HAWAII GREEN INFRASTRUCTURE AUTHORITY

State of Hawai'i
March 27, 2020 –3:00 p.m.
Video Conference

ATTENDANCE

Members Present:	Mike McCartney, Jeff Mikulina, Scott Glenn and Dennis Wong.
Members Absent:	Craig Hirai
Staff Present:	Gwen Yamamoto Lau and Ryan Hamadon.
Others Present:	Gregg Kinkley (Deputy Attorney General).
Members of the Public:	Cindy Nawilis.

I. ROLL CALL

Chair McCartney called the meeting of the Hawaii Green Infrastructure Authority (HGIA) to order at 3:05 p.m.

Chair McCartney	Present
Vice Chair Mikulina	Present
Secretary Glenn	Present
Member Hirai	Excused
Member Wong	Present

MATERIALS DISTRIBUTED

1. Agenda for March 27, 2020 Meeting.
2. Minutes of the Regular Meeting January 24, 2020.
3. HGIA's Fiscal 2021 Annual Plan.

II. APPROVAL OF MINUTES

Chair McCartney announced that the first item on the agenda is the approval of the minutes of the January 24, 2020 meeting.

Vice Chair Mikulina moved and Member Wong seconded the motion to approve the January 24, 2020 minutes. Chair McCartney asked if there were comments from any members. Hearing none, called for the vote via roll call.

Ayes: McCartney, Mikulina, Glenn and Wong.
Nays: None.
The motion carried unanimously, 4 to 0.

III. PROGRAM UPDATES

Chair McCartney stated that program updates are the next items on the agenda and called on Ryan Hamadon, Senior Program Officer, to provide the Residential Loan updates.

- Hamadon stated that since the last board meeting on January 24, 2020, HGIA received 58 residential loan applications.

  As of March 27, 2020, two loans were considered seriously delinquent, both being over 61 days past due, aggregating $53,753. HGIA has been in contact with both borrowers to bring these accounts current.

- Yamamoto Lau reported that HGIA is currently doing preliminary underwriting for a workforce housing multi-family rental project as well as a project applying for low income housing tax credits with sister agency HHFDC.

  The commercial portfolio does not have any delinquent loans as all loans are being paid as agreed.

- Yamamoto Lau also reported that the third-party review by the Division of Financial Institutions, which was planned for the first week in April, has been postponed until the shelter in place mandate is lifted.

Members asked clarifying questions, which were addressed by Yamamoto Lau.

IV. DISCUSSION AND/OR DECISION MAKING

Chair McCartney stated that the next item on the agenda is the approval of program changes and called on Yamamoto Lau.

Yamamoto Lau is requesting board approval for an emergency postponement of loan payments to provide temporary relief to GEMS borrowers due to the negative economic impact of the COVID-19 pandemic, as follows:

- Provide all direct billed residential borrowers an option to opt-in for a six-month loan payment deferral. Interest will not accrue during this period. After the 6-month deferral period, HGIA shall migrate loan repayments to on-bill, lower the interest rate to 5.50% to match other on-bill obligations, and extend the loan maturity by six months.
- Provide all on-bill residential participants an option to opt-in to reduce their Program Charge to $10.00 per month for a six-month period. Yamamoto Lau explained that HECO's billing system does not accept $0.00 Program Charges. Interest will not accrue during this period and this deferral will extend the loan maturity by six-months.
- Newly funded residential loans shall also be offered the option to defer its loan payments.
- Provide all direct billed small business and nonprofit borrowers an option to opt-in for either a three-month or six-month loan payment deferral. Interest will not accrue during this period. Following the deferral period, the Borrowers will have the option to (1) revert back to their original loan payment amount and extend their loan maturity; (2) slightly increase their monthly payments by re-amortizing the loan balance over the remaining term of the loan; or (3) revert back to their original

loan payment amount without extending loan maturity and instead accept a balloon payment at maturity. For the six-month deferral option, the borrower must agree to migrate loan repayment after the deferral period to on-bill.

- Provide Project Sponsor borrowers an option to opt-in to either a three-month or six-month loan payment deferral. Interest will not accrue during this period. Following the deferral period, the Borrowers will have the option to (1) revert back to their original loan payment amount and extend their loan maturity; (2) slightly increase their monthly payments by re-amortizing the loan balance over the remaining term of the loan; or (3) revert back to their original loan payment amount without extending loan maturity and instead accept a balloon payment at maturity. For the six-month deferral option, the borrower must also agree to pass on a portion of their savings to the ratepayer and provide HGIA with a copy of a letter agreement with their ratepayer, outlining their payment concessions, for our files.
- Provide all on-bill commercial participants an option to opt-in to reduce their Program Charge to $10.00 per month for a six-month payment. Interest will not accrue during this period and the deferral will extend the loan maturity by six months.
- Newly funded commercial loans shall also be offered the option to defer their loan payments.
- Effective immediately, HGIA shall cease all collection activities until one-month after the Governor's shelter in place mandate is lifted.

Members asked clarifying questions, which were addressed by Yamamoto Lau.

Chair McCartney inquired if the PUC has been consulted on this recommendation to defer loan payments because it will impact loan collections. Yamamoto Lau indicated that while she has not consulted the PUC, because HGIA will be deferring the payments and not forgiving it, the PUC will get its money back, it will just be delayed for six months.

