The Dormitory Authority of the State of New York Finance Committee Video Conference Meeting was held 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 4:30 p.m. on Tuesday, November 12, 2019.

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 – NYCO

Gerard Romski, Esq., Finance Committee Chair

Members Present – Albany

Tracy Raleigh, Designated Representative of the Commissioner of Health, Member (ex officio), Committee Member

Members Absent

Alfonso L. Carney, Jr., Board Chair, Committee Member

Other Board Members Present – New York City

Joan M. Sullivan, Board Member

Other Board Members Present – Buffalo

Jonathan H. Gardner, Esq., Board Member

Dormitory Authority Staff Present – New York City

Paul Koopman, Vice President
Michael E. Cusack, Esq., General Counsel
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring
Ricardo Salaman, Managing General Counsel
David Ostrander, Assistant Director, Public Finance and Portfolio Monitoring
Stephen J. Kosier, Senior Financial Analyst
Maria T. Carrasco, Public Finance Fellow
Alex A. Sirdine, Public Finance Fellow

Dormitory Authority Staff Present – Albany

Kimberly J. Nadeau, Chief Financial Officer
Dena T. Amodio, Esq., Assistant General Counsel
Karen E. Ehlinger, Manager, Internal Controls Analysis
Dave Perritano, Public Information Officer

PUBLIC SESSION

Committee Chair Romski called the Meeting to order. The Minutes of the October 15, 2019 Finance Committee Meeting were reviewed and approved.

Barnard College

Committee Chair Romski indicated that Mr. Ostrander and Ms. Carrasco would be presenting to the Committee. Ms. Carrasco stated that the Transaction Summary provided to the Committee presents two series of fixed and/or variable rate, tax-exempt and/or taxable bonds in an amount not to exceed $90,000,000 with maturities not to exceed 40 years on behalf of Barnard College. She noted that the purpose of the issuance is to finance the renovation and modernization of the College's Morningside Heights Campus, making efficient use of the College's limited space. Projects include renovations to Barnard Hall to accommodate a student academic services center, dance and fitness studios, and office space; a top-to-bottom renovation to the College's science building, Altschul Hall, to enhance STEM education; and a number of other campus-wide renovation and maintenance projects. She further noted that approximately $80.0 million of project costs are expected to be funded with bond proceeds.

Ms. Carrasco stated that the bonds will also refund all or a portion of DASNY's Barnard College Series 2007A Bonds, which have a current par outstanding of $6.17 million. She indicated that assuming current market conditions, a total net present value savings in the range of $1.1 million, or 9.5% of the refunded bonds, is expected.

Ms. Carrasco stated that it is anticipated that the proposed issuance will be sold in two series, one fixed rate and one variable rate. She indicated that the fixed rate bonds will be sold through a public offering to fund a portion of the project costs (approximately $40 million of the total $80 million), to fund capitalized interest, and to refund the Series 2007A Bonds. She stated that the variable rate bonds will be sold through a private placement to fund the remaining portion of the project costs (approximately $40 million of the total $80 million). Ms. Carrasco stated that the privately-placed bonds are anticipated to be issued as draw down bonds, which provide the College with timely access to bond proceeds to fund ongoing projects, much of which may not be needed until 2021. She noted that the structure of the variable rate bonds also provides the College with the flexibility to pay down principal as gifts are received in the future. She noted that Barnard utilized a similar structure when issuing through DASNY in 2015.

Ms. Carrasco stated that that Moody's Investors Service has assigned a rating of "A1" to the outstanding obligations of the College with a "Stable" Outlook. She noted that it is anticipated that the Loan Agreement will be a general unsecured obligation of the College and no security interest in any revenues or assets of the College will be granted by the College under the Loan Agreement.

Ms. Carrasco reported on some financial highlights**,** noting that applications to the College have increased by approximately 40% over the last five years, from 5,676 in fall 2014 to 7,897 in fall 2018 and that total enrollment for fall 2018 was 2,635 students, just above the five-year average of 2,590. She stated that the College remains highly-selective, accepting only 13.9% of applicants for fall 2018 which is a significant drop from the 2014 acceptance rate of 23.8%. Ms. Carrasco stated that the College's financial resource base, as measured by expendable net assets, grew from $162 million in 2014 to $213.2 million in 2018. She indicated that net assets in 2018 totaled $515.3 million, increasing nearly 35% over five years. She further indicated that the College's audited financial statements for fiscal year 2019, which were released just prior to the mailing of the staff report, showed no significant changes in the College's overall financial position.

