




**DASNY**

**ANDREW M. CUOMO**  
Governor

**ALFONSO L. CARNEY, JR.**  
Chair

***Memorandum***

**TO:** Robert S. Derico, R.A., Director, Office of Environmental Affairs

**FROM:** Sara E. Stein, AICP, Senior Environmental Manager 

**DATE:** November 11, 2019

**RE:** *State Environmental Quality Review (SEQR) Type II Determination for The Convent of the Sacred Heart School of New York 2019 Refunding Project (Other Independent Institutions Program)*

The Dormitory Authority of the State of New York (“DASNY”) has received a refinancing request from The Convent of the Sacred Heart School of New York (“CSH”) for its *2019 Refunding Project* (the “Proposed Project”) pursuant to DASNY’s Other Independent Institutions Program. Accordingly, the Proposed Project is subject to environmental review pursuant to the *State Environmental Quality Review Act (“SEQRA”)*.

Based on a review of the attached *Transaction Summary Update* dated November 1, 2019, the Proposed Action would consist of DASNY’s authorization of an aggregate amount not to exceed \$25,000,000 in one or more series of fixed- and/or variable-rate, tax-exempt and/or taxable, Series 2019 bonds to be sold at one or more times through a private placement on behalf of CSH. More specifically, the proceeds of DASNY’s bond issuance would be used to refund all or a portion of the DASNY Convent of the Sacred Heart Insured Revenue Bonds, Series 2011.

***About the Institution.*** CSH is a not-for-profit educational corporation registered with the New York State Department of Education and accredited by the New York State Association of Independent Schools. CSH operates a non-residential, pre-kindergarten through 12<sup>th</sup> grade school for girls. Enrollment currently stands at over 700 young women. Since the 1940’s, CSH has been located on the Upper East Side of Manhattan in the Otto Kahn mansion at One East 91<sup>st</sup> Street and in the James Burden mansion at Seven East 91<sup>st</sup> Street. A third facility, located at 406 East 91<sup>st</sup> Street, was acquired in 2011 and now houses the School’s Athletics and Wellness Center.

Established in 1881 by the Society of the Sacred Heart, CSH is New York City’s oldest independent school for girls. Originally run solely by the Religious of the Sacred Heart of Jesus, an order of cloistered nuns, CSH began to integrate lay faculty in the 1940s. In 1976, the Society restructured the school by appointing a lay Board of Trustees to oversee its operation. The Board continues to adhere to the Society’s educational policies and is governed by the Goals & Criteria, the set of principles that express the values, intentions and hopes of the Sacred Heart tradition. The Network of Sacred Heart schools is an association of 24 schools across North America and nearly 160 schools internationally.

**SEQR Determination.** DASNY completed this environmental review in accordance with the *SEQRA*, codified at Article 8 of the New York *Environmental Conservation Law* (“*ECL*”), and its implementing regulations, promulgated at Part 617 of Title 6 of the *New York Codes, Rules and Regulations* (“*N.Y.C.R.R.*”), which collectively contain the requirements for the *State Environmental Quality Review* (“*SEQR*”) process.

The DASNY bonds would be used to refund all or a portion of the outstanding DASNY Series 2011 bonds that were issued on behalf of CSH. “*Investments by or on behalf of agencies or pension or retirement systems, or refinancing existing debt*” are Type II actions as specifically designated by 6 *N.Y.C.R.R.* § 617.5(c)(29) of *SEQR*. Type II “actions have been determined not to have significant impact on the environment or are otherwise precluded from environmental review under *ECL*, Article 8 (6 *N.Y.C.R.R.* § 617.5[a]).” Therefore, no further *SEQR* determination or procedure is required for any component of the Proposed Project identified as Type II at this time.

**SHPA Determination.** The Proposed Project was also reviewed in conformance with the *New York State Historic Preservation Act of 1980* (“*SHPA*”), especially the implementing regulations of Section 14.09 of the *Parks, Recreation and Historic Preservation Law* (“*PRHPL*”), as well as with the requirements of the Memorandum of Understanding (“*MOU*”), dated March 18, 1998, between DASNY and the New York State Office of Parks, Recreation and Historic Preservation (“*OPRHP*”). In compliance with Article III, Section 3.0 of the *MOU*, *OPRHP* would be notified of the Proposed Project being funded with bond proceeds.

It is the opinion of DASNY that the Proposed Project would have no impact on historical or cultural resources in or eligible for inclusion in the State and National Registers of Historic Places (“*S/NR*”).

#### Attachments

cc: Dena T. Amodio, Esq.  
David P. Ostrander  
*SEQR* File  
*OPRHP* Letter

# Transaction Summary Update

The Convent of the Sacred Heart School of New York November 1, 2019  
New York, New York

Program: Other Independent Institutions

Purpose: Refunding / Private Placement

## New Issue Details

One or more Series of fixed and/or variable rate, tax-exempt and/or taxable bonds each in an amount not to exceed \$25,000,000 are to be sold at one or more times through a private placement. The final maturity of the refunding bonds will not exceed the final maturity of the bonds to be refunded.

