



**AUDIT COMMITTEE OF THE CITY OF NEW YORK  
MINUTES OF THE AUDIT COMMITTEE MEETING  
WEDNESDAY, MARCH 27, 2019  
AT THE OFFICE OF THE COMPTROLLER**

**ATTENDANCE**

<b>Chair</b>	Michael Spitzer
<b>Private Members</b>	Bud Larson
<b>Public Members</b>	<b>Representing the Mayor</b> – John Grathwol <b>Representing the Comptroller</b> – Jacqueline Thompson
<b>Secretary</b>	Katrina Stauffer
<b>Independent Auditors</b>	<b>Grant Thornton LLP</b> – Marla Hummel, Michael Ryan, Cosmo Saginario <b>Marks Paneth LLP</b> – Warren Ruppel, Sibi Thomas <b>RSM US LLP</b> – Jennifer Katz <b>Toski &amp; Co., P.C.</b> – Brent Jensen
<b>Others</b>	<b>The Mayor’s Fund to Advance New York City (the Fund)</b> – Fred Begley, Chris Kelsaw, Toya Williford <b>New York City Tax Lien Trusts (NYCTLs)</b> – Alan Anders, Raymond Lee, Jay Olson <b>New York City Water and Sewer System (System)</b> – Alan Anders, Robert Balducci, Olga Chernat, Joseph Murin, Nameca Sharma <b>Sales Tax Asset Receivable Corporation (STAR)</b> – Alan Anders, Robert Balducci, Kenny Narine, Jay Olson <b>Hudson Yards Infrastructure Corporation (HYIC)</b> – Alan Anders, Robert Balducci, Kenny Narine, Jay Olson <b>New York City Transitional Finance Authority (TFA)</b> – Alan Anders, Robert Balducci, Kenny Narine, Jay Olson <b>TSASC, Inc. (TSASC)</b> – Alan Anders, Robert Balducci, Kenny Narine, Jay Olson <b>Fiscal 2005 Securitization Corporation (FSC)</b> – Alan Anders, Robert Balducci, Kenny Narine, Jay Olson <b>Office of Management &amp; Budget ‘Sandy Recovery’ Program Update</b> – Christopher Blanco, John Grathwol, Calvin Johnson

**Mayor's Office of Housing Recovery Operations 'Build It Back' Program Update**  
– Elizabeth Greenstein, Amy Peterson

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

**New York City Office of Management & Budget** – Enid Ellis, Xiaochao Jin

**New York City Comptroller's Office** – Camille Arezzo, Carmen Chan, Man Hon Cheung, Manny Kwan, Leonel Ferreira, Timothy Martin, Adel Rophaiel, Jessica Sanchez, Susanna Tregor, Alla Vayner

**New York City Independent Budget Office** – Daniel Huber

**Lepercq, de Neuflyze & Co., Inc.** – Thomas Gallagher

## Audit Committee Meeting – March 27, 2019

### **I. Call to Order and Roll Call**

Mr. Michael Spitzer, Chairman of the Audit Committee, called the meeting to order at 9:30 a.m.

Ms. Katrina Stauffer, the Audit Committee Secretary, took roll call; a quorum was present.

### **II. 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:

- The Mayor’s Fund to Advance New York City
- New York City Tax Lien Trusts
- New York City Water and Sewer System
- Sales Tax Asset Receivable Corporation
- Hudson Yards Infrastructure Corporation
- New York City Transitional Finance Authority
- TSASC, Inc.
- Fiscal 2005 Securitization Corporation

**The Mayor's Fund to Advance New York City**

Ms. Toya Williford, Executive Director of The Mayor's Fund to Advance New York City (the Fund), introduced the other representatives of the Fund present and Ms. Jennifer Katz from RSM US LLP, the Fund's independent auditors.