In response to an inquiry by Committee Chair Romski, Mr. Ostrander noted that there has been no community opposition to the proposed project and indicated that the project consists primarily of interior renovations, with a few façade renovations.

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

Fordham University

Committee Chair Romski then noted that Mr. Ostrander and Mr. Sirdine would be presenting the proposed transaction to the Committee. Mr. Sirdine stated that before the Committee for their consideration and recommendation to the full Board is a Resolution to Proceed for the issuance of one or more series of tax-exempt and/or taxable, fixed and/or variable rate bonds for a term not to exceed 40 years in an amount not to exceed $170,000,000 on behalf of Fordham University to be issued through a negotiated offering and/or private placement.

Mr. Sirdine stated the bonds are being issued to finance a portion of the costs associated with the renovation and expansion of the University's McGinley Student Center located on the Rose Hill Campus in the Bronx. He noted that the projects at the McGinley Center include: the construction of an approximately 71,000 square foot, three-level addition to the existing campus center; the renovation and improvement of the existing space; and the acquisition and installation of furniture and equipment. He further noted that the project will update and expand student life offerings to the campus community including new dining areas, a bookstore, a ballroom and meeting facilities, lounges, administrative offices, student organization space, and fitness areas.

Mr. Sirdine stated that Fordham is currently rated "A2" by Moody's and "A" by Standard and Poor's. He noted that the Loan Agreement for the Series 2019 Bonds will be a general unsecured obligation of the University and no security interest in any revenues or assets of the University will be granted by the University to DASNY under the Loan Agreement.

Mr. Sirdine stated that demand for the University's programs has increased in each of the last five years. Applications totaled 45,147 for fall 2018, an increase of 24.8% over five years. He noted that Fordham continues to report positive operating results, despite significant capital spending in recent years. He indicated that although operating margins began to thin in fiscal years 2016 and 2017 due to large capital expenditures at the Lincoln Center campus, margins averaged $21.2 million over the last five years. He further indicated that Fordham relies on tuition and fees and other student-related revenue. Mr. Sirdine noted that tuition and fees accounted for 71% of the University's total revenue for fiscal year 2018.

Mr. Sirdine stated that Fordham's total net assets have increased by $94.2 million over five years, reaching $1.3 billion in fiscal year 2018. He noted that the financial statements for fiscal year 2019, which were released after the mailing of the staff report, showed no material changes in the University's financial position.

Ms. Raleigh noted that it was good to see a long-standing DASNY client return for additional financing. The Committee Chair agreed with Ms. Raleigh and observed that DASNY had provided financing for facilities at Fordham's Lincoln Center campus, which Ms. Lee confirmed. In response to an inquiry by the Committee Chair, Mr. Ostrander noted that the expansion to the McGinley Center will be within the campus perimeter.

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

Master BOCES Program Lease Revenue Bonds – St. Lawrence-Lewis Issue

Mr. Kosier stated that before the Committee for their consideration and recommendation to the full Board is a Resolution to Proceed for the issuance of tax-exempt and/or taxable, fixed and/or variable rate bonds to be sold at one or more times through a negotiated offering in an amount not to exceed $43,000,000 on behalf of the St. Lawrence-Lewis Counties BOCES.

Mr. Kosier explained that the ability to create a BOCES (Board of Cooperative Educational Services) was established in 1948 and was designed to enable school districts to combine their resources to provide services that otherwise would be uneconomical, inefficient, or unavailable. He noted that St. Lawrence-Lewis Counties BOCES was established in 1970 and provides shared services to 18 component school districts in St. Lawrence and Lewis Counties that together serve approximately 20,000 students. He indicated that the component districts cover over 2,500 square miles and the BOCES administration offices are located in the Village of Canton. Mr. Kosier stated that DASNY has issued three series of bonds on behalf of St. Lawrence-Lewis Counties BOCES. He noted that as of September 30, 2019, approximately $2.3 million of Series 2011 Bonds and approximately $2.6 million of Series 2015 bonds remain outstanding.

Mr. Kosier noted that BOCES are funded by payments made to them by the component school districts based on their allocable share of program services and administrative and facilities expenses. He stated that the component school districts pay for these expenses through real property tax levies and, in addition, the State has made appropriations to the BOCES program each year since 1949 to partially offset these expenses. He stated that the amount of State aid apportioned to St. Lawrence-Lewis Counties BOCES is available to be applied to pay DASNY rentals (debt service).