- Purchaser – SunTrust Bank, or affiliate
- Co-Bond Counsel – Harris Beach LLP and Lewis & Munday

### Purpose:

- Refunding of all or a portion of the DASNY Convent of the Sacred Heart Insured Revenue Bonds, Series 2011 (\$24.2 million).

### Security:

- Pledge of Revenues

**Current Rating:** S&P: A- (Stable)

## Overview

The Convent of the Sacred Heart School of New York (“CSH” or the “School”) is a not-for-profit educational corporation registered with the New York State Department of Education and accredited by the New York State Association of Independent Schools. CSH operates a non-residential school for girls, for pre-kindergarten through grade 12. Since the 1940’s, the School has been located on the Upper East Side of Manhattan in the Otto Kahn mansion at One East 91st Street and the James Burden mansion at Seven East 91st Street. A third facility, 406 East 91<sup>st</sup> Street, was acquired in 2011 and now houses the School’s Athletics and Wellness Center.

CSH is New York City’s oldest independent school for girls, established in 1881 by the Society of the Sacred Heart. Originally run solely by the Religious of the Sacred Heart of Jesus, an order of cloistered nuns, the school began to integrate lay faculty in the 1940s. In 1976, the Society restructured the school by appointing a lay Board of Trustees to oversee its operation. The Board continues to adhere to the Society’s educational policies and is governed by the Goals & Criteria, the set of principles that express the values, intentions and hopes of the Sacred Heart tradition. The Network of Sacred Heart schools is an association of 24 schools across North America and nearly 160 schools internationally.

Enrollment currently stands at over 700 young women from pre-kindergarten through grade 12. Graduates of CSH attend some of the most rigorous and highly respected colleges in the nation including Harvard, Yale, Princeton, University of Pennsylvania, Georgetown, Stanford, and the University of Chicago.

## Description of the Bonds

- The Bonds are a special obligation of DASNY.
- Each Loan Agreement is a general obligation of the School.
- The Bonds are payable from payments made under the applicable Loan Agreement and all funds and accounts established under the Resolution and the applicable Series Resolutions.

## Approvals

- Resolution to Proceed – October 16, 2019
- PACB Approval – October 16, 2019
- SEQR Filing – November 11, 2019\*

\*Anticipated date

## Recent Information

On October 16, 2019, the Members adopted a Resolution to Proceed for a refunding transaction on behalf of The Convent of the Sacred Heart School. As described to the Board in October, the School issued a Request for Proposals (“RFP”) to potential purchasers, identifying two potential options that would allow the School to lock in fixed-rate savings in the current market. The School has received all responses to the RFP and has selected a purchaser using the taxable to tax-exempt refunding option.

The School anticipates issuing up to \$25 million in taxable, fixed rate bonds through a private placement with SunTrust Bank, or affiliate, to advance refund the DASNY Series 2011 Bonds. Once the Series 2011 bonds are callable, on or around May 1, 2021, the Series 2019 taxable bonds will be subject to a mandatory tender and replaced with Series 2021 tax-exempt fixed rate bonds to be purchased by the Bank. The Bank will hold the bonds until final maturity. Security required by the Bank for the proposed issuance will include a pledge of revenues. The Bank is also expected to require financial covenants, including liquidity and debt service coverage tests, as well as a negative pledge on real estate. Net present value savings using the interest rates proposed by the Bank is estimated to be in excess of 30% of the bonds to be refunded.

## Recommendation

Staff recommends that the Board adopt the necessary documents for one or more series of bonds each in an amount not to exceed \$25,000,000.

*This Transaction Summary Update was prepared solely to assist DASNY in its review and approval of the proposed financing described therein and must not be relied upon by any person for any other purpose. DASNY does not warrant the accuracy of the statements contained in any offering document or any other materials relating to or provided by*

# Transaction Summary Update

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The Convent of the Sacred Heart School of New York    November 1, 2019  
New York, New York

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Program: Other Independent Institutions

Purpose: Refunding / Private Placement

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*the Institution in connection with the sale or offering of the Bonds, nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the Institution, (2) the sufficiency of the security for the Bonds or (3) the value or investment quality of the Bonds.*

*The Bonds are special limited obligations of DASNY that are secured only by the amounts required to be paid by the Institution pursuant to the Loan Agreement, certain funds established under the Resolution and other property, if any, pledged by the Institution as security for the Bonds.*

# Transaction Summary

The Convent of the Sacred Heart School of New York  
New York, New York

October 4, 2019

Program: Other Independent Institutions

Purpose: Refunding / Private Placement

## New Issue Details

Approximately \$23,000,000 in fixed and/or variable rate, tax-exempt and/or taxable bonds are to be sold at one or more times through a private placement. The final maturity of the refunding bonds will not exceed the final maturity of the bonds to be refunded.

### Purpose:

- Refunding of all or a portion of the DASNY Convent of the Sacred Heart Insured Revenue Bonds, Series 2011 (\$24.2 million).

### Security:

- To be determined by the purchaser.

**Current Rating:** S&P: A- (Stable)

## Overview

The Convent of the Sacred Heart School of New York ("CSH" or the "School") is a not-for-profit educational corporation registered with the New York State Department of Education and accredited by the New York State Association of Independent Schools. CSH operates a non-residential school for girls, for pre-kindergarten through grade 12. Since the 1940's, the School has been located on the Upper East Side of Manhattan in the Otto Kahn mansion at One East 91st Street and the James Burden mansion at Seven East 91st Street. A third facility, 406 East 91<sup>st</sup> Street, was acquired in 2011 and now houses the School's Athletics and Wellness Center.

