



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, DECEMBER 7, 2022
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 – Wesley Paisley

Secretary Katrina Stauffer

Independent **Grant Thornton LLP** – Marla Hummel

Auditors **BDO LLP** – Ritesh Lall, Christina Polisenio
Ernst & Young LLP – Kimberly Hancy
EisnerAmper LLP – James Conners, Ilana Gitelman
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
Department of City Planning – Ezra Moser, Bob Tuttle
Brooklyn Public Library – Miriam Katowitz, Karen Sheehan, Amadu Wagie
Queens Borough Public Library and Affiliate – Vishnu Dawah, Stephen Mack

New York City Mayor's Office of Operations – Doug Giuliano

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

New York City Comptroller's Office – Camille Arezzo, Man Hon Cheung, Jessica
Sanchez, Susanna Tregor

Audit Committee Meeting – December 7, 2022

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. Motion to Adopt Remote Meeting Authorization Resolution

The first agenda item was the approval of the [Remote Meeting Authorization Resolution](#) dated December 7, 2022. The motion was made to adopt the Resolution and unanimously approved.

III. Approval of the Draft Minutes of the Audit Committee Meeting held November 16, 2022

The next agenda item was the approval of the draft minutes of the Audit Committee Meeting held November 16, 2022. The Committee approved the minutes of the November 16, 2022, Audit Committee Meeting, subject to any non-substantive editorial comments submitted to the Secretary.

IV. 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, 2022:

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

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.

During the last fiscal year, BPL circulated 9.3 million digital and physical items, and hosted more than 25,000 virtual and in-person programs, with an attendance of 387,500 individuals.

During Fiscal Year 2022, BPL proceeded with its strategy to address the library's significant deferred maintenance needs by partnering with the City to undertake self-managed Capital Grant projects. This arrangement started with the Greenpoint library, which reopened in October 2020, and it continued through the fiscal year. BPL completed the first phase of an extensive renovation of the Central Library and opened the new Brooklyn Heights Library, as well as the new Adams Street Branch, which is the first new branch in Brooklyn in over thirty years.

BPL's auditors issued an unmodified opinion on its consolidated financial statements for June 30, 2022.

As of June 30th, the BPL had total assets of \$208.0 million, roughly equal to the \$208.4 million for Fiscal Year 2021.

Year-end cash and cash-equivalent balances decreased by \$3.8 million from the previous fiscal year, primarily due to the timing of payments for expenditures incurred and the collection of receivables and operating cash from the City and State funders.

Restricted cash increased by \$7.3 million, in part due to the amount received from BPL's line of credit for previously incurred expenditures for the Brooklyn Heights Branch project.

Contributions, grants, and other receivables increased by approximately \$19 million from Fiscal Year 2021, largely due to the amount received from the City for capital grant construction projects.

The fair value of investments decreased by \$9.4 million, primarily due to the performance of the financial markets.

Property and equipment decreased by approximately \$13.5 million, mainly due to previously capitalized construction-in-progress costs that transferred to billable City capital grant expenditures.

Accounts payable and accrued liabilities decreased by \$5.0 million from last year due to the timing of purchases and payments. Funds received in advance decreased by \$1.7 million from last year, due to the net impact of the amount transferred to receivables for the completion of the Brooklyn Heights project and the amount received for the Adams Street branch project.

Net borrowing from BPL's TD Bank Line of Credit increased by approximately \$10.5 million from last year, mainly for ongoing construction projects.

Operating Revenues totaled \$183.9 million, up \$5.0 million from last year. Total Operating Expenses increased by \$7.7 million to \$173.8.

Construction grants received from the state totaled \$4.1 million, including approximately \$3.3 million for the Brooklyn Heights project. Grants and capital contribution revenue from the City totaled of approximately \$25.1 million, including \$15.6 million for Brooklyn Heights, \$2.1

million for the Central Library, \$4.1 million for the Adams Street Library, and \$3.4 million for Brower Park.

Investment income not used in operations decreased by approximately \$11.5 million from Fiscal Year 2021.

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

- Services are allocated depending upon the available resources. For example, BPL may utilize a bookmobile or a tech-mobile when a library is closed.
- BPL ensures that the available fleet is deployed by prioritizing neighborhoods in need.
- BPL also partners with community organizations to deliver services in neighborhoods in need. For example, 'story time' might be located at a community center.

