they're, you know, well below market, other ones have held up, you know, reasonably well, but just trying to figure out the aggregate picture of what's happening from an economic standpoint, relative to when we've issued these loans. And I presume when we issued the 0% loans, we knew that at some point, you know, something like this would, would have to happen either we ourselves would offset that interest or, or sell it at a below market price.

John Joshi:
I don't have to in of, I can, I can kind give an overview. It's up to you.

Jeff Pitkin:
Go ahead, John.

John Joshi:
Right. So Ken, so the basic economics is that the execution levels are comparable in terms of yield offered to the investor. The diff the, the difference is we, we are issuing the asset as a discount, right? So the, the, whereas in the bond securitization you're gonna do it as a par bond and you have a coupon. So given that we have over 50% of the pool is zero coupon loans. That puts a tremendous drag on what's the weighted average coupon available to price as a par bond and pay that coupon. The pickup and yield that a credit union or bank investor would get from a whole loan trade is part of it is from a coupon. Part of it is converging to a par by getting buying a discount paw, right? So combination of that gets it gets a better valuation for us in terms of more proceeds that we can, we can achieve. And we don't have the same amount of, we don't have to pledge. What we think is the expected loss, right? Within a crawl rating, there is a pledge of assets to cover for the expected loss. Whereas here it's par Paso sharing of the expected loss. We're only retaining 10%.

Ken Daly:
Now that, I mean, that's helpful. I mean, it shows, I think, relative to other options right now, this feels like the right option. I guess my I'm just, what I'm trying to get at is relative to when we've issued these loans, we're taking an accounting loss of 7.8 million. Is that also an economic loss? And again, some of that was obviously contemplate at that time because when you issue 0% loans, it was obviously an opportunity cost of doing so. So just trying to figure out up economically, you know, how NYSERDA's books are today relative to where we were. And we issued the debt, just isolating this one set of transactions, is, is it 7.8 million on the books, the same as an economic impact?

Jeff Pitkin:
So Ken, this is Jeff. I, I would draw your attention to, you know, to pool number two, pool. Number two represents the loans that are not, that were not issued at as 0% and are not issued for our tier two borrowers who have lower, you know, lower credit. And therefore we incur higher losses. And as you can see on the table, that pool actually will sell at a slight premium because basically the weighted average coupon of the, of the portfolio of loans that we have aligns with the yield requirements of the purchasers who are gonna purchase an interest. And so from an economic standpoint, that particular pool is is not changing our fundamental economics. What it's changing is a cash flow standpoint cuz as John said, what we're basically doing is offloading 90% of the, that portfolio to somebody else. And so from an economic standpoint or a cash flow standpoint, we're getting an accelerated return of our, of our capital because in under our prior bond structure, we would've gotten a lower amount upfront.

And then we would've gotten a residual amount later once the bonds were paid off. And so the revised structure that we looked at on a net present value basis gives us an overall improvement in the improve total level of present value returns or cash flows that were realize, you know, through this transaction. So we looked at it on a comparative basis of, you know, on a net present value cash basis. How does a loan sale stack up against a bond securitization? And so not withstanding the fact that an aggregate, this is resulting in an accounting loss, it's actually improving the economics for us as compared to if we pursued, you know, continue to pursue a bond securitization, you know, notwithstanding that we're eliminating some of the transactional fees and processes that are associated with bond securitizations. We don't have to do a rating.

We don't have to incur expenses for bond council and some of the other issuance costs that we have. So we think this is overall a more effective structure. We also think from a programmatic standpoint, it's a smart way for us to engage some of the community bank lenders, you know, credit unions and community banks. Those institutions have capital to deploy. And we think this presents an opportunity to catalyze some of those institutions to make investments through our portfolio and introducing them to becoming lenders themselves who may wish to originate and hold these loans in their own portfolios.

Ken Daly:
Great. Now, thanks. It's very helpful, Jeff, and then on pool four, which is also greater than 0% coupons, it was actually a loss, is that because they were lower coupon than the pool tools pool two on aggregate. I see this that's life as well.