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Enrollment currently stands at over 700 young women from pre-kindergarten through grade 12. Graduates of CSH attend some of the most rigorous and highly respected colleges in the nation including Harvard, Yale, Princeton, University of Pennsylvania, Georgetown, Stanford, and the University of Chicago.

## Additional Information

- Savings – Assuming a taxable rate through final maturity, the refunding of the 2011 Bonds would result in total net present value savings in the range of \$3.3 million, or 14.2% of the refunded bonds.
- Demand and Enrollment – CSH has experienced consistent demand for a limited number of openings. Applications have averaged approximately 500 annually. For fall 2018, the School had an acceptance rate of 32%, with 66% of those students matriculating to the School. Enrollment has averaged approximately 723 students over the last five years.
- Net Tuition Revenue – CSH continues to grow Net Tuition per Student each year, increasing from \$35,164 in 2014 to \$41,657 in 2018.
- Net Assets – The School's balance sheet reflects a growing financial resource base over the last five years due to a combination of positive operating margins, investment earnings, and fundraising support. The School's Total Net Assets have increased by 7.8% during that time, from \$105.5 million in 2014 to \$113.7 million in 2018.
- Balance Sheet Liquidity – Liquidity has been positively impacted by growth in financial resources and a decrease in long-term debt. Total Cash and Investments to Total Debt increased from 1.43:1 in fiscal year 2014 to 2.01:1 in fiscal year 2018. Expendable Resources to Debt increased from .75:1 to 1.19:1.

## Recommendation

The attached staff report recommends that the Board adopt a Resolution to Proceed for one or more series of bonds, each in an amount not to exceed \$25,000,000.

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*The Bonds are special limited obligations of DASNY that are secured only by the amounts required to be paid by the Institution pursuant to the Loan Agreement, certain funds established under the Resolution and other property, if any, pledged by the Institution as security for the Bonds.*



DASNY

DIVISION OF PUBLIC FINANCE AND PORTFOLIO MONITORING  
PORTIA LEE, MANAGING DIRECTOR  
PREPARED BY: DAVID P. OSTRANDER (518) 257-3164

## The Convent of the Sacred Heart School of New York

**INSTITUTION:** The Convent of the Sacred Heart School of New York ("CSH" or the "School") is a not-for-profit educational corporation registered with the New York State Department of Education and accredited by the New York State Association of Independent Schools. CSH operates a non-residential school for girls, for pre-kindergarten through grade 12. Since the 1940's, the School has been located on the Upper East Side of Manhattan in the Otto Kahn mansion at One East 91st Street and the James Burden mansion at Seven East 91st Street. A third facility, 406 East 91<sup>st</sup> Street, was acquired in 2011 and now houses the School's Athletics and Wellness Center.

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Enrollment currently stands at over 700 young women from pre-kindergarten through grade 12. Graduates of CSH attend some of the most rigorous and highly respected colleges in the nation including Harvard, Yale, Princeton, University of Pennsylvania, Georgetown, Stanford, and the University of Chicago.

**DASNY FINANCING HISTORY:** The proposed bond issue represents The Convent of the Sacred Heart's second borrowing through DASNY. CSH first issued approximately \$29.5 million through DASNY in 2011 to finance the School's Athletics and Wellness center. As of June 30, 2019, approximately \$24.2 million remained outstanding as shown in Table 1 below. The School has always met its obligations to DASNY on time and in full.

**Table 1 -- Outstanding DASNY Debt**

<u>Series</u>	<u>Defeasance or Maturity</u>	<u>Amount Issued (000's)</u>	<u>Amount Outstanding (000's)</u>
2011	2040	<u>29,470</u>	<u>24,245</u>
		\$29,470	\$24,245

CSH also has approximately \$14.5 million in bonds outstanding issued by the New York City IDA, the proceeds of which were used to fund a portion of costs associated with a building expansion which commenced in September 2001. The IDA bonds mature in 2032.



**THE REFUNDING PLAN:** Proceeds from the proposed issuance are expected to be used to refund all or a portion of the DASNY Series 2011 Bonds. The fixed rate Series 2011 Bonds have a current par amount outstanding of \$24.2 million and a final maturity date of November 1, 2040. The final maturity of the refunding bonds will not exceed the final maturity of the bonds to be refunded.

The proposed issuance is expected to be sold through a private placement. The School has issued a Request for Proposals ("RFP") to potential purchasers, and expects to select a single purchaser for the proposed issuance by the end of October.

The Series 2011 bonds are first callable on May 1, 2021, and under Federal tax law may only be refunded with tax-exempt bonds beginning 90 days before the call date. As a result, the School is proposing to move forward with one of two options to lock in fixed-rate savings in the current market. CSH will select from one of these two options based on the economics of the responses received from the RFP process.

