NYCTDC
NYC Technology Development Corporation

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Minutes of a Board Meeting Held on July 18, 2013 at 9:15 AM In the Board Room at 255 Greenwich Street, 9th Floor

1. Meeting Called to Order; Quorum Noted

The meeting was called to order at approximately 9: 20 a.m. A quorum was present consisting of Ari Hoffnung, Caswell F. Holloway, Chairperson Rahul N. Merchant, Mark Page and Steven Salzinger.

2. Approval of Minutes from Meeting on May 8, 2013

Mr. Salzinger noted that there was a typographical error in the draft Minutes in the fourth item relating to the Audit Committee in which the Committee was mistakenly referred to as the "Governance Committee" on the third line. Upon motion duly made and seconded, the Minutes were then unanimously amended and adopted as follows:

> RESOLVED, that the Board of Directors hereby approves the minutes of the Board of Directors meeting held on May 8, 2013, as amended, a copy of which is annexed hereto and is hereby ordered filed with the records of the Corporation.

3. Independent Auditor

A motion was made and seconded to approve the Audit Committee's recommendation to hire Deloitte & Touche LLP, as the TDC's independent auditor. Mr. Hoffnung asked what Deloitte's fee would be. Mr. Page explained that the fee was $10,000, which was based on the estimated number of hours of work and hourly rates incorporated in Deloitte's agreement with the City of New York to serve as its independent auditor, and that Deloitte would be performing audit services for TDC under the "special projects" provision of the City contract. He further explained that the proposed fee was less than the amount paid by other City affiliated entities, including those which have had fewer transactions than TDC. After this discussion, the following resolution was unanimously adopted:

WHEREAS, pursuant to subdivision four of section 2824 of the Public Authorities Law, the Corporation's Audit Committee has recommended the hiring of the certified independent public accounting firm Deloitte & Touche LLP as the Corporation's independent auditor;

WHEREAS, Deloitte & Touche is a nationally recognized accounting firm with significant experience in performing audits for other governmentally related not-for-profit corporations; now, therefore, be it

RESOLVED, that the Audit Committee's recommendation to hire Deloitte & Touche LLP as the Corporation's independent auditor is approved.

4. Determination under Section IV of Code of Ethics

The Chairperson explained that John Boeck, a Project Manager recently hired by TDC, had disclosed that he had an interest valued in excess of $300,000 in a privately held company that made educational software products which currently has no business dealings with TDC, but could in the future seek business with the Department of Education or other City agencies. This matter was referred to the Board for its determination pursuant to Section IV of the TDC Code of Ethics. Upon motion duly made and seconded, the Board unanimously adopted the following resolution:

WHEREAS, Section IV(A) of the Corporation's Code of Ethics requires disclosure by any employee who becomes aware that they have an interest that may be prohibited by the Code or is in doubt about the proper application of the Code; and

WHEREAS, under Section IV(B) of the Corporation's Code of Ethics, the Board may by a concurring vote of two-thirds of its members determine that an interest disclosed by an employee pursuant to Section IV(A) does not conflict with the purposes or interests of the Corporation or the City and thereby authorize the employee to retain such interest; and

WHEREAS, John Boeck, who was hired as a project manager for the Corporation effective July 15, 2013, has disclosed that he has an investment valued in excess of $300,000 (but less than 5% ownership) in a for-profit firm, E-Line Ventures, LLC (d/b/a "E-Line Media"), which produces educational games and markets educational products and services to school districts, parents and students; and

WHEREAS, E-Line Ventures, LLC is not currently doing business with any City agency or the NYC Technology Development Corporation, but could seek business with the New York City Department of Education in the future; now, therefore, be it

RESOLVED, that Mr. Boeck's interest in E-Line Ventures, LLC does not conflict with the interests or purposes of the Corporation or the City and Mr. Boeck may retain such interest, provided that the Corporation shall not assign Mr. Boeck any work for the

Corporation involving the New York City Department of Education ("DOE") or share information with him regarding such work, and Mr. Boeck shall immediately recuse himself from any work for the Corporation involving any City agency with which E-Line Ventures seeks to do business in the future.

