



**AUDIT COMMITTEE OF THE CITY OF NEW YORK  
MINUTES OF THE AUDIT COMMITTEE MEETING  
WEDNESDAY, MARCH 24, 2021  
REMOTELY VIA ZOOM MEETING**

**ATTENDANCE**

<b>Chair</b>	Michael Spitzer
<b>Private Members</b>	Mark Kaplan Bud Larson
<b>Public Members</b>	<b>Representing the Mayor</b> – Paul Tymus <b>Representing the Comptroller</b> – Jacqueline Thompson <b>Representing the Public Advocate</b> – Michael Twomey
<b>Secretary</b>	Katrina Stauffer
<b>Independent Auditors</b>	<b>Grant Thornton LLP</b> – Sharon Campbell, Kyle Chuber, Jeremy Goss, Marla Hummel, Patrizia Iacono, Nicholas Lazzarulo, Kevin Morris, Will Richardson, Michael Ryan, Matthew Thompson <b>Marks Paneth LLP</b> – Matthew Castellano, Daniel McElwee, Warren Ruppel, Sibi Thomas <b>RSM US LLP</b> – Jennifer Katz, Melissa Quinn <b>EFPR Group</b> – Douglas Zimmerman
<b>Others</b>	<b>The Mayor’s Fund to Advance New York City (the Fund)</b> – Danielle Baierlein, Chris Kelsaw, Jorge Luis Paniagua Valle <b>New York City Tax Lien Trusts (NYCTLs)</b> – Raymond Lee, Jay Olson <b>New York City Water and Sewer System (System)</b> – Robert Balducci, Olga Chernat, Joseph Murin, Omar Nazem, Nameca Sharma, David Womack <b>Sales Tax Asset Receivable Corporation (STAR)</b> – Robert Balducci, Kenny Narine, Jay Olson, David Womack <b>Hudson Yards Infrastructure Corporation (HYIC)</b> – Robert Balducci, Kenny Narine, Jay Olson, David Womack <b>New York City Transitional Finance Authority (TFA)</b> – Robert Balducci, Kenny Narine, Jay Olson, David Womack <b>TSASC, Inc. (TSASC)</b> – Robert Balducci, Kenny Narine, Jay Olson, David Womack

**Fiscal 2005 Securitization Corporation (FSC)** – Robert Balducci, Kenny Narine,  
Jay Olson, David Womack

**New York City Mayor’s Office of Operations** – Florim Ardolli

**New York City Office of Management & Budget** – Raymond Lee, Anthony  
Odunsi, Mujeeb Shinwa

**New York City Comptroller’s Office** – Angelyne Acevedo, Camille Arezzo,  
Carmen Chan, Leonel Ferreira, Peter Flynn, Preston Niblack, Giovanna Quezada,  
Jessica Sanchez, Joan Stapleton, Susanna Tregor

**RESF Advisers, Inc.** – Thomas Gallagher

## Audit Committee Meeting – March 24, 2021

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

Mr. Michael Spitzer, the Audit Committee Chairman, called the Audit Committee Meeting to order at 9:30 a.m. Ms. Katrina Stauffer, the Audit Committee Secretary, took roll call; a quorum was present.

### **II. Approval of the Draft Minutes of the Audit Committee Meeting held February 24, 2021**

The first agenda item was the approval of the draft minutes of the Audit Committee Meeting held February 24, 2021. The Committee approved the minutes of the February 24, 2021 Audit Committee Meeting, subject to any non-substantive editorial comments submitted to the Secretary.

### **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, 2020:

- 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 Yard Infrastructure Corporation

- New York City Transitional Finance Authority
- TSASC, Inc.
- Fiscal Year 2005 Securitization Corporation

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

Mr. Jorge Luis Paniagua Valle, Co-Executive Director of the Mayor's Fund to Advance New York City (the Fund) introduced the other representatives of the Fund present, and the representatives of RSM US LLP, the Fund's independent auditors.

The Fund's total grant contributions were approximately \$77.4 million, an increase of \$48.1 million from Fiscal Year 2019. Total expenses were \$66.8 million, an increase of \$37.5 million from the previous fiscal year due to COVID relief efforts. Current assets are \$14.3 million in cash, \$8 million in accounts receivable, \$12 million in investments, and \$70,000 in prepaid expenses. Current liabilities include accounts payable and accrued expenses of \$6.9 million.

The Fund's total net position was \$27.4 million, an increase of \$11.7 million from Fiscal Year 2019. Of the \$77.4 million in revenue, \$75.5 million is restricted, provided by donors for projects in New York City. Of the \$66.8 million in expenses, \$62 million represents direct expenditures for projects with City agency partners. The Fund received \$1.4 million from three reimbursement-based federal grants. In-kind donations totaled \$5.5 million, of which \$5.4 million was apportioned to COVID relief.

