The Dormitory Authority of the State of New York met in a Regular Video Conference Meeting between DASNY's Albany Office, 515 Broadway, Albany, New York; Buffalo Office, 539 Franklin Street, Buffalo, New York and New York City Office, One Penn Plaza, 52nd Floor, New York, New York at 9:30 a.m. on Wednesday, March 7, 2018.

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

<u>Members Present - NYCO</u>

Alfonso L. Carney, Jr., Chair, Member
John B. Johnson, Jr., Vice Chair, Member
Beryl L. Snyder, Esq., Member
Gerard Romski, Esq., Member
Paul S. Ellis, Esq., Member

<u>Members Present – Albany</u>

George Westervelt, Designated Representative of the Director of the Budget, Member (ex officio)
Elizabeth Berlin, Designated Representative of the Commissioner of Education, Member (ex officio)
Tracy Raleigh, Designated Representative of the Commissioner of Health, Member (ex officio)

<u>Members Present - Buffalo</u>

Jonathan H. Gardner, Esq., Member

<u>Members Absent</u>

Sandra M. Shapard, Secretary, Member

<u>Also Present - Dormitory Authority Staff - NYCO</u>

Gerrard P. Bushell, President
Michael T. Corrigan, Vice President
Michael E. Cusack, Esq., General Counsel
Portia Lee, Managing Director of Public Finance and Portfolio Monitoring
Larry N. Volk, Senior Director, Portfolio Monitoring
Daniel W. Petroff, Chief of Strategic and Business Development
David P. Ostrander, Senior Financial Analyst
Stephen J. Kosier, Senior Financial Analyst
Gerard E. Klauser, Senior Financial Analyst

Also Present - Dormitory Authority Staff - Albany

Kimberly J. Nadeau, Chief Financial Officer
Stephen D. Curro, Managing Director of Construction
Caroline V. Griffin, Chief of Staff
Debra Pulenskey Drescher, Esq., Managing General Counsel
Nicola B. Zarrelli, Deputy Chief Financial Officer
Deborah K. Fasser, Director, Communications and Marketing
Dena T. Amodio, Esq., Associate Counsel
Matthew Bergin, Assistant Director, Public Finance and Portfolio Monitoring
David F. Perritano, Public Information Officer

Others Present – Albany

Charles Abel	NYS Department of Health

PUBLIC SESSION

The Chair called the Meeting to order. The Minutes of the February 7, 2018 Regular Meeting were reviewed and approved. The Chair thanked Counsel's Office for their efforts in noticing the Meeting to make the three-way video available due to the weather.

Finance Committee Report

Finance Committee Chair Romski reported that the Finance Committee met the prior day, and after discussion, decided unanimously to recommend the following transactions to the full Board for approval: American Academy of Dramatic Arts, Columbia University, InterAgency Council of Developmental Disabilities Agencies, Inc. and United Health Services Hospitals, Inc. - TELP. Finance Committee Chair Romski also reported that the Finance Committee had undertaken its annual review of the Finance Committee Charter and that no changes to the Charter were being recommended at this time.

Proposed Executive Budget – Division of the Budget Update

Mr. Westervelt gave a presentation on behalf of the Division of the Budget ("DOB"), as had been requested by the Members at a prior Board Meeting. Mr. Westervelt stated that it was nice once again to be at a DASNY Board Meeting, as it had been a number of years since he had sat at the table. He then proceeded to give a brief summary of the proposed Executive Budget. He noted that DOB's presentation to the DASNY Board had been delayed due to the 30-day amendment process.

Mr. Westervelt referenced the discussions at the State level resulting from the Federal tax law change. He stated that he would first provide an overview of the current year on the spending side and then go deeper into the Federal tax reform. He indicated that he would also discuss how the Governor's Budget had responded to the changes, and then lastly, how the tax law changes impact the PIT Program. He stated that in the current year, as a result of tax reform, there was a $1.9 billion acceleration of tax receipts from next to this year. He noted that this is not a surplus for this year, but rather, it is a dollar for dollar reduction for next year, which is being carried forward to offset PIT receipts for 2019. He stated that for 2018, there is a balance of $98.1 billion, an increase of 2 percent from FY 2017. He reported that the budget gap was $4.4 billion, and that while that sounds daunting, it isn't the largest that is has been.