Mr. Kosier reported that on October 9, 2018, voters approved $43,000,000 in financing for capital projects at three career and technical education centers of St. Lawrence-Lewis Counties BOCES. He stated that the project is anticipated to be financed through two fixed-rate, tax-exempt negotiated bond sales, with approximately half of the project expected to be financed in early 2020 and the remaining portion expected to be financed in late 2020 or early 2021. He noted that this structure better matches the funding with the cash flow needs of the project and minimizes the impact on the tax cap of the component school districts.

Mr. Kosier stated that the bonds are expected to be rated "Aa2" by Moody's. He noted that the Bonds will be secured by annual rental payments to be made pursuant to Lease Agreements with St. Lawrence-Lewis Counties BOCES. He stated that there will be a direct intercept, through the State Comptroller, of any State Aid due to St. Lawrence-Lewis Counties BOCES for rental payments on the DASNY Lease Agreements and a pledge of public funds apportioned by the State due to St. Lawrence-Lewis Counties BOCES in an amount sufficient to pay such rental payments, subordinate to pledges granted in connection with other outstanding DASNY St. Lawrence-Lewis Counties BOCES bonds. He noted that the bonds will be secured by a one-half year Debt Service Reserve Fund or Reserve Fund Facility, and that bond insurance may be considered depending on its availability and economic efficiency.

In response to an inquiry by Ms. Raleigh, Mr. Kosier confirmed that school aid payable to St. Lawrence-Lewis Counties BOCES is sufficient to cover the debt service. He noted that last year St. Lawrence-Lewis Counties BOCES received state aid in the amount of $22 million, and after the proposed bond issuance will have annual debt service obligations of approximately $3.8 million, reflecting roughly six to seven times debt service coverage.

In response to Committee Chair Romski, Mr. Kosier indicated that approval of the State Education Department ("SED") is required. He explained that following voter approval of the project, plans and specifications are submitted to SED for review and approval. Mr. Kosier indicated that such approval would be received before requesting the adoption of financing documents by the Board. In response to Committee Chair Romski's inquiry regarding the extent of the review, Mr. Koopman stated that his understanding is that SED architects and engineers undertake a high-level architectural review of the project.

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

Trevor Day School

Mr. Kosier stated that before the Committee for their consideration and recommendation to the full Board is a Resolution to Proceed for the issuance of tax-exempt and/or taxable, fixed and/or variable rate bonds to be sold at one or more times through a private placement or negotiated sale in an amount not to exceed $66,000,000 on behalf of Trevor Day School.

Mr. Kosier that the bonds are being issued to refund and restructure all or a portion of the DASNY Trevor Day School Series 2011 Bonds ($56.1 million) and to finance the costs of terminating two interest rate swap agreements integrated with the Series 2011 Bonds ($6.6 million).

Mr. Kosier stated that Trevor Day School is a 501(c)(3) not-for-profit, coeducational, independent day school. He noted that the School began in 1930 as a nursery and kindergarten program which, over the course of several decades, expanded to offer rigorous academic programs from nursery through Grade 12 with an emphasis on preparing its students to enter into college and university studies. Mr. Kosier stated that prior to 2015 the Middle School (Grades 6-8) and the Upper School (Grades 9-12) were located in the Andrew Goodman Building on the Upper West Side of Manhattan and the Lower School (Nursery-Grade 5) operated out of two locations on the Upper East Side of Manhattan. He indicated that in 2015, the Middle School and Upper School relocated to a new school building on the Upper East Side and the Lower School moved to the Andrew Goodman Building on the West Side.

Mr. Kosier stated that the DASNY Series 2011 Bonds were issued to finance the new Middle and Upper School Building. He indicated that the 2011 bonds are variable rate bonds that were sold through a private placement to RBS Citizens and are currently eligible for redemption at par. He stated that in connection with these bonds, the School entered into two interest rate swap agreements. Mr. Kosier stated the School's current management prefers a more conservative fixed-rate debt profile. He noted that management believes the current market provides the School with the opportunity to refund and restructure its debt. He indicated that the School is in the process of selecting a Qualified Institution Buyer to purchase the proposed bonds through a private placement. He stated that the Transaction Summary mentions the School was also considering obtaining a rating and proceeding with a public offering, however that is not the current expectation.

