

The Dormitory Authority of the State of New York met in a Regular 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 8, 2019.

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:

Members Present

Alfonso L. Carney, Jr., Chair, Member
John B. Johnson, Jr., Vice Chair, Member
Paul S. Ellis, Esq., Secretary, Member
Beryl L. Snyder, Esq., Member
Wellington Z. Chen, Member
Joan M. Sullivan, Member
Gerard Romski, Esq., Member
Joseph Gilchrist, Designated Representative of the Commissioner of Education, Member (ex officio)
Tracy Raleigh, Designated Representative of the Commissioner of Health, Member (ex officio)

Members Present via phone

Jonathan H. Gardner, Esq., Member

Members Absent

Adrian Swierczewski, Designated Representative of the Director of the Budget, Member (ex officio)

Also Present - Dormitory Authority Staff

Gerrard P. Bushell, President
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
Paul G. Koopman, Managing Senior Director of Construction
Ricardo Salaman, Esq., Managing General Counsel
Larry N. Volk, Senior Director, Portfolio Monitoring
Deborah K. Fasser, Director, Communications & Marketing
Daniel W. Petroff, Chief of Strategy and Business Development
Sara P. Richards, Esq., Associate General Counsel
Matthew T. Bergin, Assistant Director, Public Finance and Portfolio Monitoring

Other Attendees:

Kam Wong, Esq.

Hawkins Delafield & Wood, LLP

Robert James, Esq.

Golden Holley James, LLP

Natalia Pearson-Farrer, Esq.

PUBLIC SESSION

The Chair called the Meeting to order. The Minutes of the April 10, 2019 Regular Meeting were then reviewed and approved.

Finance Committee Report

Finance Committee Chair Ronski reported that the Finance Committee met earlier today and after discussion, decided unanimously to recommend the Sales Tax Revenue Bond Program / Personal Income Tax Revenue Bond Program transaction to the full Board for approval.

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

The President introduced Kam Wong, Esq. of Hawkins Delafield & Wood, LLP, and Robert James, Esq. of Golden Holley James, LLP, co-bond counsel on the transaction, and Mr. Bergin.

Mr. Bergin stated that the Members are being asked to 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 \$2.3 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 further stated that authorization is being requested under both programs in order to provide flexibility. He explained that the two programs are similar except for the stream of revenue securing the bonds. Mr. Bergin further explained that personal income tax revenue secures the personal income tax revenue bonds, and sales tax revenue secures the sales tax revenue bonds. Mr. Bergin informed the Members that the proceeds of the Bonds will be used for new money and refunding purposes.

Mr. Bergin stated that the new money projects are expected to fund authorized purposes including capital projects for City University of New York (“CUNY”) facilities; 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”); transportation initiatives for New York Works Transportation Infrastructure projects; a variety of capital projects for the State University of New York (“SUNY”); various capital projects under the Dedicated Highway and Bridge Trust Fund; various capital projects under the Consolidated Local Street and Highway Improvement Program (“CHIPS”); and Storm Recovery Capital Grants and/or Projects. He noted that funds have been paid out under the storm recovery program to pay for damages arising from Superstorm Sandy and other major storms. Mr. Bergin informed the Members that the proceeds of the Bonds are also expected to be used to refund certain fixed rate

bonds issued under various programs including the Consolidated Service Contract Revenue Bond Program and the Thruway Local Highway and Bridge Service Contract Bond Program. He stated that the bonds expected to be refunded were all issued by DASNY or the Thruway Authority.

Mr. Bergin directed the Members' attention to the refunding analysis presented in Attachment 1 of the Single Approval Transaction Summary. He noted that although the gross savings in years 2021-2025 are quite small, the net present value savings are more significant. Mr. Bergin explained this is because for these years certain amounts of the debt service payments will be pushed forward from July 1 to March 15 which is in the same fiscal year. He further explained that in 2026 certain amounts of the debt service payment will be made on March 15 instead of July 1, such that the payment is made in a prior State fiscal year. Mr. Bergin stated that as a result, the amount of refunding debt service for 2026 is zero, and the gross savings are approximately \$8.6 million. Ms. Lee explained that the principal and interest payment dates for bonds being refunded are different from the payment dates for the refunding bonds.