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

The Queens Borough Public Library and Affiliate

Mr. Stephen Mack, the Queens Borough Public Library and Affiliate's (QBPLA) Chief Financial Officer, introduced the other QBPLA representative present, and the representatives of BDO LLP, QBPLA's independent auditors.

Financially, the QBPLA is strong. Total cash and cash equivalents were approximately \$48 million, an increase of \$2 million from Fiscal Year 2021. The investment portfolio was valued at \$39 million, a lower value than in 2021 due to market conditions. Liabilities decreased by \$1 million. Total net assets were \$108 million, up \$5 million from the prior year.

Total operating revenues for the QBPLA were \$177 million, funds from The City of New York and grants received by the State of New York made up most of the \$5 million increase from 2021. Total expenses were \$165 million, the bulk attributed to staff and related costs, which were \$3 million more than the previous year.

As of June 30, 2022, the QBPLA had 429 staff on payroll; 86 percent of them lived in one of the five New York boroughs. Collections increased by 40 percent, to more than \$9.2 million.

Compared to the year prior, QBPLA's attendance increased 150 percent post-COVID; total circulation increased 83 percent, and new QBPLA card registration increased 243 percent.

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

- Attendance at libraries in Queens, which was hit hard by COVID, is not back to pre-pandemic numbers, but it grows closer as branches and programs continue to reopen.
- There was no footnote in the financial report regarding the impact of COVID, but prior reports did contain one. BDO, QBPLA's independent auditors, removed the note when it seemed the pandemic was no longer affecting the libraries, relatively speaking; because the virus is still around, Mr. Spitzer thought a footnote is still warranted.
- The financial reports are evidence that the management of the QBPLA has commendably improved over the last handful of years.
- If branches were closed due to construction, the QBPLA rented a nearby space, and if such a space was unavailable, they utilized mobile libraries.

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

Public Realm Improvement Fund Governing Group, Inc.

Amy Chan, Controller of the New York City Economic Development Corporation (EDC), introduced the other representatives from EDC, and the representative of UHY LLP, independent auditors for the Public Realm Improvement Fund Governing Group Inc.'s (Governing Group), 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's financial statements for Fiscal Year 2022 received an unmodified opinion with no internal control significant deficiencies or material weaknesses identified in the audit.

Total assets of cash and investments increased by \$4.4 million from Fiscal Year 2021, primarily due to a contribution in Fiscal Year 2022 resulting from a transfer of development rights and the retention of non-complying floor area. Total liabilities increased by \$11,000 because of additional operating expenses and the timing of reimbursements to EDC for expenses incurred on the Governing Group's behalf.

Operating revenues were \$4.77 million; operating expenses remained flat compared to 2021, consisting mostly of audit and bank fees. Challenging market conditions resulted in non-operating losses from investments. There was an increase in net position of \$4.4 million, resulting in a year-end net position of \$47.3 million.

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

- The geographic boundaries of the Governing Group are approximately 57th Street to 39th Street, and 3rd Avenue to 5th Avenue, an area of roughly 72 blocks.
- Use of the word "discrete" within the phrase "the Governing Group has the discrete mission," refers to the Governing Group's responsibility to direct funds held in the trust to the designated construction projects coming out of the larger group.
- Cash is conservatively invested, and is compliant with the Board-approved investment policy.

New York City Economic Development Corporation

EDC's financial statements received an unmodified opinion and there were no internal control significant deficiencies or material weaknesses identified as a result of the audit.

EDC adopted GASB 87 relating to leases.

EDC ended the year with a net position of \$642 million, which is \$95.7 million more than for Fiscal Year 2021. Operating revenues increased by \$245.1 million or 27 percent. The increase in operating revenues is largely due to the increase in reimbursable grants of \$234.5 million, as well as \$15 million of City tax levy funding and \$30 million in federal relief funds allocated for NYC ferry operations. Transfer of development rights at two properties generated 23.1 million and the partial sale of a lease hold interest generated \$26.2 million.

Operating expenses during Fiscal Year 2022 increased by \$174.5 million, or 18 percent. The increase in both reimbursable project costs of \$51.8 million and program costs of \$121 million

were largely due to the costs incurred for the Vaccine Incentives, Green Infrastructure, and Manhattan Greenway projects. Total non-operating revenues for Fiscal Year 2022 included interest revenues earned on leases recognized in accordance with GASB 87 and totaled \$51 million.

