



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, DECEMBER 5, 2018
AT THE OFFICE OF THE COMPTROLLER**

ATTENDANCE

Chair

Michael Spitzer

Private Members

Mark Kaplan

Bud Larson

Bernard Rosen

Public Members

Representing the Mayor – John Grathwol

Representing the Comptroller – Jacqueline Thompson

Representing the Public Advocate – Umair Khan

Secretary

Katrina Stauffer

Independent

Grant Thornton LLP – Marla Hummel, Hassan Khan, Cosmo Saginario

Auditors

BDO LLP – Ritesh Lall, Jeremy Meisel

EisnerAmper LLP – Candice Meth, Eldean Wilson

Others

Brooklyn Public Library – Brett Robinson, Amadu Wagie

Queens Borough Public Library and Affiliate – Vishnu Dawah, Michael Tragale

New York City Mayor's Office of Operations – Florim Ardolli, George Davis

New York City Office of Management & Budget – Enid Ellis, Raymond Lee, Kristine Ryan

New York City Comptroller's Office – Camille Arezzo, Man Hon Cheung, Leonel Ferreira, Jessica Sanchez, Joan Stapleton, Susanna Tregor

New York City Financial Information Services Agency – Shamim Kabir, Peter Reddy

Queens College Government and Not-for-Profit Accounting – Jian Xiao (Teacher), 11 Students

Audit Committee Meeting – December 5, 2018

I. Call to Order and Roll Call

Mr. Michael Spitzer, Chairman of the Audit Committee, called the meeting to order at 9:45 a.m.

Chairman Spitzer welcomed Professor Jian Xiao from Queens College and students of her Governmental and Not-for-Profit Accounting class to today's meeting. Ms. Katrina Stauffer, the Audit Committee Secretary, took roll call; a quorum was present.

II. Motion to Accept Draft Minutes of the Audit Committee Meeting held November 13, 2018.

The first agenda item was the approval of the draft minutes of the November 13, 2018 Audit Committee meeting. Chairman Spitzer inquired if there were any comments on the draft minutes as presented. Subject to any editorial comments submitted to the Secretary, the Committee approved the draft minutes of the November 13, 2018 Audit Committee Meeting.

III. Presentation of the Financial Statements and Management Letters (where applicable)

The next agenda item was the review of the financial statements and management letters of the following entities for the fiscal year ended June 30, 2018:

- Brooklyn Public Library
- The Queens Borough Public Library and Affiliate

Brooklyn Public Library

Mr. Brett Robinson, Executive Vice President, Finance and Administration, of the Brooklyn Public Library (BPL), introduced the other representatives of BPL present and the representatives of EisnerAmper LLP, BPL's independent auditors.

BPL is one of three library systems in The City of New York, and serves 2.6 million residents of Brooklyn. There were 13.7 million materials circulated last year, with collection totals of about four million items of which 300,000 are e-books. BPL is the largest provider of free computer and internet access in Brooklyn, with 2.1 million computer sessions last year across 1,600 devices. Two thousand volunteers provided 94,000 hours of services that ranged from adult literacy to story times in languages other than English. There were 7.1 million visits to BPL's 59 buildings, and over one million people attended more than 78,000 programs.

Financial statements reflect work on buildings and facilities and the culmination of a couple of years of efforts. The most notable item were proceeds from the Brooklyn Heights transaction where BPL partnered with a developer for the attached air rights for a residential tower in the current library location. The base of the tower will house a new library still owned by the City.

BPL was able to extract \$52 million, \$22 million of which came in the form of cash and appears in the financial statements.

An unmodified opinion was received from the auditors. Assets totaled \$137.4 million, up \$2.6 million; cash and cash equivalents were down by \$4.7 million. Contributions were up by \$3 million. Investments increased by \$21.3 million, in large part due to cash from the Brooklyn Heights transaction, of which \$20 million of \$21.3 million is invested in a series of short-term vehicles, A+ rated bonds, and will be liquidated at the point at which they are needed for construction. There is also a longer-term investment fund managed by Rockefeller Capital that increased \$1.3 million as a result of an increase in the market value of the portfolio. Property and equipment increased by \$4 million, in part because of some of self-managed construction work that was done, principally BPL's investments in the Greenpoint Branch and the interim location in Sunset Park, which is now open to the public while BPL renovates the entire Sunset Park Building.