5. Consulting Services Agreement with McKinsey & Company

The Chairperson stated that, in his role as the City's Chief Information and Innovation Officer, he had requested TDC to engage McKinsey & Company, Inc., to review DoITT's spending on procurement of information technology and telecommunications goods and services, with a focus on those that are used Citywide. He further stated that he was particularly interested in having McKinsey review and analyze savings opportunities on two upcoming procurements, one being a procurement for an eight-year, $800 million (estimated) contract for Citywide telecommunications services and the other being a 5-year renewal of an enterprise license agreement ("ELA") with Microsoft. He explained that McKinsey's proposed analysis would proceed in three tasks with the first task being a general diagnostic of procurement savings opportunities to be delivered at a cost of $150,000 per week and with an overall cap not to exceed $325,000 in total. A TDC project manager would coordinate with McKinsey and review its work product. If a determination was made to proceed further, the proposed contract provided for two more tasks: (i) a "deep dive" analysis of priority savings opportunities and a plan to implement savings capture; and (ii) establishing a performance management system and sustainability apparatus. The cost for the latter stages would likewise be capped at $150,000 per week.

Mr. Page asked if there was any overall cap for the latter two phases in addition to the per week cap. Mr. Merchant answered that none had been established yet, but he anticipated based on his communication with McKinsey that the latter two phases would take five to six weeks. Mr. Holloway proposed that the resolution be amended to impose a $1.25 million overall cap on expenditures under the contract without additional Board approval.

Mr. Hoffnung commented that he believed that TDC should be developing internal expertise to do the type of work that was now being proposed rather than seeking an outside consultant. He also asked why DoITT could not contract directly with McKinsey. Mr. Merchant and Mr. Holloway responded that performing the proposed analysis on how to achieve IT procurement savings was well within TDC's core mission.

Mr. Hoffnung commented that the Comptroller's Office had two "process problems" with the proposed contract. He submitted, first, that the McKinsey engagement would constitute a "new project" about which the Board should have been given prior notice and opportunity to review and, second, that using TDC rather than DoITT to procure McKinsey was "bypassing the City PPB Rules."

Mr. Merchant replied that vendor management of the type to be provided under this proposed contact was specifically contemplated by the original contract between the City and TDC, which includes "vendor management" as one of the core tasks for TDC. He further stated that, given the immediate need to fully analyze the Citywide telecommunications procurement and the ELA renewal, there was insufficient time to do a procurement through DoITT.

Mr. Hoffnung stated there should have been time to do the procurement through DoITT, given that DoITT should have known about the impending expiration of the existing telecommunications services and ELA contracts. Mr. Holloway observed that there was "no way to turn back the clock" and that the only way to get the benefit of McKinsey's expertise regarding these critical procurements at this stage was to do it through TDC, and enabling the City to access this type of consulting expertise in a timely manner was one of the basic reasons for establishing TDC.

Mr. Holloway then moved that the proposed resolution to authorize the Corporation to enter a contract with McKinsey & Company be amended to impose an overall $1.25 million maximum amount, and specifically, to read as follows:

> WHEREAS, under Section 2.02(c) of the Corporation's Contract with the City, the Corporation is authorized to provide multi-agency vendor management services, including development of best practices and providing analytic support; and
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> WHEREAS, pursuant to a request by the City's Chief Information Technology and Innovation Officer (CIIO), the Corporation has negotiated an Agreement with McKinsey & Company, Inc. to provide consulting services aimed at analyzing, identifying opportunities and recommending methods for capturing savings on contracts of the Department of Information Technology and Telecommunications to procure information technology and telecommunications goods or services, other than contracts for capital projects, many of which contracts are available for use across City agencies; and
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> WHEREAS, such Agreement provides for three Tasks to be pursued in stages, with Tasks 2 and 3 at the sole option of TDC, such that Task 1 shall be a diagnostic of procurement improvement opportunity; Task 2 shall be a deep dive to characterize priority opportunities and create an implementation plan for savings capture, and Task 3 will consist of establishing a performance management system and sustainability apparatus; and
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> WHEREAS, such Agreement provides that rates shall at no point exceed $150,000 per week and shall not exceed a $325,000 fixed price for Task 1; now, therefore, be it
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> RESOLVED, that the Corporation is authorized to execute such Agreement with McKinsey & Company, Inc., provided that TDC may not expend in excess of $1,250,000 on such Agreement without further approval of the Board.

Thereafter, a vote was called and the Chairperson declared that the resolution was adopted by a vote of 3-2 with the Chairperson, Mr. Holloway and Mr. Page voting in the affirmative.

6. Adjournment

Chairperson Merchant adjourned the meeting at 10:10 a.m.

Respectfully submitted,

Elissa Stein Cushman
Secretary