Jeff Pitkin:
Oh, I'm sorry that that's principally to compensate the lenders for an expected higher level of loss rate. So, you know, we've, we've been, we've been gathering historical loss rates, you know, in our portfolio since the program started in 2010 and not surprisingly because these loans are issued to consumers with lower credit scores or higher debt, higher debt to income ratios, they carry a higher cumulative loss rate, you know, than, than, than do our tier one loans. And so this adjustment in the price and yield is the needed adjustment to price and yield that compensates those purchasers the investors for the higher level of losses that they'll expect to realize on, on these, on these loans.

Ken Daly:
Great. Thank you. And then last question, LoanStreet, if for some reason they can't meet the obligation, does it default back to NYSERDA?

John Joshi:
So LoanStreet is a technology platform. So in that regard there, there are other technology platforms, but they're only specific to credit unions currently and we're exploring some ideas there, but in terms of settlement processes, in terms of accounting process of remittance, we can work with our servicer straightforward where they are and, and make the remittance payments to the participation purchaser. So we've looked at that it's not a complicated process and, and, and we think we can manage that.

Ken Daly:
Okay. Thank you.

Jay Koh:
So, two, two quick questions, Jeff, just picking up on Ken's question there, one, one one question on the 7.8% accounting loss, this is also sort of a, a present value realization of the expected future losses, cuz you're gonna have to discount these things to sell them off on, on a whole loan

basis, as I understand it, but it also masks the fact or, or does it mask the fact that we would've expected to realize future accounting losses on some of these pools, particularly the lower tier credit pools that, that currently isn't reflected, cuz we wouldn't reflect that expected loss until losses realized from the county basis. Is that right? Technically,

Jeff Pitkin:
Yes, that's right. And that's what we're, that's what we're showing in these comparative analysis. It is kind of the side by side in both cases, incorporation of expected losses, right. And just, and, and just doing that on a present value basis because it be, as you said, Jay, this is accelerating proceeds. And if you will also like accelerating the recognition of losses in the form of the price and yield that you're looking to sell the, to sell 90% to the investors for,

Jay Koh:
Okay. So it's the reasonable judgment of the management team that this is the appropriate way to, to balance the liquidity and upfront realization on a present value basis versus pursuing the prior path of securitization. Is that right?

Jeff Pitkin:
Yeah. And we reviewed that, that approach in methodology with our financial advisor and they kind of agreed that's the right way for us to look at this, just present value now. So the two options. So,

Jay Koh:
So two, two questions. I remember in the initial stages of securitization activity here, we had thought about this from two standpoints, one was to try to catalyze more experience in the securitization market with these types of financing underlying credit assets. And so that was considered to be an important, you know, first step in you know, bringing securitization the securitization market in line with these types of green credits. And so do we believe that that has already been accomplished to some degree and that the market's now familiar enough with this to pursue this type of whole loan sale so that we're bringing a different set of potential financial market participants into engagement with each type of green credit assets?

Jeff Pitkin:
Yeah, I think you know, certainly there's been a robust securitization market for residential rooftop, solar, a number of national players have done repeated securitizations of, of those either both PPAs and loans. There hasn't been many, or maybe I'll even say any bond securitizations of residential energy efficiency. And I don't think anybody's done any securitizations yet of, of things like geothermal heat pumps or air source heat pumps. And so I think the prior transactions that we've done you know, through CRO have both raised to the rating agency, you know, these different asset classes, they resulted in disclosures that were issuing for the bonds that we've issued. And then lastly, we've made our portfolio performance data accessible on a monthly basis on New York performs website. So any, you know, rating agency, investor, researcher, capital provider, whatever you wanna call, it has full access to our portfolio in an anonymized format in allowing them to do full analysis on the portfolio. So we think we've kind of contributed towards bringing visibility to the relative performance of this asset class and can, you know, benefit those many different parties that I, that I mentioned.

Jay Koh:
That's great. And so just for finality here, you know, this doesn't preclude us from revisiting securitization as a mechanism for either catalyzing other market activity for example, in new categories like geothermal potentially or energy efficiency or other areas that have not yet been in have not yet engaged in securitization market for those kind of strategic and catalytic reasons, nor does it preclude us from revisiting this from a cost in present value calculation, should the cost structure or the performance or the upfront advanced rates alter in the favor of securitizing, these kinds of assets. Is that a fair statement?