Operating support and revenues were up \$6.5 million, to a total of \$171 million. BPL's principle funder is the City, at \$114 million, and there was a nominal increase from State of New York of \$190,000. Contributions were up over \$1 million as compared to last year, and special events also increased. BPL is also trying to grow other revenue channels.

Seventy-five percent of revenues goes to salaries and fringe benefits, and is the largest portion of the increased expenses, at \$4.2 million. The City of New York owns 55 of BPL's 59 locations, and the value of that contribution is represented in the financial statements, with a value of \$2.2 million greater this year. Non-operating activities, grants, and capital contributions totaled close to \$6 million; \$1.3 million from the state of New York Education

Department was received in the form of a construction grant used to support repair of the plaza at the Central Library, which is part of a multi-year renovation of that building. Investment income not used for operations was approximately \$700,000.

A question and answer session took place after the presentation. Several matters were discussed including:

- BPL has an Audit Committee, which oversees the audit team.
- Passport services are available at the Central Library, Kings Highway, and proposed for Arlington Borough.
- The Committee concerns regarding investment in hedge funds, as well as the high cost of management fees for these funds, will be addressed by BPL in the next portfolio performance meeting.
- The \$30 million equity investments are managed by Rockefeller Capital Management.
- No facility fee is paid for BPL's line of credit. The Committee recommended lowering the risk to BPL's cash through working with its bank to collateralize those amounts.
- A blended approach is applied to capital improvements where most of the work is financed through City bonds and managed by the Department of Design and Construction. Capital grants were received from the New York State Education Department and used for self-managed improvements to some of the assets.

Mr. Robinson noted additional services available, including the ability to borrow from a digital catalog through phones or tablets.

The Committee commented that BPL is an important resource, offering valuable services to children, adults, and elderly, and providing a sense of community and thanked BPL for its services.

There being no further questions, Chairman Spitzer thanked the representatives of BPL for their participation in today's meeting.

The Queens Borough Public Library and Affiliate

Mr. Michael Tragale, Chief Financial Officer of The Queens Borough Library (Queens Library), introduced the other representatives of Queens Library present and the representatives of BDO USA, LLP, Queens Library's independent auditors.

Queens Library has 65 locations, including 62 libraries; a technology lab at Queensbridge House; a Universal Pre-K site at Ravenswood Houses; and a teen library in Far Rockaway. The average age of system libraries is 60 years, and Queens Library buildings have a combined total of nearly 540,000 square feet of publicly accessible space. Nearly half of the 2.3 million residents of Queens were born abroad and speak 165 languages.

The Library circulates books and other materials in more than 40 languages, including Spanish, Chinese, Korean, Russian, and Bengali, and circulation of materials in languages other than English was 1.3 million in FY2018. Through the New Americans Program founded in 1977, Queens Library offers services that assist new immigrants in adapting to life in the U.S., such as coping skills and citizen workshops. Queens Library has 1.5 million cardholders, a circulation of 12.4 million, and a collection of five million items. Computer sessions totaled 3 million; there are 1,600 employees; fines of \$1.2 million were collected; and there were 11.4 million in-

person visits. The operating budget is \$161 million and over 80,000 programs are offered, with 1.5 million program attendees. There are 9,000 public access computers.

A question and answer session took place after the presentation. Several matters were discussed including:

- The Queens Library Audit Committee is actively reviewing the approach to investments to lower risk exposure and action will be taken. The committee is also actively working on reducing the number of equity managers.
- Investment funds are primarily from the Queens Library Foundation and include contributions as well as Board-designated portions. Any use of the funds for construction-related costs would require Board approval.
- The Committee recommendation to establish a cyber security committee will be taken back to the Queens Library Board for consideration and follow-up.

There being no further questions, Chairman Spitzer thanked the representatives of the Queens Library for their participation in today's meeting.

IV. Executive Session

There being no further business for the public session, Chairman Spitzer asked for a motion to enter into Executive Session. A motion was made to go into Executive Session for the purpose of discussing non-public financial information about The City of New York. The motion was unanimously approved.

V. Adjournment

There being no further business before the Committee, a motion was made to adjourn the December 5, 2018 Audit Committee meeting; the motion was unanimously approved.

Chairman Spitzer and Committee members extended wishes to everyone for a Happy Holiday Season.