Mr. Westervelt reported that the spending growth is $4.7 billion, which is 4.8 percent – recognizing the 2 percent global cap with $2.7 billion in reductions. He informed the Members that the Federal tax law changes will add $1.1 trillion to the Federal deficit. He stated that the response in 2019 is to eliminate the budget gap by $2.7 billion and add $7.7 billion in new resources. He further stated that this Budget holds at 1.9 percent, under the 2 percent cap. He noted highlights of interest on the spending side included public school aid at $26.4 billion, an increase of $75 billion or 3 percent increase. He stated that on the Medicaid side, there is $425 million in new health care capital with three quarters funded via bond funding of $300 million and $125 funded from monetary settlements. He reported that on the transit side, there is the subway action plan, an $800 million plan where the State provides half of the funding and The City of New York will match the other. Mr. Westervelt stated that with respect to revenue actions, there are three that may be of interest to the Board. He noted the largest is a $500 million assumption relative to proceeds of healthcare insurance conversion and not-for-profit health insurers. He stated that $140 million in underwriting gains surcharge are levied on health insurers and $127 million from .2 per milligram on opioids. He reported that State legislation that was approved last year sets forth a process for the Budget Director and the Governor to manage spend outs if there is a reduction in Federal aid.

Mr. Westervelt reiterated the reasons why there was the need for State tax reform. He noted the $10,000 in the SALT deduction limit has an outsized impact on New York State. He stated that NYS has constructed its tax code for full deductibility over the last 100 years. He noted that this is the biggest and most important issue. He stated that the SALT limitation creates winners and losers arbitrarily. He noted that the outsize impact is apparent with the Federal government. He stated that there are direct and deferred effects. He noted that the loss of deductibility makes New York State less attractive as a place to relocate. He further noted that the concern is that the cap on property tax will somehow negatively affect property value in New York State. He noted that, lastly there is concern that the perception is that the self-deductibility of NYS has been subsidized, whereas that is not true. He stated that New York State is actually a donor state which sends more funding to Washington than it receives.

Mr. Westervelt stated that the Governor is trying to make NYS income tax law consistent with Federal law through the creation of a new Employer Compensation Expense Tax ("ECET"), which is a payroll tax whereby electing employers would be able to opt in to a new ECET system. He explained that employers would be subject to a 5% tax on all annual payroll expenses in excess of $40,000 per year per employee. He explained that people with salaries at up to $40,000 would pay personal state income tax on income up to $40,000 and this would allow the employer to withhold the amounts. The ECET would grow over 3 years – starting at 1.5 percent going up to 3.2 in year two and 5 in year three. He stated that the phasing in allows for salary growth for employees which is generally estimated at 2 – 3 percent increases in wages. He stated that this is limited and with no impact on individual stakeholders. He noted that it is essentially a dollar for dollar reclassification for individual PIT liability paid by the employer. Mr. Westervelt stated that it is being proposed and designed to assure that the State is no worse off for total collection with combined PIT and ECET with no overall change from receipts from wages.

Mr. Wesltervelt stated that the charitable contribution trust proposal allows people to make a charitable donation which is a Federal tax code deduction in any given year to health care or education charities. He explained that the taxpayer would receive a credit of up to 85 percent against his or her State income tax. He explained that this would be essentially neutral for the State.

Mr. Westervelt discussed two proposed changes to PIT. He stated that since the bonding program is based on PIT receipts, the State will have to look at restructuring the PIT bond program. He stated that the PIT revenues total $50 billion and the existing statute requires 25% of receipts to flow through the revenue bond tax fund, which funds the debt service on PIT bonds. Mr. Westervelt explained that the proposals would change the current flow from 25 to 50 percent of net PIT receipts and would also add 50 percent of the ECET receipts, combined with increasing the percentage. He stated that this structure will increase revenue flow and result in a higher level of pledged revenue to service the PIT bonds. He noted that another step is to increase the lock box provision incentive to make the PIT payment - 25% or $6 billion to 40% or $12 billion. He explained that the reason it went to 40% rather than 50% is that currently it is at 50% at the RBTF side. He explained that currently the 25% is $6 billion and that $12 billion will be the new minimum on the ECT tax base, which builds in an additional margin. Mr. Westervelt stated that this approach improves the coverage and provides for coverage and protection on the PIT bonds and allows changes to made to the PIT code.