Jeff Pitkin:
That's absolutely correct. And in fact, some of the national, you know, solar developers routinely and regularly go back and forth between whether they use securitization markets or use wholesale markets. So we like them. We'll continue to assess this and decide what we think is the best market execution strategy, you know, to address our liquidity needs and also to address some of our other, you know, policy objectives.

Jay Koh:
Thank you, Jeffrey. Any other questions for the team here on the Green Jobs-Green New York financing proposal.

Chair Kauffman:
Yeah. I just, I just want to go back to the point you just made about data. So you're saying even the data still will be made available. Yeah. Even under this wholesale transaction,

Jeff Pitkin:
That's exactly right. We've committed to do that and we will continue to do that. Irrespective of whether in the future we do bond securitizations or we do loan participations, we'll continue to publish our portfolio data.

Chair Kauffman:
Yeah. You know, it's interesting on the, on the, you mentioned residential solar. So the, I think the last sun run securitization, which was done in March, they had, they got to an 80%.

Jeff Pitkin:
Yeah.

Jay Koh:
Are there questions for Jeff or the team here seeing may I have a motion recommending approval of the financing of the Green Jobs-Green New York program.

Chair Kauffman:
So moved

Jay Koh:
A second

Kate Fish:
Second.

Jay Koh:
When Sara calls your name, please indicate whether you are in favor by stating I, or opposed by stating no,

Sara LeCain:
Thank you. When I call each name, please indicate your vote Committee Chair, Jay Koh

Jay Koh:
Aye.

Sara LeCain:
Authority hair, Richard Kaufman.

Chair Kauffman:
Aye.

Sara LeCain:
Shere Abbot.

Sherburne Abbott:
Aye.

Sara LeCain:
Ken Daley.

Ken Daly:
Aye.

Sara LeCain:
Kate Fish.

Kate Fish:
Aye.

Sara LeCain:
The Green Jobs-Green New York financing has been recommended for approval.

Jay Koh:
Thank you. Next on the agenda is a proposed issuance of a debt facility on behalf of the NY Green Bank. Jeff, will you discuss this item?

Jeff Pitkin:
Actually? I think Andrew Kessler. Yeah. I think start discussion

Andrew Kessler:
If it's sorry, Andrew. Yeah. If, if it's okay, Jay, I'd like to, to, to sort of kick it off and then we'll ask Jeff to, to provide some more color.

Jay Koh:
That'd be great. Thank you, Andrew.

Andrew Kessler:
Super well, good morning. I'm Andrew Kessler acting president of the NY Green Bank. I'll use the next few minutes to summarize our request for approval from this Committee to adopt the resolution authorizing the sale of NY Green Bank's interest and a PORs makes interest in a portion of our overall portfolio to Bank of America as the purchaser for estimated net proceeds at closing of approximately $324 million, as well as a residual interest in the underlying loan cash flows from the portfolio specifically this, this transaction portfolio, as I'm going to define it during the balance of my remarks as a subset of our total portfolio, 20 investments, specifically, as you are all aware demand for New York green max financing has increased significantly over the past few years. We're very pleased with that obviously. And it demonstrates to us that we are addressing funding gaps and we are driving transformation.

We're seeing increased collaboration with the private sector community and we continue our role as forward leaning lenders doing the early work necessary to create replicable and scalable structures that can be adopted and further optimized by the marketplace. Let me say a few words about our current capital status. So I think that'll set the table for why we're here seeking this approval followed by some background in terms of how this came together. And then we'll, we'll ask Jeff to summarize the structure in a little bit more detail. Talk a little bit about the accounting treatment and approval and regulatory requirements. So as of April 19, 2021, NY Green Bank had approximately $125 million of capital available for new investments. Our current pipeline to, as a comparison, our current pipeline currently includes approximately 305 million of commitments that have well of proposed commitments that have passed the green light or IRC stage and are proceeding towards closing.

