The Dormitory Authority of the State of New York met in a Special Video Conference Finance Committee Meeting between DASNY's Albany Office, 515 Broadway, Albany, New York; New York City Office, One Penn Plaza, 52nd Floor, New York, New York and Buffalo Office, 539 Franklin Street, Buffalo, New York at 10:00 a.m. on Wednesday, November 15, 2017.

The Finance Committee 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- New York City

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

Members Present- Albany

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

Other Board Members Present – New York City

Beryl L. Snyder, Esq., Member
Paul S. Ellis, Esq., Member

Other Board Members Present – Albany

Sandra M. Shapard, Secretary, Member
Elizabeth Berlin, Designated Representative of the Commissioner of Education, Member (ex officio)
Adrian Swierczewski, Designated Representative of the Director of the Budget, Member (ex officio)

Other Board Members Present - Buffalo

Jonathan H. Gardner, Esq., Member

Other Board Members Participating by Telephone

John B. Johnson, Jr., Vice Chair, Member

Also Present - Dormitory Authority Staff – New York City

Gerrard P. Bushell, President
Portia Lee, Managing Director of Public Finance and Portfolio Monitoring

Also Present - Dormitory Authority Staff - Albany

Michael T. Corrigan, Vice President
Michael E. Cusack, Esq., General Counsel
Kimberly J. Nadeau, Chief Financial Officer
Debra Pulenskey Drescher, Esq., Managing General Counsel
Larry N. Volk, Senior Director, Portfolio Monitoring
Dena T. Amodio, Esq., Associate Counsel
Matthew T Bergin**,** Assistant Director Public Finance & Portfolio Monitoring
David P. Ostrander, Senior Financial Analyst
Stephen J. Kosier, Senior Financial Analyst

PUBLIC SESSION

The Chair called the Meeting to order.

Memorial Sloan-Kettering Cancer Center

Mr. Bergin presented the Credit Summary and Staff Report recommending a 30-year fixed and/or variable rate, taxable and/or tax-exempt bond issue in an amount not to exceed $465,000,000 on behalf of Memorial Sloan Kettering Cancer Center ("MSKCC"), located in Manhattan. He stated that a portion of the proceeds of the bonds is expected to be used to finance the construction of an ambulatory care center in Manhattan (approximately $50 million), which is the David H. Koch Center for Cancer Care at East 74th St. by the FDR Drive. He stated that the facility consists of an approximately 760,000 sq. ft. building that was primarily funded with taxable bonds and philanthropy. Mr. Bergin indicated that significant construction has taken place and that the DASNY bond issue is expected to be used primarily for a single occupancy 16-bed inpatient unit. Mr. Bergin reported that the planned population for the 16-bed inpatient unit includes patients requiring inpatient chemotherapy and interventional radiology and, that in addition to the inpatient beds, DASNY may also finance the buildout of outpatient practice space.

Mr. Bergin further noted that the proposed financing also includes the construction of an ambulatory care center in Uniondale (approximately $83 million), which will facilitate the relocation of a regional network outpatient clinical program currently located in Rockville Center to a free-standing facility on Hempstead Turnpike in Uniondale, New York. Mr. Bergin stated that Memorial Sloan Kettering Nassau Outpatient Center will provide cancer care in an outpatient setting while minimizing the need to travel to Manhattan. Mr. Bergin noted that over half of the project costs will be provided from the hospital's cash flow generated from operations, philanthropy and intercorporate loans with MSKCC.

Mr. Bergin stated that the proceeds of the bonds are also expected to be utilized for the conversion of the heating system at various facilities, from a steam-based system to a hot water-based system for heating and domestic hot water, including the installation of boilers. Mr. Bergin indicated that while the Staff Report states that the costs of these improvements would be approximately $110 million, the Institution has decided to utilize equity in the amount of approximately $20 million for this project. He further stated that MSKCC has informed DASNY staff that the remaining $20 million in borrowing capacity would be applied toward medical equipment for the hospital facility located at 1275 York Avenue**.**

At this point in the Special Meeting Mr. Johnson joined via telephone. Mr. Bergin stated that the proposed financing also includes the potential refunding of all or a portion of DASNY's Memorial Sloan-Kettering Cancer Center Revenue Bonds, 2015 Series 1 ($91.8 million) and the potential refunding of DASNY's Memorial Sloan-Kettering Cancer Center Revenue Bonds, Series 2016-1 ($106.8 million). He further stated that the determination to refund these bonds would be made based upon economic considerations. He noted that both bond issues were privately placed.