The Fund is a 25-year-old not-for-profit organization created by former mayor Rudolph Giuliani to facilitate innovative public/private partnerships. The Fund works with over 30 City agencies and mayoral offices; has over 300 institutional funders, consisting of philanthropic organizations, corporate donors, and individual donors; and is partnered with over a hundred community-based providers to deliver essential City services to vulnerable New Yorkers. The Fund is chaired by City's First Lady, Chirlane McCray, and is governed by a board of directors appointed by the mayor; there are currently seven board members. In addition, the Fund has an advisory board comprised of 54 members appointed by the mayor to help advise on initiatives and provide operational support. The Fund has an Audit Committee of three directors who meet twice a year.

Total revenue was \$21,338,841. Operating expenses were \$20,754,230, which were 14 percent less, primarily due to the closure of the AmeriCorps program. Fiscal Year 2017 financial statements were restated for revenue and expense items due to the receipt of information after the conclusion of the 2017 audit. This amount was \$527,000. At the suggestion of their auditors a quarterly reconciliation process has been instituted to prevent any future restatements.

Investment holdings are in mutual funds, more specifically, a low risk short-duration bond fund. Restricted programming funds are held in this account in accordance with all donor

stipulations and earn monthly dividends, which can be either re-capitalized or used to replenish un-restricted funds to support operations or additional programming.

The bylaws do not require board approval for specific investment strategy changes. Senior staff and the board convene with the portfolio manager at least once a year to discuss current market conditions and make any changes necessary.

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

- The Fund will consider insuring and collateralizing the funds listed on Page 16.
- The disallowance listed on Page 16 is not included in the City's calculation for the disallowance.
- Regarding restrictions on investments: The Fund has investment guidelines and there is a separate report regarding investment compliance.

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

**New York City Tax Lien Trusts**

Mr. Alan Anders, Deputy Director of the New York City Office of Management and Budget (OMB), introduced the other representatives of the New York City Tax Lien Trusts (NYCTLs) present, and Mr. Brent Jensen of Toski & Company, P.C., NYCTLs' independent auditors for the Trusts listed below:

- NYCTL 1998 – 2
- NYCTL 2015 – A
- NYCTL 2016 – A
- NYCTL 2017 – A
- NYCTL 2018 – A

The audits resulted in clean, unmodified opinions, with no significant deficiencies, no material weaknesses, and nothing that would be of concern to this Committee. There is nothing considered to lack authoritative guidance.

The allowance and collectability of the receivables in all of the NYCTLs are the most significant items and estimates within the financial statements. There were no difficulties or corrected misstatements or disagreements with management to report. A representation letter was provided as of the opinion date of these financial statements for each one of them and there was no consultation with other accountants in terms of opinion-seeking type items.

The NYCTLs collectively form an enforcement mechanism that assists the City in the collection of delinquent property taxes, water and sewer fees, and other City charges that are lienable against real property. A new NYCTL is formed for each annual lien sale, which purchases liens from the City, in part, from the proceeds of its sale of bonds. Once an NYCTL's

bonds are fully repaid, any outstanding tax lien collateral is transferred to the NYCTL 1998-2 Trust, which remits its cash flow to the City on a quarterly basis.

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

- Going forward, the volume of distressed liens won't be as significant as in the past.
- The goal of enforcing against distressed liens is clearing these properties and getting them a new chance on productive use.

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

### **New York City Water and Sewer System**

Mr. Robert Balducci, Comptroller of the New York City Municipal Water Finance Authority and representing the New York City Water and Sewer System (the System), introduced the other representatives of the System present and Mr. Warren Ruppel, representative of Marks Paneth, the System's independent auditors.

Mr. Balducci also introduced the other representatives of the Sales Tax Asset Receivable Corporation (STAR), the Hudson Yards Infrastructure Corporation (HYIC), the New York City Transitional Finance Authority (TFA), TSASC, Inc. (TSASC), and the Fiscal 2005 Securitization Corporation (FSC); Mr. Brent Jensen, representative of Toski & Co., P.C. independent auditors for STAR; and Mr. Ruppel, representative of Marks Paneth, the other entities' independent auditors.

