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Executive Director's Remarks – July 13, 2021 Board Meeting

The financial reports present a preliminary unaudited loss of approximately $540,000 against overall spending of approximately $3.8 million – and overall revenues of just under $3.3 million. The loss of $540,000 may move around some as expenses continue to come in, we have made appropriate accruals – but I expect that the number, $540,000, may only move by some tens of thousands. This figure is also higher than we reported last month. This is only the second time that the Authority has reported an operating loss. Last year, Fiscal Year 2020, was the first time since the beginning of the Authority that we reported a loss, approximately $58 thousand. This loss was despite budget control measures that reduced spending against the budget by approximately $330,000.

Some brief context and history is needed. So I have provided a ten-year overview of spending and revenues of the Authority's General Fund which has increased steadily from just under $41 million to approximately $59 million today. The Authority built its general funds balance sheet in order to avoid adverse consequences to the state taxpayers if certain legacy commitments went poorly. The Authority successfully exited these legacy commitments and it is these funds that are available to cover Fiscal Year 2021's operating loss.

The Authority faces a revenue challenge. The Authority's revenues, at the moment, are still largely tied to demand for and the economic viability of federal tax exemption for certain categories of borrowers and projects. Last month, in connection with the adoption of the Authority budget for Fiscal Year 2022, we highlighted the factors that constrained revenues both last fiscal year and the current fiscal year: COVID; a continuing low-interest rate environment; market forces across economic sectors negatively impacting the need for the Authority's core product, federally tax-exempt conduit bonds; the decision by the US Congress not to update key provisions of the federal tax code; and the elimination by the US Congress on January 1, 2018 of advance refunding, the way to refinance federally tax exempt debt on a tax-exempt basis. The US Congress could still yet restore advance refunding as part of the federal infrastructure discussions – and other federal resources may also be available but positive federal results for the Authority are far from certain.

After January 2018 with the elimination of advance refunding and the near elimination of conduit bonds by the US Congress, the Authority embarked on a two-fold plan to (a) diversify its revenues, and (b) strengthen the organization – the Transformation Initiative. This effort laid the foundation for the Authority to play a role in the developing green or climate finance sector under the Climate Process – a role that we are optimistic will be recognized by the General Assembly in the coming months. The Authority's role in climate financing has already been recognized by the Governor. The Authority demonstrated our capacity to effectively play this role by the two successful second

Green Clean Water Initiative Revolving Fund Bonds – the latest at the end of 2020, our creation of the Municipal Natural Gas Loan Program, and the Chair's resolution with respect to climate lending in March.

Commercial Property Assessed Energy Financing or PACE was first embraced by the Authority in 2018 as part of our effort to diversify revenues and better meet our public mission. The development of PACE as an Authority product for commercial real estate financing has been steady and we have made recent significant progress on multiple levels. PACE holds promise as an additional revenue source – and as a tool for the Authority to further its leadership in the developing area of green and climate finance.

The progress that the Authority has made with respect to revenue diversification and establishing a presence in the climate/green finance sector would not have been possible without a willingness to use fund equity to make investments in the organization. I understand that using fund equity is NOT a long-term strategy for paying the Authority's operating expenses. We demonstrated this understanding last month when we reduced our Fiscal Year 2022 budget by $390,000. I also understand the breadth and depth of the expertise and experience represented by you – the Members of the Authority – in the coming weeks, I will not be shy about calling on you – and of recommending the use of our committee structure in a manner that has not been feasible during COVID to work through these challenges.

I can take any questions that you may have. I am also available to discuss specifics with you individually.

Thank you for your consideration.