AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, DECEMBER 13, 2023
AT THE OFFICE OF THE COMPTROLLER
AND REMOTELY VIA ZOOM MEETING

ATTENDANCE

Chair	Michael Spitzer (via Zoom)
Private Members	Larian Angelo (via Zoom) Mark Kaplan Marcia Van Wagner
Public Members	**Representing the Mayor –** Paul Tymus **Representing the Comptroller –** Jacqueline Thompson **Representing the Public Advocate –** Wesley Paisley
Secretary	Katrina Stauffer
Independent Auditors	**Grant Thornton LLP –** Philip Bonanno, Marla Hummel (via Zoom), Michael Ryan **BDO LLP –** Ritesh Lall (via Zoom), Jeremy Meisel (via Zoom), Christina Poliseno (via Zoom) **EisnerAmper LLP –** William Epstein (via Zoom), Ravika Shankar **Milliman –** Glenn Bowen (via Zoom), Scott Porter (via Zoom), Jeff Schultz (via Zoom), Julie Sinke (via Zoom)
Others	**Brooklyn Public Library –** Karen Sheehan (via Zoom), Amadu Wagie (via Zoom) **Queens Borough Public Library and Affiliate –** Vishnu Dawah (via Zoom), Stephen Mack (via Zoom) **New York City Mayor's Office of Operations –** Doug Giuliano, Julian Ross **New York City Office of Management & Budget –** Daanish Basheed, Man Hon Cheung, Omair Hassan (via Zoom), Edward Lin, Jiayi Ren (via Zoom) **New York City Office of the Actuary –** Anderson Huynh, Crage Lu **New York City Office of the Public Advocate –** Matthew Carlin

New York City Comptroller's Office – Camille Arezzo, Francesco Brindisi, Elizabeth Brown, Rosa Charles, Krista Olson, Jessica Sanchez, Joan Stapleton (via Zoom), Susanna Tregor (via Zoom)

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Audit Committee Meeting – December 13, 2023

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I. Call to Order and Roll Call

Mr. Michael Spitzer, 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 Accept Minutes of the November 28, 2023 Audit Committee Meeting

The first agenda item was the approval of the draft minutes of the Audit Committee Meeting held November 28, 2023. The Committee approved the minutes of the November 28, 2023 Audit Committee Meeting, subject to any non-substantive editorial comments submitted to the Secretary.

III. Actuarial Audit Presentation of the New York City Retirement Systems

The next agenda item was the actuarial audit presentation of the New York City Retirement Systems. Scott Porter, the Lead Consultant on the actuarial audit of the New York City Retirement Systems by Milliman, introduced the other members of Milliman present.

Milliman noted that there were three different reports: the Administrative Report, the Independent Actuary Statement, and the Experience Study for the five Retirement Systems: New York City Employees' Retirement System (NYCERS), New York City Teachers' Retirement System of The City of New York (TRS), New York City Board of Education

Retirement System (BERS), New York City Police Pension Funds (POLICE), and New York City Fire Pension Funds (FIRE).

Milliman presented the Administrative Report, a high-level summary of the administrative controls, services, and member experiences. There were five key areas of focus in the report: Administrative Procedures or Documentation Guidelines, Audit Control Methods, Performance or Customer Response, System Capabilities, and Other Processes. Each group of members was rated 'satisfactory' or 'needs improvement'.

Milliman maintained that it was a positive review, with NYCERS, TRS, and BERS all scored satisfactory in every focus area. Even in areas of the other two systems that need improvement, the auditors find that the members needs are being met. Positive changes to the financial practices were in motion before Milliman began the audit and will continue as member groups fulfill their plans for improvement.