And in addition, another 540 or so million remains in a proposal or scoring stage earlier stage, of course not all transactions are going to close but nonetheless we continue to receive and, and of course we continue to receive principle and interest payments, which enhance our, our liquidity. But as you can see, it's important for, for us to address the demand that's inherent in our pipeline and create the liquidity conditions necessary to continue to advance our mission. So obviously we realized this, you know, early on so you know, over well over a year ago and, and began to evaluate how best to enhance our liquidity position. This led us to formally engage bullets, the investment bank in September, 2020 as our strategic and placement agent for this proposed transaction. We also retained KBRA to provide credit ratings and Chrome Credit Assessments for each of our investments in the transaction portfolio.

The central purpose of this was really to create to, to assist potential investors in conducting their due diligence, right by providing the third party credit assessment necessary for them to do so efficiently. I'm, I'm very pleased to report as well. That another important benefit was sort of to have a third party verify or verify our internal ratings approach. And I'm pleased to report that the outcome of the accrual review generally validated are internal risk rating processes, which was a terrific outcome to see. So for this proposed transaction, NY Green Bank selected a portfolio of 20 of its investments that, that we felt were attractive to include in the portfolio for various reasons. We sought to target, for example a weighted average crawl rating for the transaction portfolio of double B, which was ultimately where, where it landed slightly, just slightly below our internal ratings for the portfolio of double B

Plus, we were looking to choose individual transactions with at least 10 million or greater in commitment in order to justify the cost of a accrual rating review, as well as to keep the overall transaction portfolio to roughly around 20 investments. In total, we were looking to assemble a portfolio that an aggregate represented relatively low volatility and an attractive cash flow profile. And finally, we were seeking to assemble a diverse representation of our overall portfolio in terms of off takers renewable energy technologies, types of loan structures, et cetera. So as part of their engagement S conducted a very broad market sounding effort and ultimately identified about 11 highly reputable institutions from a cross selection of financial sectors, which showed us, which all showed a very strong interest in, in NY Green Bank as an ESG investment opportunity. And that included commercial banks, pension funds, specialty FinCos and insurance companies.

So a nice representation to get a good sense of you know, where we could optimize terms. We launched a road show a couple months ago provided preliminary diligence and ultimately received indicative terms from three parties. And after a variety of evaluations and apples to apples comparisons we've determined that Bank of America offers the strongest proposal with the highest proceeds, the lowest all in cost and importantly on a go forward basis that it will not include not require the structure will not require a formal ratings on a go forward basis, which obviously has the effect of further reducing overall transaction expenses. We've been negotiating drafting documents progressing the transaction to the point where we're now before you seeking approval to proceed to close on this facility that effectively will monetize the transaction portfolio and lead to enhanced liquidity for NY Green Bank. Let me now turn it over to Jeff to provide some more specifics on the structure, the accounting treatment approval and regulatory requirements. Jeff,

Jeff Pitkin:
Thanks Andrew. So the transaction structure involves the sale of the repayment interest in 20 loans to ESG green acquisition trust, which is a statutory trust organized, and bely owned by Bank of America. So that sale will be in exchange in the exchange for upfront pros and a residual interest in the cash flows, which I'll describe. So the upfront proceeds will be based upon 83% of the outstanding principle balance of the receivables at time of closing, including anticipated committed, but on drawn balances. Principle balance of the loans was about 396 million as of February. So 83% of that would result in gross proceeds of about $336 million. The gross proceeds will be capped at a receivable balance of $400,5 million. And so 83% of that would be $336.15 million Bank of America's charging a fixed fee of $4.5 million for fees and expenses, which will be reduced from the gross proceeds upfront net proceeds from the sale will be used to support additional capital deployment in the portfolio.

The loan receivable cash flows will be used by the purchaser. The trust to secure notes. It will issue to Bank of America. Purchaser's notes will be issued at a variable interest rate set to the sum of a short term rate index, plus an adjustment factor. Plus 2.1% per a principal interest on the purchaser's notes will be paid solely from the underlying cash flows using a hundred percent cash flow sweep and our non-recourse to NY Green Bank in ISTA. Once the purchaser's notes are paid off, the Green Bank will con then continue to receive re remaining residual loan repayments through its residual certificate. From a legal standpoint, the agreements are structured as true sales, but NY Green Bank will remain the lender of record and will service the loans pursuant to servicing agreement with the purchaser for a servicing fee. From an accounting standpoint, we have consulted with and are continuing to consult with KPMG and anticipate that the transaction will meet the criteria for sale accounting treatment under governmental accounting standards boards, which will be affirmed by review of final agreement terms by KPMG, a preliminary analysis that we prepared assumed a principle balance of about $399 million at closing the net pro no net proceeds from the sale would therefore be $324 million and using scheduled payments and including estimated losses using the overall portfolio rating.

