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 4:55 p.m. on Tuesday, October 15, 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

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

Other Board Members Present – via phone

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

Dormitory Authority Staff Present

Paul Koopman, Vice President
Michael E. Cusack, Esq., General Counsel
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring
Caroline V. Griffin, Chief of Staff
Ricardo Salaman, Managing General Counsel
Larry N. Volk, Senior Director, Portfolio Management
Sara P. Richards, Esq., Associate General Counsel
Deborah K. Fasser, Director Communications & Marketing
Ann S. Andrew, Director, Information Systems
Matthew T. Bergin, Assistant Director, Public Finance and Portfolio Monitoring
David Ostrander, Assistant Director, Public Finance and Portfolio Monitoring
Stephen J. Kosier, Senior Financial Analyst
Gerard Klauser, Senior Financial Analyst
Dave Perritano, Public Information Officer
Maria T. Carrasco, Public Finance Fellow
Alex A. Sirdine, Public Finance Fellow

PUBLIC SESSION

Committee Chair Romski called the Meeting to order. Committee Member Tracy Raleigh was welcomed to the meeting as a non-voting Member participating via telephone. The Minutes of the September 10, 2019 Finance Committee Meeting were reviewed and approved.

The Board Chair moved that the Committee 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 particular persons or matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of particular persons.

Mr. Romski 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

Board Financing Authorization Policy

Ms. Lee informed the Committee Members that certain proposed amendments to the Bond Financing Authorization Policy are being provided to the Committee and the Board for discussion purposes only, and stated that no Committee or Board action is requested at this time. Ms. Lee explained that under the currently policy, the Single Approval process is authorized for highly-rated private higher education and health care clients rated in the A category. She explained that a policy amendment Staff may be interested in exploring would be the amendment of the definition of eligible highly-rated institutions to include authorized affiliates of those entities as long as the financing is rated in the A category. The Committee Chair thanked Ms. Lee for providing this update.

Personal Income Tax / Sales Tax Revenue Bond Program

Mr. Bergin presented the Single Approval Transaction Summary and Staff Report for the Sales Tax Revenue Bond Program and/or Personal Income Tax Revenue Bond Program. He stated that the Committee is being asked to recommend to the full Board the adoption of the necessary documents for the issuance of multiple series of tax-exempt and taxable, fixed and/or variable rate bonds issued at one or more times with a term of 30-years in an amount not to exceed $3.5 billion under either the Sales Tax Revenue Bond Program and/or the Personal Income Tax Revenue Bond Program.

Mr. Bergin informed the Committee Members that the mechanics of the two programs are very similar. He explained that the major difference between the programs is whether the stream of revenues that secures the bonds is sales tax revenue or personal income tax revenue. Mr. Bergin further explained that the Bonds are being issued for new money and refunding purposes and the new money portion will be for 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; capital projects for the State University of New York ("SUNY"); funding for various environmental initiatives; funding for State and Municipal Facilities ("SAM") Grants; funding for Economic Development Projects and/or Grants; funding for Health Care Grants; funding for various Education Programs; and the refunding of certain bonds issued under various State supported debt programs. Mr. Bergin informed the Committee Members that of the $1.5 billion in refunding bonds, $1.4 billion will be issued as taxable advance refunding bonds and $100,000,000 will be issued as tax-exempt current refunding bonds.

Mr. Bergin stated that if the Bonds are issued under the Sales Tax Revenue Bond Program, the bonds will be paid by semi-annual payments made pursuant to a Financing Agreement between DASNY and the State. He informed the Committee Members that pursuant to the Agreement, the bonds are 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 stated that 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 semi-annual payments made pursuant to a Financing Agreement between the DASNY and the State. He informed the Committee Members that pursuant to the Agreement, the bonds are 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 stated that current debt service coverage on all outstanding State Personal Income Tax bonds is 6.4 times. Mr. Bergin stated that both Programs are expected to be rated Aa1/AA+/AA+.

In response to an inquiry from Committee Chair Romski, Mr. Bergin explained that the Division of the Budget will determine whether to issue bonds under the Sales Tax or PIT program. Mr. Bergin stated that while DASNY is seeking authorization to issue under either program, the Bonds are currently expected to be issued under the PIT program. Committee Chair. Romski recalled the previous discussion among the Members of the methodology to be utilized by DOB in order to verify that sufficient funds exist to meet the required debt service coverage ratio. The Board Chair thanked Mr. Bergin for answering his questions about the transaction. He noted that while this is a very large issuance, nothing in the size of the proposed transaction changes the analysis of the structure of the transaction. Committee Chair Romski concurred. Ms. Lee stated that the new money portion of this transaction is consistent with the size of prior deals. She noted that a large portion of the issuance is the refunding component, which is being undertaken to achieve savings. In response to a question from the Committee Chair, Ms. Lee and Mr. Bergin confirmed that the programs being financed would be typical for PIT and Sales Tax offerings. The Board Chair opined that the bond counsel letter was very well done and that the staff analysis was sound. Committee Chair Romski observed that present value savings are being taken upfront.

