



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, DECEMBER 15, 2021
REMOTELY VIA ZOOM MEETING**

ATTENDANCE

Chair	Michael Spitzer
Private Members	Larian Angelo Mark Kaplan Bud Larson
Public Members	Representing the Mayor – Paul Tymus Representing the Comptroller – Jacqueline Thompson Representing the Public Advocate – Michael Twomey
Secretary	Katrina Stauffer
Independent Auditors	Grant Thornton LLP – Kyle Chuber, Marla Hummel, Matthew Kneisel, Nicholas Lazzaruolo, Kevin Morris, Michael Ryan, Andy Zmich BDO LLP – Ritesh Lall, Christine Polisenio Ernst & Young LLP – Kimberly Hancy EisnerAmper LLP – Candice Meth, Eldean Wilson UHY LLP – Alex Zhang
Others	Public Realm Improvement Fund Governing Group Inc., New York City Economic Development Corporation, New York City Industrial Development Agency – Amy Chan, Fred D’Ascoli, Leslie Escobar, Spencer Hobson, Elizabeth Verostek Department of City Planning – Bob Tuttle, Ezra Moser Brooklyn Public Library – Miriam Katowitz, Karen Sheehan, Amadu Wagie Queens Borough Public Library and Affiliate – Vishnu Dawah, Michael Tragale

New York City Department of Education – Richard Carlo, Maria Conklin, Amy Huang, Suzette Irish, Tisa Lapadula, Marisol Martinez-Williams, Francine Perkins-Colon, Scott Strickland

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

New York City Office of Management & Budget – Enid Ellis, William Kennelly, Raymond Lee, Mujeeb Shinwa

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

Audit Committee Meeting – December 15, 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 October 25, 2021

The first agenda item was the approval of the draft minutes of the Audit Committee Meeting held October 25, 2021. The Committee approved the minutes of the October 25, 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) for the following entities:

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, 2021:

- Public Realm Improvement Fund Governing Group Inc.
- New York City Industrial Development Agency
- New York City Economic Development Corporation
- Brooklyn Public Library
- The Queens Borough Public Library and Affiliate

Public Realm Improvement Fund Governing Group Inc.

Fred D'Ascoli, Executive Vice President and Chief Financial Officer of the New York City Economic Development Corporation (EDC), introduced the other representatives from EDC, and the representative of UHY LLP, the Public Realm Improvement Fund Governing Group Inc.'s (Governing Group) independent auditors, and the representatives of Ernst and Young LLP, the independent auditors for the New York City Industrial Development Agency (IDA) and EDC. EDC also manages the financial statements of the Governing Group and IDA.

The Governing Group commenced operations in October 2017; it was created by the New York City Zoning Resolution Section 81-60 to administer the Public Realm Improvement Fund for the exclusive, charitable and public purpose of lessening the burden of government through the City and acting in the public's interest by allocating funds to implement improvement projects in East Midtown. Funds are utilized to implement projects in accordance with the Governing Group's concept plans and the New York City zoning resolution. Contributions into the Fund are received from projects that use development rights for landmarks within the East Midtown subdistrict. Contributions to the Fund included \$41.7 million on December 4, 2018, related to development rights at 270 Park Avenue, the Grand Central Terminal. A second contribution was made on October 15, 2021, of \$4.8 million. EDC, the New York City Department of City Planning, and the New York City Law Department all provide administrative support on various functions. Independent auditors, UHY LLP, stated there were no significant deficiencies, material weakness, or management letter. The year ended with a net position of \$42.9 million, an increase of about \$27,000 over the last year. There was no contribution activity from the transfer of development rights in Fiscal Year 2021, therefore no operating revenues. Operating expenses totaled \$51,000.

Non-operating revenues, comprised of investment income, was \$78,000. Total assets at June 30, 2021 were \$42.9 million. Liabilities totaled \$13,000.

