The Dormitory Authority of the State of New York Finance Committee Meeting was held at DASNY's Albany Office, 515 Broadway, Albany, New York at 4:40 p.m. on Tuesday, January 7, 2020.

The Meeting was called to order by the Board Chair. Roll call was taken and a quorum was present. Those Finance Committee Members present and absent were as follows:

Members Present

Gerard Romski, Esq., Finance Committee Chair
Alfonso L. Carney, Jr., Board Chair, Committee Member
Tracy Raleigh, Designated Representative of the Commissioner of
Health, Member (ex officio), Committee Member

Other Board Members Present

John B. Johnson, Board Member
Jonathan H. Gardner, Board Member
Joan M. Sullivan, Board Member

Dormitory Authority Staff Present

Reuben R. McDaniel, III, Acting Executive Director
Paul Koopman, Vice President
Michael E. Cusack, Esq., General Counsel
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring
Kimberly J. Nadeau, Chief Financial Officer
Ricardo Salaman, Managing General Counsel
Sara P. Richards, Esq., Associate General Counsel
Matthew T. Bergin, Assistant Director, Public Finance and Portfolio Monitoring
David Ostrander, Assistant Director, Public Finance and Portfolio Monitoring
Stephen J. Kosier, Senior Financial Analyst
Gerard E. Klauser, Senior Financial Analyst
Deborah K. Fasser, Director, Communications and Marketing
Michael T. Corrigan

PUBLIC SESSION

The Committee Chair called the Meeting to order. He welcomed the Committee Members to the first Finance Committee Meeting of 2020. The Minutes of the December 10, 2019 Finance Committee Meeting were reviewed and approved.

Montefiore Obligated Group

Ms. Lee informed the Members that Staff is requesting a Single Approval for the Montefiore transaction. She stated that Staff originally intended to seek a Resolution to Proceed for the Montefiore transaction at the December 2019 Board meeting in order to meet the Medical Center's desire to be in the market in January. Ms. Lee further stated that the deal was not ready to be presented to the Board at that time. Ms. Lee informed the Committee Members that DASNY has worked closely with the Department of Health ("DOH") in connection with the transaction, and that DOH is supportive of the bond issuance. Ms. Lee explained that in order to meet Montefiore's desired timeframe, Staff is now seeking an exception to the Financing Guidelines to enable the transaction to proceed as a Single Approval financing.

Ms. Lee explained that DASNY's Financing Guidelines authorize a Single Approval process for healthcare and higher education entities with a rating in the A category or better. Ms. Lee further explained that Montefiore is rated BBB, and therefore an exception to the Guidelines is needed. She reminded the Committee Members that DASNY issued bonds for Montefiore last year. Ms. Lee stated that DASNY staff has worked hard to bring private healthcare clients back into the DASNY portfolio and would therefore like to accommodate Montefiore's request for a single approval of the transaction so the Institution can go to market in January.

Ms. Lee noted that the transaction does not require a DOH approval memo, since the bonds will be issued under the DASNY statute and not the MCCFFA statute. She emphasized that DOH is supportive of the transaction and that Ms. Raleigh, the DOH Representative, would share DOH's thoughts as well.

Mr. Klauser then presented the Single Approval Transaction Summary and Staff Report for the Montefiore Obligated Group. He stated that the Committee Members are being asked to recommend the adoption of the necessary documents for the issuance of one or more series of tax-exempt and/or taxable, fixed and/or variable rate bonds for a term not to exceed 30 years in an amount not to exceed $420 million. Mr. Klauser stated that the Bonds may be publicly offered or privately placed.

Mr. Klauser reported that Montefiore's primary service area is the Bronx and Southern Westchester County, where the Hospital holds a 35% market share. He further reported that the occupancy rate has been consistently high, and was 89.17% in 2018, above the regional and DASNY Medians.

