



**AUDIT COMMITTEE OF THE CITY OF NEW YORK  
MINUTES OF THE AUDIT COMMITTEE MEETING  
WEDNESDAY, FEBRUARY 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> – Raymond Lee <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> – Kyle Chuber, Marla Hummel, Nicholas Lazzaruolo, Jenny Roque, Michael Ryan, Lin Sun, Matthew Thompson, Priscilla Velasco <b>Marks Paneth LLP</b> – Hope Goldstein, Hassan Khan, Philip Marciano, Daniel McElwee, Warren Ruppel
<b>Others</b>	<b>New York City School Support Services</b> – Stephan Brennan, Brooke Jenkins-Lewis, Phil Napolitano, John Shea <b>New York City Educational Construction Fund</b> – Jennifer Maldonado, Cynthia Wong <b>New York City School Construction Authority</b> – Marianne Egri, Steven Lawitts, Yi-Wen Wang <b>Department of Education of The City of New York</b> – Richard Carlo, Maria Conklin, Barry Elkayam, Amy Huang, Suzette Irish, Michael Jabbour, Tisa Lapadula, Francine Perkins-Colon, Dan Stone, Katherine Tsamasiros, Desmond White, Margaret Whittaker, Marisol Williams <b>New York City Department of Transportation</b> – John-Michael Economos, Bradford Francis, Chevenne Gordon, Robert Harriott, Rogene Livermon, Yogesh Sanghvi, Aram Weitzman <b>New York City Department of Finance</b> – Sue Wang <b>New York City Mayor’s Office of Operations</b> – Florim Ardolli <b>New York City Comptroller’s Office</b> – Camille Arezzo, Minyu Chen, Man Hon Cheung, Leonel Ferreira, Peter Flynn, Vincenzo Lopes, Veronika Musheyva, Giovanna Quezada, Jessica Sanchez, Joan Stapleton, Susanna Tregor <b>New York City Office of Management &amp; Budget</b> – Enid Ellis, Anthony Odunsi, Mujeeb Shinwa

## Audit Committee Meeting – February 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. Nomination for Chairman**

The first agenda item was the appointment of the Audit Committee Chairman. Ms. Stauffer asked for nominations for Chairman. Mr. Spitzer was nominated and, by a unanimous vote, was re-elected as Audit Committee Chairman.

### **III. Nomination for Secretary**

The next agenda item was the appointment of the Audit Committee Secretary. Chairman Spitzer asked for nominations for Secretary. Ms. Stauffer was nominated and, by a unanimous vote, was re-elected as Audit Committee Secretary.

### **IV. Adoption of Committee By-Laws**

The next agenda item was the adoption of the Audit Committee by-laws in accordance with Article IV, Section 3. A motion was made to adopt the by-laws; the by-laws were adopted, subject to minor modifications.

**V. Approval of the Draft Minutes of the Audit Committee Meeting held****January 27, 2021**

The next agenda item was the approval of the draft minutes of the Audit Committee Meeting held January 27, 2021. The Committee approved the minutes of the January 27, 2021 Audit Committee Meeting, subject to any non-substantive editorial comments submitted to the Secretary.

**VI. Approval of the Annual Report of the Audit Committee of The City of New York**

The next agenda item was the approval of the Audit Committee of The City of New York's Annual Report. A motion was made to accept the Report. The Committee approved the draft of the Annual Report, subject to non-substantive editorial comments submitted to the Secretary.

**VII. 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:

- New York City School Support Services
- New York City Educational Construction Fund
- New York City School Construction Authority

**New York City School Support Services**

Mr. Stephan Brennan, Executive Director of the New York City School Support Services (NYCSSS) introduced the other representatives of NYCSSS present, and the representatives of Marks Paneth LLP, NYCSSS' independent auditors.

NYCSSS noted that it manages all of the maintenance and custodial services for the New York City public schools. In 2016, New York City changed school custodial services from a decentralized system to a centralized system under NYCSSS. NYCSSS is a 501(c)(3) organization that employs the custodial labor who are represented by Local 94 and Local 32BJ. NYCSSS manages all of the payroll and HR functions, which allows for greater control.

The system is cost neutral as of Fiscal Year 2020.

NYCSSS auditors noted that the current fiscal year's financial statements are consistent with those of the prior year. NYCSSS has adopted all past recommendations.

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

- NYCSSS has a five-member Board. Three of the five Board members are part of its audit committee, which is headed by the person designated by the Mayor's Office of Management and Budget (OMB).
- The members of the audit committee are independent of management. They are selected by The City of New York and the Department of Education (DOE).
- NYCSSS received an unqualified audit opinion.