Milliman next presented the Independent Actuary Statement, which reviewed the economic assumptions, actuarial methods, and the actuarial valuation reports. All the items were reviewed for compliance with applicable actuarial standards. Milliman confirmed the reports were all in compliance with actuarial standards. It noted the investment return assumption and the significant changes in the economic markets in recent years. The economic assumptions were based on the capital market assumptions as of June 30, 2021 through December 31, 2022. Due to significant increases since June 2021 in capital market assumptions, Milliman did not recommend any change to the long-term inflation assumption of 2.5 percent and the investment return assumption of 7 percent.

The Experience Study reviewed key pre-retirement demographic assumptions about withdrawal, retirement, disability, pre-retirement death, and post-retirement mortality. The study took into account that members with larger benefits have longer life expectancy. Decreasing withdrawal rates usually results in higher liabilities. There were different retirement assumptions for members with less or more than 20 years of service. Modifying rates of disability based on eligibility for retirement and increasing accidental disability rates generally results in higher liabilities.

Milliman noted that its Experience Study differed from past studies because they have all four years of data instead of two-year segments. Milliman will not recommend a set of assumptions in each engagement. The presentation reflected the high-level points with indications as to how liabilities may fluctuate based on the ultimate recommendation. The Office of the Actuary will run the numbers through their valuation system and determine the costs.

Milliman was working through the best way to estimate the valuation assumptions of the World Trade Center benefits for POLICE and FIRE members in the Experience Study. The Office of the Actuary had a separate assumption for this case, but a different approach might reconcile the unmatched experience of members who did and did not receive World Trade Center benefits.

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

- The areas of improvement for POLICE were within their online experience and lack thereof in comparison to the other member groups. FIRE was a newer system and did not have the same archive of activity.

- Milliman confirmed that all requested information had been received from the systems. The report has been updated and shared along the way, and all systems have read the report and provided additional information when necessary.

- Regarding the 2.5 percent inflation rate, Milliman confirmed that the geometric average was used, and noted that all assumptions were based on where the rates have been and their projections. Financial groups and markets indicate what the break-even inflation point is based on Treasury and non-Treasury bonds. Based on historical inflation and the Federal target, reasonable assumptions were made. Liabilities in a pension plan should reflect compounding over time.

- The Committee noted that, in the POLICE section, there was missing documentation of performance items such as response to calls. Milliman stated that the Police provided significantly less information than other member groups, such as summaries instead of actual documentation in response to audit reports. Milliman had no indication that it was a security issue and took the time at the beginning of the audit process to address security concerns.

- The Committee gave the example of one year with a 20 percent return followed by a year with a 20 percent decline, and asked if that would resolve to zero even though the balance would have decreased from one year to the next because it was 20 percent of a smaller number. Milliman noted that the compounded average would reflect the fact that the average return was in the minus numbers, which was the recommended basis for the investment return assumption.

- Milliman stated that capital market assumptions reflected the financial market and interest rates and were considered in terms of the actual assets that the NYC Systems were invested in, and to produce an average of future returns compared to the current 7 percent assumption, which was found to be reasonable.

- Milliman explained the purpose of the long-term investment return was to discount payments projected into future decades based upon the demographic assumptions.

- Milliman confirmed that demographic expectations were reconfigured based on experience. Economic forecasts differed in that financial markets gave indications of the future. For example, the input from 2022 created projections through 2052, and every year projected into future decades.

- Regarding the Experience Study Milliman said it largely compares recent experience to long-term assumptions to deliver a recommendation.

- Milliman further noted that all data gathered by the auditors were input into the Milliman Experience Study Tool (MEST), which allowed it to review and gain insight on trends based on factors such as member age, year, and employee group.

- Milliman stated that one-time significant events (such as a pandemic or a significant market change that prompts retirements) were not considered in long-term planning, such as the option offered to teachers in 2014 to retire early with a lump sum payment.

- Regarding the Experience Study finding that higher levels of benefits lead to lower mortality, Milliman stated that the data was weighted by benefit amount and it was an underlying assumption built into the model based on the experience across all systems measured by the Office of the Actuary.