In discussion, Secretary Scott indicated that HGIA's emergency postponement of loan payments is in direct response to the COVID-19 pandemic and should fall under the Governor's supplemental proclamation. In order to ensure transparent communication, Chair McCartney requested Deputy Attorney General Kinkley to work through the appropriate legal channels to inform the PUC of our decision.

While a $10.00 monthly program charge is nominal and will help ratepayers during this time of economic uncertainty, Secretary Scott felt that lowering it to $1.00 was a powerful statement to our borrowers symbolizing our strong desire to assist our ratepayers. All concurred.

Chair McCartney asked if there were any further questions. Seeing none, he asked for public comments. Hearing none, he asked for a motion to approve the emergency postponement of loan payments to provide temporary relief to GEMS borrowers due to the negative economic impact of the COVID-19 pandemic.

Secretary Glenn moved and Vice Chair Mikulina seconded the motion to approve the emergency postponement of loan payments, amending the $10.00 monthly Program Charge to $1.00, and the temporary cessation of collection efforts. Chair McCartney called for the vote via roll call.

Ayes: McCartney, Mikulina, Glenn, and Wong.
Nays: None.

The motion carried unanimously, 4 to 0.

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Note: Subsequent to the Board meeting, on March 27, 2020, Deputy Attorney General Kinkley submitted HGIA's Resolution on Temporary COVID-19 Assistance to inform the PUC of the Authority's intended actions. On March 31, 2020, the PUC acknowledged the Authority's COVID-19 related plans and confirmed that these actions are consistent with the Commission's interest in encouraging new proposals that can help residents and businesses better manage their utility bills during this emergency.

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Chair McCartney stated that the last item on the agenda is the approval of HGIA's Fiscal 2021 Annual Plan and called on Gwen Yamamoto Lau to summarize the annual plan.

- The Annual Plan provides a recap of last year's activities and initiatives that we will be focusing on in the upcoming year.
- Per the PUC's Decision and Order, the format of the annual plan requires a restatement of the activities from the Quarterly reports.
- Additionally, our initiatives for the upcoming fiscal year were reviewed by the Board in December with the approval of HGIA's Report to the Governor and Legislature.
- The area of focus for today's discussion is on the FY2021 Budget:
  - The increase in the expense amount for Administrative Staff, as compared to last year, is primarily due to an increase in the state's fringe benefit assessment. As required by Comptroller's Memorandum 2019-12, non-general funded positions are required to allocate over 60% of salaries to fringe;
  - Operating Expenses remain relatively unchanged from last year, except that an additional category of Bank Fees of $150,000 has been added. When HGIA first issued its Request for Proposal ("RFP") for depository services back in 2014, the focus at that time was to minimize bank fees. As such, the depository financial institution that was awarded the RFP charged a nominal $2,000 annually. However, likewise, the funds were also only earning nominal interest. After issuing a new RFP in 2018, the deposits were moved to a local financial institution with more robust commercial banking services. While the bank fees are higher, hence the addition of this new budget line item, the net earnings are of greater benefit to HGIA with the competitive yields the bank is paying on deposits.
  - Program Expenses include the largest increase due to much needed automation projects that will increase loan processing efficiencies and reporting accuracy. Automating the online loan portal and data base, which will cost approximately $200,000 to develop, will be capitalized over a five-year period. Additionally, HGIA will migrate its commercial loan servicing from a manual system to a web-based solution for approximately $35,000. This will also be capitalized over a five-year period. In addition to increasing efficiencies and reporting accuracy, both projects will also reduce organizational risk.
  - The increase in Accounting Services of $26,500 is due to the outsourcing HGIA's accounting function, per Comptrollers Memo 2019-14, to be in compliance with GAAP.
  - Due to PUC Order No. 34930 requiring HGIA to transfer loan repayments to the PUC, a new line item of $2.5 million for PUC Repayments has been included in the budget.

- While HGIA to date, has fortunately not suffered any loan losses, to be in compliance with GAAP, HGIA is establishing an Allowance for Bad Debt of $150,000.

If the Bank Fees (which results in a net gain), PUC Repayment (which is required by PUC Order) and Allowance for Bad Debt (which is required by GAAP), are eliminated to provide a side-by-side comparison with the budget from the previous year, the difference is an approximate $111,000 or 10% increase from the prior year.

Yamamoto Lau addressed questions from the Members.

Chair McCartney asked if there were any further questions. Seeing none, he asked for public comments. Hearing none, he asked for a motion to approve HGIA's FY2021 Annual Plan.

Member Wong moved and Vice Chair Mikulina seconded the motion to approve HGIA's Fiscal 2021 Annual Plan. Chair McCartney called for the vote via roll call.

Ayes: McCartney, Mikulina, Glenn, and Wong.
Nays: None.
The motion carried unanimously, 4 to 0.

V. ADJOURNMENT

Chair McCartney asked if there were any other matters that should be discussed. Seeing none, he asked for a motion to adjourn the meeting.

Secretary Glenn moved and Vice Chair Mikulina seconded the motion. Chair McCartney then called for the vote.

Ayes: McCartney, Mikulina, Glenn, and Wong.
Nays: None.
The motion carried unanimously, 4 to 0.

Chair McCartney adjourned the meeting at 3:49 p.m.

Respectfully Submitted By:

Scott J. Glenn

Scott J. Glenn
Secretary