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

### **New York City Educational Construction Fund**

Ms. Jennifer Maldonado, Executive Director of the New York City Educational Construction Fund (ECF), introduced the other representatives of ECF present, and the representatives of Marks Paneth LLP, ECF's independent auditors.

ECF's operating income increased from \$13.7 million in Fiscal Year 2019 to \$14.4 million in Fiscal Year 2020. Rental income and tax equivalency revenues continue to grow from \$28 million in Fiscal Year 2019 to \$31.3 million in Fiscal Year 2020. In Fiscal Year 2020, ECF made a distribution to the DOE of approximately \$45 million, as requested by OMB and approved by the Board of Trustees. New York State Education Law, section 462(2)(g), authorizes ECF to make the payment to the DOE.

This distribution was reported as a non-operating expense in ECF's statement of activities.

Taking into account that distribution, ECF's net position decreased by approximately \$30.6 million during Fiscal Year 2020.

In recent years, ECF received one-time participation payments associated with the initial sale of condominium units at the 250 East 57<sup>th</sup> Street project. Over the last four years, from Fiscal Year 2017 to Fiscal Year 2020, ECF received total participation payments of \$30.6 million from the developer, reported as additional rent. In March of 2020, the developer finished closing sales on the Residential Towers condominium units.

In March 2021, ECF plans a tax exempt refunding of its 2011 A Bonds; currently \$126 million in bonds are outstanding. ECF anticipates achieving significant debt service savings given the favorable interest rate environment.

In 2018 the City Council approved the ECF project at Khalil Gibran, at 80 Flatbush Ave. in Brooklyn. ECF hopes to have construction begin in July of 2021. The project was on hold during COVID, as construction was stopped and additional financial restructuring was done. Today the developer is in good standing and the ECF plans to move forward with the project.

The Co-Op Tech project has been delayed for the past five years due to Article 78 lawsuits. ECF prevailed in each lawsuit and believes it has the ability to move forward. More details about that project will be presented in next year's meeting.

ECF auditors noted that the current fiscal year's financial statements are consistent with those of the prior year. It had no management letter comments this year or last year. Controls are good and staff is knowledgeable.

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

- All rental payments have been unaffected by COVID. One building, Azure at East 91<sup>st</sup> Street, asked for a deferment for four to six months, which ECF was able to accommodate and has since received the monies.
- COVID has put some projects on hold as a result of a loss in construction phasing. ECF is renegotiating contemplated projects.
- The COVID-related disclosure in the financials is a general disclosure consistent with other reports issued as a firm and other audit reports of governmental agencies.

- The independent audit committee is composed of the members of the Board.
- ECF received an unqualified audit opinion.

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

### **New York City School Construction Authority**

Ms. Marianne Egri, Vice President of Finance and Human Resources of the New York City School Construction Authority (SCA), introduced the other representatives of SCA present and the representatives of Marks Paneth LLP, SCA's independent auditors.

SCA noted that it had to postpone design on 690 projects and construction on 660 projects due to COVID. Construction of all 660 projects has resumed.

During 2020 the SCA designed and built more than 30 testing sites and searched and sited thousands of seats for the Learning Bridges Daycare Project. It inspected ventilation in 137,000 classrooms in eight days, and continues to design and build vaccination sites.

Ms. Nina Kubota is the new acting president of SCA.

The SCA opened 21 new schools and added more than 6,900 seats to the school system. It awarded construction contracts for 14 new schools and additions, and also for 265 capital improvement projects. There are currently 36 capacity projects and 494 capital improvement projects in construction. The SCA is on track to open 11 new schools in September, adding over 3,700 school seats.

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

- SCA has an independent audit committee.
- The financial impact of COVID on incremental costs on the projects is still being assessed. The SCA had to impose additional safety protocols at all 660 construction sites to be compliant with COVID regulations, which will cause an increase in costs. Each contractor will negotiate separately based on the project. It will be financed out of the capital plan but will show up as change orders against each project. New invitations to bid contain additional COVID requirements that contractors have to factor into their bids. The additional cost of existing portfolio projects will be reflected in next year's plan amendment.
- The financial statements do not reflect estimated contractor claims.
- SCA's disclosure regarding COVID was based upon the knowledge that, at the time of the financial statements, there was a high level of uncertainty.
- The range of cost the SCA has agreed to pay its contractors through change orders includes nonlabor costs, trailer rental, scaffold rental, sidewalk bridging, and general conditions costs during the delay.
- SCA received an unqualified audit opinion.

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



## **VIII. 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.

## **IX. Adjournment**

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