- Milliman noted that the Experience Study showed the impact and the differences of the actual experience versus assumptions, and there were no significant findings in the post-retirement mortality. The two most significant assumptions affecting liabilities in a pension system were investment return assumptions and life expectancy.

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

IV. Presentation of the Financial Statements and Management Letters

The next agenda item was the review of the financial statements and management letters (where applicable) of the following entities for the fiscal year ended June 30, 2023:

- Brooklyn Public Library
- The Queens Borough Public Library and Affiliate

Brooklyn Public Library (BPL)

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

In Fiscal Year 2023, BPL circulated 9.9 million digital and physical items throughout the borough and hosted 35,000 programs with an attendance of nearly 450,000 individuals. BPL also pressed forward with its strategy to address the library's significant deferred maintenance needs by partnering with the City to undertake self-managed capital grant projects. In Fiscal Year 2023 the colocation was completed of the Brower Park Library with the Brooklyn's Children Museum, and construction continued on the Sunset Park Library, an Affordable Housing Project. Five more self-managed branch overhauls were in the design stage.

The auditors issued an unmodified opinion of the Brooklyn Public Library's consolidated financial statements for June 30, 2023. BPL's total assets through June 30, 2023 were $209.4 million, up roughly $1.4 million through the same period in 2022. Year-end cash and cash equivalent balance increased by $3.8 million from Fiscal Year 2022, attributed to collected receivables and operating cash from the City and State, and payments for expenditures occurred throughout the fiscal year. Restricted cash in June 2023 was down $5 million from June 2022 due to the cost of the Sunset Park branch construction project.

Contributions, grants, and other receivables decreased by approximately $16.7 million over the fiscal year, which BPL attributed to the collection of $12.6 million from the City in 2022 for the Brooklyn Heights branch capital project. The outstanding balance of $9.8 million capital grant projects was due an assortment of ongoing construction projects. The fair value of BPL investments increased by $1.4 million due to improved financial market performance, and the right-of-use asset balance was $10.1 million as a result of implementing GASB 83, which governs lease accounting.

Property and equipment costs increased by $8 million from Fiscal Year 22 due to the Sunset Park construction, which was included in Fiscal Year 2023 as construction progress. Accounts payable and approved liabilities decreased by $1.3 million due to the timing of purchases and payments incurred during Fiscal Year 2023. Funds received in advance increased by $2.8 million due to the receipt of an advance from the New York State Education Department for the Ryder Branch renovation. The completion of several branch renovations resulted in a decrease in BPL's line of credit at TD Bank. BPL's lease liability in June 2023 was $10.9 million and remained steady. Wages and liabilities decreased by $700,000 from Fiscal Year 2022.

The operating revenue for Fiscal Year 2023 totaled $197.5 million, which was an increase of $13.6 million from Fiscal Year 2022, primarily due to increased revenue from The City of New York and emergency federal grant money. Contributions were up $1.6 million, attributed to successful fundraising by the development team. Contributed facilities and utilities increased $1 million with the post-pandemic general market rental rate increase, and fines, royalties, and other revenue were up $500,000 from the prior year.

BPL's operating expenses of $194.5 million in Fiscal Year 2023 were up $21 million from 2022, which was attributed largely to the increased salaries as a result of the Collective Bargaining Agreement between the City and the union, which included a ratification bonus of $3,000 per employee and a retroactive increase to May 2021. Donated rent and utilities increased $1 million due to the changes in the property rental market in Brooklyn. Repairs and maintenance expenses were up $1.8 million due to increased maintenance costs and one-time repairs not eligible for City capital funding. Non-operating activities in Fiscal Year 2023 included grants and capital construction contribution revenue of $2.8 million. Investment income not used in operations increased $1.6 million from the prior year.

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

- BPL noted that it had become competent at self-managed projects, but BPL did not have capacity to address every capital need. One constraint is non-City funds had to be identified as contributions. Another constraint was the delayed project initiation.

