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 its New York City Office, One Penn Plaza, 52nd Floor, New York, New York at 4:30 p.m. on Tuesday, December 12, 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 and absent were as follows:

Finance Committee Members Present (NYC)

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

Finance Committee Members Present (Albany)

Charles Abel, Designated Representative of the Commissioner of Health, Member (ex officio), Committee Member

Dormitory Authority Staff Present (NYC)

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
Gerard E. Klauser, Senior Financial Analyst
David P. Ostrander, Senior Financial Analyst

Dormitory Authority Staff Present (Albany)

Michael E. Cusack, Esq., General Counsel
Kimberly J. Nadeau, Chief Financial Officer
Debra Pulenskey Drescher, Esq., Managing General Counsel
Freeman Klopett, Director, Marketing and Communications
Dena Amodio, Esq., Associate Counsel
Andrew T. Purcell, Assistant Director, Public Finance
Craig M. Schrievogl, Senior Financial Analyst
Peter V. Ten Eyck, Financial Analyst

PUBLIC SESSION

The Committee Chair called the Meeting to order. The Board Chair moved that the Committee Members go into Executive Session to discuss the financial and credit history of particular corporations, Mr. Abel seconded the motion, and the Committee Meeting went into Executive Session.

EXECUTIVE SESSION

While in Executive Session, no action was taken other than to return to Public Session.

PUBLIC SESSION

Hospital for Special Surgery

Mr. Klauser presented the staff report recommending the issuance of 30-year tax-exempt and/or taxable, fixed and/or variable rate bonds to be sold through a negotiated sale and/or a private placement in an amount not to exceed $160,000,000 on behalf of the Hospital for Special Surgery ("HSS"). He further noted that the Hospital for Special Surgery is a financially sound hospital which provides a wide range of orthopedic and rheumatology related inpatient, ambulatory and ancillary services, primarily to residents of New York City's five boroughs and the surrounding suburban counties of New York, New Jersey and Connecticut. Mr. Klauser stated that the Hospital is committed to both basic and clinical research as a component of the overall Hospital mission and is critical to the Hospital maintaining and enhancing its standing as an internationally recognized and premier hospital in the fields of orthopedics and rheumatology.

Mr. Klauser stated that the financing before the Members for consideration would advance refund the DASNY Hospital for Special Surgery FHA-Insured Mortgage Hospital Revenue Bonds, Series 2009 (in the amount of $71.895 million) and, in addition, the HSS GNMA Taxable Revenue Bonds, Series 2011 ($32.37million) and HSS GNMA Taxable Revenue Bonds, Series 2015 ($39.12 million) would be refunded.

Mr. Klauser stated that the Hospital is planning to exit the FHA program and eliminate restrictive requirements associated with the program. He noted that the Hospital's strong financial performance should allow the Hospital to issue unenhanced debt. He informed the Members that the proposed restructuring seeks to produce level debt service. Mr. Klauser further noted that, although a 30-year amortization is being requested, the debt structure is subject to DOH and tax counsel approval.

Mr. Klauser stated that the proposed Bonds may be secured by a pledge of Hospital revenues and mortgages on certain real property, if required to market the Bonds. He stated that operating gains in the last five years are averaging $59.1 million, with an operating margin of 4.54% in 2016. Additionally, he noted that the Hospital has 189 days cash on hand, which is far above the regional and DASNY medians. He stated that the Hospital has demonstrated strong financial results including solid liquidity and strong debt service coverage, quality services and a favorable mix of third-party payors.

Mr. Abel stated that the Hospital is a specialty hospital. He noted that the Hospital is well-respected and well-managed from a financial standpoint. Mr. Abel stated that the transaction will assist with the restructuring of existing debt, and the ability to increase service. Mr. Abel concluded by indicating that DOH is in favor of proceeding with the transaction. The President commented that the Hospital is a very strong institution.

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

Montefiore Medical Center

Mr. Klauser presented the Credit Summary and Staff Report recommending the issuance of one or more series of 30-year taxable and/or tax-exempt, fixed and/or variable rate bonds to be sold through a negotiated sale and/or a private placement in an amount not to exceed $640,000,000 on behalf of Montefiore Medical Center.