The first option is a taxable to tax-exempt transaction, where Series 2019 bonds would be issued as taxable bonds at closing which is anticipated in November 2019. Once the Series 2011 bonds are callable, on or around May 1, 2021, the Series 2019 taxable bonds will be subject to a mandatory tender and replaced with Series 2021 tax-exempt bonds upon receiving a tax-exempt opinion from bond counsel. In the event that the tax-exempt opinion could not be delivered for the Series 2021 bonds, the Series 2019 Bonds would remain outstanding at the taxable rate. Both the taxable and tax-exempt fixed rates would be set at the closing of the Series 2019 bonds.

The second option is a forward delivery, where the purchaser would commit to a tax-exempt fixed rate in November 2019, but the Series 2021 refunding bonds would not be issued until the Series 2011 are callable, on or around May 1, 2021. At that point, the Series 2021 bonds would bear interest at the pre-determined tax-exempt rate upon receiving a tax-exempt opinion from bond counsel. In the event that the tax-exempt opinion could not be delivered for the Series 2021 bonds, the Series 2021 bonds would still be issued and would bear interest at a pre-determined taxable rate.

Assuming a taxable rate through final maturity, the refunding of the 2011 Bonds would result in total net present value savings in the range of \$3.3 million, or 14.2% of the refunded bonds, as shown in Attachment I. If the tax-exempt bonds are issued in 2021 as expected, total net present value savings improves to approximately \$5.8 million, or 25.1% of the refunded bonds.

**FINANCING DETAILS:** Approximately \$25.1 million is expected to be deposited into the refunding escrow account to redeem the Series 2011 Bonds. Issuance costs are currently estimated at \$587,412. The Series 2011 Bonds are secured by a debt service reserve fund with a current balance of approximately \$2.7 million. It is anticipated that the reserve fund will be liquidated as part of the refunding and deposited in the refunding escrow. As a result, a bond issue with a par amount of approximately \$23.0 million is anticipated. A table of the estimated sources and uses of funds is provided in Attachment II.

**Ratings:** Since the Series 2019 Bonds will be sold through a private placement, CSH does not expect to apply for a rating on the Bonds.

Standard & Poor's has assigned an underlying rating of "A-" with a "Stable Outlook" to the Series 2011 Bonds issued by DASNY.

**Security Provisions:** The security on the proposed issuance will be determined by the purchaser once selected by the School.

**Table 2 – Selected Enrollment Statistics**

	<u>Fall 2014</u>	<u>Fall 2015</u>	<u>Fall 2016</u>	<u>Fall 2017</u>	<u>Fall 2018</u>
Headcount Enrollment					
Lower School	292	290	292	287	288
Middle School	203	210	212	204	203
Upper School	<u>223</u>	<u>216</u>	<u>222</u>	<u>236</u>	<u>238</u>
Total	718	716	726	727	729
Annual Tuition	\$42,810	\$44,735	\$46,525	\$48,700	\$50,950
Total Faculty	125	130	139	135	138
FTE Student/Faculty Ratio	5.7	5.5	5.2	5.4	5.3

**ENROLLMENT:** Since 2000, CSH has added over 20,000 square feet of space for classrooms, libraries, and community use. Educational offerings were enhanced, including new departments and fields of study such as engineering and computer science. AP and Honors programs were added to improve academic performance and college placement, while the School began broader participation in exchange programs. To address marketing, the School's publications and website were revamped to allow CSH to reach a larger portion of the New York community and more high quality universities. In addition, the School opened its new Athletic and Wellness Center in 2014, a 50,000 square-foot facility featuring a full-size gym, a regulation-size swimming pool, and a floor dedicated to health and wellness. As a result of these academic initiatives and facility enhancements, the endowment has quadrupled, the campus has grown by over 50%, and faculty and staff have increased by nearly 30% since 2000.

CSH operates in a highly competitive private school market. Other private schools in the New York City area include the Marymount School of New York, the Nightingale-Bamford School, the Spence School, the Brearley School, the Chapin School, the Trinity School, and the Dalton School.

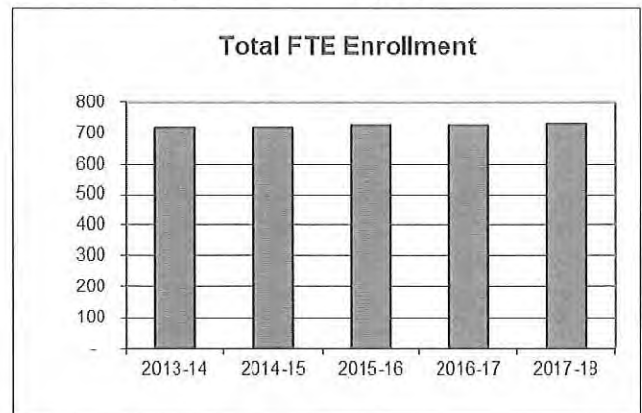
CSH has experienced consistent demand for a limited number of openings. Applications have averaged approximately 500 annually. For fall 2018, the School had an acceptance rate of 32%, with 66% of those students

matriculating to the School. Enrollment has averaged approximately 723 students over the last five years. The School is operating at capacity and has no plans to significantly increase enrollment in the future.

Graduating class SAT scores have ranged from 1340 to 1540 in recent years. The most frequent college placements include George Washington, Fordham, Georgetown, University of Pennsylvania, New York University, Johns Hopkins and Harvard.

