

ROOSEVELT ISLAND OPERATING CORPORATION

Policy for the Use of Discretionary Funds

ARTICLE I

STATEMENT OF PURPOSE AND TITLE

1. This Policy is adopted pursuant to a recommendation by the Authorities Budget Office that public benefit corporations should adopt governance policies that promote best practices in the areas of management and oversight of its operations. As further set forth below, this Policy applies to the use of discretionary funds by the Roosevelt Island Operating Corporation (“RIOC” or “Corporation”).
2. RIOC recognizes its obligation to implement fundamental financial management controls with respect to the Corporation’s operations funds, and that RIOC has a fiduciary duty to adopt policies that safeguard the Corporation’s assets and resources and protect against the use of those funds for purposes that do not advance RIOC’s mission and objectives.
3. This Policy may be referred to as RIOC’s “Discretionary Funds Policy”.

ARTICLE II

DEFINITIONS

1. Definitions. The following terms shall, for the purposes of this Policy, have the following meanings unless the context shall clearly indicate some other meaning:

“By-Laws” shall mean the By-Laws adopted by the Directors of the Corporation.

“Corporation” or “RIOC” shall mean the Roosevelt Island Operating Corporation.

“Corporation Staff” shall mean any RIOC officer or employee that provides any services in any capacity, paid or unpaid, to the Corporation. It shall not include any employee, officer or member of any independent contractor or consultant providing goods or services to the Corporation.

“Director(s)” shall mean the director(s) of the Corporation.

“Discretionary Expenditure” shall mean an expenditure of the Corporation that is made at the judgment of a Director or Corporation Staff person in the regular conduct of their duties in accordance with this Policy, and which is not required to be made pursuant to a statute, regulation, program requirement, or a directive of a duly authorized person or entity other than the Directors or Corporation Staff having jurisdiction over RIOC’s operations or programs.

“Discretionary Funds” shall mean those funds obtained by RIOC for its performance of services for a fee or from revenue from any other source that does not require the use of such revenue for a particular purpose. Funds passed through to RIOC, or appropriated or passed through to any

other agency which, in turn, passes them through to RIOC, for the administrative purposes of a particular program will be considered Discretionary Funds if, although restricted to the purposes of such Program, are nonetheless available for RIOC's use as it sees fit consistent with the Program's purpose.

“Expenditure” shall mean a payment of Corporation funds for goods or services.

“Fiscal Officer” shall mean either the Corporation's Chief Financial Officer or another member of RIOC staff or management designated as such by the Chief Financial Officer or the Chief Executive Officer.

“Officer” shall mean any person so defined in the By-Laws.

ARTICLE III **EXPENDITURES OF DISCRETIONARY FUNDS**

1. Permitted Expenditures of Discretionary Funds.

(a) Discretionary Funds may be expended only in connection with the discharge of official duties of RIOC Staff, or as directed by a resolution of the Directors, or as directed by the RIOC's Fiscal Officer.

(b) Discretionary Expenditures may only be made in furtherance of the RIOC's mission and objectives, and only for expenditures that are reasonable and necessary.

(c) Generally, Discretionary Expenditures are subject to those costs approved in the RIOC's annual budget. However, the RIOC's Fiscal Officer is authorized to approve expenditures which are not included in that budget provided they are not considered material or, if material, are reported to the Directors at subsequent regularly scheduled meeting of the Directors.

(d) All applicable statutes and regulations and other policies of the Corporation must be adhered to as required when making Discretionary Expenditures. These include, but are not limited to: the State Finance Law; Public Authorities Law; Private Housing Finance Law; RIOC's Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Personal Procurement Contracts; regulations of the State Comptroller, the State Director of the Budget and the Authorities Budget Office; the requirement to publish certain procurement opportunities in the New York State Contract Reporter; the requirement to post published procurement opportunities on the Corporation's website; the requirement to bring contracts in excess of \$50,000 to the Directors for approval by resolution; and the requirement to obtain the approval of RIOC's contracts in excess of \$1,000,000 that are either payable from state appropriation or entered into without competitive procedures from the Office of the State Comptroller.