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

- Strategic investments were made aligning with investment policy. The investment policy is the same as what the City Comptroller and the City itself invest in, which are very conservative instruments.
- Buildings that were larger than zoning allowed were permitted to rebuild back their floor area.
- The Governing Group is a body of 13 representatives, seven from mayoral agencies, a representative appointed by the City Council Speaker, a council member from the Midtown area, representatives from both Community Boards 5 and 6, the Borough President of Manhattan, and a civic organization appointed by the Borough President of Manhattan. The Department of Transportation, the Metropolitan Transportation Authority, the public, and/or members of the board can put forward projects. Once those are presented and vetted, the Governing Group votes on the estimated budget. All meetings are public.

New York City Industrial Development Agency

IDA received an unmodified opinion from its auditors; there were no significant deficiencies or material weaknesses identified. In Fiscal Year 2021, IDA adopted Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 91, *Conduit Debt Obligations*. The impact of GASB 84 resulted in creation of two new financial

statements, which identified custodial funds that IDA has related to payments in lieu of real property taxes (PILOT) collected pursuant to lease agreements between IDA and its various lessees on behalf of the City. Previously, activity relating to tax exempt PILOT bonds issued for the Yankees and Mets stadium projects were carried on IDA's books. With the adoption of GASB 91, it was determined that this meets the definition of conduit debt under the GASB and these transactions were removed from the books.

Net position for Fiscal Year 2021 was \$27.8 million, which represents an increase from the prior year. The increase is a result of an increase in operating revenues from \$6.4 million to \$14.6 million. The main driver of this gain is an increase in project finance fees related to Yankees and Mets stadiums during 2021. Operating expenses remained flat. IDA incurred special project costs of \$2.2 million, primarily made up of \$1.4 million for the LifeSci NYC initiative. The current year activity resulted in an increase of net position of \$7.8 million. IDA's net position is primarily made up of cash and investments totaling \$32 million.

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

- IDA did not have a significant impact as a result of COVID in 2021. Many transactions moved from 2020 to 2021.
- IDA supplements certain costs and there is an obligation that, if the project does not come to fruition, the remaining balance is deobligated.
- Conduit debt is primarily a function of the Build NYC Corporation. IDA had issued conduit debt over the years and discontinued in 2008. There is still outstanding conduit debt.

- There was a significant amount of cash at year end due to Yankee and Mets stadium refinancing. The only option was to go outside the 24-month investment period at the time. It was discussed with auditors. The auditors determined a three-month difference was not material in terms of flexibility. The investment policy will be amended to include management discretion parameters.

New York City Economic Development Corporation

EDC received an unmodified opinion from auditors, which stated that no significant deficiencies or material weaknesses were identified. EDC implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, EDC opted for a single year presentation of the basic financials. The year-end net position was \$546 million, a decrease of about \$18 million from last year. Operating revenues totaled \$922 million, an increase of \$19 million. The increase was driven by the increase in fees in other income categories. The increase was partially offset by the decrease in reimbursable grants revenue of \$5 million. With COVID-19 continuing, real estate sales and rental income continue to decline. Operating expenses decreased by \$42 million to \$948 million as EDC continued to manage spending during the pandemic. Project and program cost decreased by \$17 million due to a decrease in City funded reimbursable grants and offsetting expenses as well as lowering spending on self-funded initiatives. Property rental expenses decreased by \$16 million. Cruise operations continued to be suspended due to the pandemic. Ferry-related expenses net of revenues decreased by \$20 million and the decrease is directly resulting from pandemic driven reduction in ferry services provided. Other expenses increased by \$14 million, primarily due to tenant bad debt and depreciation expense offset by a reduction in general and administrative costs. The year ended with operating loss of \$26 million, offset by the investment

income of \$77 million and capital contributions from the City of \$8 million. Capital contributions were to fund the purchase of assets, primarily ferry vessels. All components led to a decrease in debt position of \$18 million.

Assets decreased \$10 million to \$1.2 billion. There was an increase in tenant receivables of \$14 million, directly resulting from the pandemic. There was a decrease of capital assets of \$9 million, primarily due to depreciation expense. There was a decrease of \$64 million in receivables from the City, due to the amounts collected during the fiscal year, attributable to the COVID personal protective equipment costs and vessel acquisition amounts fronted by EDC that were pending reimbursement as of the prior fiscal year. EDC ended with total liabilities of \$673 million, a decrease of \$1.5 million. The result of these components, EDC's ending net position was \$546 million.