Mr. Bergin stated 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. He explained that the bonds would be secured by a set aside of one cent, or 25%, of the State's four percent sales tax to be collected pursuant to statute and deposited in the Sales Tax Revenue Bond Fund. Mr. Bergin informed the Members that the current debt service coverage on all outstanding Sales Tax bonds is 3.3 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 explained that the bonds would be secured by a set aside of 50% of personal income tax revenues collected pursuant to statute and 50% of the receipts of the employer compensation expense tax, with both taxes deposited in the Revenue Bond Tax Fund. Mr. Bergin informed the Members that current debt service coverage on all outstanding State Personal Income Tax bonds is 6.3 times. He noted that the bonds issued under both programs are expected to be rated Aa1/AA+\AA+.

Ms. Wong further described the transaction and presented the financing documents. She stated that there is a statutory fund into which sales tax or personal income tax revenues are deposited. Ms. Wong informed the Members that the State Legislature must appropriate the funds needed to make debt service payments on either PIT or Sales Tax Bonds. She stated that there is a statutory cap on the amount of PIT and Sales Tax bonds that may be issued, as well as cap on the amount of bonds that may be issued for each program being financed with PIT or Sales Tax bond proceeds. Ms. Wong further stated that DASNY and the Division of the Budget must verify that the issuance is in compliance with both caps. Ms. Wong stated that pursuant to the terms of the Bond Resolution, debt service coverage must be at least two times the expected annual debt service. She noted that coverage is currently 6.3 times for the PIT program and 3.3 times for the Sales Tax program.

Ms. Wong informed the Members that pursuant to Federal Tax Law, a maximum of \$15 million in bond proceeds from each tax-exempt issuance may be used to fund private activity, which arises when there is an arrangement that provides financial benefits to a private corporation.

Ms. Wong explained that as a result, authorization to issue federally taxable bonds is also being requested. In response to an inquiry from Mr. Ronski, Ms. Wong stated that private activity is limited with respect to the tax-exempt portion of the issuance and taxable bonds may be issued as a result. Ms. Wong explained that collaborative research at a SUNY facility with a private entity such as IBM, for example, could be considered private activity.

Mr. James then further described the provisions set forth in the Supplemental Resolutions. He explained that the Board is being asked to authorize the issuance of one or more series or subseries of bonds at one or more times in an aggregate maximum principal amount not to exceed \$2.3 billion. Mr. James stated that the issuance of Bonds under one Supplemental Resolution will reduce the amount authorized under the other. He further stated that the bonds are expected to bear interest at a fixed rate, although the Supplemental Resolutions also authorize DASNY to issue variable rate, deferred income, capital appreciation, or convertible bonds. Mr. James informed the Members that the Bonds may be sold on a negotiated or competitive basis, or a combination of both.

Mr. James stated that pursuant to the terms of the Supplemental Resolutions, certain powers are delegated to authorized DASNY Officers, including the ability to designate the series or subseries of the bonds; determine the amount of tax-exempt and taxable bonds to be issued, so long as the aggregate principal amount does not exceed \$2.3 billion; the maturity date or dates of the bonds, provided that no 2019-1 bonds will mature more than 30 years from the date of issuance; and so long as the final maturity date of the refunding bonds does not exceed the fiscal year of the final maturity of the refunded bonds, considered in the aggregate. Mr. James stated that the Supplemental Resolutions also delegate the authority to determine whether the bonds will be issued as fixed or variable rate Bonds; the rates of interest to be paid on the Bonds, so long as the true interest cost to be paid does not exceed 7.5% for tax-exempt bonds and 10% for taxable bonds; the purchase price to be paid by the underwriter, if sold on a negotiated basis, provided it is not more than 90% of the principal amount of the Bonds; the manner in which the winning bid is selected, if sold on a competitive basis; the redemption characteristics of the Bonds; the series, maturity dates and amounts of the bonds to be refunded with the proceeds of the Series 2019-1 Bonds; provisions related to credit facilities to be entered into in connection with the Series 2019-1 Bonds; and, if the Series 2019-1 Bonds are book entry bonds, the depository for them. He stated that the Supplemental Resolutions also authorize the preparation and distribution of one or more Preliminary Official Statements, one or more Official Statements; the execution and delivery of one or more Bond Purchase Agreements, if the Bonds are sold on a negotiated basis; the circulation of one or more notices of sale if the Bonds are sold competitively; entering into one or more continuing disclosure agreements pursuant to Rule 15c2-12; the execution and delivery of agreements with regard to credit enhancement and liquidity; and to do all other things necessary or desirable in connection with the issuance and sale of the Series 2019-1 Bonds. Mr. James noted that the Supplemental Resolutions also authorize certain DASNY Officers to enter into agreements with other State entities in order to effectuate these transactions.