- BPL agreed the merger of the BPL and the Brooklyn Historical Society was a great opportunity that would benefit both entities. A major goal of the merger was to make the

Historical Society's collections and archives more accessible and representative of Brooklyn. The building was now free to enter, as were all the library's exhibits.

- BPL confirmed that the Management Letter was the letter sent to the Audit Committee and there were no findings.

- BPL noted that the Americans with Disabilities Act (ADA) improvement expenses were addressed in multiple ways: small upgrades were in the General Operating Budget, and the Capital Budget projects were ADA-compliant, and funded elevator and bathroom projects proactively.

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 (QBPLA)

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

QBPLA detailed its collaborative work over the past year. With the help of City funding, QBPLA continued to meet its mission of building strong communities and creating a cohesive and empowered society. There are 65 locations throughout Queens, with 1,400 employees, 86 percent of which live within the five boroughs.

Fiscal Year 2023 continued the trend when the library opened after COVID, with total library cardholders increasing by 6 percent to over 1.5 million, and new card registrations increasing 68 percent, to over 900,000. Total circulation increased 14 percent, to over 7.7 million items. E-circulation grew 25 percent from the previous year.

Queens is the most linguistically diverse place in the world, and there were active QBPLA collections in over 50 languages. The total gate count for the library increased 43 percent, to 5.66 million, and the program sessions increased by 85 percent, to over 53,000.

Program attendance increased by 110 percent, to 856,000. Computer and wireless sessions increased by 50 percent and 20 percent, respectively, with expanded Wi-Fi reaching to outside of most library buildings. Programs increased in youth justice, college access, adult literary services, and teen centers. College readiness programs reached over 1,000 patrons and 1,200 students took English as a Second Language (ESL) classes. The summer meal program distributed 35,000 meals across 53 locations. To remove language barriers in access to information, in Fiscal Year 2023 the Language Line was launched, a live interpretation service to translate 240 languages.

The QBPLA was in strong financial shape. Auditors BDO LLP issued a clean opinion on the financial statements, and there were no findings with regard to the internal controls.

The total operating revenue for the year was approximately $193 million, with over 90 percent coming from The City of New York. Total operating revenues increased by $16 million and largely came from City grants and contracts. Total expenses for Fiscal Year 2023 was $183 million, of which two-thirds was spent on staff and other related costs. Total expenses increased proportionally to the increase in revenues, approximately $16 million, and 75 percent was employee wages due to the Union contract and increase in staff in Fiscal Year 2022.

The $8.4 million spent on library collections represented 25 percent of non-staffing expenditures. Total assets increased by 18.5 million, attributed to an increase in fixed assets due to capital renovations, and increased receivables from the City, the State, and the addition of a

right-to-use asset for operator leases, which was a generally accepted accounting principle. Total liabilities increased due to an offset because of the right-to-use asset. Net assets at the end of Fiscal Year 2023 were $123 million. QBPLA had a $10 million line of credit, but that balance was zero at the end Fiscal Year 2023.

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

- QBPLA noted that the Queens Public Library does not call out specific ADA expenses, but that it was part of overall planning and renovation projects. Dedicated risk management and capital and facilities teams regularly examined these issues, and compliance was considered in the budget for regular repairs and maintenance. The numbers on page 26 of the report were inclusive of ADA compliance.

- QBPLA stated that the dedicated risk management, capital, and facilities teams, in addition to general counsel, were all well versed in ADA compliance.

- The QBPLA confirmed that it has an Audit Committee.

- Regarding the difference between a Management Letter and Business Recommendations, QBPLA confirmed that the latter was a best practices recommendation and it was corrected before the Management Letter was issued.

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

V.   **Executive Session**

Chairman Spitzer asked for a motion to enter Executive Session. A motion was made to enter Executive Session for the purpose of discussing non-public financial information about The City of New York. The motion was unanimously approved.

VI.   **Adjournment**

There being no further business before the Committee, a motion was made to adjourn the December 13, 2023 Audit Committee Meeting; the motion was unanimously approved.