



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, MARCH 23, 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
Secretary	Katrina Stauffer
Independent Auditors	Grant Thornton LLP – Sharon Campbell, Kyle Chuber, Marla Hummel, Nicholas Lazzarulo, Kevin Morris, Will Richardson, Michael Ryan, Matthew Thompson Marks Paneth LLP – Warren Ruppel, Sibi Thomas RSM US LLP – Jennifer Katz
Others	The Mayor’s Fund to Advance New York City (the Fund) – Danielle Baierlein, Jill Price, Jorge Luis Paniagua Valle New York City Tax Lien Trusts (NYCTLs) – Raymond Lee, Jay Olson New York City Water and Sewer System (System) – Robert Balducci, Olga Chernat, Joseph Murin, Omar Nazim, Nameca Sharma Sales Tax Asset Receivable Corporation (STAR) – Robert Balducci, Kenny Narine, Jay Olson Hudson Yards Infrastructure Corporation (HYIC) – Robert Balducci, Kenny Narine, Jay Olson New York City Transitional Finance Authority (TFA) – Robert Balducci, Kenny Narine, Jay Olson TSASC, Inc. (TSASC) – Robert Balducci, Kenny Narine, Jay Olson Fiscal 2005 Securitization Corporation (FSC) – Robert Balducci, Kenny Narine, Jay Olson

New York City Office of the Actuary – Craig Chu, Anderson Huynh, Michael Samet

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

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

New York City Comptroller’s Office – Camille Arezzo, Francesco Brindisi, Carmen Chan, Rosa Charles, Leonel Ferreira, Michael Hecht, John Katsorhis, Krista Olson, Joan Stapleton, Susanna Tregor

RESF Advisers, Inc. – Thomas Gallagher

EFPR Group – Douglas Zimmerman

Audit Committee Meeting – March 23, 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. Approval of the Draft Minutes of the Audit Committee Meeting held

February 24, 2022

The first agenda item was the approval of the draft minutes of the Audit Committee Meeting held February 24, 2022. A motion was made to accept the minutes. The Committee approved the minutes of the February 24, 2022 Audit Committee Meeting, subject to any non-substantive editorial comments submitted to the Secretary.

[The Committee stated that it would address, in the Executive Session, an inconsistency (noted in the January 2022 meeting) in one section of the New York City Charter text when compared to the text of the Audit Committee by-laws. Following the Executive Session, the Committee confirmed that the text of the by-laws would be updated to ensure consistency with the Charter.]

III. Acknowledgement of the Passing of Ms. Eileen Moran

The Audit Committee offered condolences to the family of a former colleague, Ms. Eileen Moran, who was a long-time member of the Comptroller's Office and the Office of Management and Budget, on her passing on March 11, 2022.

IV. 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:

- 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 Corporation¹

Mayor's Fund to Advance New York City

Ms. Jill Price, Director of Finance and Operations at the Mayor's Fund to Advance New York City (the Fund) introduced the other representatives of the Fund present, and the representative of RSM US LLP, the Fund's independent auditors.

As of June 30, 2021, the Fund had total assets of \$28.5 million, a 34 percent decrease in net position compared to Fiscal Year 2020. Total contributions and grant decreased by 77 percent.

The total liabilities were \$10.7 million, leaving a net position of \$17.9 million, a decrease of close to \$10 million from the prior fiscal year.

¹ For the fiscal year ended July 31, 2020.

The Fund raised \$17.8 million in Fiscal Year 2021. Expenses decreased by 58 percent compared to the prior fiscal year, but were still higher than usual due to the timing difference for the receipt of pandemic-related expenses, creating the overall \$9.5 million negative change in net position. Revenue from federal grant awards was approximately 5.5 percent of total fiscal year contributions.

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

- The Fund confirmed it has a three-member audit committee.
- The \$17.7 million of investments on the balance sheet is all in one mutual fund.

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 2018 – A
- NYCTL 2019 – A

The financial reports represent the City's primary tax enforcement mechanism for property tax, water, and sewer fees. When liens are sold, separate trusts are created, and financial reports are generated for each trust.

