The Dormitory Authority of the State of New York met in a Meeting at DASNY's New York City Office, One Penn Plaza, 52nd Floor, New York, New York at 9:30 a.m. on Wednesday, May 9, 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</u>

Alfonso L. Carney, Jr., Chair, Member
John B. Johnson, Jr., Vice Chair, Member
Sandra M. Shapard, Secretary, Member
Jonathan H. Gardner, Esq., Member
Beryl L. Snyder, Esq., Member
Gerard Romski, Esq., Member
Paul S. Ellis, Esq., Member
Charles Abel, Designated Representative of the Commissioner of Health, Member (ex officio)

<u>Members Absent:</u>

Elizabeth Berlin, Designated Representative of the Commissioner of Education, Member (ex officio)
Adrian Swierczewski, Designated Representative of the Commissioner of Education, Member (ex officio)

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

Michael T. Corrigan, Vice President
Michael E. Cusack, Esq., General Counsel
Kimberly J. Nadeau, Chief Financial Officer
Portia Lee, Managing Director of Public Finance and Portfolio Monitoring
Stephen D. Curro, Managing Director of Construction
Caroline V. Griffin, Chief of Staff
Debra Pulenskey Drescher, Esq., Managing General Counsel
Larry N. Volk, Senior Director, Portfolio Monitoring
Kathy D. Ebert, Director, Internal Audit
Jack Homkow, Director, Environmental Affairs
Daniel W. Petroff, Chief of Strategic and Business Development
Deborah K. Fasser, Director, Communications & Marketing
Donna A. Rosen, Esq., Associate Counsel
Andrew T. Purcell, Assistant Director, Public Finance and Portfolio Monitoring
Matthew T. Bergin, Assistant Director, Public Finance and Portfolio Monitoring

Others Present

Kam Wong, Esq.	Hawkins Delafield & Wood, LLP
Robert James, Esq. Natalia N. Pearson-Farrer, Esq.	Golden Holly James, LLP
Jeffrey M. Pohl, Esq. Christopher J. Reitzel, Esq. Robyn Helmlinger, Esq. Sani Williams, Esq.	Squire Patton Boggs, LLP

PUBLIC SESSION

The Chair called the Meeting to order. The Minutes of the April 11, 2018 Regular Meeting were reviewed and approved.

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: Personal Income Tax Revenue Bond Program/Sales Tax Revenue Bond Program and New York City Health and Hospitals Corporation.

PUBLIC SESSION

Personal Income Tax Revenue Bond Program / Sales Tax Revenue Bond Program

Mr. Corrigan introduced Kam Wong, Esq. of Hawkins Delafield & Wood, LLP and Robert James, Esq. of Golden Holly James, LLP, co-bond counsel on the transaction, and Mr. Bergin. Mr. Bergin presented the Credit Summary and Staff Report recommending the issuance of multiple series of tax-exempt and/or taxable fixed and/or variable rate bonds issued at one or more times in an amount not to exceed $2.3 billion, with a term not to exceed 30 years. He stated that the term of the refunding bonds will not exceed the term of the bonds being refunded considered in the aggregate. He stated that the Board is being asked to authorize this transaction under either: the Sales Tax Revenue Bond Program and/or the Personal Income Tax Revenue Bond Program. Mr. Bergin stated that the mechanics of the two programs are very similar, and that the major difference is the stream of revenues that secures the bonds - sales tax revenue as opposed to personal income tax revenue. He explained that the proposed bonds can be issued under either program or through a combination of both programs, with the combined issuance not to exceed $2.3 billion.

Mr. Bergin reported that the Bonds are being issued for new money and refunding purposes. He stated that the Bonds are expected to fund a variety of capital projects under various programs including: State University of New York ("SUNY") educational facilities ($500 million); capital projects for the Office of Mental Health ("OMH"), the Office for Persons with

Developmental Disabilities ("OPWDD") and the Office of Alcoholism and Substance Abuse Services ("OASAS") State and Voluntary Facilities ($350 million); various capital projects under the Dedicated Highway and Bridge Trust Fund ($500 million); and various capital projects under the Consolidated Local Street and Highway Improvement Program ("CHIPS") ($500 million.

He stated that the refunding plan calls for the refunding of certain bonds issued under various programs, including but not limited to, the Personal Income Tax Revenue Bond Program, the Service Contract Program, the Mental Health Program, and other State-supported debt programs. He stated that the refunding candidates were all issued by DASNY, the Empire State Development Corporation, the Environmental Facilities Corporation or the Thruway Authority ($800 Million).