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

- Ferry ridership has come back to about 80% of pre-pandemic levels. It has always run at a deficit because policy decision was made at inception that the amount to be charged per ride was going to be the same as the cost of a subway or bus ride. The cost per trip is beyond that.
- Ferry vessel assets are strictly maintained in accordance with coast guard laws. The assets themselves are paid for with City capital money.
- EDC has its own trust, which was funded in 2018.

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

Brooklyn Public Library

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

BPL restored services throughout Brooklyn after prolonged COVID-19-related closures while balancing public health concerns with patrons need for in-person library services. In Fiscal Year 2021, BPL expanded its digital offerings, with 550,000 audio and eBooks, and hosted 12,000 virtual and outdoor programs, with attendance of just under 740,000 individuals. By the end of the fiscal year, in-person browsing and computer sessions were restored. By the end of the summer, patrons were able to enjoy the library without restrictions.

BPL entered into a partnership with the Brooklyn Historical Society. The affiliation agreement created the Center for Brooklyn History, which combined the historical collections at the library as well as those of the Historical Society. As part of the affiliation agreement, the Society reorganized its corporation structure to become a membership organization with the Library as the sole member. According to the agreement, the Library has the right to select all board members for the Society. In accordance with Generally Accepted Accounting Principles, the Library must account for the transaction as an acquisition and recognize the Society's assets and liabilities at the fair value on the date of the acquisition.

Auditors issued an unmodified opinion on the consolidated financial statements. As of June 30, 2021, the library had total assets of \$208.4 million, up from \$34 million from Fiscal Year 2020. The year-end cash and cash equivalence balance increased by \$11 million, mainly due to the collection of outstanding receivables from the City and State of New York. Restricted cash

decreased by \$11.6 million due to the payment of expenditures associated with ongoing construction projects at the Brooklyn Heights and Adam Street branches. Receivables decreased by \$11.5 million due to collection of outstanding receivables from the City and state and \$1.9 million, due to the IRS COVID-19-Related Employee Retention Credit. The fair value of investments increased by \$10.8 million, primarily due to improved performance of financial markets. Property and equipment increased by \$33.2 million, primarily due to the cost of various construction-related projects as well as value of consolidating fixed assets of the Brooklyn Historical Society. A loan of \$1.4 million represents outstanding loans of the Brooklyn Historical Society payable to Bank of America. Net borrowing from TD Bank line of credit was down \$900,000. Total net assets increased by \$3.4 million. Total operating revenues and support were \$178.8 million, down \$6.8 million. Private foundation and donor contributions were up \$1.8 million. Contributed facilities and utilities were down \$3.7 million. Fines, royalties, and other revenues were down \$5.3 million due to suspension of fines and the non-recurrence of employee retention credit from the IRS. Total operating expenses decreased by \$13.6 million due to salary and related expenses. Professional fees were down \$2.8 million due to the non-recurrence of certain programmatic activities. Books and library material spending was down \$1.2 million due to reduction in City funding. Donated rent and utilities were down \$3.7 million because of property rental market adjustments. Non-operating activities included construction grants received from the State, totaling \$2.3 million. Investment income not used for operations went up \$9.8 million, due to favorable market conditions.

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

- There were no currency risks in Fiscal Year 2021 because the hedge fund was dissolved at the end of Fiscal Year 2020.
- The reduction in terminal leave was related to the allowance of employees to carry over vacation time.
- An agreement to consolidate back of the house book operations with the New York Public Library has been a favorable partnership, maximizing buying power and operating efficiency.

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

The Queens Borough Public Library and Affiliate

Mike Tragale, Queens Borough Public Library and Affiliate's (QBPLA) Chief Financial, introduced the other QBPL representative present, and the representatives of BDO LLP, QBPLA's independent auditors. The operating budget for Fiscal Year 2021 was \$172.9 million. QBPLA was closed for a portion of the year and then had various models of being open. 57 locations are currently open. Investments increased \$6.6 million.

An unmodified opinion was provided. There were no material weaknesses identified.

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

- QPBLA have an audit committee.
- Money market funds are publicly traded.

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

IV. Executive 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 December 15, 2021 Audit Committee Meeting; the motion was unanimously approved.