The School's FTE Student/Faculty ratio has remained consistent at approximately 5.4:1.

The following chart illustrates enrollment levels the School has experienced over the last five years.





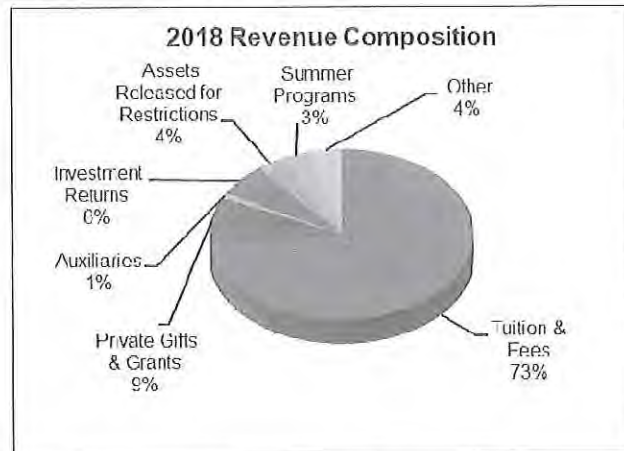
**Table 3 – Selected Operating Statistics**

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Total operating revenue	\$38,433,070	\$62,540,402	\$35,703,893	\$39,941,437	\$41,500,234
Total operating expense	<u>32,867,896</u>	<u>36,670,360</u>	<u>38,344,469</u>	<u>38,234,721</u>	<u>39,031,496</u>
Income (loss) from operations	5,565,174	25,870,042	(2,640,576)	1,706,716	2,468,738
Cash provided by operating activities	\$10,378,726	\$3,497,891	\$5,065,444	\$5,895,444	\$8,622,580
Total annual debt service	\$2,009,543	\$2,195,488	\$2,097,796	\$2,529,000	\$2,592,135
Adjusted Operating Margin (%)	16.2%	44.2%	4.8%	5.1%	7.4%
Debt Service to Operating Expenses (%)	6.1%	6.0%	5.5%	6.6%	6.6%
Annual Debt Service Coverage (x)	6.31	16.38	4.55	3.81	4.08

**OPERATIONS:** CSH has posted positive operating results in four out of the last five years. Operating results as reported on the School's audited financials have ranged from a high of \$25.9 million in fiscal year 2015 to a low of negative \$2.6 million in fiscal year 2016. The surplus in 2015 can be attributed to \$26.6 million in net assets released from donor restriction, most of which was related to completion of the School's new Athletic and Wellness Center. The deficit in 2016 can mainly be attributed to unrealized losses on the School's investment portfolio. The School does not use an operating indicator in presenting their Statement of Activities and all investment activity, both realized and unrealized, is included "above the line." When adjusting operating results by eliminating investment gains and losses from total revenue and adding back 5% of the previous 3 year's Cash and Investments, the School's Adjusted Operating Margins were positive in each of the last five years.

Tuition and fee revenue has increased by an average of 5.2% annually over the last five years, while the School's tuition discount rate has remained right around 13%. As a result, CSH continues to grow Net Tuition per Student each year, increasing from \$35,164 in 2014 to \$41,657 in 2018. Management expects tuition increases of approximately 4.5% annually in the near-term and budgets for a discount rate of about 13.5%.

The School relies on tuition revenue, with net tuition and fees representing 73% of total adjusted operating revenue in fiscal year 2018. Fundraising, including both capital campaign and annual giving, has been a consistent revenue source for the School with unrestricted contributions averaging \$5.0 million, or just under 9% of total adjusted operating revenue, over the last five years.



The School's most recent capital campaign concluded in 2014, raising \$75 million. Current fundraising efforts are focused on a \$25 million capital campaign to support an expanded science and technology center. The project is expected to be funded entirely from fundraising, with approximately 50% of the goal pledged to date. Construction is expected to commence in 2020.

**Table 4 – Selected Financial Position Statistics**

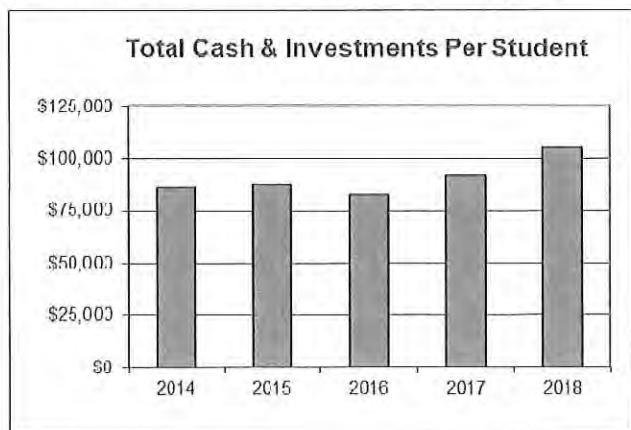
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Total Assets	\$171,166,447	\$172,832,705	\$161,904,113	\$165,296,341	\$175,909,173
Total Liabilities	65,710,633	67,441,543	59,726,450	60,261,659	62,245,839
<b>Net Assets</b>					
Unrestricted	61,797,817	87,667,859	85,027,283	86,733,999	89,202,737
Temporarily Restricted	28,177,573	2,080,606	1,463,556	2,151,566	7,957,896
Permanently Restricted	<u>15,480,424</u>	<u>15,642,697</u>	<u>15,686,824</u>	<u>16,149,117</u>	<u>16,502,701</u>
Total Net Assets	\$105,455,814	\$105,391,162	\$102,177,663	\$105,034,682	\$113,663,334
<b>Long-Term Debt</b>	\$42,935,000	\$42,385,000	\$39,874,210	\$39,012,841	\$38,101,471
Expendable Resources to LT Debt (x)	0.75	0.70	0.71	0.87	1.19
Total Cash & Investments to Operating Expenses (x)	1.87	1.71	1.54	1.74	1.96
Total Cash & Investments to Total Debt (x)	1.43	1.48	1.48	1.71	2.01

