

The Dormitory Authority of the State of New York Finance Committee Meeting was held at DASNY's Albany Office, 515 Broadway, Albany, New York at 4:00 p.m. on Tuesday, September 11, 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

Gerard Ronski, Esq., Finance Committee Chair
Alfonso L. Carney, Jr., Board Chair, Committee Member
John Valituto, Designated Representative of the Commissioner of Health, Member (ex officio), Committee Member

Other Board Members Present

Jonathan Gardner, Board Member
John Johnson, Board Member

Dormitory Authority Staff Present

Gerrard P. Bushell, President
Michael T. Corrigan, Vice President
Michael E. Cusack, Esq., General Counsel
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring
Sara P. Richards, Esq., Associate General Counsel
Kimberly J. Nadeau, Chief Financial Officer
Caroline V. Griffin, Chief of Staff
Larry N. Volk, Senior Director, Portfolio Management
Ricardo Salaman, Esq., Managing General Counsel
Deborah K. Fassar, Director, Communications and Marketing
Andrew T. Purcell, Assistant Director, Public Finance and Portfolio Monitoring
Matthew T. Bergin, Assistant Director, Public Finance and Portfolio Monitoring
David P. Ostrander, Senior Financial Analyst
David Perritano, Public Information Officer
Criseidra Tait, Public Finance Diversity Fellow
Dilshoda Kurbonova, Public Finance Diversity Fellow

PUBLIC SESSION

Committee Chair Ronski called the Meeting to order. He observed that today is the anniversary of the terrorist attacks on the United States on September 11, 2001. The Minutes of the July 17, 2018 Finance Committee Meeting were reviewed and approved.

Finance Committee Charter – Proposed Amendment

At the request of Finance Committee Chair Ronski, Ms. Lee presented the proposed amendments to the Finance Committee Charter. She directed the Committee Members' attention to the clean and blacklined versions of the Finance Committee Charter, as well as a memorandum describing the proposed changes. Ms. Lee stated that as part of the One DASNY initiative, staff had reviewed the Charter to ensure that the Charter is consistent with the One DASNY initiative. She explained that the proposed amendments to the Charter clarify the situations where additional Finance Committee authorization is required. Ms. Lee informed the Committee Members that the proposed amendments reflect three circumstances where DASNY staff would bring a proposed financing transaction back to the Finance Committee for consideration: where the not-to-exceed amount increases; where the maximum term of the bonds is extended; and/or where the security for the bond issuance is less than previously described. Ms. Lee reminded the Committee Members that the matter regarding changes to security was discussed at the last Regular Meeting in July in the context of the revised Financing Guidelines.

The Finance Committee Members decided unanimously to approve the proposed amendments to the Finance Committee Charter, and recommend the revised Charter to DASNY's full Board for approval.

Board Financing Authorization Policy Discussion

Ms. Lee informed the Committee Members that staff had reviewed the Board Financing Authorization Policy to seek consistency with the recommendations from the One DASNY initiative. Ms. Lee stated that clean and blacklined versions of the proposed revisions to the Policy are included in the materials for review.

Ms. Lee stated that the first category of proposed changes to the Policy are technical in nature to conform the language of the Policy to the process changes identified during the One DASNY review. Ms. Lee explained that, for example, references in the Policy to the Staff Report have been changed from credit to transaction reviews, and that the Policy now reflects that tax diligence will be completed prior to mailing the Preliminary Official Statement, as opposed to being substantially completed at the time of Adoption of Documents.

Ms. Lee stated that the second category of changes to the Policy relates to the broad refunding authorization, which has been deleted in its entirety. Ms. Lee explained that as a result of the changes that were made in connection with federal tax reform legislation last year disallowing tax-exempt advance refundings, the broad refunding language in the policy is no longer applicable and has been removed. She reported that at the present time, borrowers are undertaking current refundings on a tax-exempt basis.

Ms. Lee informed the Members that the third category of proposed changes to the Policy refers to language authorizing Single Approvals by the Board, having to do with refundings by borrowers that are currently in DASNY's portfolio. She reported that the existing provisions have been interpreted to apply only to situations where DASNY bonds are being refunded. Ms. Lee explained that the proposed Policy revisions include language clarifying that Single Approval

authorization is available to both DASNY bonds, and non-DASNY bonds. Ms. Lee further explained that these changes would be beneficial to DASNY's ability to work with existing private clients currently in DASNY's portfolio who may seek single approval financing to refund either DASNY bonds or bonds issued by an entity other than DASNY. She further noted that this change enables DASNY to provide an additional level of service for existing clients seeking to refund bonds in order to achieve savings.

Ms. Lee emphasized that staff is not asking for the Committee Members to take action on the proposed Policy changes today, but wanted to provide the proposed changes to the Committee for their consideration.

In response to a question from Mr. Valituro regarding the number of DASNY clients that would have benefitted from this provision over the past several years, Ms. Lee stated that while she was unable to provide an exact percentage, she noted that clients such as Vassar College and the University of Rochester could benefit. She explained that absent the revised clarifying language, DASNY would require existing clients to utilize the two-step approval process if they wished to refund debt issued by DASNY and another issuer.