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

DORMITORY AUTHORITY OF THE STATE OF NEW YORK SUPPLEMENTAL RESOLUTION 2019-1 AUTHORIZING STATE SALES TAX REVENUE BONDS; and

DORMITORY AUTHORITY OF THE STATE OF NEW YORK SUPPLEMENTAL RESOLUTION 2019-1 AUTHORIZING STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)

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

Governance Committee Report

Governance Committee Chair Johnson reported that the Governance Committee met the prior day.

Mr. Ellis moved that the Members go into Executive Session to discuss the financial and credit history of particular corporations; proposed, pending or current litigation; and the employment history of persons or matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of particular persons.

Mr. Johnson seconded the motion and the Members went into Executive Session.

EXECUTIVE SESSION

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

PUBLIC SESSION

Governance Committee Report (continued)

Committee Chair Johnson stated that the Division of Budget has issued annual guidelines regarding a general salary increase for certain employees. He stated that the Governance Committee reviewed the compensation recommendations for certain executive staff including the President, Vice President, and Managing Directors, and unanimously recommends that the full Board approve the salary increases.

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

A RESOLUTION OF THE DORMITORY AUTHORITY OF THE STATE OF NEW YORK (“DASNY”) AUTHORIZING THE IMPLEMENTATION OF SALARY ACTIONS FOR STAFF OFFICERS AND EXECUTIVE STAFF CLASSIFIED AT THE STAFF OFFICER LEVEL

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

President’s Report

The President discussed three situations where, through the issuance of low-cost, tax-exempt bonds, DASNY is helping its higher education and health care clients expand and renovate

their facilities and make other capital improvements. He stated that these financings make it possible for DASNY's clients to advance their mission in their communities.

The President stated that on April 25, DASNY and Cornell University closed on a \$286.2 million financing. He further stated that these funds will provide interest rate savings to the University and represent the first phase of Cornell's overall financial plan. The President reminded the Members that this transaction was approved at the February Board meeting. He stated that DASNY expects to close on the second phase later this year, which will provide the funding for the University's North Campus Residential Expansion.

The President informed the Members that on the health care side, DASNY and Catholic Health System, Inc. closed a \$180 million transaction on April 25. He stated that this funding was also approved at DASNY's February Board meeting. The President further stated that the financing will provide the resources necessary to renovate and expand the System's facilities, giving patients in Western New York increased access to quality health care. He reported that the projects to be funded with Bond proceeds include the implementation of a state-of-the-art electronic medical records system and the renovation and expansion of Catholic Health's new, state-of-the-art Neonatal Intensive Care Unit (NICU) at Sisters of Charity Hospital. In addition, he stated that the operating rooms within Mercy Hospital of Buffalo and Kenmore Mercy Hospital will be expanded.

The President reported that DASNY and ArchCare at Terence Cardinal Cooke Health Care Center closed on a \$25 million tax-exempt financing on April 12. He stated that the financing will enable the Manhattan-based skilled nursing facility to further enhance fire safety systems and elevators throughout its campus, install a new generator, and modernize its kitchen. The President further stated that such improvements will increase safety and comfort, and will provide additional conveniences for residents and staff for years to come. The President explained that this represents the first of a two-part financing approved at the March 2019 Board meeting. He further explained that DASNY expects to close on the second part of the financing, which will expand and relocate Terence Cardinal Cooke's Specialty Hospital for Children, at the end of 2019.

The President then asked Ms. Lee to give a market update.

Public Finance and Portfolio Monitoring Report

Ms. Lee stated that total new issue supply is currently approximately \$107 billion year-to-date. Ms. Lee further stated that this is about 5% higher than supply levels seen this time last year, and that total supply for the week is expected to be about \$6.9 billion. She reported that U.S. government bonds were stronger overall on Tuesday as a result of negative trade and tariff headlines. Ms. Lee informed the Members that top-rated municipal bonds were stronger as well, and that municipal bond funds reported inflows for the 17th consecutive week. Ms. Lee stated that the one-year MMD has increased 1 basis point since the April Board Meeting, while the ten and 30-year MMD have decreased 15 and 24 basis points, respectively, since the April Board Meeting.

Ms. Lee stated that since the last Board meeting, DASNY met with Fordham University and St. John's University. She stated that they were both pleased with the changes made under

the One DASNY initiative. Ms. Lee informed the Members that DASNY plans to meet with the Hospital for Special Surgery later this month, and stated that she will keep the Members informed regarding these outreach efforts.

President's Report (continued)

The President informed the Members that as it has done for the past 75 years, DASNY continues to advance social infrastructure projects throughout New York State by financing, designing, developing, and constructing infrastructure for higher education and health care institutions.

