

***MINUTES OF THE MEETING OF
THE NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
AUDIT COMMITTEE***

November 30th, 2023

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the “Corporation”) was held at the Corporation’s office at 120 Broadway on Thursday, November 30, 2023.

The meeting was called to order at 10:30 am by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the October 10, 2023 meeting. The minutes were approved.

Mr. Gould then turned to Ms. Cathy Baumann, Executive Vice President and Chief Financial Officer, to provide an overview of the agenda. Ms. Baumann provided an overview of the agenda.

Mr. Gould then called on Ms. Ellen Duffy, Executive Vice President of Capital Markets and Investments, to present the Corporation’s Debt Report. The Corporation’s Debt Report is as of October 31, 2023. Ms. Duffy noted that the last report presented to the Audit Committee was as of August 31, 2023. During this time, the Corporation issued four series of Open Resolution bonds in the amount of \$315.8 million. There were no Open Resolution bond redemptions. Three stand-alone series of bonds in the amount of \$13.1 million, and three series of debt obligations in the amount of \$84 million were redeemed. The Corporation’s debt outstanding as of October 31, 2023 is approximately \$15.8 billion. As of October 23, 2023, the Corporation’s statutory debt capacity was increased to \$19 billion. Mr. Gould asked if this had been signed by the Governor which Ms. Duffy confirmed.

Mr. Gould again called on Ms. Duffy to present the Corporation’s Investment Report. Ms. Duffy stated that the Corporation’s Investment Report is as of November 13, 2023. Funds under management totaled approximately \$5.4 billion. This report reflects routine investment activity.

Ms. Duffy noted that the Bond Reserve was revised and approved by the Audit Committee on November 30, 2021, and is required to be reviewed annually. After debt service on the Open Resolution was paid on November 1, 2023, and certain redemptions made, the amount of long-term bonds outstanding in the Open Resolution is approximately \$9.2 billion. The amount of long-term bonds outstanding in the Housing Impact Bond resolution is approximately \$1.1 billion. Based on this total balance of \$10.3 billion, a 1.50% Reserve would equal \$154 million, and a 2% Reserve would equal \$205 million. During fiscal year 2022, the Reserve was funded at \$160 million. Due to the higher amount of bonds outstanding, the strong, diversified cash flow in the Open Resolution, and the \$55 million of guaranty and working capital reserves currently cash funded, HDC Staff recommends that the Reserve should be increased from \$160 million to \$180 million at this time. Ms. Denise Scott, Board Member, posed a question on whether there is a minimum requirement. Ms. Duffy noted that the reserve level is self-imposed based on

bonds outstanding funded and is not required by rating agencies. Ms. Duffy noted that the Corporation feels this is a good way to manage risk internally.

Mr. Gould then called on Ms. Mary Hom, Chief Risk Officer, for the Corporation's Counterparty Credit Risk Exposure Report. Ms. Hom noted that the report is dated October 31, 2023. The previous report to the Audit Committee was dated September 30, 2023. Ms. Hom stated that while there were no rating agency actions of note, Moody's recently revised its outlook for the United States government to negative from stable citing increased downside risks, continued large fiscal deficits, and significantly weakening debt affordability. Moody's currently rates the U.S. triple-A while both S&P and Fitch rate the U.S. at AA+. Ms. Hom noted that there were no new approved counterparties.

Ms. Hom continued stating that HDC's counterparty exposure remains diversified with the largest exposures continuing to be with FNMA, FHLMC, and Wells Fargo. The Wells Fargo exposure is primarily in the form of construction letters-of-credit covering twenty-five projects and five interest rate hedges. Investments rated double-A or higher were 48% of total investments, versus 51% at the last report. Investments rated triple-B or not rated were 37% of total investments, versus 35% at the last report. All investments rated triple-B or not rated are fully collateralized by high quality U.S. Treasury/Agency securities and/or FHLB letters-of-credit. HDC's exposure to liquidity providers increased \$50 million to \$591.8 million due to the issuance of the 2023 Series B-2 bonds. Ms. Hom concluded her report by noting that HDC's exposure to swap providers increased to \$1.76 billion as HDC entered into a \$125 million interest rate swap with Wells Fargo. Ms. Duffy further added that the money market accounts are currently all backed by - Federal Home Loan Bank letters of credit.

Ms. Scott asked what international institutions the Corporation has relationships with. Ms. Duffy noted that the Corporation has liquidity facilities with RBC and TD Bank, as well as interest rate swaps with RBC and Barclays Bank. Ms. Hom noted that HDC also has Construction Letters of Credit with TD Bank.

Mr. Gould then turned to Ms. Hom to present the Internal Audit Report. Ms. Hom noted that since the last report to the Audit Committee, two internal audit projects were completed: IT Third-Party Vendor Management and Petty Cash. On the IT Third-Party Vendor Management audit, Ms. Hom stated that the objective was to determine if IT is effectively managing vendor relations in the context of security, contracts, HDC policies, and all other supporting documentation. Upon completion of the audit, the audit team found no matters involving internal controls that were considered material weaknesses. Opportunities exist to enhance controls for third-party vendor management, including updating policy and procedure documents to reflect current practices, formalizing a vendor close-out protocol, and strengthening the tracking of vendor information in the Oracle database.

On the Petty Cash audit, Ms. Hom reported that the objectives were to determine whether adequate controls exist to ensure that: the cash asset was safeguarded and maintained in the proper amount, petty cash disbursements were in compliance with HDC's policies and procedures, and the Imprest Fund was properly authorized, processed, and reconciled. The team found the Corporation's guidelines to be effective and found no matters involving

internal controls that we consider to be material weaknesses. Ms. Hom reminded the Committee that the Petty Cash audit is required to be performed each year pursuant to the 2003 Memorandum of Understanding between HDC and the City's Department of Investigation.

Mr. Gould again turned to Ms. Hom for the Approval of FY 2024 First Quarter Audit Plan. Ms. Hom noted that the proposed projects for the first quarter of 2024 include two advisory projects related to the annual review and update to business continuity and succession planning, one assurance audit, and the continuous monitoring of the investment portfolio. Hearing no questions, Ms. Hom requested approval of the FY 2024 First Quarter Audit Plan. Ms. Scott made a motion, and the audit plan was approved.

Mr. Gould returned to Ms. Duffy to provide an update on presentations to the ratings agencies. Ms. Duffy noted that the Audit Committee Charter requires that presentations to the rating agencies be reviewed with the Audit Committee. During 2023, the Corporation's staff met with Standard and Poor's Global Ratings ("S&P") and Moody's Investors Service ("Moody's"). Both firms rate the Corporation and its bond issuances. In addition, S&P rates REMIC. These meetings are usually held annually as part of the rating agency due diligence process. The meeting with S&P took place on February 7, 2023, and the meeting with Moody's took place on October 12, 2023. Copies of each presentation are in the Members' package for review. Noting no questions, Ms. Duffy concluded her report.

At 10:44 am, with no further business, the meeting was adjourned.

Respectfully submitted,

Jeremy Boyer

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ATTENDANCE LIST (HYBRID (LIVE/VIRTUAL) MEETING)

NAME

AFFILIATION

Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Marc Norman	Audit Committee Member
Danielle Hurlburt	Ernst & Young
Cathy Baumann	NYC Housing Development Corp.
Jeremy Boyer	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Austin Chin	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Eric Enderlin	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Morgana Laurent	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Ruth Moreira	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Moira Skeados	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.