The Board Chair expressed his support for the proposed amendments, and noted for the record, one observation regarding TEFRA. He stated that, while in most cases the TEFRA hearing would occur prior to Board approval, there may be certain circumstances where it is not practicable to do so. He expressed his support for the importance of the TEFRA process, as it provides the public with the opportunity to be heard on the bond issuance. The Board Chair acknowledged that under the revised Policy, the Committee would be approving a process that would allow, in cases where completion of the TEFRA hearing may not be practical prior to the time when the Board takes action, the TEFRA hearing to be completed prior to the mailing of the Preliminary Official Statement. Ms. Lee agreed, and confirmed that where practicable, the TEFRA hearing would be held prior to the adoption of documents. Mr. Ronski thanked the Members for their comments, and Ms. Lee for her presentation. He stated that these discussions would be shared with the full Board at tomorrow's meeting.

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

Mr. Bergin presented the Single Approval Credit Summary to the Committee Members. Mr. Bergin stated that the Committee Members are being asked to recommend that the Board authorize the issuance of multiple series of tax-exempt and taxable, fixed and/or variable rate bonds issued at one or more times in an amount not to exceed \$2.65 billion under the Sales Tax Revenue Bond Program and/or the Personal Income Tax Revenue Bond Program for a term not to exceed 30 years. Mr. Bergin informed the Committee Members that at the present time, it is expected that the Series 2018 Bonds will be issued under the Sales Tax Revenue Bond Program. He stated that the mechanics of the two programs are similar, and that the major difference between the two is the stream of revenue securing the bonds--sales tax revenue or personal income tax revenue.

Mr. Bergin stated that the proceeds of the Series 2018 Bonds are expected to be issued for both new money and refunding purposes, including a variety of capital projects for CUNY; the Office of Mental Health ("OMH"); the Office for Persons with Developmental Disabilities ("OPWDD"); the

Office of Alcoholism and Substance Abuse Services (“OASAS”); the Metropolitan Transportation Authority (“MTA”); various transportation initiatives for the New York Works Transportation Infrastructure projects program; funding for State and Municipal Facilities Grants; Economic Development Grants; Higher Education Capital Assistance Program (“HECAP”); and the refunding of certain fixed rate bonds issued under various programs including, but not limited to, the Personal Income Tax Revenue Bond Program, the CUNY senior and community college facilities program, the Mental Health Services Facilities Improvement Revenue Bond program and the SUNY Upstate Community College facilities program. Mr. Bergin informed the Committee Members that the bonds to be refunded with the proceeds of the Series 2018 Bonds were issued by DASNY, the Empire State Development Corporation or the Environmental Facilities Corporation.

Mr. Bergin stated that if the Bonds are issued under the Sales Tax Revenue Bond Program, they will be secured by a set aside of one cent, or 25% of the State’s four percent sales tax collected pursuant to statute and deposited in the Sales Tax Revenue Bond Fund. He further stated that debt service on the Series 2018 Bonds will be paid by semi-annual payments made pursuant to a Financing Agreement between DASNY and the State. Mr. Bergin informed the Committee Members that the current debt service coverage on all outstanding Sales Tax Revenue Bonds is 3.7 times.

Mr. Bergin stated that if the Bonds are issued under the Personal Income Tax Revenue Bond Program, they 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 further stated that debt service on the bonds will be paid by semi-annual payments made pursuant to a Financing Agreement between DASNY and the State. Mr. Bergin informed the Committee Members that current debt service coverage on all outstanding State Personal Income Tax Revenue Bonds is 4.9 times.

In response to a question from Committee Chair Ronski, Ms. Lee and Mr. Bergin explained that the list of projects to be funded with the proceeds of the Series 2018 Bonds is currently being finalized. Mr. Ronski inquired if the MTA is authorized to issue its own bonds, to which Ms. Lee responded in the affirmative. Ms. Lee explained that the State contributes to many projects undertaken by the MTA, and it is those contributions that will be paid with the proceeds of this issuance. The Board Chair asked whether the projects undertaken by the State were pursuant to legislative mandate, and Ms. Lee responded in the affirmative. Mr. Ronski inquired whether any portion of the transportation work was related to the New York Works program. Ms. Lee responded in the affirmative, and noted that the Department of Transportation is managing that program.

Mr. Ronski requested an update on the impact of the recent changes to the tax code on the funds deposited into the Revenue Bond Tax Fund. Ms. Lee explained that the fiscal year 2018-2019 Enacted State Budget includes State tax reforms in response to certain federal tax law changes, including the authorization of a new Employer Compensation Expense Program (“ECEP”) and a new Charitable Gift Trust Fund. She noted that the Enacted Budget also makes changes to the Personal Income Tax Revenue bond program to increase to the amount of revenue deposited into the Revenue Bond Tax fund from 25% to 50% of personal income tax revenues, and to include 50% of the ECEP revenues as well.

Ms. Lee explained that to the extent the federal government is not inclined to be supportive of the charitable contribution proposal, the increase from 25% to 50% of PIT revenues together with 50% of the ECEP revenues are a credit positive.