We concluded that the net present value of the residual cash flows would be about $90 million resulting in a gain on the sale of about $14 million on a net present value basis or $34 million. On in nominal dollars. We will be obtaining a report from an independent valuation consultant that the terms of the sale are not less than fair market value complying with requirements under the Authority's guidelines for dis disposition of real and personal property, and also complying with Section 2897 of the Public Authority's Law. And, and these aspects have been reviewed by outside counsel. We also will file an explanatory statement for the transaction as required by Public Authority's Law, Section 2897, and the Authority's guidelines for disposition of real and personal property that filing will be filed with the State Controller, the Director, the Budget, the Commissioner General Services, the Legislature, and the Authority's' Budget Office, and, and will be filed at least 90 days in advance of the closing and sale of the receivables we've obtained.

We've reviewed with bond council and concluded that the approval of the transaction by the Public Authority's' Control Board is not required given the nature of the transaction. And we've reviewed this position with staff from the Division of Budget and have received their written concurrence. Lastly, we'll file a copy of the purchase agreement with the State Controller as required under regulations, given to the dollar value of the transaction and its selection method, no other approvals are required and the authority has met all other has met or will meet all other regulatory requirements for the transaction. And with that Andrew and I would be happy to answer any questions you may have.

Jay Koh:
Thank you, Andrew. And Jeff are the questions about the NY Green Bank debt facility transaction.

Chair Kauffman:
Yeah, I've got a couple. So when we say that it's a Green Bank debt facility, really, we should think about this as a sale of sale of loans?

Jeff Pitkin:
Yeah.

Chair Kauffman:
Okay. So

Jeff Pitkin:
The, the memo was characterized as a monetization of the portfolio, not a debt facility. So I think we didn't, we didn't catch that in the agenda and the lead in materials here.

Chair Kauffman:
So the look, of course, this is great news that, that the Green Bank is is deployed so much capital and has demand for more capital. So certainly support the, the idea, the, the, can you just talk about your evaluation of other alternatives and I'm not talking about other sale alternatives, but for example, just borrowing against the whole portfolio rather than selling.

Jeff Pitkin:
Right. So we had, we had two other structures that were proposed. One of them was, you know, a debt issuance at a fixed interest rate secured by the underlying cash flows with a requirement for rating. And so with the inclusion of ratings fees State bond, issuance charges the transaction would've gotten to a higher all in cost and a lower amount of proceeds. And so this transaction, you know, didn't require ongoing didn't require initial and ongoing ratings processes had lower therefore had lower expenses related ratings and ultimately led to a higher advance rate on, you know, higher amount of proceeds that we'd realize with the lowest all in cost inclusive of all fees and expenses.

Chair Kauffman:
Okay. That's good. Thank you. So the other question I have is I understand from Andrew's presentation that you're dealing with, with pretty high credit quality loans, but in the event, God forbidden, you know, there's a problem with the loans who, who deals with the workout.

Jeff Pitkin:
So wonder, so our sourcing agreement obligates the Green Bank to continue to service the loans, right? And so if we have a delinquent borrower who hasn't paid, then we would perform the normal and customary processes that we always perform as a servicer. If, if in an instance where a borrower, you know, we're in default, or there were a bankruptcy under terms of the purchase agreement, you know, the purchaser owns the receivables, not us we've sold the receivables. And so there are instances under the servicing agreement where the purchaser may direct the servicer on actions that would be taken with respect to those kind of workout scenarios. And then to the extent that those give rise to again, residual amounts, then the Green Bank will continue to realize those residual cash flows once the purchaser's debt obligation is satisfied, retreating an absolute, absolute, absolute worst case scenario. If we, you know, after the sale, if the entirety of the portfolio, a substantial amount of the portfolio went in default we would've realized our, our upfront proceeds and we'd have no additional, you know, responsibilities for making any payments to the purchaser to pay off the purchaser's note obligations to Bank of America.

