The Dormitory Authority of the State of New York Finance Committee Video Conference Meeting was held between DASNY's Albany Office, 515 Broadway, Albany, New York and New York City Office, One Penn Plaza, 52nd Floor, New York, New York at 4:00 p.m. on Tuesday, March 6, 2018.

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:

Members Present - NYCO

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

Members Present - Albany

John Valitutto, Designated Representative of the Commissioner of Health, Member (ex officio), Committee Member

Other Board Members Present – Albany

Sandra M. Shapard, Board Member

Dormitory Authority Staff Present - NYCO

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
Stephen J. Kosier, Senior Financial Analyst
Gerard E. Klauser, 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
Deborah K. Fasser, Director, Communications and Marketing
Dena Amodio, Esq., Associate Counsel
David F. Perritano, Public Information Officer

Dormitory Authority Staff Participating by Telephone

Gerrard P. Bushell, President

PUBLIC SESSION

The Committee Chair called the Meeting to order. The Minutes of the February 6, 2018 Finance Committee Meeting were reviewed and approved.

Finance Committee Charter – Annual Review

Finance Committee Chair Romski noted that the Committee is required to review the Finance Committee Charter annually. He stated that staff was not recommending any changes to the Charter at this time, and the Finance Committee Members agreed that no amendments would be considered.

American Academy of Dramatic Arts

Mr. Kosier 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 30 years, in an amount not to exceed $34,000,000 to be sold through a private placement on behalf the American Academy of Dramatic Arts. Mr. Kosier stated that this will be the Academy's first DASNY bond issuance. He explained that the Academy is eligible for DASNY financing as a degree-granting, higher education institution chartered by the Board of Regents of the University of the State of New York. He stated that the Academy was established in 1884 and has been at its current location on Madison Avenue in New York City since 1963. He further stated that the Academy also established a presence in California in 1974 and that the Academy offers associate degrees at each campus. He noted that many of its graduates have gone on to distinguished careers in the entertainment industry. Mr. Kosier stated that the proceeds of the bonds are expected to be used to finance the acquisition of an approximately 33,000 square foot building at 118 Madison Avenue in New York, which is directly next to its educational building. He further stated that the Academy has been leasing the facility it is purchasing since 2012 and has used it, and will continue to use it, as a residential facility. Mr. Kosier reported that the Academy has a contract to purchase the facility for $39 million. Mr. Kosier noted that the seller of the property has agreed to finance $2 million of the purchase price through an unsecured interest free loan with a lump sum payment due in ten years. He reported that the Academy will also contribute approximately $3.5 million, leaving approximately $34 million to be financed through the proposed bond issue.

Mr. Kosier reported that the bonds are expected to be privately placed to TD Bank and Citizens Bank, each a Qualified Institutional Buyer ("QIB"). He stated that each of the purchasers will purchase up to $17 million of the bonds with each bank having a 50% share of the anticipated $34 million issuance. Mr. Kosier stated that the bonds are expected to have a ten-year term with principal amortizing over 30 years. He further stated that it is expected that the bonds will be variable rate with a swap resulting in an indicative fixed rate of approximately 3.74%. Mr. Kosier stated that the Academy will engage an independent swap advisor and that the purchasers are expected to take mortgages on various properties of the Academy. He reported that the purchasers are also expected to require that certain financial covenants be included in the financing documents. He further stated that with projected escalations on the existing lease, the annual debt service on the proposed bonds will be less expensive than the lease payments otherwise would be beginning in fiscal year 2020. He concluded that the proposed debt service, therefore, will not negatively impact the Academy's bottom line.

Mr. Kosier stated that while the Academy is smaller than other DASNY higher education institutions, both in the number of students that attend and in the fiscal size of its operations, it has reported operating margins ranging from 11.6% to 16.6% over the past five years. He noted that the Academy is entirely dependent on student-related charges consisting of tuition and fees and auxiliaries revenue, which together accounted for 98% of total revenues in 2016. Mr. Kosier stated that the Academy is also challenged by thin liquidity ratios which fall below the DASNY medians, and therefore, it is important for the Academy to continue to maintain enrollment and pricing at levels that will continue to cover its expenses.