Mr. Ronski observed that the Office of the State Comptroller recently issued additional guidance on sales tax revenue. He noted that savings are being taken in the first two years after issuance. The Board Chair asked for additional information regarding the timing of deposits into the Fund relative to when the funds are utilized. Mr. Purcell responded that the deposits to the Fund are made monthly. He explained that sales tax receipts are deposited in the lock box account up to a certain required amount, and then the balance is returned to the State.

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

State University of New York Dormitory Facilities Program

Mr. Ostrander stated that the Committee Members are being asked to recommend that the full Board authorize the issuance of a series of tax-exempt and/or taxable bonds to be issued under the SUNY Dormitory Facilities Revenue Bonds program in an amount not to exceed \$150 million in a negotiated sale for a term not to exceed 30 years. Mr. Ostrander further stated that the proceeds of the Series 2018 Bonds will be used to finance various capital projects at SUNY campuses throughout the State. He informed the Committee Members that the SUNY Residence Hall program serves over 70,000 students on an annual basis. Mr. Ostrander stated that the SUNY residence hall program is completely self-supporting and generates enough money to support operations and pay debt service on the bonds.

Mr. Ostrander stated that this will be the fifth financing under the new SUNY Dorms program that was enacted in 2013. He explained that the enabling legislation provides that the program be supported solely by the rents, fees and charges of the dormitory rentals and that in accordance with the legislation, SUNY executed an assignment to DASNY of all rights in dormitory facilities revenues. Mr. Ostrander further explained that SUNY is required to immediately deliver such revenues, without appropriation, to the Commissioner of Taxation and Finance for deposit into the Dormitory Facilities Revenue Fund, which is held separate and apart from the State Treasury.

Mr. Ostrander explained that monies in the fund are used first to pay the debt service on the old SUNY Dormitory bonds issued prior to 2013; then debt service on bonds issued under the new program; and then to fund repair and replacement costs. He further explained that any amounts remaining in the Fund after payment for such purposes becomes the property of SUNY to fund operations and maintenance of dormitory facilities. Mr. Ostrander stated that the Series 2018 Bonds will be secured by a second lien on the dormitory rentals deposited in the Dormitory Facilities Revenue Fund, and that the bonds currently outstanding under the old SUNY Dormitory Facilities Program have the first lien on those revenues. Mr. Ostrander reported there is currently \$393.7 million outstanding under the old program and approximately \$1.263 billion outstanding under the new program.

Mr. Ostrander reported that unlike the old program, where the Bonds are a General Obligation of SUNY, the new program is supported exclusively by the the rentals and fees generated by the residence halls. He informed the Committee Members that the occupancy rate at SUNY Residence Halls is currently at 96.4%, and historically occupancy has been above 95% each year. Mr. Ostrander reported that the rentals and fees have increased over the past year due to higher occupancy and fees. He stated that in fiscal year 2018, rental fees totaled \$564.6 million, resulting in a debt service coverage ratio of 1.34 to 1. Mr. Ostrander noted that the bonds are expected to be rated Aa3 by Moody's and A+ by Fitch.

The Board Chair observed that the chart in the staff report was helpful to explain the increase in receipts. Mr. Ronski stated that he was impressed by the overall occupancy rate in the SUNY system. He inquired why Alfred, which has one of the lowest utilization rates at 90%, is receiving a proportionally higher amount of funds from the issuance. Mr. Purcell explained that this reflects the level of renovation occurring at the campus. Mr. Ronski inquired why New York State does not seem to be experiencing the same degree of private development for student housing adjacent to college campuses as in other states. Ms. Lee replied that New York has experienced that effect as well, and that she is aware of such developments at various campuses, including the University at Albany and SUNY Buffalo. Mr. Ronski stated that such developments likely drive SUNY to produce a better product in order to compete.

In response to a question from Mr. Gardner, Ms. Nadeau stated that because SUNY and DASNY are part of the same financial reporting entity (New York State) it is likely that the new accounting rules promulgated by GASB will require that this debt continue to be reported on DASNY's balance sheet. Ms. Lee stated that the debt is a special limited obligation of DASNY for which DASNY has no direct financial obligation. In response to a question from Mr. Valitoto, Ms. Lee stated that the required debt service coverage ratio for the Program is 1.2 times.

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

NYSARC, 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 \$20,000,000 for NYSARC, Inc. She stated that the current policy of the Public Authorities Control Board ("PACB") requires that TELP I transactions which exceed \$10 million be presented to both the DASNY Board and the PACB for approval. Ms. Lee further stated that the lease proceeds are expected to be used for various types of IT equipment, vehicles, and other items.

The Board Chair inquired why the \$10 million threshold was established and asked why the amount has not changed over time. Ms. Lee replied that the subject of changing the threshold has been discussed on numerous occasions. The Board Chair and the Committee Chair both indicated their support for raising the threshold amount. Mr. Ronski confirmed that Bond Counsel reviews the capital nature and eligibility of the costs to be financed with the TELP lease.

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. Valituro seconded the motion and the Meeting was adjourned at approximately 4:45 p.m.

Respectfully submitted,

Michael E. Cusack
Assistant Secretary