Mr. Klauser stated that the Hospital's primary service area is the Bronx and Southern Westchester County, where the hospital holds a 34% market share. He reported that the Hospital's occupancy rate has been consistently high and was 89.55% in 2016, far above the regional and DASNY medians.

Mr. Klauser stated that the proposed financing is a current refunding of the DASNY, Montefiore Medical Center FHA-Iinsured Mortgage Hospital Revenue Bonds, Series 2008 (in the amount of $64.965 million). Mr. Klauser stated that the proposed refunding would also include the Montefiore Medical Center GNMA Collateralized Taxable Revenue Bonds, Series 2011 ($73.05 million) and 2016 A and 2016B ($226.7 million) in addition to the refinancing of $233 million of debt related to affiliate hospitals.

Mr. Klauser stated that the Hospital is planning to exit the FHA Program and eliminate restrictive requirements associated with the program. He stated that the Hospital's financial performance may allow the Hospital to issue unenhanced debt. He noted that the proposed restructuring seeks to produce level debt service. He explained that although a 30-year amortization is being requested, the debt structure is subject to DOH and tax counsel approval.

Mr. Klauser noted that an obligation issued under the Master Trust Indenture (MTI) will be secured by a pledge of the Medical Center's gross receipts, a debt service reserve fund, if required by investors, and a mortgage on the Medical Center facilities, if required by investors.

Mr. Klauser then provided the Members with some financial highlights. He stated that the Medical Center has been profitable in each of the past five years, with an operating gain of $105 million in 2013 and $18 million in 2016. He further noted that the Center had 74 days cash on hand, which is far above the regional median and in line with the DASNY medians, and a debt service ratio of 2.09 coverage.

Mr. Abel stated that the Medical Center is the flagship of the Montefiore Health System. He stated that the Hospital provides acute and primary care services. He noted that the Hospital was one of the first providers to establish a community care network. Mr. Abel opined that the Hospital set the standards for DSRIP. He stated that the Hospital has reduced the cost of care while increasing services. He noted that the Hospital has also helped stabilize the healthcare network in the lower Hudson Valley.

Ms. Lee noted that a replacement page to the Credit Summary had been distributed to correct the title of a bond issue referenced in the report.

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

Maimonidies Medical Center

Mr. Purcell presented the Credit Summary and Staff Report recommending the issuance of 30-year tax-exempt and/or taxable, fixed and/or variable rate bonds to be sold through a negotiated sale and/or a private placement in an amount not to exceed $225,000,000 on behalf of Maimonides Medical Center. Mr. Purcell stated that the Medical Center provides a comprehensive array of acute care inpatient services to residents of southern Brooklyn and tertiary care inpatient services to the entire Borough of Brooklyn and surrounding metropolitan area, with a medical staff numbering over 1,200 and graduate medical residents numbering over 400. He noted that the proposed financing includes the refinancing of various obligations of the Medical Center and a small new money component.

Mr. Purcell stated that the proceeds of the bonds are expected to be used to: refinance the Maimonides Medical Center GNMA Collateralized Taxable Revenue Bonds, Series 2013 ($78.8 million); refinance various capital leases, many of which have front loaded debt service ($59.2 million); refinance a construction loan and a line of credit that was used to fund minor repairs, upgrade furnishings and medical equipment throughout the hospital ($24.3 million) and to finance the construction of an additional operating room and the renovation of the CTICU and the repair to various facilities, including the parking garage ($17.4 million).

Mr. Purcell stated that the Medical Center would like to create corporate-wide level debt service to the extent possible, which could include the extension of the final maturities of the debt refinanced. He noted, however, that the debt structure and final maturity is subject to approval by the DOH and tax counsel.

Mr. Purcell stated that the bonds will be secured by an Obligation issued under the Master Trust Indenture ("MTI"), which will be secured by a pledge of the Medical Center's gross receipts; a Debt Service Reserve Fund, if required by investors; and a mortgage on the Medical Center's core hospital facilities, if required by investors. He stated that the bonds are expected to be rated in the BBB category.

Mr. Purcell stated that the Medical Center is planning to exit the FHA Program, which would enable it to free up collateral, reduce costs and eliminate restrictive requirements. He noted that the proposed bond issue would bring the Medical Center back into DASNY's healthcare portfolio and that the Hospital had always met its obligations to DASNY on time and in full.