Mr. Kosier reported that applications doubled over the past five years and the acceptance ratio decreased from 27% to 16%. He reported that the matriculation ratio has been relatively steady, around 40%. He noted that first year enrollment has increased from 294 students in 2012 to 372 students in 2016 and that the Academy reported an operating surplus of over $2 million in 2016.

In summary, Mr. Kosier stated that the Academy is purchasing a residential building which it is currently leasing. He noted that the debt service payments will essentially be replacing what it currently pays in lease payments and that the bond purchasers have done their diligence and have agreed to terms with the Academy to purchase the bonds through a private placement.

In response to an inquiry from the Board Chair, Mr. Kosier stated that the gross tuition cost is in excess of $30,000. In response to a question from Finance Committee Chair Romski as to what entities provided competition to the Academy, Mr. Kosier responded that the Academy competes with numerous institutions locally and globally, ranging from small community colleges to world renowned institutions such as the Julliard School of Music. Mr. Kosier noted that students come from all over the world, including Europe and Australia, and that the project being financed is expected to continue to assist enrollment efforts.

The Board Chair directed the Committee Members' attention to Table 2 of the Staff Report and asked whether debt had been incurred to purchase the California campus. Mr. Kosier responded in the affirmative.

The President joined the Finance Committee Meeting by telephone.

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

<u>Columbia University</u>

Mr. Ostrander 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 with a term not to exceed 35 years in an amount not to exceed $350,000,000 on behalf of Columbia University. He stated that the proceeds of the bonds are expected to be used to finance approximately

$150,000,000 of projects located throughout the Columbia University system. Mr. Ostrander stated that the project is expected to include various construction and renovation projects related to the University's expansion into the Manhattanville campus, as well as renovation projects at the Morningside and Medical Center campuses. He informed the Members that the projects are detailed in Attachment I of the Staff Report, and stated that many of the projects were also financed with proceeds from DASNY's 2016 and 2017 Columbia University bond issues. Mr. Ostrander stated that a major portion of the project includes costs associated with the construction of Columbia's new Business School to be located on the Manhattanville Campus. He reported that the facility is expected to be completed in 2021. He stated that the proposed transaction also includes a refunding of approximately $200,000,000 of all or a portion of the DASNY Series 2008A Bonds. Mr. Ostrander stated that assuming current market conditions, a total net present value savings in the range of $34.6 million, or 17.3% of the refunded bonds, is expected from the proposed refunding of the Series 2008A Bonds. He further stated that with respect to security for the transaction, the University is currently rated triple-A by Moody's and Standard & Poor's, with both rating agencies assigning a Stable Outlook to the University. He noted that, accordingly, Columbia qualifies for an unsecured borrowing under DASNY's Financing Guidelines for Independent Institutions.

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 noted that, of the 37,389 applicants for Fall 2017, just 2,263 were accepted, indicating an acceptance rate of 6.1%. Mr. Ostrander stated that headcount enrollment grew to 32,429 for Fall 2017, a five-year high. He noted that operating margins have averaged over $338 million annually over the last five years. He stated that that Columbia continues to report significant net assets which exceeded $14.7 billion at FYE 2017. He further stated that the University's reserves continue to grow even during a period of high capital spending, with expendable net assets increasing from $7.7 billion in 2013 to $9.1 billion in 2017.

Finance Committee Chair Romski asked whether the recent Federal tax law changes were expected to impact Columbia's endowment. Mr. Volk replied that the final impact is not yet fully apparent.

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

InterAgency Council of Developmental Disabilities Agencies, Inc.

Mr. Klauser presented the Credit Summary and Staff Report recommending the issuance of tax-exempt and/or taxable, fixed and/or variable rate bonds, to be issued in one or more series at one or more times, through a negotiated sale and/or private placement, for a term not to exceed 26 years, in an amount not to exceed $55,000,000 on behalf of Members of the InterAgency Council of Developmental Disabilities Agency, Inc. ("IAC"). He stated that the pooled financing is expected to include twelve Members of IAC. Mr. Klauser stated that bond proceeds are expected to be used to refinance existing bank loans and reimburse certain institutions for their cash expenditures. He explained that these financings and cash expenditures were used to renovate or acquire certain properties that are used to provide services for the developmentally disabled.