Mr. Klauser stated that the proceeds of the Bonds will finance the construction of the White Plains Hospital and various capital projects at Montefiore Medical Center, including cardiology, imaging, pharmacy and information technology equipment. He further stated that Bond proceeds will also be used to refund the Build NYC Resource Corporation Revenue Bonds, Series 2013A and 2013B, Montefiore Medical Center Project, in the amount of $57.6 million. Mr. Klauser further stated that net present value savings of approximately $3.3 million is expected from the refunding and that the financing is expected to produce level debt service.

Mr. Klauser stated that an obligation issued under the Master Trust Indenture (MTI) will be secured by a pledge of the Medical Center's Gross Receipts. He further stated that a debt service reserve fund will be established if required by investors, as well as a mortgage on certain real property of the Medical Center, if required.

Mr. Klauser reported that the Medical Center has been profitable in each of the past five years, with an average operating gain of $31.5 million and its highest gain of $56.5 million in 2017. He further reported that the Medical Center has 149 days cash on hand, a current ratio of 2.59, and a debt service coverage ratio of 3.84. Mr. Klauser noted that these numbers are above the regional median and consistent with DASNY medians.

Mr. Klauser informed the Committee Members that the Medical Center is expected to concurrently issue taxable debt away from DASNY. He explained that the Medical Center would like to take advantage of the currently favorable rates in order to finance certain upcoming projects. Mr. Klauser stated that currently, the Medical Center is rated BBB flat and that the Medical Center expects to maintain a rating in the BBB category.

Mr. Klauser reported that PACB approval is anticipated on January 15, 2020. He stated that the TEFRA Notice was posted on January 3, 2020 and approval is expected on January 17, 2020. Mr. Klauser further stated that the SEQR review will be completed on January 8, 2020.

The Committee Chair asked Ms. Raleigh to discuss the transaction from the perspective of DOH. Ms. Raleigh provided additional background on the Medical Center. She informed the Committee Members that Montefiore is an essential provider of services in the Bronx and surrounding communities and is working with DOH on a strategic plan to address certain challenges faced by the Institution. Ms. Raleigh stated that the 2018 financing enabled the Medical Center to finance away from the HUD structure and provided the Institution with more flexibility. Ms. Raleigh noted that the current issuance was contemplated at the time of the 2018 transaction and was taken into account by the rating agencies at that time.

Ms. Raleigh stated that DOH has also considered the impacts of the taxable bond issuance on the future plans and strategies of the Institution. She explained that the Medical Center's balance sheet shows significant liquidity as a result of the issuance of the Series 2018 Bonds, as well as leverage with respect to the debt to capitalization ratios. Ms. Raleigh further explained that with uncertainties in the health care arena and the continuing need for available capital, the Medical Center has decided to issue on a taxable basis since the market currently has a flat yield curve and interest rates are low. She stated that the borrowing is not expected to jeopardize the Medical Center's rating in the investment grade category. Ms. Raleigh informed the Committee Members that discussions with the rating agencies are expected to be concluded by mid-month.

Ms. Raleigh stated that after the issuance, the Medical Center will keep capital available on its balance sheet for liquidity purposes and will continue to strategically invest going forward. She explained that this will help the Medical Center's new leadership as it moves forward with its strategic plan. Ms. Raleigh pointed out that the Medical Center has acquired many distressed facilities, which has helped further DOH health care policy goals, particularly in certain communities. Ms. Raleigh stated that the Medical Center is not contemplating additional borrowing after the taxable issuance. She further stated that the White Plains Hospital project, which is currently underway, consolidates ambulatory services in one convenient location within the Hospital and increases the services available at that location as part of the overall system strategy. Ms. Raleigh emphasized that the project is a very good one and that DOH is supportive of the transaction.