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

- The Fund has its own audit committee made up of City employees.

- Restaurants receiving support from the Fund went through an application process to determine need and commitment to practices, such as paying employees \$15 per hour. Requested information on borough distribution of chosen restaurants will be sent to the Audit Committee Secretary.

[The Fund subsequently supplied the requested information to the Audit Committee Secretary.]

- Two major non-federal donors were the Foundation to Promote Open Society and the National Philanthropic Trust. The contributions were considered revenue.
- The Fund did not secure collateral protection from the financial institution responsible for the Fund's \$14 million. The issue will be taken to the Fund's board.
- The Committee suggested stronger language for the footnotes regarding COVID.

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

### **New York City Tax Lien Trusts**

Mr. Jay Olson, Assistant Director at the New York City Office of Management and Budget, introduced the other representatives of the New York City Tax Lien Trusts (NYCTLs) present and the representative of the EFPR Group, the NYCTLs' independent auditors for the Trusts listed below:

- NYCTL 1998 – 2
- NYCTL 2017 – A
- NYCTL 2018 – A
- NYCTL 2019 – A

The 2017 NYCTL securitized tax liens, the bonds were paid, and the assets have been transferred to the 1998 trust. The 2018 NYCTL has only \$4.7 million of outstanding bonds to be paid. The 2019 NYCTL has \$28 million of bonds outstanding as of February. As with the 2017 NYCTL, once the bonds associated with the 2018 NYCTL and 2019 NYCTL are paid down, the remaining assets will be consolidated to the 1998 trust.

All four NYCTLs received unqualified audit opinions. There were no findings of concern in the financial reporting system, internal controls, or compliance. All four audits were completed on time.

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

- Once bonds are fully paid to the City, the assets collapse into the 1998 "graveyard" trust for administrative convenience. Multiple trusts are used because asset-backed securities typically involve a discreet special purpose vehicle.
- The Committee noted the lack of reference to COVID.

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

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

Mr. Robert Balducci, Comptroller of 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 representatives of Grant Thornton, the System's independent auditors.

Despite the pandemic, the System's Fiscal Year 2020 operating revenue increased slightly from Fiscal Year 2019. Operating revenues reflected the 2.3 percent rate increase for Fiscal Year 2020, offset by higher water consumption and account delinquencies. Total revenues, which add to operating revenues those from investment income as well as Federal payments that subsidize the costs of certain classes of system bonds, decreased 0.3 percent to \$4.1 billion. The combined cost of operations, maintenance, and administrations were 0.5 percent higher than Fiscal Year 2019, with operating and maintenance expenses at \$1.5 billion.

Metered customer water consumption fell 3.1 percent in Fiscal Year 2020, with a 1.2 percent decline by residential customers and 8.2 percent decline by non-residential customers. Net accounts receivable for Fiscal Year 2020 grew by 19.8 percent to \$457.6 million, reflecting higher delinquencies across all major property classes. In 2020 the lien pre-sale notification process was stopped following a series of orders issued by both the City and the state.

Water quality and supply operations were not affected by the pandemic. Agency staff maintained 80 percent work functions remotely. Non-emergency water repairs and shut-downs were suspended. Walk-in offices were closed and permits were issued online. The System has largely returned to normal operations, with limited duty and walk-in locations reopening.

The City gave notification of compliance with an Environmental Protection Agency order requiring various parties involved in the Gowanus Canal clean-up to share the dredging and capping costs, and the City is one of the parties. The Department of Environmental Protection's (DEP) estimated allocation of the cost is over \$100 million.

DEP has a long-term requirement to construct a cover over Hillview Reservoir before 2049. In June 2020 the City provided notice that it needed an extension.

DEP deployed a new computer billing system, but the go-live date was pushed back to the Fall of 2021 due to pandemic disruption and the need for additional end-user testing, software customization, and employee training.

Key financial metrics tracked in Fiscal Year 2020 include \$2.7 billion in revenue, 5 percent ahead of plan, but 7 percent behind revenue in Fiscal Year 2019, due to a water consumption decrease of 4.9 percent and delinquency increase of 25 percent. A partial rental payment of \$137 million was made to the City for Fiscal Year 2021.

The System issued \$3.2 billion in bonds, of which \$1 billion was used for refunding. The System received fees of \$334 million of outstanding bonds, and transferred \$2 billion to the City for construction costs. The overall net position increased by \$193 million.

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

- The System does not own the land. At purchase, the land is transferred to the City, not to the System.
- The Committee referenced footnote 13 in the third paragraph, concerned that conditions exist without estimates. The information comes from the Comptroller Office's schedule containing the System's remediation obligation. The System will consider adding more detail to the note in the future.
- The Committee suggested changes in verbiage for consistency; "significant" and "material" are different terms. The System will consider changes for consistency.