Mr. Purcell stated that, in 2015, the Medical Center entered into a three-year clinical affiliation and collaboration agreement with Northwell Health to assist the Medical Center in expanding its clinical footprint and improving the Medical Center's clinical and financial condition. He noted that the goal of this affiliation is for Northwell Health to eventually become the sole member and/or parent of the Medical Center, at which time the Medical Center will be fully integrated into and will function as the Brooklyn hub of Northwell Health, although achievement of that goal is not certain. He further noted that the Medical Center is currently in discussions with Northwell Health to extend the agreement.

Mr. Purcell stated that the Medical Center offers several nationally-recognized and accredited centers of excellence including a Heart and Vascular Center, an outpatient Breast Center and Cancer Center, and a Stroke Center. He reported that the Medical Center's inpatient activity has been relatively stable over the past five-year period.

Mr. Abel stated that the Medical Center has excelled with respect to hospitals in Brooklyn. He further stated that it is well-known, well-respected, and is a quality provider. Mr. Abel stated that the Medical Center is a key safety net community provider. He stated that the Medical Center is moving toward a more formal integration with Northwell. Mr. Abel informed the Committee Members that DOH is in favor of strengthening that relationship. He indicated that DOH was recommending approval of the transaction.

In response to an inquiry from the Finance Committee Chair as to whether Northwell was aware of the proposed transaction, both Mr. Abel and Mr. Purcell responded in the affirmative. In response to a further inquiry from the Board Chair, Mr. Purcell stated that the goal of the transaction is to achieve corporate level debt service.

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

Cornell University

Mr. Ostrander presented the Credit Summary and Staff Report recommending the issuance of fixed and/or variable rate, tax-exempt and/or taxable bonds with maturities not to exceed 40 years to be sold at one or more times through a negotiated offering and/or a private placement in an amount not to exceed $1.25 billion on behalf of Cornell University. He stated that the proceeds of the bonds are expected to be used to provide $300 million for the financing of the University's North Campus Residential Expansion which would create up to 2,000 new undergraduate beds, together with supporting dining, parking, recreational and supporting infrastructure; $150 million for the financing of deferred maintenance across the University system; $716.8 million for the refunding of all or a portion of DASNY's Cornell University Revenue Bonds, Series 1990B, Series 2008B, Series 2008C, Series 2009A and Series 2010A; $52.9 million for the refinancing of tax-exempt commercial paper issued by DASNY; and $15.4 million for the refinancing of taxable commercial paper.

Mr. Ostrander indicated that Moody's Investors Service has assigned a rating of "Aa1" to all of the outstanding obligations of the University. He reported that Standard & Poor's has rated the University's obligations "AA". He noted that both rating agencies have assigned a Stable Outlook to the University, and that accordingly, Cornell currently qualifies for an unsecured borrowing under DASNY's Financing Guidelines for Independent Institutions.

Mr. Ostrander stated that the student demand and enrollment remain strong for the University's undergraduate and graduate programs. He noted that the undergraduate applications increased from 37,808 to 44,965 over the last five years while total FTE enrollment increased by 4.3%, reaching 23,388 for fall 2016. Mr. Ostrander reported that Cornell has become increasingly selective, accepting only 14.1% of applications for fall 2016. He stated that operating margins, which have been historically negative on an accrual basis, have improved in each of the past two years, and results were nearly break-even in fiscal year 2017. He further stated that the University's revenue composition is extremely diverse. He noted that for fiscal year 2017, only 21% of revenues came from student-generated sources, with 17% from tuition and fees and 4% from auxiliaries. Mr. Ostrander noted that Cornell's balance sheet demonstrates strong and growing financial resources and solid liquidity. He further state that unrestricted net assets increased by 13.5% over five years, reaching $3.1 billion in fiscal year 2017 and, as of June 30, 2017, the University reported total net assets of over $10.0 billion.

In response to an inquiry from the Finance Committee Chair, Mr. Ostrander stated that there is local support for the expansion.

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

The Board Chair moved that the Meeting adjourn, Mr. Abel seconded the motion and the Meeting was adjourned at approximately 4:56 p.m.

Respectfully submitted,

Debra Pulenskey Drescher
Assistant Secretary