In response to an inquiry by Mr. Romski, Ms. Raleigh stated that although the White Plains Hospital struggled financially in the past, it has turned itself around and is now a focal point of the Montefiore system. She credited the Hospital's new leadership team with the success of the Hospital. The Chair asked whether DOH is comfortable with the Medical Center's strategy to improve services at existing institutions, as opposed to acquiring additional facilities. Ms. Raleigh responded in the affirmative. She clarified that the Medical Center may acquire additional facilities in the future, but before doing so, will assess what resources are needed to support the current infrastructure in its service area, as well as other partnering and affiliation opportunities.

The Chair thanked Ms. Lee, Ms. Raleigh and Mr. Klauser for their reports. He stated that even if the Medical Center's BBB rating is lowered a notch, it would still be investment grade. In response to a question from Mr. Romski, Ms. Raleigh stated that the Medical Center's payor mix is diverse, with approximately one third of the payor mix being commercial. She noted that the Medical Center is a safety net provider and that part of the Institution's longer-term strategy is to improve the payor mix balance. Ms. Raleigh pointed out that the White Plains acquisition will help achieve this goal. Ms. Raleigh informed the Committee Members that Montefiore is very mission-driven and is committed to serving the communities in which its facilities are located.

In response to an inquiry from the Chair, Mr. Klauser stated that Montefiore Medical Center is the only member of the Obligated Group. Ms. Raleigh pointed out that the refunding component provides net present value savings, which is important to DOH. She stated that a seven-year deferral of principal is needed in order to achieve overall aggregate level debt service, which is consistent with the 2018 issuance. Ms. Raleigh further stated that this approach is favored by DOH for a number of reasons.

The Committee Chair inquired whether a CON review is required in connection with the project components. Ms. Raleigh responded in the negative but stated that notice to DOH is required. Ms. Lee clarified that DOH regulatory review is required regardless of whether bonds are issued under the MCFAA or DASNY statute. Ms. Raleigh agreed that the regulatory requirements are applicable regardless of the source of the financing. She explained that with respect to the taxable issuance, the Medical Center would be required to obtain a CON from DOH if required under the regulations. Ms. Raleigh noted that interest associated with the debt would be available for capital reimbursement purposes at that time, and that the Medical Center would not be able to claim any interest expense associated with a taxable issuance until it is connected with a project approved by DOH.

The Finance Committee Members decided unanimously to recommend the proposed financing to DASNY's full Board for approval.

InterAgency Council of Developmental Disabilities Agencies, Inc.

Mr. Klauser presented the Transaction Summary for the InterAgency Council of Developmental Disabilities Agencies, Inc. He stated that the Committee Members are being asked to recommend to the full Board the adoption of a Resolution to Proceed for the issuance of tax-exempt and/or taxable, fixed and/or variable rate bonds in one or more series at one or more times through a negotiated sale and/or private placement on behalf of the InterAgency Council of Developmental Disabilities, Inc. in an amount not to exceed $22,000,000 for a term not to exceed 26 years.

Mr. Klauser stated that the proceeds of the Bonds will refinance existing bank loans and reimburse certain institutions for cash expenditures which were used to renovate or acquire certain properties utilized to provide services for the developmentally disabled. Mr. Klauser informed the Committee Members that although the Young Adult Institute was originally contemplating undertaking a non-PPA project as described in the Transaction Summary, the Institution will now be undertaking eight PPA-approved projects in the amount of $8.6 million. He informed the Committee Members that this is the 14th transaction DASNY has undertaken on behalf of IAC. Mr. Klauser stated that there are five participants in the pooled financing.

Mr. Klauser stated that each borrower will have its own loan agreement. He further stated that security features include a pledge of all public funds attributable to each financed project, a standby intercept of the public funds attributable to each project, a six-month debt service reserve fund and mortgages on real property acceptable to DASNY, where available.

Mr. Klauser explained that Prior Property Approvals (PPAs) are the mechanism to initiate the development of a project to serve individuals with developmental disabilities. He stated that that a not-for-profit provider is required to complete a Certificate of Need (CON) for each project, which is reviewed by OPWDD for compliance and need. Mr. Klauser further stated that the projects are supported through contract and reimbursement arrangements with OPWDD. He informed the Committee Members that the State commits to support the development and operation of the project if it is completed and in conformance with the PPA. Mr. Klauser noted that project funding is subject to annual appropriation by the State Legislature. He indicated that the PPA's are in place for all 17 proposed projects, and that there are also some de minimis non-PPA components of some of the projects.