The System presented first, as they are not involved with the remaining entities.

\$2.9 billion of bonds were issued, of which \$1.4 billion was used for refunding purposes. The City was reimbursed for \$1.6 billion of capital project costs; approximately \$769 million of outstanding bonds were defeased using current resources. Total revenue for the System was \$3.9 billion.

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

- The decrease in unbilled revenue was associated with the mayor-sponsored initiative of a onetime credit for homeowners.
- The GASB Statement No. 83, *Certain Asset Retirement Obligations*, was implemented early and had an effect on the System.

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

### **New York City Transitional Finance Authority**

The remaining entities were presented by Mr. Jay Olson, Treasurer/Vice President, and Mr. Balducci, Comptroller.

TFA issued \$3.6 billion new money future tax secured (FTS) bonds, and issued \$161.1 million of FTS reoffered bonds. TFA also issued \$500 million of new money BARBS for school capital system and refunded \$1.8 billion of outstanding BARBS. TFA distributed \$4.5 billion of bond proceeds to fund capital improvements, and received a grant from the City of \$2.2 billion, which prepaid debt service in the subsequent year.

TFA paid, for future tax secured bonds, \$1.2 billion of principal and \$1.4 billion of interest. For the Building and Revenue bonds, TFA paid \$184 million of principal and \$386 million of interest.

### **TSASC, Inc.**

TSASC, Inc. (TSASC) was a corporation created to securitize the City's interest in the nationwide tobacco settlement with tobacco companies. In 2018, TSASC collected \$173 million of settlement revenues; transferred \$109 million to a trust, which is for the benefit of the City; and with the remaining collections paid \$18.6 million of principal and \$53.9 million of interest.

### **Sales Tax Asset Receivable Corporation**

The Sales Tax Asset Receivable Corporation (STAR) received \$170 million from the Local Government Assistance Corporation, and paid \$79.7 million of principal and \$88.7 million of bond interest.

### **Fiscal Year 2005 Securitization Corporation**

The Fiscal Year 2005 Securitization Corporation (FSC) was created for a single purpose transaction. High interest rate bonds were refinanced and high yielding securities were used to secure the new bonds and free up \$50 million to the City. The last bonds will be paid in Fiscal Year 2020.

### **Hudson Yard Infrastructure Corporation**

The Hudson Yard Infrastructure Corporation (HYIC) received \$208 million, incurred \$40 million of project expense, paid \$104 million, and defeased \$30 million in bonds.

There was an unofficial opening of Hudson Yards in March 2019, when the shopping mall opened. The ‘Vessel’ is open and the ‘Shed’ will open in April. This project is an expansion of the central business district westward, over the rail yards behind Penn Station, and north to 42<sup>nd</sup> Street. It is combined-use office, residential, and retail space. There are seven towers, four of which are office towers with large footprints. BlackRock, Wells Fargo, and other corporations have moved in. Six towers are in progress. This development project is expected to bring in over \$100 million a year in revenues to the City and predicted to grow exponentially.

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

- There will be 20 buildings in total; 30 Hudson Street is the tallest and has an observation tower expected to open in a year.
- Hudson Yards development is private and HYIC will be collecting the pilot payments until the bonds are paid off.

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

### **III. Sandy Recovery and Build It Back Program Updates**

#### **Sandy Recovery Update**

Mr. John Grathwol, Deputy Director of Budget Resources and Recovery Grant Management at OMB, introduced Mr. Christopher Blanco, Assistant Director of FEMA Disaster Recovery and Homeland Security Grants, and Mr. Calvin Johnson, Assistant Director at OMB overseeing US

Department of Housing and Urban Development's (HUD) Community Development Block Grant Disaster Recovery Program (CDBG-DR).