Ms. Berlin inquired if there was a relationship between the charitable trust deductions and the 529 contributions. Mr. Westervelt noted that it is with respect to higher education in public school and NYS tax law wouldn't allow for deduction to go to certain schools. Ms. Berlin inquired as to where the language is in the Executive Budget for the charitable contribution for healthcare and education, to which Mr. Westervelt replied that it was in the 30 day amendments in Revenue Bill.

Mr. Johnson inquired about the education and healthcare trusts and asked what happens to extra funds if one is over or under subscribed. Mr. Westervelt noted that he thinks that its potential and possibility is limited by virtue of the structure of the combination of allowing for contributions in giving donors the $10,000 limit and the 85% credit and income limitation. He stated that this has been looked at and not noted as a probable event.

The Chair thanked Mr. Westervelt for his presentation. Mr. Gardner indicated that he felt this was one of the most thorough presentations he had seen or heard in awhile.

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 of 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 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 with TD Bank and Citizens Bank, each a Qualified Institutional Buyer ("QIB"). He stated that it is expected 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 auxiliary revenue which 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 profit 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. He stated that the purchasers have completed their diligence and have agreed to terms with the Academy to purchase the bonds through a private placement.

Mr. Johnson moved the adoption of the following entitled Resolution:

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 AMERICAN ACADEMY OF DRAMATIC ARTS

Mr. Gardner seconded the motion and the Resolution was unanimously adopted.

Columbia University

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.

Ms. Snyder indicated that her husband does some consulting for the University and therefore, she would be recusing herself from the vote.

Mr. Romski moved the adoption of the following entitled Resolution:

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 COLUMBIA UNIVERSITY

Gardner seconded the motion and the Resolution was adopted with Ms. Snyder abstaining.

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 included: 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 HASC Diagnostic & Treatment Center project is non-PPA funded so a PPA is not expected. 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. He stated that this project is not expected to have the replacement operator component.

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 further noted that DASNY recently learned that the HASC Center, Inc. PPA funded project 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 informed the 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. He stated that the fee included has been calculated using the new fee structure which was approved in March 2017.

Mr. Gardner moved the adoption of the following entitled Resolution:

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 INTERAGENCY COUNCIL OF DEVELOPMENTAL DISABILITIES AGENCIES, INC.

Mr. Westervelt seconded the motion and the Resolution was unanimously adopted.

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.

Ms. Raleigh moved the adoption of the following entitled Resolution:

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, AND THE DORMITORY AUTHORITY TO EXECUTE ONE OR MORE MASTER LEASE AND SUBLEASE AGREEMENTS AND ANY OTHER APPROPRIATE DOCUMENTS TO MAKE EQUIPMENT HAVING A VALUE IN EXCESS OF $10,000,000 AVAILABLE TO UNITED HEALTH SERVICES HOSPITALS, INC. UNDER THE TAX-EXEMPT LEASING PROGRAM

Ms. Snyder seconded the motion and the Resolution was unanimously adopted.

Governance Committee Report

Governance Committee Chair Johnson reported that the Governance Committee met the prior day. He stated that the Minutes of the July 19, 2017 Corporate Governance Committee Meeting were reviewed and approved. Mr. Johnson further stated that the Corporate Governance Committee undertakes certain annual compliance obligations, usually at its March Meeting, and that such agenda items were before the Governance Committee for their consideration yesterday afternoon. Mr. Johnson asked Mr. Cusack to review with the Members the items that are currently before the Board for consideration.