Mr. Kosier stated that net tuition and fees account for approximately 93% of the School's total operating revenues. He noted that the School is tuition dependent and therefore must manage its enrollment and expenses well to meet its operating targets. He stated that the overall enrollment decreased from 818 students in the fall of 2015 to 783 students in fall of 2018 and that this decline is primarily due to a decrease in Lower School enrollment from 331 students in 2014 to 254 students in 2018. He indicated that management attributes the decline to the disruption caused by the relocation of the Lower School in 2015 and the discontinuation of the nursery program in 2014. He stated that management has indicated that by bringing back the nursery school in 2017 and other recruitment initiatives, enrollment has stabilized and is on track for annual improvements, as the nursery program is a feeder program for Kindergarten which is the key entry point for the Lower School. Mr. Kosier stated that Kindergarten enrollment is currently 38 students, up from 24 students in 2017-18, and with larger Kindergarten classes, Lower School enrollment is expected to return to historical levels as the students flow into higher grades.

Mr. Kosier stated that the Upper School enrollment increased from 269 students in 2014 to 337 students in 2018, partially offsetting the decline in the lower grade levels. He indicated that the School had its largest graduating class ever last year with 87 students. He stated that overall, the School receives about 1,000 applications a year, with selectivity in the low to mid 30% range and yield averaging approximately 30%.

Mr. Kosier stated that tuition has increased from approximately $42,000 in 2014 to approximately $51,000 in 2018 and the tuition discount rate has averaged 15% over this time period. He indicated that the School's Net Tuition per Student has increased each year, from approximately $34,000 in 2014 to approximately $41,000 in 2018. He stated that management is able to adjust its operating expenses based on fluctuations in enrollment to meet its margin targets and that excess operating revenue over operating expenses has been in excess of $4.2 million in each of the past three years.

Mr. Kosier noted that debt service coverage has been approximately 1.5 times in each of the past three years and that the School's total assets have been relatively flat over the past five years averaging approximately $178 million. He indicated that cash and investments have averaged approximately $42 million over this time period. Mr. Kosier stated that net assets have increased by 32% over the last five years, from $72.5 million in 2014 to $95.5 million in 2018. He indicated that the School's expendable resources to debt ratio was 0.21 times in 2018 and total cash and investment to debt was 0.66 times in 2018.

Mr. Kosier stated that management is focused on improving these liquidity measures, in part by restructuring its debt, and that subject to review by tax counsel, the School plans to structure the proposed bonds with principal being repaid over approximately 27 years with an interest-only period of approximately 3 years. He noted that the proposed financing structure would allow the School to improve its liquidity by reserving the $6.3 million in principal it would otherwise be paying over the next three years. He stated that, in addition, extending the final maturity will better align the liability with the useful life of the asset. Mr. Kosier stated that annual debt service on the Series 2011 bonds is approximately $4.3 million, while annual debt service on the proposed bonds is expected to be approximately $3.5 million. He noted that the School is not expecting debt service savings on a net present value basis. He stated that Staff will provide the Board with an update on the plan of finance when the Board is asked to adopt financing documents.

In response to an inquiry from Ms. Raleigh, Mr. Kosier indicated that the proposed extension of maturity is approximately nine years, noting that the current final maturity is 2041 and with the extension the maturity would be 2050. Mr. Kosier did note that this is subject to review by tax counsel. In response to Ms. Raleigh's inquiry, Mr. Kosier noted that this is the anticipated structure whether the transaction is a private placement or public offering. He did note, however, that at this time the expectation is that the transaction will be a private placement and it is expected that the selection of the purchaser will be made shortly.

Mr. Kosier responded to an inquiry by Ms. Sullivan, stating that decline in Lower School enrollment over the past few years is largely due to two factors: the relocation of the Lower School from the East Side to the West Side, and the decision to close the nursery program. He noted that the School brought back the nursery school program in fiscal year 2017-18, and is now seeing an increase in enrollment in the lower grades as the key entry point is kindergarten.

In response to an inquiry by Committee Chair Romski, Mr. Kosier stated that the School has not only reinstated its nursery school program, but has also developed relationships with other nursery school programs on the West Side. He indicated that as a result, the School's management expects enrollment at the kindergarten level to increase, thus improving the School's financial position.

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

After thanking Ms. Carrasco and Mr. Sirdine for their participation, Finance Committee Chair Romski moved that the meeting adjourn. Ms. Raleigh seconded the motion and the Meeting was adjourned at approximately 5:10 p.m.

Respectfully submitted,

Michael E. Cusack
Assistant Secretary