

The Dormitory Authority of the State of New York Finance Committee Video Conference Meeting was held at DASNY's Albany Office, 515 Broadway, Albany, New York and New York City Office, One Penn Plaza, 52<sup>nd</sup> Floor, New York, New York at 4:30 p.m. on Tuesday, February 7, 2017.

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

Finance Committee Members Present – New York City

Gerard Ronski, Esq., Finance Committee Chair  
Alfonso L. Carney, Jr., Board Chair, Committee Member

Finance Committee Members Present – Albany

Tracy Fay Raleigh, Designated Representative of the Commissioner of  
Health, Member (ex officio), Committee Member

Dormitory Authority Staff Present – New York City

Gerrard P. Bushell, President  
Michael T. Corrigan, Vice President  
Portia Lee, Managing Director of Public Finance and Portfolio Monitoring  
Larry N. Volk, Senior Director, Portfolio Monitoring  
David P. Ostrander, Senior Financial Analyst  
Boby J. Manjila, Senior System Specialist

Dormitory Authority Staff Present - Albany

Michael E. Cusack, Esq., General Counsel  
Kimberly J. Nadeau, Chief Financial Officer  
Caroline V. Griffin, Chief of Staff  
Debra Pulenskey Drescher, Esq., Managing General Counsel  
Debbie Paden, Esq., Managing General Counsel  
Freeman Klopott, Director, Communications and Marketing  
Matthew T. Bergin, Assistant Director, Public Finance and Portfolio Monitoring  
Sara Potter Richards, Esq., Associate Counsel  
David F. Perritano, Public Information Officer  
Joshua Isaacson, System Specialist

Also Present - Albany

Charles Abel, New York State Department of Health

**PUBLIC SESSION**

Finance Committee Chair Ronski called the Finance Committee Meeting to order. The Minutes of the January 10, 2017 Finance Committee Meeting were reviewed and approved.

**Teachers College**

Mr. Ostrander presented the Single Approval Credit Summary and Staff Report recommending the issuance of one or more series of tax-exempt and/or taxable, fixed and/or variable rate bonds in an amount not to exceed \$50,000,000 for a term not to exceed 23 years on behalf of Teachers College. He stated that the proceeds of the Series 2017 Bonds are expected to be used to refund all or a portion of the DASNY Series 2009 Bonds issued on behalf of the College. Mr. Ostrander further stated that, assuming current market conditions, a total net present value savings of approximately \$5.3 million, or 12.1% of the refunded bonds, is expected from the proposed refunding.

Mr. Ostrander informed the Committee Members that it is currently anticipated that DASNY will issue one series of tax-exempt, fixed rate bonds. He stated that the College is currently rated A1 by Moody's and A+ by Standard & Poor's, with both rating agencies assigning a Stable Outlook to the College. Mr. Ostrander noted that as such, Teachers College qualifies for an unsecured borrowing under DASNY's Financing Guidelines for Independent Institutions.

Mr. Ostrander stated that Teachers College continues to maintain its reputation as one of the top graduate schools of education in the nation, which is enhanced by its affiliation with Columbia University. He informed the Committee Members that the number of annual applications has averaged 6,900 over the last five years, and that the matriculation ratio has averaged 56%. Mr. Ostrander stated that the College remains selective, with an average Acceptance Ratio of 51.4% over five years. He further stated that Teachers College has posted an operating surplus in each of the last five years, averaging \$7.8 million annually. Mr. Ostrander reported that tuition and fees accounted for 55% of the College's revenues in fiscal year 2015. Mr. Ostrander further reported that the College's balance sheet reflects growing financial resources. He explained that unrestricted net assets increased by 53.2% over five years, totaling \$101.3 million as of the end of fiscal year 2016, while expendable resources reached \$162.5 million, a 12.9% increase. Mr. Ostrander stated that the College is currently in the midst of a \$300 million fundraising campaign, the largest ever by a graduate school of education. He noted that, to date, \$271 million has been raised for target areas such as scholarships, campus improvements and new programs.

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

**The Silvercrest Center for Nursing and Rehabilitation**

Mr. Bergin presented the Credit Summary and Staff Report recommending the issuance of one or more series of tax-exempt and/or taxable, fixed and/or variable rate bonds in an amount not to exceed \$18,500,000 for a term not to exceed 19 years on behalf of The Silvercrest Center for Nursing and Rehabilitation. He stated that the Series 2017 Bonds will be sold through a private placement with TD Bank, and as such, the bonds will not be rated. He noted that the Institution does not have an underlying rating.