Mr. Klauser stated that a replacement operator provision will be a component of the financing. He informed the Committee Members that the transaction is expected to receive a Aa2 rating from Moody's. Mr. Klauser stated that these programs help further the New York State policy of providing quality programs and services for the developmentally disabled, and that the five borrowers in connection with this transaction have experience with this population. The Board Chair directed the Committee Members' attention to page 2 of the Transaction Summary and read from the public purpose essentiality paragraph. He recited that that these community-based service providers deliver an essential function of State Government and combined, are so numerous that the State System serving the developmentally disabled cannot exist without them. The Board Chair expressed that he is pleased that DASNY can help to fund these services and that a financing such as this goes to the heart of DASNY's mission. The Committee Chair agreed wholeheartedly.

The Finance Committee Members decided unanimously to recommend the proposed financing to DASNY's full Board for approval.

Columbia University

Mr. Ostrander presented the Transaction Summary for the Columbia University transaction. He stated that the Committee Members are being asked to recommend to the full Board the adoption of a Resolution to Proceed for the issuance of one or more series of tax-exempt and/or taxable, fixed and/or variable rate bonds with terms not to exceed 40 years in an amount not to exceed $150 million on behalf of Columbia University.

Mr. Ostrander stated that the proceeds of the Bonds will finance numerous projects located throughout the Columbia University system. He indicated that a major portion of the Project includes the work associated with the ongoing construction of Columbia's new Business School to be located on the Manhattanville Campus. Mr. Ostrander informed the Committee Members that the Business School's new home will span approximately 492,000 square feet across two buildings, incorporating flexible classroom space with the latest technology, dedicated spaces for recruiting, events and networking and an alumni welcome center. He stated that the business school project will include the creation of a 40,000 square feet public square to be located between the two new buildings. Mr. Ostrander further stated that construction is ongoing and is expected to be completed in 2021. He indicated that the remaining projects to be financed include various renovations at the Morningside Heights and Medical Center campuses.

Mr. Ostrander stated that DASNY expects to issue tax-exempt, fixed rate bonds on behalf of Columbia. He further stated that Columbia is rated AAA by Moody's and Standard & Poor's, with both rating agencies assigning a Stable Outlook to the University.

Mr. Ostrander reported that the University continues to experience positive demand and enrollment trends and remains among the most selective universities in the country. He stated that of the 40,203 applicants for fall 2018, just 2,260 were accepted, indicating an acceptance rate of 5.6%. Mr. Ostrander further stated that Columbia has consistently reported positive operating margins, averaging 5.1% annually over the last five years. He informed the Committee Members that the University's overall revenue mix is diverse and that for fiscal year 2019, 24% of the University's total operating revenues came from net tuition and fees. Mr. Ostrander indicated that total net assets have increased by 17.2% over five years, reaching $16.0 billion at fiscal year-end 2019. In response to an inquiry from the Committee Chair, Mr. Ostrander stated that there has been no community opposition to the projects to be funded with the proceeds of the Bonds.

The Finance Committee Members decided unanimously to recommend the proposed financing to DASNY's full Board for approval.

NYSARC, Inc.

Mr. Kosier presented the Transaction Summary for the NYSARC, Inc. transaction. He stated that the Committee Members are being asked to recommend to the full Board the adoption of a Resolution to Proceed for the issuance of tax-exempt and/or taxable fixed rate bonds in an amount not to exceed $40,000,000 with a term no to exceed 25 years on behalf of NYSARC, Inc.