Mr. Cusack explained that the annual review items can be broken down into two general groups: Corporate Governance items and operational policies and procedures. He stated that from a governance standpoint, the Governance Committee has conducted its annual review of the following: Governance Committee Charter; Mission Statement and Performance Measures, including Metrics to Quantify Performance Goals; and the DASNY Corporate By-Laws. Mr. Cusack reported that the Governance Committee agreed with staff that no changes or updates to the Governance Committee Charter are required at this time.

Mission Statement and Performance Measures, including Metrics to Quantify Performance Goals

Mr. Cusack stated that the Governance Committee unanimously agreed to refer the Mission Statement and Performance Measures, including Metrics to Quantify Performance Goals to the Board for re-approval of the Mission Statement and Performance Measures and consideration of some administrative ministerial clarifications to the Metrics. He reviewed with the Members the proposed changes.

Mr. Johnson moved the adoption of the following entitled Resolution:

A RESOLUTION OF THE MEMBERS OF THE DORMITORY AUTHORITY OF THE STATE OF NEW YORK (DASNY) RE-APPROVING DASNY'S MISSION STATEMENT AND PERFORMANCE MEASURES, AND AMENDING THE METRICS TO QUANTIFY PERFORMANCE GOALS

Mr. Romski seconded the motion and the Resolution was unanimously adopted.

Mr. Cusack informed the Members that after discussion at the Governance Committee Meeting yesterday, the Governance Committee asked Counsel's Office to undertake some additional research concerning potential By-Laws amendments that would allow for additional uses of videoconferencing. He stated that, consequently, no changes to the By-Laws were being recommended by staff or the Governance Committee at this time. The Board concurred unanimously with the recommendation of the Governance Committee that no changes to the By-Laws are necessary at this time.

Mr. Cusack then referred to the operational policies and procedures, Mr. Cusack reported that with respect to the Code of Ethical Conduct for Board Members; the Whistleblower Protection Policy and Procedure; the Policy Regarding Payment of Compensation and Reimbursement To and Time and Attendance of Senior Management; and the Guidelines Pertaining to the Disposition of Certain Property, staff is recommending no changes at this time. Mr. Cusack further reported that the Governance Committee concurred with staff's recommendation.

<u>Disposition of Certain Property Guidelines</u>

Mr. Cusack further advised that because the Guidelines Pertaining to Disposition of Certain Property owned by DASNY must also be annually reviewed and approved by the Board, and then filed with the State Comptroller on or before March 31st of each year, the Governance Committee referred the Policy to the full Board for review and consideration today. After consideration, the Board concurred with the recommendation of the Governance Committee.

Mr. Johnson moved the adoption of the following entitled Resolution:

RESOLUTION OF THE MEMBERS OF THE BOARD OF THE DORMITORY AUTHORITY OF THE STATE OF NEW YORK (DASNY) APPROVING THE GUIDELINES PERTAINING TO THE DISPOSITION OF CERTAIN PROPERTY OWNED BY THE DORMITORY AUTHORITY

Ms. Snyder seconded the motion and the Resolution was unanimously adopted.

<u>President's Report</u>

The President stated that there were a handful of items to discuss today, including updates on some of the One DASNY initiatives. He noted that staff is in the throes of its One DASNY initiative. He stated that the initiative is being developed through the three-legged stool approach - seeking top line growth, greater efficiencies and a strong risk management foundation. He informed the Members that over the next two months, staff would be coming to the Board to discuss further the One DASNY implementation.

The President noted that in just two months, he will have been at DASNY for three years. He highlighted what he views as some of his most significant accomplishments during that time, including: the overhaul of the Financing Guidelines; combining Procurement and Opportunity Programs into Acquisition Resources; undertaking a Design/Build project at the SUNY Brockport campus; implementing the use of Dashboards and Office 365; the Moynihan & Javits code projects; the GOSR storm recovery projects; the aggressive undertaking of succession planning for the organization; leadership in MWBE participation; a focus on integration and cross-training; re-evaluating existing policies and procedures with an eye toward process improvements and efficiencies; improving how DASNY delvers to its clients; and defining DASNY long-term.