Andrew Kessler:
Yeah. This is effectively non-recourse. Yeah.

Chair Kauffman:
Yeah. And so, and the borrowers are they aware of this sale?

Jeff Pitkin:
The, we will be notifying the borrowers to make changes to their payment process, but we're confirming with the terms of the underlying agreements. We don't believe that there are any restrictions in any of the underlying agreements that preclude this type of transactions. So from a borrower standpoint, what they'll know is their payments going into a different account than it used to go into. For all other purposes, they're still going to be interacting with Green Bank who is gonna remain the lender of record and servicing the loan obligation. So the purchaser doesn't get into get involved in directly interacting with any of the underlying borrowers that's only done through NY Green Bank as holder of the loans.

Chair Kauffman:
Good. Okay. Thank you no further.

Andrew Kessler:
Yeah, we're anticipating little to note disruption with respect to borrowers experience with their, their relationship with NY Green Bank, as part of this transaction, we'll continue to monitor the, the portfolios and the investments and, and engage you know, with the counterparties as we normally do on, on a regular course.

Ken Daly:
Jeff, just a quick question on the number that it's nice to see the $21.7 million gain. So good to see that what's the difference between that and the $41.9 million nominal over what time period was the nominal benefit discounted back to the $21 million? Cause it doesn't seem like a big difference with low interest rate.

Jeff Pitkin:
Yeah. That the repayment period is estimated to be about five to six years. And obviously that will depend upon prepayments, any losses, but our baseline projection assumed about a six about a six year period for payoff of debt. Yeah,

Ken Daly:
I guess that was the point of my question. Just six years at low interest rates, $41 million seems that would discount to a higher number, but I presume you guys have checked it all.

Jeff Pitkin:
And from an, from an accounting standpoint we believe KPMG will require that the residual interest will actually be recorded on balance sheet using a fair value approach. So it actually will have a valuation if you will, of what the, what the actual value of those receivables, the cash flows are as of data closing. Okay. And that will likely be the amount recorded. And then the difference between that and the proceeds just becomes the gain, the gain at time of sale.

Jay Koh:
And then that'll flow through the PNL as you realize the residual in future years. Is that right?

Jeff Pitkin:
That's exactly right.

Jay Koh:
Yep. And then to, so to be clear here, this is a true sale for bankruptcy purposes and the only obligation since it's a non-recourse is just the continuing servicing activity, which in the event that the, there is a challenge in the future in terms of repayment, we would have the same obligations to service it, whether we held title to these assets or whether we were just the servicers, it's just simply the continuation of that activity. It doesn't increase the burden from a operational standpoint or from a, a risk per perspective. And in, in fact, basically realizes the value of this without a residual risk of additional losses from the amount that's sold off to the trust. Is that right?

Jeff Pitkin:
That's exactly correct.

Jay Koh:
Okay. So just to confirm a couple things here, one is, you know, it's always been contemplated that there would be an eventual, refreshing or recycling of the Green Bank's rate payer funded capital commitment from the State and State rate payers. And so this is just the first of many possible options for doing that, but very much in line with, and in the service of continuing to take down and execute on the pipeline of visible interest and growing interest in NY Green Bank's activities. Is that a fair characterization, Andrew?

Jeff Pitkin:
It is. Yes, it is.

Jay Koh:
That's great. And so in terms of the operating characteristics here the servicing activity will continue this sort of just simply frees up more rate payer funds to be recycled into the ongoing operations and increased demand that the Green Bank is seeing. And you know, provides us with a kind of proof point that the recycling that there's validation for the Green Bank's underwriting and rating approaches and you know, represents an arms length transaction that has been subject to both the outside council analysis, as well as our independent well, not our independent, our third party financial advisors after looking at a range of different market options. And this doesn't in any way preclude us from taking other different liquidity steps in the future to, again, engage in a recycling of rate payer funds in service of the mission of the Green Bank. Is that a fair characterization?

Andrew Kessler:
That's absolutely correct, Jay. This does not bind us in any way to continue this particular approach. And we remain, you know, able to, to, to optimize according to changes in, in market conditions and, and investor interests, but overall yes this very much represents a real sweet spot

in the SG trend by financial institutions to gain exposure into art, the type of activities that we do every day. So it's a, a terrific to see that validation in demand.