Mr. Bergin noted that if the Bonds are issued under the Sales Tax Revenue Bond Program, the Bonds will be paid by the semi-annual payments made pursuant to a Financing Agreement between DASNY and the State, and that the Bonds will be secured by a set aside of one cent, or approximately 25% of the State's four percent sales tax collected pursuant to statute and deposited in the Sales Tax Revenue Bond Fund. He noted that current debt service coverage for all Sales Tax debt is 4.4 times.

Mr. Bergin stated that if the Bonds are issued under the Personal Income Tax Revenue Bond Program, the Bonds will be paid by the semi-annual payments made pursuant to the Financing Agreement between DASNY and the State. He noted that with the recent legislative changes, the Bonds will be secured by a set aside of 50% of personal income tax revenues collected pursuant to statute and 50% of the receipts of a new employer compensation expense tax, with both taxes deposited in the Revenue Bond Tax Fund. He stated that the current debt service coverage for all outstanding PIT debt across all issuers is 3.7 times. Mr. Bergin stated that both Programs are expected to be rated Aa1/AAA\AA+.

Ms. Wong stated there were two Supplemental Resolutions before the Members for consideration today– one under the Sales Tax General Bond Resolution and one under the Personal Income Tax Revenue Bond ("PIT") General Purpose Bond Resolution. She stated that both are in a not to exceed amount of $2.3 billion.

Ms. Wong noted that each Supplemental Resolution provides that, if any of the Bonds are issued, the amount issued will be deducted from the authorization under both Supplemental Resolutions, and therefore, the total authorization for both Supplemental Resolutions is $2.3 billion. Ms. Wong reported that the two General Resolutions are similar and that the main difference between the General Resolutions is the source for payment of Debt Service on the bonds. She stated that the PIT Bonds are payable from a portion of the personal income tax and employer compensation excise tax collected by the State and that the Sales Tax Bonds are payable from a portion of the sales and compensating use tax collected by the State.

Ms. Wong stated that the two Supplemental Resolutions are also similar to each other in terms of authorization of the issuance of Bonds thereunder. Ms. Wong stated that under each Supplemental Resolution, the respective Bonds may be issued for any authorized purpose, but are expected to be issued to finance or reimburse the costs of: capital projects for the State University of New York educational facilities; various capital transportation facilities projects for the CHIPS and DHBTF programs, and Mental Health State and voluntary agency programs.

Ms. Wong stated that each Supplemental Resolution authorizes the respective Bonds to refund PIT, service contract and other State-Supported bonds. She further stated that with respect to debt service payments on the PIT Bonds, the State Finance Law section 92-z provides that 50% of PIT and 50% of Employer Compensation Expense Program ("ECET") receipts collected by the State are deposited into a statutory fund called the Revenue Bond Tax Fund. She explained that payments from such Fund of Debt Service on the PIT Bonds is provided for through the Finance Agreement with the Division of the Budget ("DOB"). She stated that such payments are subject to legislative appropriation. Ms. Wong noted that the statutory framework is the same for Sales Tax Bonds except that the portion (currently 25%) of the sales and compensating use tax are deposited in a different statutory fund called the Sales Tax Revenue Bond Tax Fund under State Finance Law section 92-h. Ms. Wong stated that, similar to PIT Bonds, Debt Service is provided for through a Financing Agreement with DOB.

Ms. Wong stated that the bonds can be fixed or variable rate, but are expected to be fixed rate. She indicated that they can be sold through a competitive or negotiated sale, issued in one or more series and at one or more times with a not to exceed amount of $2.3 billion and a maturity of 30 years. She further stated that the Supplemental Resolutions provide for the delegation to Authorized Officers of authority to set certain terms and execute certain documents.

Mr. James stated that as Mr. Bergin and Ms. Wong stated, the Supplemental Resolutions before the Board for consideration each call for the total amount of Bonds issued under each respective resolution to reduce the amount of Bonds that can be issued under the other resolution, and vice-versa. He noted that the PIT and Sales Tax Revenue Bond programs have very similar mechanics, and those similarities extend to the respective Supplemental Resolutions before the Board today.