The President stated that staff being relentlessly customer-focused is central to many of the One DASNY initiatives. He noted that staff is defining DASNY to clients as a long-term, strategic partner that offers a range of value-added capabilities, and to that end, in February DASNY launched the Key Account Management ("KAM") initiative. He further noted that in two workshops facilitated by EY, more than 30 leaders from across DASNY established the KAM operating framework. The President stated that KAM will expand upon DASNY's strong working relationships with both its public and private clients. He stated that it will allow DASNY to further deepen these relationships and increase the role DASNY plays in helping its clients achieve their goals and objectives.

The President reported that DASNY is developing expanded energy performance contracting offerings for private institutions. He noted that DASNY is working on a new Energy Services procurement that will offer turn-key project services to both public and private clients through a combination of DASNY's Tax-Exempt Equipment Leasing Program (TELP") and DASNY's procurement and construction services. He explained that DASNY is using these energy performance contracts, and that clients will have the opportunity to pay for today's facility upgrades with tomorrow's energy savings without tapping into existing capital budgets. The President stated that a central component of the One DASNY initiative is to bring together DASNY's financing and construction programs. He stated that this is the prototype of that collaboration.

The President reported that staff expects to be making a 45-minute presentation to the Board next month on process improvements that have been advanced in the Construction Division – specifically as they related to small projects. He stated that DASNY must be innovative and remain flexible. He stated that these objectives translate to processes involving JOCs and work authorizations.

The President informed the Members that at the May Board Meeting, he expects staff to be presenting process improvement ideas with respect to the financing process, including with respect to Board roles and responsibilities. He indicated that Squire Patton Boggs LLP is working with staff in this endeavor. The Chair asked what the Board could anticipate hearing at that time. The President responded that at next month's Meeting, staff will highlight to the Board important construction process improvements, noting that construction drives 90% of DASNY's business. He noted that it is very important to be efficient and undertake effective risk management. He further noted that, similarly, DASNY needs to leverage its public finance relationships with its private clients to grow its construction services model which is working.

The President directed the Members' attention to the brochure for DASNY's Public Finance Diversity Fellowship. He noted that he was pleased to introduce DASNY's new Public Finance Diversity Fellowship for graduating college students. The President stated that the business case for diversity is a core element of the work undertaken at DASNY, and that this fellowship is an important supporting step. He informed the Members that the fellowship is a full-year position, beginning July 1, 2018 and running through June 30, 2019. He stated that it will consist of two six-month terms. He stated that the first term will be spent in DASNY's Albany office serving as an analyst in the Public Finance Division and that the second six months will be spent working alongside one of DASNY's investment banking partners either in Albany or New York City, depending on the selected investment bank. He informed the Members that there would be two fellowships this year, and noted that two of DASNY's investment banking partners, which will be two of 13 firms that were identified as senior managers pursuant to DASNY's Underwriter RFP, will be selected by lottery.

The Chair expressed his appreciation with respect to this endeavor. He noted that diversity is often difficult to achieve in the financial services industry and he indicated that this fellowship was an extraordinary idea. Recognizing the effort put into creation of the fellowship, the Chair also noted that it is a wonderful tribute to the DASNY staff as well.

In response to an inquiry from the Chair as to the cost of the program to DASNY, Ms. Lee responded that it would be approximately $25,000 in salary plus benefits. The President stated that the fellowship highlights Governor Cuomo's commitment to diversity, as well as that of DASNY. He indicated that efficiencies and diversity and inclusion is what DASNY strives for; he noted that DASNY does not just check boxes.

Public Finance and Portfolio Monitoring Report

Ms. Lee provided the Members with a market update. She stated that the total new issue supply is currently about $40.0 billion year-to-date, or down 36% from the supply levels seen this time last year. She further stated that the total supply for the week ahead is expected to be heavier than recent averages at about $7.5 billion. Ms. Lee stated that the main themes in the market last week were Fed commentary regarding the economy and President Trump's announcement regarding aluminum and steel tariffs. She further stated that municipal bond funds have reported outflows for the week ending February 28th after inflows in the prior week. She stated that, despite the most recent outflows, bond funds have netted over approximately $3.2 billion of inflows into the market year-to-date.

Ms. Lee reported that the 1, 10 and 30-year MMD rates have increased 6, 10 and 13 basis points respectively since the February Board Meeting.