Jay Koh:
That's great. Are there any other questions about the NY Green Bank financing transaction seeing done may have a motion recommending approval of the NY Green Bank financing transaction?

Chair Kauffman:
So moved.

Jay Koh:
A second.

Kate Fish:
Second.
Jay Koh:
Thank you. When Sara calls your name, please indicate whether you are in favor by stating I, or opposed by stating no.

Peter Costello:
Jay, this is Pete. I'm gonna pinch it for Sara. Great. So when I call each name, please indicate your vote. Committee Chair, Jay Koh.

Jay Koh:
Aye.

Peter Costello:
Authority Chair, Richard Kaufman.

Chair Kauffman:
Aye.

Peter Costello:
Shere Abbott.

Sherburne Abbott:
Aye.

Peter Costello:
Ken Daly.

Ken Daly:
Aye.

Peter Costello:
And Kate Fish.

Kate Fish:
Aye.

Peter Costello:
Thank you. Committee Chair, the NY Green Bank debt facility has been recommended for approval.

Jay Koh:
Thank you. Realize we really saw over time here, but we have several items left here. The next item concerns a presentation for our independent auditors on the audit of the Authority's, financial statements in the NY Green Bank's financial statements for the fiscal year, 2020 to 2021. Marty Dunbar, the Lead Audit Partner from KPMG will present this item. Marty,

Peter Costello:
Marty. We can hear you. Yeah,

Jay Koh:
Yes, yes. Thank you, Marty.

Marty Dunbar:
All right. So thank you again for, for having, we'll make this we'll try to make this quick. This is the, the presentation for the audit plan. And I would say overall there aren't significant changes in our audit plan. We touch upon in just a few minutes but overall substantially similar to the past, no significant new accounting standards that require adoption no significant changes to our auditing standards either. So the, the two together equate to no significant change then obviously at this juncture at the end of 21, no significant changes in the operations would, would, would material affect the, the overall audit or plan our strategy. So if we advance the slides forward next page, well more, there we go. So first things first from as similar to 2020 with the pandemic will continue to execute our audit procedures from a, from a remotely we've gone through an entire year that way across all of our audits.

And so we haven't hit too many speed buns along the way. And, and we didn't have any issues last year here at nice cert. So we wouldn't expect any issues this year. So really similar from that perspective over the last year, we have continued to roll out a number of tools that, that we use to help us as an audit team, continue to kind of feel like we're right next to each other in an audit room. And it certainly communicate with management. We'll continue to do that here in 21. So we don't expect to skip a beat as it kind of says here as always our, our focuses on a quality audit, making sure that we're executing our procedures in, in, in in accordance with the auditing standards so that we can deliver our, our audit, as I mentioned, there's no new accounting, pronouncements, no changes from the audit regulation perspective.

So nothing to report from that perspective, if we advance forward a slide highlights from a client service team perspective, our team is substantially consistent with 2020, which, which is good in a lot of ways. Certainly a level of familiarity, a couple brief reminders. We have our core team that has government auditing and a government accounting standards. It's kind of at the forefront of our mind when going through the our financials on the left hand side there underneath Green Bank, we do utilize some subject matter specialists. We kind of refer to them, but they're more so focused on auditing and the financial services, world banks, et cetera. So bring in that that lens as part of our audit procedures. Again, we've done that over the last couple of years, what's not listed.

And, and with respect to some of the matters that you were just discussing previously here in the agenda, we also tap into our national office and other specialists whenever there's unique accounting considerations. And that's something that's always been employed from a, from an audit team perspective and will continue to utilize that our concurrent review partner, Scott Warnky. He is new to the the team this year. He's no stranger to NYSERDA. He was in our national office for a number of years, and for, you know, maybe unique situations years ago, we would taped into to Scott to get his feedback. So he's certainly very familiar with, with NYSERDA in the State of New York. And so he he'll be a welcome member of the team here this year, otherwise a substantially consistent team with, with the past moving along and then one very brief folks service announcement not this year, but next year to give you heads up.