Mr. Bergin informed the Committee Members that Silvercrest is a not-for-profit corporation that operates a 320-bed skilled nursing facility in Queens, New York, with 80 of its beds dedicated to ventilator patients. He stated that proceeds of the Series 2017 Bonds are expected to be used to refinance Silvercrest's taxable mortgage loan with TD Bank and refinance Silvercrest's capital lease with California First National Bank. Mr. Bergin further stated that approximately \$4.5 million of bond proceeds will be used for equipment purchases, renovations and upgrades to the facility.

Mr. Bergin stated that the Series 2017 Bonds will be secured by a mortgage on the facility, a pledge of gross receipts, and a security interest in furniture, fixtures and equipment. He informed the Committee Members that operationally, the results have been mixed for Silvercrest. Mr. Bergin explained that operating margin, excess margin and net profit margin were all positive in 2011, 2012 and 2015. He noted that in 2015, Vital Access Provider grant monies bolstered the operating gain. Mr. Bergin further noted that although Silvercrest experienced losses in 2013 and 2014, Silvercrest's numbers compared favorably to the DASNY median in those years. He explained that the 2014 Statewide industry medians and DASNY medians were all negative with regard to operating margins, excess margins and net profit margins.

Mr. Bergin explained that the Institution is a member of The New York Presbyterian Health Care System and has a large specialty service with 80 dedicated ventilator beds. He stated that the Institution has high occupancy rates and provides high quality service. Mr. Bergin noted that Silvercrest has a 5-star overall rating from the Centers for Medicare and Medicaid Services ("CMS"). He informed the Members that the Institution is highly dependent on the Medicaid reimbursement system, has limited liquidity, and has benefitted from Vital Access Provider grant funds.

Mr. Bergin stated that the proposed refinancing will extend the maturities on the existing debt, thereby enhancing the Institution's liquidity. He explained that the proposed refinancing will extend the existing maturity of the taxable mortgage loan from 2023 to 2036 and the lease from 2029 to 2036. Mr. Bergin noted, however, that the original maturity of the mortgage loan which financed the construction of the facility and then was refinanced with the current mortgage loan was 2031, and the capital lease has an existing maturity of 2029. He emphasized each extension of debt will be subject to tax law constraints and review by bond counsel.

Finance Committee Chair Ronski informed the Committee Members that DOH had issued a memo in support of the refinancing transaction, and asked Ms. Raleigh to discuss the position of the Department of Health (“DOH”) with respect to Silvercrest. Ms. Raleigh stated that the Institution is a five-star, high-quality not-for-profit institution that provides skilled nursing care to an elderly population, as well as ventilator-dependent patients. She outlined the reasons why DOH believes an exception to its current policy regarding the extension of debt maturity is warranted. Ms. Raleigh stated that the State of New York has invested Vital Access Provider (“VAP”) funds in this institution that provides needed services in the geographic area. She explained that the VAP funds financed initiatives to improve efficiency and quality, and that DOH would like to see Silvercrest function without this type of State assistance. Ms. Raleigh noted that increased liquidity will help the Institution to achieve this goal. She informed the Committee Members that Silvercrest developed a sustainability plan that does not rely on State assistance going forward. Ms. Raleigh stated that at the present time, the Institution is in technical default with its lender because it has not maintained the required debt service coverage ratios. She noted that extending the maturity of the debt will improve cash flow. Ms. Raleigh noted that the proposed extensions of debt will be reviewed by bond counsel and may be less than the maturities DOH has approved. She emphasized that DOH views Silvercrest as a high-quality facility which is needed in the community.

In response to an inquiry from the Board Chair, Ms. Raleigh stated that DOH does not authorize exceptions to its extension of debt policy very often. She explained, however, that DOH expects that there will be more requests for exceptions in the future, as skilled nursing facilities transition to value-based payments and Medicaid managed care. Ms. Raleigh informed the Committee Members that DOH considered the request for an exception to its guidelines in great detail, and that extensive discussions occurred. She explained that DOH required a plan for sustainability, and then financial information, and carefully considered the benefits of the refinancing with extended maturities. Ms. Raleigh stated that DOH will continue to evaluate the viability of Silvercrest in the future. In response to a question from Finance Committee Chair Ronski, Ms. Raleigh stated that the new money component of the transaction includes funds for various infrastructure projects, including roof replacement. She noted that Silvercrest is in compliance with all required filings, including construction notices.

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

The Finance Committee meeting adjourned at 4:50 p.m.

Respectfully submitted,

Debra Pulenskey Drescher  
Assistant Secretary to the  
Board of the Dormitory Authority