Mr. James described the features of the Supplemental Resolutions. He stated that pursuant to the Supplemental Resolutions, the Bonds may be issued in one or more series or subseries, at one or more times, in an aggregate principal amount not to exceed $2.3 billion. He stated that although it is anticipated that all the Bonds will be issued as fixed rate bonds, all or a portion of the Bonds also may be issued as variable rate bonds, convertible bonds, capital appreciation bonds and deferred income bonds. He further stated that the Supplemental Resolutions further provide that all or a portion of the Bonds authorized thereby may be sold at public or private sale on a negotiated basis or through competitive bidding and may be consolidated into a single series with any other Bonds that are authorized under the respective Resolution. Mr. James further stated that the Supplemental Resolutions delegate to various officers of the Authority the power, among others, to designate the series and subseries, if any, of the Bonds and to determine: (i) the principal amount of the Bonds of each series to be issued thereunder, provided that the aggregate principal amount of the Bonds issued does not exceed $2.3 billion, (ii) the principal amount of the Bonds to be issued as Tax-Exempt Bonds and the principal amount of the Bonds to be issued as Taxable Bonds, if any, (iii) the date or dates on which the Bonds will mature, provided that no Bond will mature more than 30 years after its date of issue, (iv) whether the Bonds shall bear interest at fixed or variable rates and the rate or rates at which the Bonds will bear interest, provided the true interest cost of any of the Bonds issued as fixed rate bonds, and the initial interest rate of any of the Bonds issued as variable rate bonds, may not exceed 7.5% per annum if issued as Tax-Exempt Bonds and 10.0% per annum if issued as Taxable Bonds, or such other rate or rates per annum as the resolution of the Public Authorities Control Board approving the issuance of the Bonds may establish, (v) the purchase price to be paid by the underwriters of the Bonds, if sold on a negotiated basis, provided that it is not less than 90% of the principal amount of the Bonds issued, (vi) the manner in which the winning bid or bids will be selected and the Bonds awarded, if sold on a competitive basis, (vii) the redemption provisions applicable to the Bonds, including the redemption dates and prices, which redemption price of any the Bonds subject to redemption at the election or direction of the Authority may be equal to a percentage of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, and/or may alternatively be determined by a formula which is intended to "make whole" the holders of such the Bonds by setting a redemption price based on the expected rate of return to such holders, (viii) the provisions relating to any Credit Facilities to be entered into in connection with the Bonds, and (ix) whether any of the Bonds will be book-entry bonds and the depository for them.

Mr. James stated that the Supplemental Resolutions also authorize various officers of the Authority to: (i) prepare and distribute one or more Preliminary Official Statements in connection with the sale of the Bonds, (ii) prepare, execute and deliver one or more final Official Statements, (iii) execute and deliver one or more Bond Purchase Agreements in connection with the sale of the Bonds, if one or more series of such Bonds are sold on a negotiated basis, and circulate one or more Notices of Sale for the Bonds, if one or more series of such Bonds are sold on a competitive basis, (iv) execute agreements to provide continuing secondary market disclosure as may be appropriate to assure that the underwriters can comply with Rule 15c2-12, (v) execute and deliver agreements providing for credit enhancement and liquidity with respect to the Bonds, and (vi) execute all other documents and to do all things necessary, convenient or desirable in connection with the sale and issuance of the Bonds.

Mr. James stated that the Supplemental Resolutions further authorize various Authorized Officers of the DASNY to enter into one or more agreements with the applicable State agencies, authorities or other entities in order to effect the transactions contemplated thereby.

In response to an inquiry from Mr. Johnson with respect to total PIT revenues to the State, Ms. Lee indicated that she did not know the answer to that question, but that in light of federal tax law changes, statutory changes were made to increase the amount of PIT revenues pledged and to broaden the pledge to include revenues from the employer compensation excise tax. Mr. Johnson questioned whether the change had, in effect, doubled security, which could limit where the State can otherwise spend its money. He asked whether the CHIPS Program had been bonded before, to which Ms. Lee responded that it had. Ms. Wong stated that traditionally, the Thruway Authority had financed the CHIPS Program. Ms. Lee indicated that DASNY has also financed the program in the past. She added that there are no new programs being financed in the subject transaction.

Ms. Lee stated that DOB had undertaken a review when it suggested amendments to the PIT statute. Mr. Johnson stated that it seems like there is no longer a predictable number. Ms. Shapard stated that there appears to be uncertainty with the funds. She asked how the market has reacted. Ms. Lee stated that the financing plan is being developed

Ms. Lee explained that every year after the Budget is adopted, DOB meets with the rating agencies. She stated that at these meetings this year, there will be an opportunity to talk about these issues. She stated that, in addition, the AIS disclosure which will be released in mid-June will also address this issue. Ms. Lee also noted that at the time of the bond sale, the rating agencies will review the financings and make their credit assessment. Ms. Shapard commented that in the end, you really cannot predict how the market will react to the changes now. Ms. Lee noted that there is a disclosure process in place to address this question. Mr. Johnson stated that he has no issue with respect to the Sales Tax Program, and that it is the PIT Program and the changes to it that he was focused on.