During Fiscal Year 2022 EDC's total assets increased by \$2.8 billion, primarily due to the implementation of GASB 87, which resulted in \$2.4 billion of leases receivable being recognized on the balance sheet. Cash, cash equivalents, and investments increased by \$72.7 million, primarily due to income generated from the partial sale of lease hold interest at Kaufman Astoria Studios, and the transfer of development rights at the Brooklyn properties of 69 Adams Street and Atlantic Yards.

Loan and mortgage receivables increased by \$23.6 million due to the establishment of a hospital loan program to address the needs of City hospitals affected by COVID-19 and its variants.

Total liabilities increased by \$298.2 million over the last fiscal year primarily due to the implementation of GASB 87, which resulted in lease liabilities recognized of \$283.1 million, which offset the right to use assets recognized. EDC's deferred inflow of resources was \$2.4 billion more than 2021 due to the adoption of GASB 87, as it required the recognition of the deferred inflow of resources to offset future leases receivable. EDC's overall net position during Fiscal Year 2022 increased by \$95.7 million as a result of the fiscal year operating activities.

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

- In 2021, GASB 84 was implemented as it relates to fiduciary activities, and in 2022 EDC adopted GASB 87, which explains why EDC's election to do a single-year presentation

in each of those years, avoiding the need to restate the prior year in a comparative view. Two years of financials would require three years of comparison in the Management Discussion and Analysis, which was not a reasonable amount of work for the September 30th deadline.

- During the pandemic, ferry services were reduced to the lowest level contractually allowable by the provider. Currently, ferry service numbers have recovered close to pre-pandemic levels.
- Several large and uncollectable tenant arrears contribute to \$49 million of revenue not being collected by EDC, which represents several years of receivables, not only for 2022.
- EDC does not expect GASB 96 to have a significant impact on financial statements.
- Verbiage can be added to the next financial reports about city and state taxation.
- EDC has a master contract and a maritime contract with the City; both expire at the end of each fiscal year.
- "Real estate obligations" is a reference to properties held pending direction from the City, such as the Coney Island properties that will eventually be returned to the City.
- EDC is not a candidate for collateralized bank account balances, so it buys government securities directly. A sizable portion of deposits are not federally insured, but EDC does invest in federal instruments. The relevant footnote can be reworded for clarity.
- The OPEB plan was set up as a trust and is not part of EDC's assets. The OPEB Committee manages the portfolio and ensures discount rates are compliant.

New York City Industrial Development Agency

As with the Governing Group and EDC, IDA received an unmodified opinion with no significant deficiencies or material weaknesses.

IDA ended Fiscal Year 2022 with a net position of \$25 million, a decrease of \$2.7 million over Fiscal Year 2021. There was a decrease in operating revenues of \$11.2 million, mainly due to the non-recurring large closings that took place in 2021. Operating expenses were primarily the \$4.4 management fee.

Total non-operating expenses for 2022 totaled \$1.5 million; special project costs were \$1.4 million, a decrease from the prior year. As a result, with an operating loss of \$1.2 million, and non-operating expenses of \$1.5 million, there was a decrease in net position of \$2.7 million from \$27.7 million to \$25.0 million as of June 30, 2022.

Of the Agency's total assets, non-current assets decreased by \$5.1 million due to \$10.5 million of previously long-term investments becoming current. Total current liabilities increased by \$500,000, primarily due to cash collected related to a future closing.

A question and answer session took place after the presentation. The one matter discussed:

- The COVID-19 pandemic did not affect debtors such as the Yankees Stadium bonds from an IDA perspective.

There being no further questions Chairman Spitzer thanked the representatives of the Governing Group, EDC, and IDA for their participation at today's meeting.

V. Summary of Audit Committee Meeting Start

Due to technical difficulties with recording the beginning of the meeting, Ms. Stauffer reviewed the items not recorded, including:

- Call to Order and Roll Call
- Adoption of Remote Meeting Authorization Resolution
- Approval of Draft Minutes the November 2022 Audit Committee Meeting
- Brooklyn Public Library's presentation of its Financial Statements

VI. Adjournment

There being no further business before the Committee, a motion was made to adjourn the December 7, 2022 Audit Committee Meeting; the motion was unanimously approved.