**BALANCE SHEET:** The School's balance sheet reflects a growing financial resource base over the last five years due to a combination of positive operating margins, investment earnings, and fundraising support. The School's Total Net Assets have increased by 7.8% during that time, from \$105.5 million in 2014 to \$113.7 million in 2018. Unrestricted Net Assets accounted for \$89.2 million in 2018, or 78.5% of Total Net Assets.

Liquidity has been positively impacted by growth in financial resources and a decrease in long-term debt. Cash and investments grew by 24.5% between 2014 and 2018 while expendable resources grew by 41.5%. Long-term debt decreased by \$4.8 million during that time. As a result, the School's liquidity ratios have improved over five years. Total Cash and Investments to Total Debt increased from 1.43:1 in fiscal year 2014 to 2.01:1 in fiscal year 2018. Expendable Resources to Debt increased from .75:1 to 1.19:1.

The School's long-term debt consists of the Series 2011 DASNY Bonds and Series 2002 Bonds issued by the NYC IDA. Management maintains an internal debt service reserve fund to support repayment of its debt and contributes a portion of annual surpluses to the reserve. The balance in the reserve is approximately \$11 million. No additional long-term debt is anticipated in the near term.

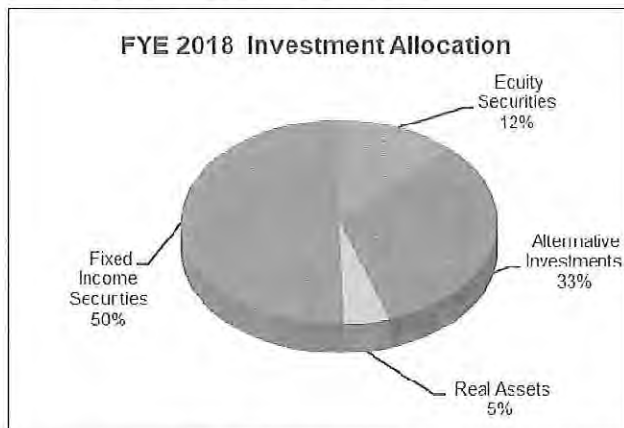
The following chart demonstrates the growth in the School's financial resources over the past five years.



**ENDOWMENT AND INVESTMENTS:** As of fiscal year end 2018, the School reported investments with a total market value of \$57.2 million. This value represents a 31% increase over five years. The total long-term investment pool consists of both individual donor-restricted funds established for a variety of purposes, representing approximately 40% of total investments, as well as funds designated by the Board of Trustees to function as the endowment, representing the remaining 60%.

The School has a policy of appropriating for distribution each year an amount equal to the lower of 5% of the average fair market value of its endowment fund calculated over 12 prior quarters or 5% of the endowment fund's current fair market value as of a point in time determined by the Board of Trustees. The amount allocated to operations for fiscal year 2018 was approximately \$1.7 million.

The School targets a diversified asset allocation that includes fixed income, equity securities, and alternative investments to achieve its long-term return objectives within prudent risk constraints. The chart below illustrates the composition of investments in the School's long-term investment portfolio as of June 30, 2018.



**SUMMARY:** Staff recommends that the Board adopt a Resolution to Proceed for one or more series of bonds on behalf of The Convent of the Sacred Heart, each in an amount not to exceed \$25,000,000.

*This report was prepared solely to assist DASNY in its review and approval of the proposed financing described therein and must not be relied upon by any person for any other purpose. DASNY does not warrant the accuracy of the statements contained in any offering document or any other materials relating to or provided by the Institution in connection with the sale or offering of the Bonds, nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the Institution, (2) the sufficiency of the security for the Bonds or (3) the value or investment quality of the Bonds.*

*The Bonds are special limited obligations of DASNY that are secured only by the amounts required to be paid by the Institution pursuant to the Loan Agreement, certain funds established under the Resolution and other property, if any, pledged by the Institution as security for the Bonds.*