Ms. Lee then gave the annual Credit Enhancement Report. She stated that the results are in keeping with what DASNY has seen over the last few years, noting that the percentage of unenhanced bonds and unenhanced private placement bonds continues to grow.

Ms. Lee stated that also included in the Board Report are Bond Sale Summary Reports which include performance metrics.

Mr. Romski moved that the Members go into Executive Session to discuss the financial and credit history of particular corporations, Mr. Johnson seconded the motion, and the Meeting went into Executive Session.

EXECUTIVE SESSION

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

PUBLIC SESSON

President's Report (continued)

The President reported that on Saturday, February 24, 2018, he was honored by The Urban Male Leadership Program at Lehman College. He stated that the Program focuses on the retention, academic success, and graduation of African-American and Latino male students. He further stated that in accepting the award, he relayed how New York State is leading the nation in supporting diversity and launching key programs to build a robust and inclusive economy.

The President then noted that on Thursday, March 1, 2018, he participated in a panel discussion on infrastructure talent needs, opportunities, and trends at Ernst & Young's New York City Offices, where he addressed what DASNY looks for when seeking partners – including a mutual understanding of the significance of equity and inclusion. He noted that he explained how DASNY embraces diversity and seeks to collaborate with institutions which exhibit similar principles.

The President directed the Members' attention to the updated budget materials, which include the proposed DASNY operating budget for fiscal year 2018-19, a financial plan and a resolution adopting the proposed operating budget. He asked Ms. Nadeau to provide the Members with more details about the proposed operating budget.

Financial Report

DASNY Operating Budget

Ms. Nadeau stated that the budget package provided in the Board materials reflects operating expenditures of greater than $115 million, which is a 1.99% increase over the projected 2017-18 results. She explained that the proposed budget is essentially the same as the version that was discussed in January - increasing slightly to reflect actual payroll, primarily related to the implementation of collective bargaining agreement salary increases for CSEA and UAW.

Ms. Nadeau stated that before asking the Members to approve the proposed budget she would like to review the key assumptions discussed in January 2018. She noted that as shown on page 3 of the presentation, the primary drivers of the increase are related to salaries and benefits. She stated that salaries are proposed to increase by approximately $1.8 million. She explained that this increase reflects the contractual obligations for cost-of-living and step/longevity increases, as well as 12 new fulltime employees, which is partially offset by funding from the Evolution and Health Care Transformation Reserves to facilitate knowledge transfer with some retiring employees. Ms. Nadeau reported that benefits are proposed to increase by approximately $1 million and that this increase reflects a 6% increase in health insurance premiums due to higher rates and participation, as well as higher contributions for retirements based on the estimate received from the Employee Retirement System increased to reflect the additional fulltime employees, as previously mentioned. She stated that the increase of 12 fulltime employees results in a proposed budget level of 529 FTEs. She noted that these numbers reflect the 13 new positions added to the Grants Administration Unit during the current fiscal year that were not included in the 2017-18 budget.

Ms. Nadeau stated that taking these assumptions into account, the 2018-19 operating results are expected to show a small surplus, improving from the slight projected 2017-18 deficit.

Mr. Romski moved the adoption of the following entitled Resolution:

RESOLUTION OF THE DORMITORY AUTHORITY OF THE STATE OF NEW YORK (DASNY) ADOPTING DASNY’S OPERATING BUDGET 2018-2019 AND APPROVING DASNY’S BUDGET AND FINANCIAL PLAN SUMMARY

Mr. Westervelt seconded the motion and the Resolution was unanimously adopted.

Fee Structure

Ms. Snyder moved the adoption of the following entitled Resolution:

RESOLUTION OF THE DORMITORY AUTHORITY OF THE STATE OF NEW YORKADOPTING A FEE STRUCTURE FOR THE DORMITORY AUTHORITY OF THE STATE OF NEW YORK (DASNY)

Mr. Johnson seconded the motion and the Resolution was unanimously adopted.