Mr. Bergin stated that security features for the bonds are expected to include a general obligation of the Center with guarantees from Sloan-Kettering Institute for Cancer Research and S.K.I. Realty Inc. He noted that a public offering is anticipated at this time, and that the expected ratings are Aa3/AA-/AA. He stated that Memorial Sloan Kettering is a multibillion corporation with nearly $9.9 billion in total assets, just over $4.1 billion in total liabilities and over $5.7 billion in net assets. Mr. Bergin reported that through September 30, 2017, the Institution had an operating gain of $205.6 million that was recorded on approximately $3.29 billion of total operating revenues. He stated that regarding utilization, outpatient visits have increased recently, which is indicative of the shift in the delivery of cancer care to the outpatient setting, and that the expansion of the Hospital's regional network of outpatient sites has been a major contributor to the growth in outpatient visits.

Mr. Bergin reported that this AA- rated institution is world renowned and is the premier institution for setting the standard of cancer care. He noted that countless discoveries in clinical research have occurred at MSK that have led to innovations in all areas of cancer diagnosis and treatment.

Mr. Bergin responded to an inquiry from the Board Chair on the Institution's insurance. In response to an inquiry from Finance Committee Chair Romski as to whether DOH has commented with respect to the proposed transaction, Mr. Bergin explained that the borrower is the Cancer Center, and therefore, while DASNY does work with DOH, the transaction is not being undertaken under the MCFFA statute, so DOH's role is limited.

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

Fordham University

Mr. Ostrander presented the Credit Summary and Staff Report recommending the issuance of fixed and/or variable rate, tax-exempt and/or taxable refunding bonds to be sold at one or more times through a negotiated offering and/or a private placement in an amount not to exceed $105,000,000 in on behalf of Fordham University. He stated that the final maturity of the refunding bonds will not exceed the final maturity of the bonds to be refunded.

Mr. Ostrander stated that the proceeds from the Series 2017 Bonds are expected to be used to advance refund all or a portion of the DASNY Series 2011A Bonds. He further stated that the fixed-rate Series 2011A Bonds have a current par amount outstanding of $88,945,000, and reach final maturity on July 1, 2036. Mr. Ostrander stated that assuming current market conditions, a total net present value savings in the range of $8.8 million, or 9.9% of the refunded bonds, is estimated to be achieved through the proposed refunding of the Series 2011A Bonds, as shown in Attachment I to the Staff Report.

Mr. Ostrander noted that a public offering of fixed rate bonds is currently anticipated, and stated that Fordham is currently rated A2 by Moody's and A by Standard and Poor's. He further indicated that in accordance with DASNY's Financing Guidelines for Independent Institutions, Fordham qualifies for an unsecured borrowing with a rating of A3/A-/A- or better and, that as such, the Loan Agreement for the Series 2017 Bonds will be a general unsecured obligation of the University. He explained that no security interest in any revenues or assets of the University will be granted by the University to DASNY under the Loan Agreement.

Mr. Ostrander reported that demand and enrollment remain strong for the University with applications increasing by 31.5% over five years. He further reported that full-time equivalent enrollment reached a 5-year high of 14,243 FTEs for the fall of 2016. He noted that Fordham continues to report positive operating results, despite significant capital spending in recent years. He stated that while operating margins began to thin in fiscal years 2016 and 2017 due to large capital expenditures at the Lincoln Center campus, margins averaged $22.3 million over the last five years. He stated that Fordham relies heavily on tuition and fees and other student related revenue. Mr. Ostrander informed the Members that tuition and fees accounted for 71% of the University's total revenue for fiscal year 2017. Mr. Ostrander reported that Fordham's debt coverage levels for the last five years have been strong, averaging 3.0:1 since fiscal year 2013. He concluded that this transaction will have positive impact, lowering annual debt service for the University.

