



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, DECEMBER 16, 2015, IN THE
COMPTROLLER'S OFFICE BOARDROOM**

ATTENDANCE

Chair	Bernard Rosen
Private Members	Mark Kaplan Bud Larson Michael Spitzer
Public Members	Representing the Mayor – John Grathwol Representing the Comptroller – Michele Mark Levine Representing the Public Advocate – Umair Khan
Secretary	Jacqueline Thompson
Independent Auditors	Deloitte & Touche LLP – Glenn Friedrich, Bogdan Geambasu, Mike Malloy, Jill Strohmeier Ernst & Young LLP – Louis Roberts Ballo & Co. – Angelito Ballo Grant Thornton LLP – Jamie Cote, Cosmo Saginario
Others	New York City Economic Development Corporation (EDC), New York City Industrial Development Agency (IDA), Build NYC Resource Corporation (Build NYC), New York City Land Development Corporation (LDC), & New York City Neighborhood Capital Corporation – Amy Chan, Fred D’Ascoli, Spencer Hobson, Bruce Rollins, Kim Vaccari
New York City Mayor’s Office of Operations	Florim Ardolli, George Davis
New York City Office of Management & Budget	Nicole Fleming, Xiaochao Jin, Raymond Lee
New York City Comptroller’s Office	Camille Arezzo, Susan Cornwall, Berta Lara, Tim Mulligan
New York City Independent Budget Office	Frank Posillico

Audit Committee Meeting – December 16, 2015

I. Call to Order and Roll Call

Mr. Bernard Rosen, the Chair, called the meeting to order at 9:30 a.m., and took roll call; a quorum was present.

II. Review of the Draft Minutes of the Previous Audit Committee Meeting

The first order of business was the approval of the draft minutes of the October 21, 2015 Audit Committee meeting. The Chair inquired if there were any comments on the draft minutes as presented. Subject to the editorial comments submitted to Ms. Jacqueline Thompson, Committee Secretary, the Chair called for a motion to approve the minutes. Mr. Michael Spitzer made a motion; the motion to approve the minutes carried unanimously.

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

The next agenda item was the review of the following entities for the fiscal year ended June 30, 2015:

- New York City Economic Development Corporation (EDC);
- New York City Land Development Corporation (LDC);
- New York City Industrial Development Agency (IDA);
- Build NYC Resource Corporation (Build NYC); and
- NYC Neighborhood Capital Corporation (NYCNCC).

Ms. Kim Vaccari, Chief Financial Officer at EDC, introduced the other representatives of EDC, LDC, IDA, Build NYC and NYCNCC present. Ms. Vaccari also introduced Mr. Louis Roberts, the representative from Ernst & Young, LLP, EDC, LDC, IDA and Build NYC's independent auditor and Mr. Angelito Ballo from Ballo & Co., NYCNCC's independent auditor.

Mr. Fred D'Ascoli, Assistant Treasurer and Controller at EDC, began his presentation with an overview of EDC's financial statements and highlighted the following:

- In October of 2014 Apple Industrial Development Corp. (Apple), formerly a component unit of EDC, merged into EDC, therefore no separate financial statements were presented for Apple.
- EDC received an unqualified ("clean") opinion on its financial statements for fiscal year 2015.
- The results of operations in fiscal year 2015 were \$11 million better than budgeted.
- EDC had a decrease in grant related revenues of \$134 million and a reduction in revenue from real estate sales of \$59 million in fiscal year 2015. This was offset by related program costs and contract payments to the City, which decreased as well.
- A significant deficiency was reported in EDC's management letter, which was related to EDC recognizing revenue on a straight-line basis for some of its long-term leases. Procedures, policies and working groups have been put in place to address the issue and ensure that it does not recur. The auditors were satisfied that appropriate actions were being taken to remedy this deficiency.