The President stated that he delivered the morning keynote address to attendees at the Third Annual *Commercial Observer* Higher Education Construction Forum at the CUNY Graduate Center in New York City on April 11. The President further stated that in addition to discussing DASNY's overall Mission, he spoke about how DASNY is supporting Governor Cuomo's groundbreaking life sciences initiative by advancing the growth of a new, world-class research cluster that stretches from Northern Manhattan down to Brooklyn. He also summarized the additional life sciences project that will be expanding into the Capital Region in the near future.

The President updated the Members on the discussions that he and Mr. Curro have had with the CUNY system. He stated that CUNY would like to move more work to DASNY and therefore, DASNY will increase capacity in that area. The President further stated that there are currently three dedicated individuals supporting the downstate CUNY construction team. He explained that DASNY is assessing overall head count so that CUNY's needs can be met.

The President then asked Mr. Curro to provide the Members with an update on the Construction Division's work.

Construction Projects Report

Mr. Curro directed the Members' attention to the photograph on the cover of the Construction Projects Report. He stated that it depicts the recently completed Hudson Valley Pump House project for the New York State Department of Environmental Conservation, a project included in the 2012 New York Works Program.

Mr. Curro stated that the \$6.1 million project included the replacement of flood control pumping systems with improvements to each pump station site; asbestos abatement; site work including new roadways, parking lots, fencing and gating systems; and site utility upgrades. He further stated that each pump station was upgraded with new roofing, windows, louvers, roof mounted equipment, electrical distribution systems, mobile generators, sump pump and drainage piping, control wiring and control systems. Mr. Curro informed the Members that project design started in August 2012 and that construction was completed in January 2019.

Mr. Curro stated that the project included five separate pumping stations located in Herkimer, Amsterdam, Rosendale and Kingston, with a catchment area from Amsterdam to

Kingston. He explained that the purpose of the project was to control water on the thruway system during storm events.

Mr. Curro reported that the Construction expenditures for the prior fiscal year to date were \$856 million and the current fiscal year to date are \$705 million, a difference of \$151 million.

Mr. Curro updated the Members with respect to the NYCHA program. He stated that 75 of 78 security projects have been completed and turned over to NYCHA; 35 of 41 appliance installations have been completed (with 6 new projects since the fall of 2018 added to the program); and 8 quality of life projects have been completed. Mr. Curro reported that 21 quality of life projects are in the construction phase, and the balance of the projects are nearing the end of the design phase.

Mr. Curro reported that DASNY met with GOSR last week to discuss the results of DASNY's efforts to provide updated scheduling and budgeting information for all GOSR projects. He noted that GOSR will use the information to determine the direction of projects that are exceeding their authorized budgets or are scheduled to complete beyond the September 2022 program completion date. He noted that in the meantime, projects continue to advance through design and into construction.

Mr. Curro stated that the SUNY summer projects will commence next week with on-site activities taking place at a number of campuses. He further stated that there are currently 34 projects totaling \$61.2 million planned. Mr. Curro informed the Members that three SUNY capital projects totaling \$70.2 million will also begin in May. He reported that four SUNY capital projects that began construction in May 2018 will be completed over the summer in time for 2019 fall semester occupancy.

Mr. Curro reported that progress continues on the South Beach Psychiatric Center, which has a substantial completion date of October 2019. He stated that building enclosure has been completed, and that all interior activities including framing, sheetrocking, mechanical, electrical and plumbing system installation and finish work are advancing. Mr. Curro reported that an onsite executive session is scheduled for tomorrow with DASNY, OMH, the General Contractor and the Construction Manager.

Mr. Curro stated that a schematic re-design has been completed and delivered to FIT for consideration. He reported that associated cost estimating has been performed to analyze the re-design efforts as compared to the project's hard cost budget. Mr. Curro informed the Members that DASNY is currently awaiting direction from FIT and that the next meeting for the project is scheduled for Thursday, May 16.

Mr. Curro stated that with respect to the Department of Health Life Sciences Laboratory project, DASNY continues to work through the contract and RFQ updates in anticipation of the re-release of the RFQ in mid-May. He informed the Members that DASNY has also reached out to the design and construction community to discuss the project and learn about any approaches that could be employed prior to the RFQ release.

Mr. Curro reported that DASNY will be providing design and construction services to OMH in connection with the new Mid-Hudson Forensic Hospital. He stated that the project will be a new build replacement for the existing campus and that a kickoff meeting is scheduled to take place onsite with OMH on Tuesday, May 21.