President’s Report (continued)

The President updated the Members with respect to Construction Division activities. He stated that several projects have been completed since the beginning of 2018. He noted that among them were: $12 million in energy performance upgrades at Baruch College, including the replacement of the cooling towers for the Information Technology Building and the Newman Vertical Campus; and $13 million in energy performance upgrades at Hunter College.

Construction Report

Mr. Curro directed the Members' attention to the photograph on the cover of the Construction Projects Monthly Report. He stated that it depicts the Bronx Community College Campus Pool Rehab and Alumni Gym Building. He stated that the budget for the project was $4.8 million and that the designer was H2M Architects. He noted a design start date of January 2012 with the design completion in August 2014. Mr. Curro stated that the general contractor for the project was Phillip Ross Industries and that construction started in September 2015 and was completed in February 2018.

Mr. Curro noted that DASNY encountered some challenges during the construction process. He stated that modifying a 60-year-old existing concrete pool structure with many unforeseen conditions presented a challenge as conditions became apparent leading to additional scope and time extensions of the demolition phase. Mr. Curro reported that the project also fell under the Department of Health ("DOH") regulations, with DOH final inspections required, in addition to the typical NYC filing and inspection requirements. He further reported that the pool's new mechanical and electrical systems were far more complex than the existing systems, leading to an extended training and turnover period.

Mr. Curro then reported on new projects within the Construction Division. He stated that the NYS Veterans Home in St. Albans has an HVAC upgrade with an estimated budget of $6.9 million; the HTF NYCR Program Brooklyn/Staten Island project (5 sites) has a budget of $7.2 million; SUNY Buffalo State Tower 2 renovation has a budget of $14.5 million and the HTF Firehouse new construction project has a budget of $5.9 million. He noted that all new projects total $34.5 million.

Mr. Curro reported on the expenditures year to date noting that from January 2017 year to date expenditures were $583 million and January 2018 year to date expenditures were $738 million – an increase of $155 million.

Mr. Curro then updated the Members with respect to certain existing projects and programs. He noted that with respect to the Court Officers' Training Academy ("COTA") the TCO is expected in April or May. He reported that there is a status meeting scheduled for March 8, 2018. He further reported that finish work continues, as does system start-up and site-work.

With respect to LaGuardia Community College, Mr. Curro reported that a stop work order had been lifted and façade work was restarting. He noted that delays due to the stop work order were being analyzed with regard to the project schedule.

Mr. Curro reported on the South Beach Psychiatric Center project. He informed the Members that he had visited the project site on March 1, 2018, and that Building Package 5 was moving forward, including the mechanical, electrical and plumbing rough in, slab on grade placement, spray fireproofing, exterior framework, additional site-work including pile driving and utility remedy.

Mr. Curro then reported on the various SUNY 2018 projects. He stated that there are four capital projects: Brockport, Buffalo State, Canton and Plattsburgh – for a total of $60 million in projects. He stated that there are 29 Summer projects with a budget of $32 million. He further noted that, in addition, there are five capital projects: Albany, Alfred, Buffalo State, Oneonta and Plattsburgh with a time frame of May 2018 through the Fall of 2019 and a budget of $90 million.

Mr. Curro noted that the SUNY projects just referenced total $180 million in either construction or soon to be in construction by May 2018.

Mr. Curro next reported on the NYCHA projects. He stated that there are 40 security projects substantially complete and 17 lighting projects with one substantially complete, five approved for construction, four at 100% design and 3 expected at 100% design in April. He noted that with respect to the appliances projects, there are 27 developments that are complete. Finally, he reported that there are two quality of life projects complete and 158 in design phase.

General Counsel's Report

Mr. Cusack reported that the NGHP Holding Corporation Governance Committee and the Atlantic Avenue HealthCare Property Holding Corporation Governance Committee had both met the previous afternoon.

He stated that at those Committee Meetings, the respective Governance Committees performed their annual review of various documents, and that any subsidiary Board action that may be necessary would occur at the respective April Board Meetings of the subsidiary Boards.

Mr. Westervelt moved that the Meeting adjourn, Mr. Romski seconded the motion and the Meeting was adjourned at approximately 11:39 a.m.

Respectfully submitted,

Michael E. Cusack
Assistant Secretary