- Normally treasury securities are considered Level 1, but the System referred to them as Level 2 in the financial statements. The System's stance is that the treasury securities are Level 2.
- The System and the DEP have an agreement, in which the DEP provides staff and support to run the System and the System reimburses the City for the operation and maintenance costs. There are 12 System employees.

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

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

Mr. Olson introduced the other representatives of the Sales Tax Asset Receivable Corporation (STAR), Hudson Yards Infrastructure Corporation (HYIC), New York City Transitional Finance Authority (TFA), TSASC, Inc. (TSASC) and Fiscal Year 2005 Securitization Corporation (FSC), and representatives of Marks Paneth, the five organizations' independent auditors.

STAR was created in 2005 to relieve the City of the remaining debt service on Municipal Assistance Corporation (MAC). STAR has since then serviced debts payable from an annual \$170 million payment from Local Government Assistance Corporations (LGAC). The financial details are very simple: \$170 million of LGAC money comes in annually and pays debt service annually.

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

- Regarding STAR bonds sale interest rates and premiums, STAR noted that, if the price is \$105, the credit is \$100 for the bond and \$5 for the premium on the credit side.
- The premium is included in long-term liability and is amortized over the life of the bond.

### **Hudson Yards Infrastructure Corporation**

HYIC revenues for 2020 total \$440 million, including \$120 million of a district improvement bonus, a one-time payment from developers, \$129 million of tax equivalency payments from New York City, \$57 million in payment in lieu of mortgage recording tax, and \$120 million of payment in lieu of taxes (PILOT).

Expenditures in Fiscal Year 2020 were just under \$500 million, including debt service, capital costs of \$1 million for the subway, \$10 million in public amenities and property acquisitions, \$1.3 million for Hudson Yards Development Corporation, \$132 million in bond interest, and \$350 million payment to New York City.

HYIC financed the extension of the #7 subway line further west and south, and park improvements around the Hudson Yards district on the far west side.

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

- The Committee questioned the use of the word “could” instead of “would” in the phrase “...the world had an outbreak and Hudson Yards could materially adversely be affected,”

noting that a principal Hudson Yards tenant and others went bankrupt during the pandemic. Mr. Balducci confirmed payments are monitored very closely.

### **Transitional Finance Authority**

TFA was created by state legislation enacted in 1997 to issue and sell bonds and notes (“Future Tax Secured Bonds” or “FTS Bonds”) to fund a portion of the capital program of the City, the purpose of which is to maintain, rebuild and expand the infrastructure of the City, and to pay the Authority’s administrative expenses.

In 2020, TFA issued \$3.6 billion of new money bonds for capital, \$250 million in Building Aid Revenue Bonds for the educational capital program, and distributed \$3.9 billion of bond proceeds to fund City capital expenditure. TFA collected \$12.3 billion of income tax and paid debt service on future tax secured and revenue bonds.

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

- Regarding the impact of COVID on income tax, the TFA noted a slight dip in Fiscal Year 2020 without affecting debt service payment. The City may see fewer residuals, as the TFA has first claim on income tax revenues.

### **TSASC, Inc.**

Like TFA, TSASC was created to alleviate constitutional debt limit pressure on the City’s financing program in the late 1990s. TSASC issued around \$1 billion in debt not subject to the constitutional debt limit, paid by a settlement between U.S. states and tobacco companies for the perceived impact on state-covered healthcare costs. Tobacco companies will pay states

indefinitely in exchange for lawsuit protection, and the complicated settlement parameters differ between states.

In Fiscal Year 2020, TSASC collected \$188 million in tobacco settlement revenues, up by \$24 million in the prior year, and transferred \$118 million to the Tobacco Settlement Trust which then, in turn, transfers those monies to the City. An important factor is the state-specific aspect of sales of cigarettes on tribal reservations, which was a negative deviation from forecasts.

TSASC drew on subordinate debt service reserve funds to cover subordinate debt service.

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

- The Committee commented that the wording "...this report is solely for the information used for the Board of Directors and the Audit Committee..." sounds as though the Audit Committee cannot read the report.

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

The Committee was pleased to see there was no debt at the end of 2020.

FSC was incorporated for the purpose of issuing bonds, a major portion of the proceeds of which were used to acquire securities held in an escrow account securing certain general obligation bonds of the City. The process of dissolution is almost complete.

FSC expects to cease operations and dissolve the corporation by Fiscal Year 2021, as the final payment on FSC's bonds was April 1, 2020. A Fiscal Year 2021 financial report will cover the end of operations.

There being no further questions, Chairman Spitzer thanked the representatives of STAR, HYIC, TFA, TSASC, and the FSC for their participation at 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**

After returning from Executive Session, there being no further business before the Committee, a motion was made to adjourn the March 24, 2021 Audit Committee Meeting; the motion was unanimously approved.