The NYCTL 2018-A Trust was closed by the end of Fiscal Year 2021, when the bonds were fully paid, and the remaining assets were transferred to the NYCTL 1998–2 Trust. The NYCTL 2019-A Trust is active with bonds outstanding. After the bonds are paid, the remaining liens will be consolidated into the NYCTL 1998-2.

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

- NYCTL stated that there were no issues with the three financial reports.
- Due the pandemic, there has not been a yearly trust established, so the last active trust is for 2019.
- The cover of the financial reports states they are solely intended for the use of the trust company and their management; the Committee noted that all reports are made public after they are presented to the Committee.

New York City Water and Sewer System

Mr. Robert Balducci, Comptroller at 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.

During Fiscal Year 2021 core water and sewer operating revenues declined 4.6 percent, to \$3.6 billion. Revenues reflect the combined impact of a 2.8 percent rate increase during the year, offset by a 3.8 percent decrease in consumption by metered customers and an increase in customer delinquencies. A slight reduction in total revenue was primarily due to a decline in

investment income from \$80 million to \$2 million from Fiscal Year 2020 to Fiscal Year 2021.

Total operations and maintenance expense increased by \$72 million, or 4.5 percent, driven by increased wastewater operating costs and rental payments requested by the City.

Gross accounts receivable for Fiscal Year 2021 increased by 16.9 percent, to \$1 billion, reflecting higher delinquencies across all major property classes, and highest increase observed in non-residential properties. A portfolio of collection strategies is being developed.

A new billing system was implemented on September 7, 2021, and the transition was relatively smooth.

Capital projects in Fiscal Year 2021 included the Jerome Park Reservoir, the Coney Island Wastewater Treatment Plant, and the clean-up of Pugsley Creek.

The System issued \$2.6 million in bonds in Fiscal Year 2021, of which \$1.7 billion were used for refunding. The gross value savings from refunding was \$554 million. A gross debt service savings of \$409 million was achieved in Fiscal Year 2021. Bond proceeds totaling \$1.8 billion were reimbursed to the City for construction costs. Restricted cash, cash equivalents, and investment at the end of Fiscal Year 2021 was approximately \$2.4 billion.

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

- The Committee commented on the magnitude of the System's uncollected receivables. The System noted that the state restriction on sending out notices for collections on utilities was lifted at the end of December, so delinquency notices will start to go out after a two-year pause.

- The integrity of the water will be protected in the reservoir upgrade process, and the Water Board is the lease holder of the City's assets. The Water Board is charged with raising the revenue based on the lease hold on the assets.
- A management letter was submitted. The clean audit included a few recommendations for the Customer integrated system, which have been implemented.
- The System has an Audit Committee, as well as a Board Audit Committee, Governance Committee, and Finance Committee.

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, Hudson Yards Infrastructure Corporation, New York City Transitional Finance Authority, TSASC, Inc., and Fiscal Year 2005 Securitization Corporation

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

Both the FSC and STAR are now defunct, with zero outstanding debt, and will not issue financial reports again.

TSASC and HYIC active, collecting revenue, and still paying debts.

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

- The Committee reiterated that the auditors' reports to management states they are solely intended for the use of their management; the Committee noted the reports should be released to them, or the statement removed. The entities stated the language in the auditing standards addresses the limitation on reports issued to government that become matters of public record. The limitation does not affect that ability, but it should be included going forward.
- The representatives of the five entities confirmed that the negative outlook of HYIC by Moody's was due to the impact of COVID-19 on the City, and that it was also associated to the fact that revenues are 'real-estate-like' revenues generated in the district.

There being no further questions, Chairman Spitzer thanked the representatives of STAR, HYIC, TFA, TSASC, and FSC for their participation at today's meeting.

V. 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.

VI. Public Session

The Committee returned to the Public Session, and noted that the Executive Session involved a discussion regarding two types of audits of the actuarial agency. Chairman Spitzer asked for a motion to approve the selection of Milliman as auditors. A motion was made. The motion was unanimously approved.

VII. Executive Session

Chairman Spitzer asked for a motion to re-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.

VIII. Adjournment

After returning from Executive Session, there being no further business before the Committee, a motion was made to adjourn the March 23, 2022 Audit Committee Meeting. A motion was made. The motion was unanimously approved.