**The Convent of the Sacred Heart  
Savings Analysis - Series 2011 Refunding**

Date	Existing D/S	New D/S	Gross Savings
2020	2,470,906	2,021,333	449,573
2021	1,367,656	1,058,113	309,543
2022	1,406,656	1,141,929	264,728
2023	1,438,406	1,170,408	267,998
2024	1,377,900	1,107,404	270,496
2025	1,414,763	1,140,162	274,601
2026	1,454,013	1,175,222	278,791
2027	1,490,263	1,207,508	282,755
2028	1,478,388	1,191,888	286,499
2029	1,521,231	1,229,567	291,664
2030	1,510,700	1,214,020	296,680
2031	1,554,606	1,253,297	301,310
2032	1,579,856	1,273,050	306,806
2033	2,947,294	2,634,135	313,158
2034	2,951,263	2,620,608	330,654
2035	2,959,044	2,609,952	349,092
2036	2,960,075	2,591,907	368,168
2037	2,966,563	2,578,932	387,630
2038	2,975,288	2,567,463	407,825
2039	2,980,675	2,552,473	428,202
2040	2,987,438	-	2,987,438
<b>Total</b>	<b>43,792,981</b>	<b>34,339,372</b>	<b>9,453,609</b>

**PRESENT VALUE ANALYSIS SUMMARY**

Total PV Debt Service Savings.....	5,853,322
Less: Prior Funds on Hand.....	(2,657,146)
Plus: Refunding Funds on Hand.....	<u>87,412</u>
<b>NET PRESENT VALUE BENEFIT.....</b>	<b>3,283,588</b>
<b>NPV BENEFIT OF BONDS BEING REFUNDED.....</b>	<b>14.19%</b>



**The Convent of the Sacred Heart  
Sources and Uses of Funds**

**Sources of Funds:**

Bond Proceeds		
Par Proceeds	\$ 23,000,000	
Transfer from Series 2011 DSR Fund	2,657,146	
<i>Total Sources</i>	\$ 25,657,146	

**Uses of Funds:**

		% of Par
Escrow Fund Deposit	25,069,734	
Costs of Issuance	587,412	2.55%
<i>Total Uses</i>	\$ 25,657,146	



**The Convent of the Sacred Heart School**  
**Audited Financial Statements**  
**June 30, 2014 through 2018**

**Appendix A**

<b>Balance Sheets</b>					
Assets	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Cash and cash equivalents	\$ 17,683,324	\$ 20,037,472	\$ 17,355,840	\$ 17,546,874	\$ 19,324,317
Accounts receivable, net	28,497	103,580	209,394	482,566	95,592
Prepaid expenses and other assets	699,797	641,170	549,923	386,429	428,537
Assets limited as to use	3,315,793	3,347,264	3,586,440	3,630,604	3,633,857
Contributions receivable	2,688,680	1,338,004	464,388	145,949	5,338,444
Bond issuance costs	2,108,051	2,009,420	-	-	-
Investments	43,796,742	42,800,781	41,654,196	48,997,838	57,198,409
Fixed assets, net	100,845,563	102,555,014	98,083,932	94,106,081	89,890,017
<b>Total assets</b>	<b>\$ 171,166,447</b>	<b>\$ 172,832,705</b>	<b>\$ 161,904,113</b>	<b>\$ 165,296,341</b>	<b>\$ 175,909,173</b>
<b>Liabilities and Net Assets</b>					
Accounts payable and accrued expenses	\$ 6,460,091	\$ 3,510,912	\$ 3,609,168	\$ 3,510,008	\$ 3,768,828
Student prepaid tuition and fees	16,315,542	16,545,631	16,243,072	17,738,810	20,375,540
Other liabilities	-	5,000,000	-	-	-
Loans payable	-	-	-	-	-
Long-term debt	42,935,000	42,385,000	39,874,210	39,012,841	38,101,471
<b>Total liabilities</b>	<b>\$ 65,710,633</b>	<b>\$ 67,441,543</b>	<b>\$ 59,726,450</b>	<b>\$ 60,261,659</b>	<b>\$ 62,245,839</b>
Unrestricted Net Assets	\$ 61,797,817	\$ 87,667,859	\$ 85,027,283	\$ 86,733,999	\$ 89,202,737
Temporarily Restricted Net Assets	28,177,573	2,080,606	1,463,556	2,151,566	7,957,896
Permanently Restricted Net Assets	15,480,424	15,642,697	15,686,824	16,149,117	16,502,701
<b>Total Net Assets</b>	<b>\$ 105,455,814</b>	<b>\$ 105,391,162</b>	<b>\$ 102,177,663</b>	<b>\$ 105,034,682</b>	<b>\$ 113,663,334</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 171,166,447</b>	<b>\$ 172,832,705</b>	<b>\$ 161,904,113</b>	<b>\$ 165,296,341</b>	<b>\$ 175,909,173</b>