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

St. Mary's Hospital for Children, Inc.

Before starting his presentation, Mr. Klauser noted that DASNY's two Public Finance Fellows, Maria Carrasco and Alex Sirdine, contributed significantly to Staff's analysis of the St. Mary's Hospital for Children transaction. He explained that Ms. Carrasco and Mr. Sirdine participated in conference calls relating to the project, assisted with drafting the transaction summary, and undertook additional tasks. The Board Chair commended Staff for including the

Fellows in this transaction and thanked Mr. Klauser for involving them in such a meaningful way. Mr. Romski encouraged Members and Staff to visit the hospital facility and stated that the Institution provides very important services. Mr. Klauser concurred.

Mr. Klauser presented the Single Approval Transaction Summary and Staff report for St. Mary's Hospital for Children, Inc. He stated that the Committee is being asked to recommend to the full Board the adoption of the necessary documents for the issuance of one or more series of 22-year fixed and/or variable rate, tax-exempt and/or taxable bonds in an amount not to exceed $77,000,000. Mr. Klauser further stated that the Bonds will be privately placed bonds through Manufacturers and Traders Trust Company, with a 15-year hold period. He informed the Committee Members that the Bonds will amortize with level monthly principal and interest payments over a period of 22 years. Mr. Klauser reported that Ponder & Company is the Financial Advisor for the transaction and that the firms of Locke Lord LLP and Burgher Gray LLP are co-bond counsel.

Mr. Klauser reported that the financing will refund DASNY's Series 2010 privately-placed bonds issued on behalf of St. Mary's. He noted that at the time of issuance, the Series 2010 bonds represented the first private placement transaction undertaken by DASNY. Mr. Klauser informed the Committee Members that St. Mary's will achieve Net Present Value Savings in the amount of $29.7 million, or 38.3%, of the refunded bonds. He reported that the Hospital has secured a rate lock of 2.47% with Manufacturers & Traders Trust Company, and that the Hospital's interest rate with Oppenheimer was previously 7.875%. Mr. Klauser stated that the Bonds will be secured by a first lien mortgage on the Hospital campus; a gross receipts pledge; an all-assets pledge; and a gross receipts pledge of the Guarantor.

Mr. Klauser stated that the Hospital has recently undertaken a significant restructuring which resolved managed care rates. He noted that Medicaid is the Hospital's primary payor and represents over 96% of payments. Mr. Klauser stated that St. Mary's has improved the admissions process and occupancy rates, and has also made significant program improvements to the Medical Daycare Program, Early Education Program and Out-Patient Programs. He reported that in March 2019, the Hospital increased the number of beds by 21, bringing the number of total beds to 124. Mr. Klauser stated that the Hospital will also receive the benefit of the Department of Health "Shared Savings Program," which allows residential nursing facilities to share in savings associated with approved financings.

Mr. Klauser informed the Committee Members that St. Mary's Hospital has been profitable for the last four years (2015-2018). He stated that the operating margin has averaged .97% for the last 5 years. Mr. Klauser pointed out that the medians for operating margins are often negative for nursing homes, so this is a significant statistic. He stated that pediatric nursing homes have historically been exempt from cuts in reimbursement, which was especially noteworthy considering the Hospital's payor mix and high dependency on Medicaid reimbursement. Mr. Klauser further stated that the Bonds will not carry a rating and are not expected to be reoffered in the secondary market. He reported that the Governor's approval of TEFRA was received on October 9, 2019; the SEQR review was completed on October 15, 2019; and that PACB approval is expected at its October 16, 2019 meeting.

In response to an inquiry by Committee Chair Romski, Mr. Klauser stated that the proceeds of the 2010 Bonds were used to build a new hospital facility. Mr. Romski asked for additional information about the resolution of Medicaid reimbursement rates. Ms. Raleigh responded that St. Mary's successfully negotiated a reimbursement rate sufficient to cover the high level of services the Hospital provides. She confirmed that as a pediatric facility, it is exempt from certain rate actions that impact other nursing homes. Ms. Raleigh stated that the Hospital provides a higher level of service than many other pediatric nursing facilities and provides certain therapy programs to help the children transition back to living at home. She noted that this approach results in a higher acuity level than other long-term care facilities. Ms. Raleigh informed the Members that the Department of Health strongly supports this transaction and considers St. Mary's Hospital to be a success story. Ms. Raleigh noted that there is no Department of Health Memorandum with respect to this transaction, as the financing is not being undertaken through the MCFFA statute. She explained that no DOH memo is required for financings under the DASNY statute. Ms. Raleigh noted that the transaction also generates savings for the Hospital and for the State.