(e) Expenses related to business travel incurred by member of Corporation Staff or management may be reimbursed when such travel is reasonable, necessary, and integral to meeting the mission of the Corporation. All travel reimbursements shall be subject to the following requirements:

(1) Travel expenses are subject to and shall be incurred in accordance with RIOC's Policies and Procedures Regarding Travel by Personnel, including any guidance as to reasonable amounts for such travel expenses provided therein.

(2) Before a Director or member of Corporation Staff or management incurs travel expenses that may be subject to reimbursement, such person shall engage in due diligence to obtain the lowest reasonable cost for such travel expenses.

(3) Travel reimbursements will only be made if pre-approved by the Department Head and the Chief Financial Officer. The reimbursement after travel is complete must be approved by the Department Head.

(4) The nature and purpose of all travel expenses subject to reimbursement shall be documented.

(5) In order for any travel expense to be reimbursed, Director or member of Corporation Staff or management who incurred the expense must provide a receipt documenting the amount of the expense.

(f) Discretionary Expenditures may be made for business meal costs that are incurred through participation in, or sponsorship of, activities integral to meeting the public purpose of the Corporation ("Reimbursable Business Meal Costs"). All Reimbursable Business Meal Costs must be documented. All Reimbursable Business Meal Costs incurred during business travel are subject to applicable per diem rates for business travel meals.

(g) RIOC may purchase or lease and assign cell phones, laptop computers and vehicles to its staff for business use.

(h) All Discretionary Expenditures for non-personal services shall be made pursuant to RIOC's budget unless otherwise approved as set forth in Paragraph 1(a) of Article III of this Policy, above.

(i) RIOC's management may determine that de minimis personal use of RIOC's assets and supplies by RIOC's staff may be permitted from time to time such as occasional use of phones, computers and copying machines.

2. Expenditures of Discretionary Funds Not Permitted.

(a) Discretionary Funds may not be expended for the following purposes:

(1) in support of the private or personal interests or benefit of the Directors, management or staff of the Corporation;

(2) to purchase food, beverages or other refreshments for the personal use of the Directors, management or staff of the Corporation, or for persons with whom RIOC conducts business, unless prior authorization is received as described in Paragraph 1(a) of Article III of this Policy, above;

- (3) to purchase flowers and gifts for the Directors, management or staff of the Corporation;
- (4) to subsidize or provide free use of Corporation goods or services for the personal use of current or former Directors, management or staff of the Corporation;
- (5) for celebrations of special occasions that do not directly relate to the purpose of the Corporation, such as catering, summer picnics or other outings, office parties, holiday parties and retirement parties. However, nothing in this section shall prohibit Corporations Staff from participating in these occasions at their own cost or from collecting personal contributions from among other participants to offset the costs of these occasions provided those funds are kept separate and apart from RIOC's funds;
- (6) for charitable contributions or sponsorships of events not associated with RIOC's mission;
- (7) for purchases of alcohol or tobacco products;
- (8) for membership dues in professional organizations on behalf of individual Corporation Staff unless RIOC management determines that such dues are primarily for the benefit of RIOC or RIOC requires such individual to participate in such organization;
- (9) for renewal of professional licenses for Corporation Staff unless RIOC management determines that such licenses are for the benefit of RIOC or RIOC requires such individual to obtain such license;
- (10) for personal use of authority vehicles unless it is the Corporation's best interests based on costs or staff time. All such permitted uses must be properly documented for tax purposes;
- (11) for the costs of purchasing or mailing holiday cards, invitations or expressions of sympathy to current or former Corporation staff or their families;
- (12) to purchase or lease cell phones, computers or vehicles to assign to non-Corporation staff; or
- (13) any purpose which would cause a violation of RIOC's Code of Ethics.

ARTICLE IV
EXCEPTIONS

1. The Directors reserve the right to except any expenditure of Discretionary Funds from any of the policies enumerated herein on an individual or blanket basis, prospectively or retroactively. Such exception shall be made by resolution of the Directors adopted at any duly constituted Directors' meeting.