We are rolling out a new audit platform for the last 10 years. We've been using our present audit application, which we update each year based on changes in the regulations, but we're now rolling out a cloud enabled, secure audit application that that we utilize that will have a number of tools also offer a lot of opportunities to interface directly with, with management and NYSERDA that ultimately will enable us to use more data driven tools execute probably what I would describe in layman's terms of more intelligent audit procedures you know, using, you know, different you know, technology tools. And we're certainly in the process and continue to upscale our team so we can use these tools properly. And again, as I said before, our goal is to drive audit quality, to ultimately to drive a better experience for, for management, certainly for you as a Bard and Committee and those in charge of governance.

So more to come on that, and as we, as we wrap up the audit and move forward. So if we advance to the next slide, page five, we'll see some areas that are consistent with the past. And I'll be very brief in terms of significant audit risk. The primary significant risk, again, is the risk of management override of internal controls. This is required under the auditing standards. We designed a number of procedures to respond to that risk. We'll communicate to you at the end of the audit, the results of those procedures. We move on to the next page. You'll see a summary of all the significant areas of the, of the financial statements that we take into consideration when scoping outta procedures, based on our initial risk assessment, we'd expect these are the primary areas of focus. Generally speaking, these are consistent with what we would've reported to in the past.

Certainly if there's any changes, we'll report that to you when we reconvene a completion upon conclusion of our audit procedures. So gen overall, I'd say that's the key highlights as we walk into the 2021 audit. If anything comes up in the meantime, we certainly will reach out to you, but we expect to commence our audit procedures here in the next few weeks. And we will be complete by the mid part of June in time to report back to you near the end of June and issue the financial statement.

Chair Kauffman:
Hey, Martin, I see, in the, in the note at the bottom, it says there were seven opinion audits, seven opinion, unit opinion, sorry. There were seven opinion units in our 2020 audit and we anticipated a similar number in 2021. Can you elaborate on what you mean by that sentence?

Marty Dunbar:
Yes. Yes. Great question. So when putting together a set of financial statements from a, from a governmental perspective, there's funds different funds that are that are essentially distinguishable from each other from, from a governmental auditing standard. And as the auditors, our opinion essentially is at each respective significant fund of the, of NYSERDA. And then there's a collection of all the funds that aren't dis you know, distinguished separately. Those are all put into the other governmental funds. And so that is a, an opinion unit unto itself as well. So when we're executing our audit, we need to design an appropriate level of materiality and calibration to audit each of those columns. If you, each of those significant funds to issue an opinion sort on each of those individually, even though it's all kind of rolled into one report.

So it's not necessarily separate financial statements, you know, of kind of on a standalone basis, but we're opining on each of those major funds. And then as they roll up into what we call the government wide financial statements, which are, you know, kind of the sort of the combination of all these, the governmental funds plus the Green Bank as a, as an enterprise fund coming together, those are incremental two more opinion units. So we refer to them as opinion units. We use all of these, we, we a lot of these financial statement, line items and routine, you know, these routine transactions, accounting estimates, and other areas of focus all are on, are in or within each of these funds. So it's almost like a big matrix. So we're making sure we're doing enough audit procedures within each of these opinion units to align on them each individually. So that that's what our audit opinion really speaks to at the end of the day. Does that help Richard?

Chair Kauffman:
Thank you.

Marty Dunbar:
Yep. So it's a little bit more complex, and sometimes it seems when you kinda lay out here the accounts, because now you multiply at times seven or whatever the number turns out to be as it, as it, as the case may be.

Jay Koh:
Thank you, Marty. Are there any other questions about the audit plan here? No formal actions required by Committee members on this item, and we appreciate the engagement with KPMG and note, again, that since time to memorial, we have been able to have unqualified audit opinions from our external auditors and our great product of that fact. So look forward to the audit process and continuing engagement with management on this as well. The next item on the agenda is other business. Are there any other matters that members wish to discuss? Seeing none may have a motion to adjourn.

Kate Fish:
So moved.

Jay Koh:
Second.

Ken Daly:
I will. Second.

Jay Koh:
All in favor.

Members of the Committee:
All right. Yes. Aye. Aye.

Jay Koh:
Opposed the meeting is adjourned. Thank you very much.