

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

***November 25, 2024***

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 Monday, November 25, 2024.

The meeting was called to order at 10:30 a.m. by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the September 24, 2024 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 called on Ms. Ellen Duffy, Executive Vice President of Capital Markets and Investments, to present the Corporation’s Debt Report. Ms. Duffy stated that the Corporation’s Debt Report is as of October 31, 2024. The last report presented to the Audit Committee was as of August 30, 2024. During this time, Ms. Duffy noted that the Corporation issued three series of Open Resolution bonds totaling \$167.8 million. The Corporation also issued three series of bonds in the Impact Resolution in the amount of \$199.8 million. The Corporation redeemed \$10.6 million of bonds in the one remaining series of Multi-Family Secured Mortgage Revenue Bond Indenture (“Mini-Open”) during this time. There are no bonds remaining in the Mini-Open indenture. The Corporation’s debt outstanding as of October 31, 2024 is approximately \$17.1 billion. The Corporation’s statutory debt capacity is \$19 billion. Mr. Gould posed a question as to whether the Corporation would try to increase the statutory debt capacity to \$20 billion in the spring, to which Ms. Duffy replied affirmatively.

Mr. Gould again turned to Ms. Duffy to present the Corporation’s Investment Report. Ms. Duffy stated that the Corporation’s Investment Report is as of November 8, 2024. Funds under management totaled approximately \$6.9 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, 2024, and certain redemptions made, the amount of long-term bonds outstanding in the Open Resolution is approximately \$9.8 billion. The amount of long-term bonds outstanding in the Housing Impact Bond resolution is approximately \$1.4 billion. Based on this total balance of \$11.2 billion, a 1.5% Reserve would equal \$160 million, and a 2% Reserve would equal \$224 million. During fiscal year 2023, the Reserve was funded at \$180 million. Due to the higher amount of bonds outstanding, the strong, diversified cash flow in the Open Resolution, and the \$58 million of guaranty and working capital reserves currently cash funded, HDC Staff recommends that the Reserve should be increased from \$180 million to \$200 million at this time. Mr. Gould

asked if the Audit Committee needs to vote and approve the increase in reserves. Ms. Duffy responded that this information is provided to the Audit Committee and a vote is not required. Further Ms. Duffy noted that HDC self-funds this reserve, and the rating agencies do not require it. Ms. Scott posed a question on whether the Corporation has had to call on reserves. Mr. Eric Enderlin, President, noted that the Corporation has not had to call on reserves and that this is more of a scale question.

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, 2024. The previous report to the Audit Committee was dated August 31, 2024.

Ms. Hom stated that there were no new approved counterparties, and there were two rating agency actions of note. In October, Moody's and S&P downgraded TD Bank a notch to Aa3/P-1 and A+/A-1, respectively, after TD Bank announced a settlement with U.S. banking regulators related to non-compliance with anti-money laundering regulations. While the rating agencies view the fines as manageable, both Moody's and S&P felt a downgrade was necessary, as it impacted their perception of the Bank's risk management and corporate governance practices.

The other rating agency action was subsequent to the date of the report. On November 15, S&P upgraded JPMorgan Chase & Co and its subsidiaries one notch with bank deposits up to AA- from A+ based on the Bank's strong earnings and consistent strength.

HDC's counterparty exposure remains diversified with the largest exposures being with FNMA, FHLMC, and Wells Fargo. The Wells Fargo exposure is primarily in the form of construction letters-of-credit covering 23 projects and six interest rate hedges.

Investments rated double-A or higher were 44% of total investments, versus 45% at the last report. Investments rated triple-B and lower or not rated were 41% of total investments, versus 44% at the last report. All investments rated triple-B and lower or not rated are fully collateralized by Federal Home Loan Bank municipal letters-of-credit ("MULOC") or U.S. Treasury/Agency securities. The weighted average maturity of the investment portfolio was approximately 1.8 years versus 2 years at the last report. Ms. Hom concluded noting that HDC exposure to liquidity providers was unchanged at approximately \$790 million; and interest rate hedges outstanding totaled approximately \$1.6 billion.