A question and answer session followed and the main issues were:

- EDC is managing a water siphon project on behalf of the Port Authority and the Department of Environmental Protection (DEP), which will result in a new water tunnel under the East River. The new tunnel will be lower than the current tunnel so that the waterway may be dredged to allow larger ships to enter the harbor. The Port Authority and DEP are funding the project, which is independent of the City water system's third water tunnel project.
- "Reimbursable grants" consist of reimbursements by and through the City for Superstorm Sandy expenses.
- EDC manages the Brooklyn Army Terminal, which is about 99 percent leased. There is a considerable capital allocation from the City in the budget to renovate some of the vacant ancillary buildings.
- EDC functions somewhat like the umbrella organization for all of the entities. Legally, however, the entities must maintain separate identities in order to meet requirements for federal and state regulations that govern their lending and other activity.

There being no further questions the Chair began the review of LDC.

Mr. D' Ascoli provided an overview of LDC's financial statements and the following were the main discussion points:

- LDC received an unqualified ("clean") opinion on its 2015 financial statements.
- LDC does not have its own employees. Professional, administrative and technical services are provided to LDC by EDC pursuant to a services agreement.
- LDC was created to lease and sell certain properties outside the auction process.

- The land that is being sold is City-owned and it is sold to developers.

There being no further questions the Chair began the review of IDA.

Mr. D'Ascoli presented an overview of IDA's financial statements and the following were the main discussion points:

- The major league baseball stadium transactions are carried on the books of IDA.
- IDA received an unqualified ("clean") opinion on its financial statements.
- There was a sharp decline in the management fees from 2014 to 2015. The decline resulted from a shift in activity to Build NYC, as seen on that entity's financial statements.
- The debt related to the major league baseball stadiums is conduit debt, which is supported by payments in lieu of real property taxes (PILOT). In the event of a revenue shortfall, the City would not have any obligation for the debt service. However, it is distinguished from other conduit debt in that the properties may revert to IDA ownership and control at the end of the lease term.
- GASB Statement 77 requires extensive disclosures regarding tax abatement agreements. The City plans to implement the statement in fiscal year 2016.
- IDA does not have its own employees. Professional, administrative and technical assistance are provided by EDC pursuant to a services agreement.

There being no further questions the Chair began the review of Build NYC.

Mr. D'Ascoli presented an overview of Build NYC's financial statements.

The main discussion points were:

- Build NYC's operating expenses increased by \$1.5 million in fiscal year 2015 from the prior year. This was a direct result of a board approved increase in management expenses responding to a volume shift of bond transactions to Build NYC from IDA.
- Build NYC's initial funding to NYCNCC was a \$125,000 grant for payment of consulting, professional services, and other miscellaneous start-up costs.
- Build NYC received an unqualified ("clean") opinion on its financial statements.
- Build NYC does not have its own employees. Professional, administrative and technical assistance are provided by EDC pursuant to a services agreement.

There being no further questions the Chair began the review of NYCNCC.

Mr. D'Ascoli presented an overview of NYCNCC's financial statements. The main discussion points were:

- NYCNCC was created for the sole purpose of applying for the Federal new market tax credit program, which is a competitive process.
- NYCNCC's only operating revenue consisted of the \$125,000 contribution from Build NYC to fund operations.
- NYCNCC had \$45,000 in consultant fees. Until NYCNCC receives Federal new markets tax credit allocation authority from the U. S. Department of the Treasury, NYCNCC's operations will be limited to applying for such authority. NYCNCC also incurred a \$5,000 audit fee.
- NYCNCC does not have its own employees. Professional, administrative and technical assistance are provided by EDC pursuant to a services agreement

There being no further questions the Chair thanked the representatives of EDC, LDC, IDA, Build NYC, and NYCNCC for their participation at today's meeting.

There being no further business for the public session, the Chair asked for a motion to enter Executive session. Ms. Levine made a motion 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.

Following the conclusion of the Executive session, Ms. Levine made a motion to adjourn the December 16, 2015 public session of the Audit Committee, the motion was unanimously approved.