The Board Chair asked about the University's recent three-year historical reliance on tuition and fees. He noted that as private colleges and universities try to maintain their niche, they often offer greater aid, so there are less funds for the revenue column. He further noted that if this is steady over time, it begs the question of whether they can increase enrollment. Mr. Ostrander responded that Fordham's net tuition/FTE has increased over time.

Mr. Johnson noted that 35% of the students appear to be from New York State. He indicated that, therefore, the University is not totally dependent on New York State students so as not to be affected as much as others by the New York Excelsior Program.

Ms. Lee disclosed that one of her daughters attends Fordham University. She indicated that she did not believe that she had a conflict of interest or a need to recuse herself from the transaction. General Counsel Cusack concurred.

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

<u>St. John's University</u>

Mr. Kosier presented the Credit Summary and Staff Report recommending the issuance of fixed and/or variable rate tax-exempt and/or taxable refunding bonds to be sold at one or more times through a negotiated offering and/or a private placement in an amount not to exceed $88,000,000 on behalf of St. John's University. He stated that the final maturity of the refunding bonds will not exceed the final maturity of the bonds to be refunded.

Mr. Kosier stated that the University has been a DASNY client for nearly 50 years and has always met its obligations to DASNY on time and in full. He further stated that the proceeds of the bonds are expected to be used to advance refund all or a portion of the University's fixed-rate Series 2012A and Series 2012B Bonds, which is anticipated to result in net present values savings of approximately $3.2 million, or 6.5% of the bonds being refunded.

Mr. Kosier noted that the proceeds of the bonds are also expected to be used to fix-out a portion of the University's variable rate Series 2008B Bonds, which will result in a more conservative overall debt mix in a relatively low interest rate environment. He stated that there will be no extensions of the final maturities of the bonds being refunded and that the expected ratings are A3 by Moody's and A- by S&P. He indicated that, therefore, in accordance with DASNY's Financing Guidelines for Independent Institutions, the Loan Agreement for the Series 2017 Bonds is expected to be a general unsecured obligation.

Mr. Kosier reported that the security pledged by the University under Loan Agreements for prior bonds issued by DASNY will remain in place until those bonds are no longer outstanding. He stated that there is no new money being proposed and no extension of debt or principal deferral.

Mr. Kosier stated that the University is highly dependent on student related charges, with 71% of 2017 revenues coming from net tuition and 14% of revenues coming from auxiliaries. He reported that enrollment has increased from its five-year low of 16,459 FTE's in Fall 2014 to its five-year high of 17,235, last year. He noted that enrollment benefitted from the University increasing its tuition discount rate from 35% in 2013 to 41% in 2017. He further stated that St. John's has also changed its enrollment strategies to focus its resources on those areas that produce the greatest yield and that this strategy led to its matriculation ratio improving from 10% to 18% over the past five years.

Mr. Kosier reported that the University has a history of conservative budgeting and managing its expenses well in relation to its revenues. He stated that operating profits have averaged $26 million over the past five years and the University expects an operating surplus on a budgetary basis of over $20 million in the current fiscal year. He further stated that the University's liquidity has improved substantially over the past five years, primarily due the sale of certain real property in Manhattan in 2014, as well as operating profits and investment returns over the past five years. Mr. Kosier noted that the unrestricted net assets increased from $360 million in 2013 to nearly $650 million in 2017. He stated that the 2017 viability ratio of 1.2 compares favorably to the 2016 DASNY Median of 0.7 and indicates an ability of St. John's University to cover 120% of existing debt with expendable net assets.

The Board Chair inquired about the wide fluctuation in the University's non-operating revenues between 2013 and 2015. Mr. Kosier stated that the increase in 2014 was from the sale of real property and that the drop in 2015 was from investment losses.

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 10:38 a.m.

Respectfully submitted,

Debra Pulenskey Drescher
Assistant Secretary