Mr. Kosier informed the Committee Members that NYSARC, Inc. is a leading advocate and service provider for the developmentally disabled. He stated that NYSARC was chartered in

1949, and is a not-for-profit corporation that currently serves over 60,000 people through its 51 chapters. Mr. Kosier reported that the programs and services provided by NYSARC are State-mandated and supported and that DASNY's experience with NYSARC goes back to 1988. He noted that NYSARC has always paid its debt service on time and in full. Mr. Kosier reported that as of September 30, 2019, approximately $78 million in DASNY bonds issued on behalf of NYSARC remain outstanding.

Mr. Kosier stated that the Projects to be funded with the proceeds of the Series 2020 Bonds consist of approximately 15 new money projects including Individualized Residential Alternatives and Day Habilitation Facilities for six participating Chapters; the refinancing of taxable indebtedness for approximately 27 projects of seven participating Chapters; and the refunding of NYSARC's DASNY Series 2010A bonds. He noted that the net present value savings are estimated to be approximately $1.8 million, or 11.4% of the bonds being refunded. Mr. Kosier stated that the Bonds are expected to be rated Aa2.

Mr. Kosier stated that security for the Bonds will include a pledge and assignment of certain public funds allocable to participating NYSARC Chapters; the statutory authority to intercept this aid in the event NYSARC defaults in the payment of debt service under the Loan Agreement or fails to replenish the Debt Service Reserve Fund after a withdrawal; mortgages on certain real property and a debt service reserve fund. The Committee Chair stated that the NYSARC transaction is also furthering an important public purpose and is an important part of DASNY's mission. The Board Chair agreed. In response to a question from the Committee Chair, Mr. Kosier confirmed that the acronym of IRA stands for Individualized Residential Alternative.

The Finance Committee Members decided unanimously to recommend the proposed financing to DASNY's full Board for approval.

St. Josephs College

Mr. Kosier presented the Transaction summary for the St. Joseph's College transaction. He stated that the Finance Committee Members are being asked to recommend to the full Board the adoption of a Resolution to Proceed for the issuance of a fixed and/or variable rate, tax-exempt and/or taxable bonds, to be issued through either a negotiated sale or private placement with a not-to-exceed amount of $32,000,000 on behalf of St. Joseph's College. Mr. Kosier informed the Committee Members that the Series 2020 Bonds are expected to be issued as fixed-rate bonds in a negotiated sale.

Mr. Kosier informed the Committee Members that the College has two non-residential campuses. He stated that the Brooklyn Campus is located in the Clinton Hill neighborhood and includes seven buildings across three blocks, and the Long Island campus is set on 32 acres in Patchogue. Mr. Kosier indicated that the College offers more than 50 undergraduate majors, pre-professional and certificate programs, and graduate degrees in management, business, health care management, human services, nursing, accounting and education.

Mr. Kosier reported that the College has limited debt obligations, and a single series of DASNY Bonds is the College's only outstanding long-term debt. He explained that in 2010, DASNY issued $27.8 million on behalf of the College, of which approximately $21.2 million is currently outstanding. Mr. Kosier stated that the College plans to refund these bonds with no principal deferral and no extension of the final maturity. He further stated that the refunding is estimated to result in net present value savings of approximately $3.8 million, or 18% of the bonds being refunded. Mr. Kosier noted that the gross annual debt service savings is approximately $465,000.

Mr. Kosier stated that the College also plans to issue new money bonds to finance a portion of the costs of constructing a new 38,000 square foot student center on its Long Island campus. He explained that the student center will provide more appropriate instruction space; serve as a gathering place for students between classes; and offer opportunities for auxiliary income. Mr. Kosier further explained that the student center is expected help maintain and increase student enrollment and be a focal point for student and community activities on campus. He indicated that the total project is expected to cost approximately $13 million, with approximately $8.6 million being financed through the proposed bond issue and the balance coming from gifts, fundraising, and cash reserves. Mr. Kosier reported that the new money bonds are expected to be amortized over 30 years. He stated that the gross annual debt service on the new money portion is expected to be approximately $465,000, which is also the estimated gross annual savings on the refunding. Mr. Kosier noted that as a result, total annual debt service following the proposed financing will remain at approximately $2 million per year until 2035, and would then decrease to approximately $465,000 for the years 2036 through 2050.