Mr. Curro informed the Members that student interns will be starting their internships in late May at a number of project sites across the State. He stated that DASNY, SUNY and NYSERDA conducted a two-day project kickoff meeting for the Ford Hall project at SUNY Oneonta on May 6 and May 7 for the four design-build short-listed teams. Mr. Curro further stated that the project will incorporate net zero energy approaches into the design and construction.

Mr. Curro reported that the groundbreaking for the new net zero carbon ready residence hall at SUNY Poly in Utica is scheduled for tomorrow, May 9. He stated that the residence hall is scheduled to open for the Fall 2020 semester. The President confirmed that he will be in attendance at the event.

Mr. Curro informed the Members that an MWBE outreach event at RIT is scheduled for later this month.

General Counsel's Report

Mr. Cusack informed the Members that there will be a number of items before them for approval at the June meeting. He stated that the Board will be asked to approve the Audited Financial Statements, the ABO Annual Report, the Annual Investment Report, the Annual Procurement Contracts Report, and the Annual Bond Sale Report. Mr. Cusack further stated that the Annual TELP Report will also be presented.

Mr. Cusack stated that DASNY's empaneled bond counsel and emerging counsel firms that perform bond counsel work have been invited to an event at DASNY on June 14, 2019. He explained that DASNY will provide an overview of the changes that have been made to DASNY's Financing Guidelines for Independent Institutions, approval processes, policies and procedures, and documents. Mr. Cusack further explained that DASNY will communicate how we plan to work with bond counsel to implement the revisions in order to create a faster, more reliable process. In response to an inquiry from the Chair, Mr. Cusack estimated that approximately 48 attorneys from 25 firms will participate. He noted that 14 bond counsel firms and 11 emerging counsel firms have been invited to attend. The President reminded the Members that DASNY held a similar event last year with underwriters. He stated his belief that it is important to extend this community to bond counsel, who work closely with DASNY's clients and their partners, and discuss concepts such as efficiency, risk management, the cost of capital, and similar matters. The President noted that bond counsel are embedded in this process and are critical to supporting DASNY's efforts in the future. He stated that Mr. Cusack, Ms. Lee, Mr. Salaman, and he will provide the overview in DASNY's New York City Office.

The Chair inquired whether DASNY has held such events with Construction firms. The President responded that DASNY has solicited input from the industry with respect to certain projects, including the new life sciences project. He stated that this effort has generated feedback

about working with DASNY and will be used to engender more competition. The President noted that the Construction area is much larger, and therefore presents additional challenges.

Mr. Ronski observed that in situations where the construction manager or general contractor is asked to assume more risk, there is likely a corresponding increase in the amount paid. The President agreed that there is a relationship between assumed risk and compensation paid.

The President noted that the private client financing structure reflects DASNY's role as a conduit issuer, and that the presentation will be focused on how bond counsel interacts with DASNY's private clients and will address legacy processes where DASNY had assumed more of this responsibility. He explained that in the future, the bond counsel firms will have additional interaction with the private clients and their representatives, and that communication will not be solely DASNY's responsibility.

Mr. Curro explained that DASNY does not have a list of empaneled construction contractors. He stated that DASNY solicits as many firms as possible to bid on each job. Mr. Curro informed the Members that DASNY meets periodically with its contractors and consultants to obtain feedback on DASNY's contracts, processes, and other matters, and to learn of any market trends.

In response to an inquiry by the Chair, Mr. Cusack stated that in the construction law arena, DASNY utilizes a mixture of both internal counsel and outside construction lawyers. He explained that the June event will not include construction lawyers, as it will focus on the private client financing process up to the point of closing. The President agreed that the June event will be dedicated to the changes DASNY has made to improve the private client financing process, and stated that additional sessions are possible in the future.

In response to a question from Mr. Ronski, Mr. Cusack stated that a new Request for Proposals for Legal Services will likely be issued later this year for a selection next year.

In further response to Mr. Ronski's earlier question, Mr. Corrigan noted that the issue of risk allocation in DASNY's contracts is one that is raised frequently. He agreed with Mr. Ronski that it is important to find a middle ground where the price is not unreasonably high, but the allocation makes sense.

Financial Report

Ms. Nadeau stated that she had nothing to add to the written materials that were provided to the Members.

Mr. Ronski moved that the Meeting adjourn, Mr. Ellis seconded the motion and the Meeting was adjourned at approximately 10:45 a.m.

Respectfully submitted,

Michael E. Cusack
Assistant Secretary