Mr. Gould again turned to Ms. Hom to present the Internal Audit Report. Since the last report to the Audit Committee, Ms. Hom noted that the Internal Audit team completed the 2024 Petty Cash audit. Ms. Hom reminded the members 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. The audit period covered transactions over a twelve month period where there were six transactions totaling \$134. Ms. Hom stated that Internal Audit found HDC guidelines to be effective and found no matters involving internal controls that they considered to be material weaknesses. Internal Audit established that: (1) the petty cash disbursements were in compliance with HDC policies and procedures; (2) the petty cash on hand was kept in a secured lockbox and maintained in the proper amount; and (3) all expenditures were properly authorized, processed, and reconciled.

Mr. Gould turned to Mr. Neil Saranga, Deputy Director of Internal Audit, to present the First Quarter 2025 Internal Audit Plan. Mr. Saranga noted that the proposed projects include: two advisory projects; implementation of continuous monitoring of employee expenses, including President's Office expenses; the continuous monitoring of HDC's investment portfolio; annual employee certification of understanding of the HDC Code of Ethics; and ongoing work spearheading the PII Working Group and the AI Working Group. Hearing no questions, Mr. Saranga requested that Audit Committee Members approve the First Quarter 2025 Internal Audit Plan. Mr. Gould called for a motion, and the Internal Audit Plan was approved.

Mr. Gould then turned to Ms. Baumann to present HDC's Purchasing Guidelines. Ms. Baumann noted that pursuant to the Public Authorities Accountability Act of 2005, HDC is required to have its Members annually review and approve the Purchasing Guidelines of the Corporation. After approval, the Guidelines are submitted to the Office of the State Comptroller, through its Public Authorities Reporting Information System ("PARIS"). The Guidelines are also published on the Corporation's website.

Ms. Baumann stated that updates to the Guidelines this year are related to two organizational changes. Earlier in 2024, the Accounting team hired a new Director of Budget & Financial Planning, and one of the responsibilities of this position is to monitor the Corporation's operating budget. Monitoring the operating budget includes reviewing and approving purchase orders (or "POs"). The updated change to the workflow allows the Budget Director to review and approve all POs regardless of the dollar amount and assures that the procurement is charged to the proper budgeted expense lines. The other organizational change is related to the retirement of the Senior Vice President & Controller earlier in the year. Ms. Baumann then requested the Members' approval of the Corporation's updated Purchasing Guidelines. Mr. Gould then called for a motion to approve the updates to the Corporation's Purchasing Guidelines, and the motion 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 2024, the Corporation's staff met with Moody's Investors Service ("Moody's"). Moody's reviews credit ratings on the Corporation and its bond issuances. These meetings are usually held annually as part of the rating agency due diligence process.

The meeting with Moody's took place at HDC's offices on September 17, 2024. Ms. Duffy noted that the Corporation did not have an annual meeting with S&P due to personnel changes. Hearing no questions, Ms. Duffy concluded her report.

At 10:56 a.m., with no further business, the meeting was adjourned.

Respectfully submitted,

*Austin Chin*

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*November 25th, 2024*

**ATTENDANCE LIST (HYBRID (LIVE/VIRTUAL) MEETING)**

<b><u>NAME</u></b>	<b><u>AFFILIATION</u></b>
Harry Gould	Audit Committee Member
Denise Scott	Audit Committee Member
Danielle Hurlburt	Ernst & Young
Cathy Baumann	NYC Housing Development Corp.
Wanjiru Bila	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.
Nicole Forero	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Kimberly Huang	NYC Housing Development Corp.
Sophia Klein	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Kaushik Lad	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Uyen Luu	NYC Housing Development Corp.
Stephanie Mavronicolas	NYC Housing Development Corp.
Carol Micalizzi	NYC Housing Development Corp.
Ruth Moreira	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Mussa Sanoe	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Bobby Toth	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.