

**MINUTES OF MEETING OF THE AUDIT COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
February 1, 2019**

A meeting of the Audit Committee (the “Committee”) of New York City Economic Development Corporation (the “Corporation” or “NYCEDC”) was held on Friday, February 1, 2019 at the Corporation, 110 William Street, Conference Room 5B, New York, New York 10038.

The following members of the Committee were present in person or by means of a conference call at the above indicated meeting of the Committee constituting a quorum:

- James McSpiritt
- Michael Schlein (attended by phone)
- Betty Woo

In addition, the following members of NYCEDC staff were present:

- Finance: Kim Vaccari – CFO, Spencer Hobson – EVP/Treasurer, Fred D’Ascoli – Controller, Amy Chan – Deputy Controller
- Internal Audit (“IA”): David Price – SVP
- Legal – Mark Silversmith – Special Counsel

Also present were representatives from Ernst & Young LLP (“EY”): Lou Roberts – Engagement Partner and Nicole Rapport – Senior Manager

The meeting was called to order at 9:00 a.m.

1. Approval of the Minutes of the September 26, 2018 Audit Committee Meeting

Mr. McSpiritt asked if there were any questions or comments relating to the minutes of the September 26, 2018 Committee meeting. There being no questions or comments, Mr. McSpiritt motioned to approve the minutes. Mr. Schlein seconded the motion and the minutes were approved.

Before continuing with the Committee meeting, Ms. Vaccari introduced Ms. Chan, the new Deputy Controller of Finance.

2. Internal Audit Update

Mr. Price indicated that, historically, IA assists EY with the year-end audit procedures surrounding NYCEDC’s retainage, lease and loan balances (audits 1-3 on the FY2019 Plan, previously approved in May 2018). As the nature, timing and extent of EY’s testing changed, IA’s assistance was not needed for the audit of leases and loans. The retainage audit was

completed, the report was issued, and no findings were noted. For audits 4, 5, 6 and 7, the draft reports have been delivered to management. IA is currently waiting for management to respond back with detailed action plans and target dates regarding when the findings will be addressed. Once IA receives responses, the reports will be finalized and distributed. IA has five projects that are currently active and one project commencing shortly. IA is on schedule with the current audit plan and anticipates having all audits completed by the end of FY2019.

Mr. Price proposed a change to the approved FY 2019 Audit Plan. IA observed a risk with the cruise lines and the agreements in place. It was noted that insufficient monitoring of compliance and a lack of periodic contract compliance reviews might result in poor quality of services, non-compliance with contracts, financial losses, etc. Since that time, IA has conducted two cruise line audits:

- Carnival Cruise Line
- Ports America (operators for the Manhattan and Brooklyn Cruise Terminals)

Several valuable findings were noted in both audits; however, the new practices have not been fully implemented. Although the new practices will help reduce the risks in this area, conducting another cruise line audit at the present time would not be valued as the same findings would be noted. IA is seeking approval from the Committee to postpone this audit until FY2020 or FY2021 to give management a chance to implement new controls, reinforce any revised procedures and effectively change the practices. Mr. McSpiritt asked if there were any questions or comments relating to the proposed changes to the FY2019 Audit Plan. There being no questions or comments, Mr. McSpiritt motioned to approve the changes to the proposed plan. Mr. Schlein seconded the motion and the proposed plan changes were approved.

Mr. Price then discussed open issues, stating that 237 issues have been reported dating back to FY2014. Mr. Price stated that IA was pleased to report that 92% of the open issues are now closed and/or addressed. The audit team has been working closely with management, making it a priority to close issues and reduce risk.

3. Fuel Hedge Update

Ms. Vaccari explained that last year NYCEDC passed a New Energy Risk Managing Policy (Fuel Hedging Policy) and noted that Management has committed to updating the Committee periodically.

For a recent update, Ms. Chan highlighted the steps implemented by NYCEDC to place controls over the administration of the program. NYCEDC hired an energy price risk management consulting firm, Linwood Capital, LLC, to oversee the day to day program under the direction of NYCEDC. A Fuel Hedge Committee was created comprised of individuals from Finance and Asset Management. On a weekly basis, Linwood Capital, LLC provides NYCEDC with updates on changing market conditions, current diesel fuel costs and hedging

analysis along with hedging recommendations if opportunities exist. The Fuel Hedge Committee votes on executing transactions based on the information provided. NYCEDC monitors the fuel usage and costs as part of the monthly reporting process comparing the actual to the budgeted amounts. Executed hedging transactions are recorded in NYCEDC's general ledger and audited as part of its annual financial statements which are approved by the Committee.

4. Session with Auditors

A private session with EY was held at this time.

5. Session with Management

A private session with Management was held at this time.

6. Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 9:46 a.m.