In response to an inquiry from Mr. Johnson as to whether there are other State issuers for the Sales Tax Program, Ms. Lee stated that DASNY, Empire State Development and the Thruway Authority are authorized to issue bonds under the Sales Tax Program, but that to date, only DASNY has issued such bonds. She noted that the same three issuers are authorized to issue PIT Bonds, along with the Housing Finance Agency and the Environmental Facilities Corporation.

Mr. Gardner asked whether selling the PIT issue will be more difficult for the underwriter. Ms. Snyder noted that there has been a dearth of bond issuances in the first part of the year, and that going forward, she would find it hard to believe that there won’t be a robust market. She further stated that she would be surprised if there is any problem marketing the bonds with the new security structure. Ms. Lee stated that volume is down from last year because of the rush to market at the end of calendar year 2017. Mr. Romski asked when the bonds are expected to be brought to market. Ms. Lee replied that it is expected that they will be issued sometime this summer.

In response to a question from Mr. Gardner with respect to the underwriter discount set forth in the Sources and Uses table in the Staff Report, Mr. Bergin confirmed that the number is an estimated number. Ms. Lee stated that the underwriter’s discount includes the takedown, management fee, and expenses, including underwriters counsel. She noted that there are no management fees for this transaction. She explained that the takedown is established by a schedule provided by DOB. She stated that the takedown schedule is predetermined, so this cost in this instance, is known up front.

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

DORMITORY AUTHORITY OF THE STATE OF NEW YORK SUPPLEMENTAL RESOLUTION 2018-2 AUTHORIZING STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE); and

DORMITORY AUTHORITY OF THE STATE OF NEW YORK SUPPLEMENTAL RESOLUTION 2018-2 AUTHORIZING STATE SALES TAX REVENUE BONDS

Ms. Snyder seconded the motion and the Resolutions were adopted unanimously.

Mr. Johnson noted that he wished the record to reflect that he is uncomfortable with the proposed PIT bond issue with the current uncertainty with respect to personal income tax revenues.

New York City Health and Hospitals Corporation

Mr. Bergin presented the Credit Summary and Staff Report recommending the issuance of one or more series of 14-year fixed and/or variable rate, tax-exempt and/or taxable bonds in an amount not to exceed $395,000,000 on behalf of the New York City Health and Hospitals Corporation ("HHC"), which is a component unit of The City of New York.

He stated that the proceeds of the bonds are expected to be used to finance the refunding of all or a portion of DASNY's Municipal Health Facilities Improvement Program Lease Revenue Bonds, (New York City Issue) Series 1998-1, Series 2001-2 and Series 2008-1 Bonds.

Mr. Bergin explained that the security for the bonds includes rental payments in the amount of debt service from The City of New York, subject to annual appropriation and statutory intercept of State Medicaid payments to The City of New York. He stated that the expected ratings on the bonds are Aa2/AA-/AA-.

Mr. Bergin stated that HHC is responsible for the operation of the municipal hospital system of The City of New York. He noted that as a main element of its core mission, HHC provides, on behalf of The City of New York, comprehensive medical and mental health services regardless of a patient's ability to pay. He further noted that HHC is the largest public health care system in the United States. He informed the Members that HHC operates eleven acute care hospitals, five long-term care facilities, six diagnostic and treatment centers as well as hospital-based and neighborhood clinics and a certified home-health agency. Mr. Bergin stated that HHC provides essential inpatient, outpatient and home-based services to more than one million patients every year in more than 70 locations across The City of New York's five boroughs.

Mr. Bergin stated that the proposed refunding, under current market conditions, it is anticipated to produce a net present value savings of approximately $51.2 million, representing 12.0% of the refunded principal. He explained that the debt service payments are structured to maximize cash flow savings for The City of New York's financial plan years which are the next four years and that there are no dissavings in the out years.

Mr. Bergin stated that DASNY has issued over $1 billion for HHC under the Municipal Health Facilities Improvement Program and The City of New York has met all of its required debt service obligations on time and in full.

Mr. Romski asked about the nature of HHC since it was described as a component unit of The City of New York. Mr. Bergin responded that as a component unit of The City of New York, HHC's financial statements are included in the City's financial report. In response to an additional question from Mr. Romski as to whether HHC was a public benefit corporation, Mr. Bergin responded affirmatively.

The Chair noted that he had a matter pending with the borrower, so he was recusing himself from the vote. Ms. Lee stated that she had recused herself from working on the transaction, as her spouse is employed by The City of New York.

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 THE NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

Ms. Snyder seconded the motion and the Resolution was unanimously adopted, with the Chair recusing himself from the vote.