Mr. Grathwol provided a presentation on the Sandy Recovery Grant Program, which was created after the 2012 landfall of Hurricane Sandy that left an estimated \$20 billion in damage and economic loss. With the assistance of the New York City Office of Emergency Management (OEM), computer models have been created and reviewed for future disaster preparation and it is urged to take advantage of the federal funding received to build as much resiliency as possible with existing programs. The total program is approximately \$15 billion, with \$10.6 billion of FEMA's Public Assistance (PA) and \$4.4 billion of HUD funding.

An overview was provided of the FEMA PA program, which described the differences between FEMA and HUD in this recovery process. FEMA is the federal agency responsible for managing emergencies and disasters and FEMA PA is a primary source of funding for City-like services providing 75 percent cost share which can be raised to 90 percent for disasters exceeding \$1 billion. The New York State Department of Homeland Security Emergency Services is the primary grantee, with The City of New York as a subgrantee. Management of the Sandy Recovery Program is tied to strong internal controls and administration. The portfolio is close to \$11 billion and will continue to keep going up. There is still work to accomplish and the presenters expressed their appreciation of the continued support of agencies and partners in the City.

There is a relationship with New York State Department of Homeland Security Services going back to 9/11.

The City of New York has been receiving community development funding from HUD on an annual basis for 40 plus years. This block grant allows the City to allocate funds to cover a variety of unmet needs, including resiliency funding to protect investments. A block grant of \$4.4 billion was received across three allocations and over 75 percent has been reimbursed that targeted different types of recovery programs, such as assisting homeowners and tenants of multifamily and public housing. The Build It Back Program is a single-family housing recovery program where a significant piece of grant funding is going. Highlights of the resiliency programs to protect the coastline of New York City were reviewed and charts were shown representing the share of federal dollars moving into the hands of grantees. Statistics and metrics presented illustrated the varied processes necessary to manage \$4.4 billion in funding. A Grant Management System database was created to assemble documents associated with reimbursement packages and allows work with the City's Financial Management System and HUD's reporting system. The East Side Coastal Resiliency project is scheduled to break ground next spring and the Two Bridges neighborhood project is currently in design.

The Grants Management System is not ready for use outside of these two areas at this time. A lot of the system is tailored to individual needs of each grant and there are differences between how grants are managed through the system.

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

**Build It Back Program Update**

Ms. Amy Peterson, Director of the Mayor's Office of Housing Recovery Operations, provided a presentation for the Build It Back Program. This program was created to help single family homeowners recover, rebuild, and restore the neighborhoods and communities impacted by Hurricane Sandy. In 2012 and 2013, damage assessments were conducted to characterize severe, major, and moderate damage. Build It Back launched in June of 2013, and the Stafford Act laid out the order of disaster benefits. Hurricane Sandy was unprecedented and many areas were not mapped in the designated flood zone. Work was expensive and complicated and included changes in flood maps, changes in flood insurance, zoning changes, as well as the complications of elevating homes.

In 2014 the Department of Design and Construction was brought in to assist in the creation of a prequalified list of contractors and strategies for accelerated construction and control of costs. An accelerated Build It Back Guide was created and, in 2017, a modular home program was started. Sandy Recovery Workforce One is an opportunity for people who live in communities to rebuild the communities. Build It Back is in the finishing stages and the closeout process has begun with the bulk of the remaining work linked to infrastructure. CUNY Center for Urban Research was hired to conduct an attrition study to make sure those needing assistance were served. Overall, 20,000 applicants registered with the program, with 26 percent never going forward with an application. The Attrition Report helped inform lessons learned for moving forward and more detailed recommendations included utilization of the case management system linked to FEMA, The Small Business Administration (SBA), other systems and possibly staggered funding. Discussions continue on how to prepare the City for the future to maximize

financial resources for the City and residents, ensure people have flood insurance, and how to deliver benefits.

Members of the Audit Committee were invited to tour the completed projects.

There being no further questions, Chairman Spitzer thanked the representatives of the Mayor's Office of Housing Recovery Operations for their participation in today's meeting.

#### **IV. Adjournment**

There being no further business before the Committee, a motion was made to adjourn the March 27, 2019 Audit Committee meeting; the motion was unanimously approved.