<b>Statement of Activities</b>					
<b>Operating revenue:</b>					
Tuition and fees	\$ 28,718,975	\$ 30,331,407	\$ 31,566,964	\$ 33,612,875	\$ 35,130,982
Less: financial aid awards	(3,682,326)	(3,745,248)	(4,048,162)	(4,552,765)	(4,846,346)
Net tuition and fee revenue	\$ 25,036,649	\$ 26,586,159	\$ 27,518,802	\$ 29,060,110	\$ 30,284,636
Summer program revenue	1,054,510	1,253,056	1,296,599	1,393,860	1,354,815
Auxiliary services	296,282	391,034	404,637	410,648	410,664
Contributions and special events	6,182,524	6,511,496	5,115,697	3,526,640	3,789,587
Interest and dividends	2,807,712	179,000	(1,355,635)	2,702,208	2,509,043
Realized and unrealized gains / (losses)	0	0	0	0	0
Facility rental	159,425	683,941	1,023,201	845,120	1,191,319
Other operating income	374,583	295,555	737,299	610,471	477,096
Net assets released from restriction	2,521,385	26,640,161	963,293	1,392,380	1,483,074
<b>Total operating revenue</b>	<b>\$ 38,433,070</b>	<b>\$ 62,540,402</b>	<b>\$ 35,703,893</b>	<b>\$ 39,941,437</b>	<b>\$ 41,500,234</b>
<b>Operating expense:</b>					
Instruction and student activities	\$ 16,419,830	\$ 17,641,847	\$ 17,780,049	\$ 17,916,461	\$ 18,095,866
Summer programs	666,810	773,947	803,836	797,819	800,901
Operations and maintenance	7,537,773	9,523,319	10,589,279	10,430,517	10,500,121
Management and general	4,884,833	5,136,856	5,665,267	5,555,354	5,880,249
Fundraising	1,765,849	1,827,180	1,668,527	1,641,892	1,762,005
Interest expense	1,454,444	1,628,042	1,596,427	1,667,631	1,680,765
Facilities rental	138,357	139,169	241,084	225,047	311,589
<b>Total operating expense</b>	<b>\$ 32,867,896</b>	<b>\$ 36,670,360</b>	<b>\$ 38,344,469</b>	<b>\$ 38,234,721</b>	<b>\$ 39,031,496</b>
<b>Operating Profit/(Loss)</b>	<b>\$ 5,565,174</b>	<b>\$ 25,870,042</b>	<b>\$ (2,640,576)</b>	<b>\$ 1,706,716</b>	<b>\$ 2,468,738</b>
<b>Total nonoperating activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<b>\$ 5,565,174</b>	<b>\$ 25,870,042</b>	<b>\$ (2,640,576)</b>	<b>\$ 1,706,716</b>	<b>\$ 2,468,738</b>

The Convent of the Sacred Heart School  
Summary of Ratios

Appendix B

	2014	2015	2016	2017	2018
<b>Liquidity Ratios</b>					
Total Cash & Investments to Operating Expenses (x)	1.87	1.71	1.54	1.74	1.96
Total Cash & Investments to Total Debt (x)	1.43	1.48	1.48	1.71	2.01
Expendable Resources to LT Debt (x)	0.75	0.70	0.71	0.87	1.19
Total Cash & Investments Per Student (\$)	86,348	87,518	82,416	91,659	105,258
Cash Income (%)	26.5%	5.3%	12.6%	14.6%	20.5%
Operating Cash Flow to Debt Service (x)	5.16	1.59	2.41	2.33	3.33
<b>Capital Ratios</b>					
Capital Spending (x)	4.52	1.33	0.27	0.34	0.28
Age of Facility (Yrs)	7.06	7.43	7.32	8.46	9.65
Debt Service to Operating Expenses (%)	6.1%	6.0%	5.5%	6.6%	6.6%
Annual Debt Service Coverage (x)	6.31	16.38	4.55	3.81	4.08
Total Debt to Total Capitalization (x)	0.29	0.29	0.28	0.27	0.25
LT Debt per Student (\$)	60,302	59,032	55,690	53,737	52,409
<b>Productivity and Demand Ratios</b>					
Tuition Discount (%)	12.8%	12.3%	12.8%	13.5%	13.8%
Educational Core Services (%)	43.6%	28.0%	46.2%	46.4%	44.9%
<b>Profitability and Operating Ratios</b>					
Adjusted Operating Margin (%)	16.2%	44.2%	4.8%	5.1%	7.4%
Net Income Margins (%)	16.2%	44.2%	4.8%	5.1%	7.4%
Net Tuition per Student (\$)	35,164	37,028	38,434	40,028	41,657
Return on Net Assets (%)	8.0%	-0.1%	-3.1%	2.8%	7.9%
Return on Average Investment Value (%)	4.3%	0.3%	-2.2%	4.3%	3.5%
Net Tuition Dependency (%)	63.8%	40.4%	68.4%	72.1%	71.9%
Tuition and Auxillaries (%)	64.6%	41.0%	69.4%	73.1%	72.9%

A RESOLUTION OF THE DORMITORY AUTHORITY OF THE STATE OF NEW  
YORK (DASNY) AUTHORIZING STAFF AND BOND COUNSEL TO  
PROCEED TO TAKE THE NECESSARY ACTION TO PREPARE  
THE APPROPRIATE DOCUMENTS TO PROVIDE FOR THE  
FINANCING OF FACILITIES FOR THE CONVENT  
OF THE SACRED HEART SCHOOL OF NEW YORK

Resolved that the staff and bond counsel be authorized to proceed to take the necessary action and prepare the appropriate documents to provide for the financing of facilities for The Convent of the Sacred Heart School of New York, provided, however, that the adoption of this Resolution imposes no duty on the part of DASNY to issue obligations for or on behalf of The Convent of the Sacred Heart School of New York.

This Resolution shall take effect immediately.