Mr. Klauser stated that security features for the transaction include: a pledge of all of the Office for People with Developmental Disabilities ("OPWDD") and Department of Health ("DOH") Medicaid revenues attributable to each financed project; a standby intercept of these OPWDD and DOH Medicaid revenues attributable to each financed project; a six-month debt service reserve fund; and mortgages on real property acceptable to DASNY, if available.

Mr. Klauser stated that Prior Property Approvals ("PPAs") have been received for 14 of the 50 projects. He explained that prior to initiating the development of a project to serve individuals with developmental disabilities, a not-for-profit provider is required by regulation to complete a Certificate of Need ("CON"). He stated that the CON is reviewed by OPWDD for compliance and need, and that ultimately these projects are supported through contract and reimbursement arrangements with OPWDD. Mr. Klauser noted that the State commits to support the development and operation of the project if it is completed in conformance with the PPA, subject to annual appropriation of sufficient moneys by the State Legislature. He reported that currently, there are 35 projects with PPAs that are pending approval. He stated that all of these projects are related to United Cerebral Palsy of New York City ("UCPNYC"), which is the replacement operator for certain FEGS properties.

Mr. Klauser stated that the $5,000,000 HASC Diagnostic & Treatment Center (1122 Chestnut Avenue, Brooklyn, NY) project is not -PPA funded so a PPA is not expected from OPWDD. He further stated that this project has a DOH-approved CON. He reported that the intercept mechanics for this non-PPA project are under review, and indicated that this project is not expected to have the replacement operator component.

He further noted that DASNY recently learned that the second HASC Center, Inc. PPA-funded project (120 Avenue M, Brooklyn, NY) in the amount of $20,000,000 will not be able to meet the current financing schedule. He stated that DASNY has included all participants in this request for approval and will likely bifurcate the transaction when coming back to the Board for the Adoption of Documents stage. He reported that it appears that the HASC Center, Inc. project may be ready in the Fall.

Mr. Klauser noted that this will be the twelfth IAC financing and will be like the prior IAC transactions with each borrower having its own individual loan obligation. He informed the Finance Committee Members that the anticipated rating for the transaction is Aa2. Mr. Klauser directed the Members' attention to the DASNY financing fee provided in the supporting Sources and Uses table and noted that it may appear larger than usual. He stated that the fee included has been calculated using the new fee structure which was approved by the Board in March 2017.

Ms. Shapard arrived at the Finance Committee Meeting.

In response to an inquiry from the Board Chair as to what would happen if the HASC Center project is not ready to proceed in the Fall, Ms. Amodio noted that DASNY often takes the approach whereby two series resolutions are adopted and together they authorize an aggregate not-to-exceed amount which allows for two tranches of bonds to be sold.

Finance Committee Chair Romski asked if there was anything in the proposed Executive Budget which might suggest insufficient appropriations related to this transaction. Mr. Klauser responded that he believed the appropriation was at $179 million and that it seems to increase each year.

In response to an inquiry from Finance Committee Chair Romski, Mr. Klauser stated that he was not aware of any controversy with respect to any particular entity or the location of any particular facility.

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

United Health Services Hospitals, Inc. - TELP

Ms. Lee presented a Memorandum recommending a lease of equipment pursuant to DASNY's Tax Exempt Leasing Program I ("TELP I") in a total amount not to exceed $10,065,000 for United Health Services Hospitals, Inc. She reminded the Members that the current policy of the Public Authorities Control Board ("PACB") requires that TELP I leases which exceed $10 million be presented to both the DASNY Board and the Public Authorities Control Board ("PACB") for approval. Ms. Lee stated that the lease proceeds are expected to be used for various types of cardiology, radiology, and other equipment.

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. Valitutto seconded the motion and the Meeting was adjourned at approximately 4:24 p.m.

Respectfully submitted,

Debra Pulenskey Drescher
Assistant Secretary