Mr. Kosier stated that the bonds are expected to have a Fitch rating in the BBB category and that security is expected to include a mortgage, pledge of revenues, and financial covenants. He informed the Committee Members that the College is highly vulnerable to enrollment fluctuations, with approximately 89% of total operating revenues coming from net tuition and fees. Mr. Kosier stated that the College's annual net tuition and fees per student are among the lowest of all private colleges on Long Island and in the tri-state area but the College's full-time enrollment declined from approximately 5,000 students in the Fall of 2010 to approximately 4,100 students in the Fall of 2015. He noted that the College's operating results reflected the decrease in enrollment and the College reported negative operating margins each year from 2011 until 2016. Mr. Kosier reported that as a result, the College failed to meet its debt service coverage covenant requirement from the years 2011 to 2016, as well as its unrestricted resources to debt ratio covenant requirement for the years 2015-2017. He noted that the failure to meet the required covenant levels is not considered a default under the Loan Agreement. Mr. Kosier reported that in 2016, DASNY exercised its right to require the College to engage a management consultant. He stated that a management consultant was retained, the College. Mr. Kosier reported that College increased and stabilized enrollment beginning in 2016 by adding certain graduate courses, providing flexibility with online and weekend programs, and providing additional financial support.

Mr. Kosier reported that full time enrollment increased from 4,105 students in Fall 2015 to 4,529 students in Fall 2019. He stated that as a result of the improved enrollment, St. Joseph's has reported positive operating margins in each of the past three years and has been in compliance with all financial covenants the past two years. He further stated that debt service coverage has improved from 0.1:1 in 2015 to 5.3:1 in 2019. Mr. Kosier noted that over the past five years, net tuition per student has increased from approximately $15,800 to approximately $18,100 and that total net assets have increased from approximately $65 million in 2016 to approximately $91 million in 2019. He summarized that enrollment dropped from 2010 to 2015 and has since increased and stabilized at a level that has produced positive operating results and that the gross annual debt service savings from the refunding is expected to be approximately the same as the annual debt service on the new money issuance.

In response to an inquiry by Ms. Raleigh, Mr. Kosier stated that the College attributes the enrollment decrease from 2010 to 2015 to general economic trends, coupled with demographic changes. He further stated that additional course offerings and the availability of evening and weekend courses is viewed by the College as the primary driver for the increased enrollment beginning in 2016. In response to a question from the Committee Chair, Mr. Kosier responded that the Student Center is currently in the design phase. He explained that the overall cost of the Center is $13 million and that the College plans to finance $8 million of that cost. The Committee Chair observed that the College believes the new Center will help attract and retain students. Mr. Kosier concurred, and explained that the College is using savings from the refunding to invest in a project that it feels will give commuter students a place to go between classes. He further explained that the College believes the Center will help to increase enrollment as well as improve student retention. The Committee Chair inquired as to which properties will be covered by the mortgage, and Mr. Kosier responded that the mortgage i anticipated to be on a portion of the Patchogue campus property.

In response to a question from Ms. Raleigh, Mr. Kosier confirmed that the College has never defaulted under its agreements and has always made its debt service payments on time and in full. Ms. Raleigh inquired whether the refunding is a current refunding, and Mr. Kosier replied in the affirmative. The Committee Chair stated that the College is a highly respected and popular institution in both the Brooklyn and Patchogue communities. Mr. Kosier concurred.

The Finance Committee Members decided unanimously to recommend the proposed financing to DASNY’s full Board for approval.

Ms. Raleigh moved that the meeting adjourn. The Board Chair seconded the motion and the Meeting was adjourned at approximately 5:20 p.m.

Respectfully submitted,

Michael E. Cusack
Assistant Secretary