Governance Committee Report

Governance Committee Chair Johnson reported that the Governance Committee met the prior day. He stated that the Governance Committee had undertaken its annual review of Staff Officer compensation and will make recommendations consistent with DOB parameters at a future Board Meeting.

President's Report

The Vice President stated that he had spoken with the President, and that there was nothing to report outside of the President's written report that is included in the Members' Board materials. He stated that unless there are any questions with respect to the various Managing Director reports, the Managing Directors will forgo presentations to allow more time for continuation of the recent Board Workshop.

Ms. Shapard referenced the section of the President's Report that discusses DASNY's new Energy Performance Contracting Program, and asked whether there had been a change in the law. Mr. Corrigan responded that there has been an expansion of DASNY's offerings. Mr. Cusack explained that the approach will be more integrated, and that the offerings will not be only through the TELP Program, but through the Construction Division. Mr. Corrigan further explained that DASNY has been progressing energy performance contracts for certain clients, but that now the approach is being expanded. In response to an inquiry from Mr. Johnson as to whether NYSERDA provided these services, Mr. Corrigan responded that NYSERDA is an option.

In response to an inquiry from Ms. Shapard as to whether DASNY is in partnership with an energy company, Mr. Cusack responded that such a partner has been obtained through a procurement. Mr. Romski asked if a Request for Proposal ("RFP") had been used for the selection, to which Mr. Corrigan and Mr. Cusack both responded in the affirmative. Mr. Johnson asked about the rural county that might not want such energy performance contracting, and what would be DASNY's role with respect to listening to their concerns. Mr. Cusack stated that there is a local permitting process, and that entities that have concern over these matters usually already have regulations in place. He noted that a frequent topic of county associations is often wind farms and cell towers, for example. Mr. Romski asked if all projects are subject to SEQR. Mr. Cusack responded affirmatively and noted that there needs to be compliance with all local processes.

In response to a question from Mr. Johnson as to whether the Energy Performance Contracting Program is expected to provide DASNY with more TELP business, Mr. Cusack responded affirmatively. Mr. Romski stated that regulatory compliance is really the applicant's burden. Mr. Cusack concurred, noting that any construction expansion would require that the applicant comply with local regulations. Mr. Johnson stated that TELP is only for equipment, so TELP would not apply to expansion. Mr. Romski asked about whether solar panels are rented, for example. Mr. Cusack stated that the concept is to integrate to get increased efficiency levels and put savings back into the improvement. He stated that there is a growing interest from DASNY's clients to use DASNY to help build these projects. The Chair noted that the public notice of this program happened quickly, and he asked that in the future the Members be provided with some notice of a new program in advance of public disclosure. Mr. Cusack stated that the announcement was timed for Earth Day. He further stated that once the program is completely formulated, staff will make a presentation to the Board regarding the details.

Mr. Johnson expressed concern about having the continuation of the Board Workshop entirely in Executive Session. He indicated that he thought that the Meeting should go in and out of Executive Session as Executive Session topics and issues arise. Mr. Ellis stated that, in his opinion, while many of the items that were discussed at the last Board Workshop were clearly Executive Session matters, some probably were not. He indicated that he had a concern from this perspective, as well, and he asked Mr. Cusack to share with the Board his thoughts on the topic.

Mr. Cusack stated that Executive Session is very appropriate and that there are two separate reasons for going into Executive Session. He stated that the first reason is to discuss the credit and financial history of a particular corporation. He indicated that the Board and staff would be discussing the financial and credit history of DASNY, as a whole. He explained that for the last Board Workshop, as well as today, discussions would also include talk about the credit and financial history of certain of DASNY's not-for-profit clients. Mr. Cusack further opined that separate and apart from the Executive Law, Executive Session is also permissible for the Board to hear legal advice from internal and external counsel. He noted that attorneys from Squire, Patton, Boggs, LLP were in attendance today to discuss legal issues associated with the credit and financial history issues. Mr. Cusack indicated that it is very difficult to unbundle such discussion and to keep the Executive Session topics separate. He stated that staff is trying to obtain preliminary input from the Board on various issues so that staff can formulate proposals to bring to the Board. He indicated that these proposals will ultimately be presented to the Board for its consideration in Public Session. Mr. Ellis stated that Mr. Cusack's explanation was very helpful.

Mr. Ellis moved that the Member go into Executive Session, Ms. Snyder seconded the motion and the Meeting went into Executive Session.

EXECUTIVE SESSION

No Action was taken in Executive Session other than that to return to Public Session.

PUBLIC SESSION

Mr. Romski moved that the Meeting adjourn, Ms. Snyder seconded the motion and the Meeting was adjourned at approximately 1:21 p.m.

Respectfully submitted,

Michael E. Cusack
Assistant Secretary