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

SUNY Dormitory Facilities

Mr. Kosier stated that the Finance Committee is being asked to recommend to the full Board the adoption of the necessary documents to authorize the issuance of multiple series of tax-exempt and/or taxable bonds to be issued under the State University of New York Dormitory Facilities Revenue Bonds program. He further stated that the bonds will be sold on a negotiated basis with a term not to exceed 30 years in an amount not to exceed $950 million.

Mr. Kosier informed the Committee Members that the bond proceeds will be used to finance various dormitory capital projects at SUNY campuses throughout the State. He stated it is currently expected that approximately $164 million in new money bond proceeds from the proposed issuance will be used to fund these projects. Mr. Kosier noted that SUNY has approved up to $175 million of new money projects. He stated that bond proceeds will also be used to refund all or a portion of various DASNY bonds, including bonds issued under the old (pre-2013) State University of New York Dormitory Facilities Lease Revenue Bond program and the new SUNY Dormitory Facilities Revenue Bond program. Mr. Kosier further stated that the refunding candidates under the old program include the Series 2010A, Series 2011A, and Series 2012A bonds.

Mr. Kosier stated that the refunding candidates under the new SUNY Dorms program include the Series 2013A, 2015A and Series 2015B bonds. He further stated that the refundings are expected to be issued on a taxable basis, although the Series 2010A bonds may be issued on a tax-exempt basis with a forward delivery, if economically advantageous. Mr. Kosier informed the Committee Members that the refundings are expected to generate net present value savings of approximately $96.2 million, or approximately 14.2% of the bonds being refunded, and that the final terms of the refunding bonds will not exceed the terms of the bonds being refunded.

Mr. Kosier reported that the SUNY Residence Hall program operates on 25 Campuses and serves over 70,000 students on an annual basis. He reminded the Committee Members that in March 2013, the State enacted legislation authorizing the new SUNY Dorms program, which is supported solely by the rents, fees and charges of the dormitory rentals. Mr. Kosier explained that pursuant to the legislation, SUNY executed an assignment to DASNY of all rights in dormitory facilities revenues. He 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. Mr. Kosier informed the Committee Members that these funds are used first to pay the debt service on the old SUNY Dormitory bonds, and then debt service on bonds issued under the new program. He noted that any amounts remaining in the Fund after payment for such purposes is the absolute property of SUNY to fund dormitory operations and any other lawful purpose.

Mr. Kosier stated that security for the bonds includes a second lien on dormitory rentals deposited in the Dormitory Facilities Revenue Fund, and that bonds currently outstanding under the old SUNY Dormitory Facilities Program have the first lien on these revenues. He further stated that this will be the sixth financing under the new SUNY Dorms program.

In response to a question from Committee Chair Romski, Mr. Kosier confirmed that DASNY plays no role in the determination of how funds are allocated among the SUNY campuses. He explained that each campus provides SUNY with its 5-year capital budget plan and SUNY then makes the determination The Board Chair inquired whether Mr. Kosier is notified in the event of a project budget change. Mr. Kosier responded in the affirmative and stated that DASNY shares this information with bond counsel as appropriate. Mr. Romski observed that the occupancy rates in SUNY dormitories remain very high. The Board Chair agreed that the occupancy rate is impressive.

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

<u>The Convent of the Sacred Heart School of New York</u>

Mr. Ostrander presented the Staff Report to the Members. He stated that the Finance Committee is being asked to recommend that the full Board adopt a Resolution to Proceed with respect to the issuance of one or more series of tax-exempt and/or taxable, fixed and/or variable rate bonds, each in an amount not to exceed $25,000,000 on behalf of The Convent of the Sacred Heart School of New York.

Mr. Ostrander stated that the client operates a non-residential school for pre-kindergarten through grade 12 girls and is located on the upper east side of Manhattan. He further stated that this will be the School's second financing through DASNY, the first of which financed a portion of the School's athletic facility in 2011.

Mr. Ostrander informed the Committee Members that the transaction would refund all or a portion of DASNY's Convent of the Sacred Heart Insured Revenue Bonds, Series 2011. He explained that the issuance will result in savings to the School with no extension of the final maturity. Mr. Ostrander stated that the Bonds are expected to be sold through a private placement. He further stated that the School has issued a Request for Proposals ("RFP") to potential purchasers and expects to select a single purchaser by the end of October. Mr. Ostrander explained that the Series 2011 bonds are first callable on May 1, 2021, and pursuant to Federal tax law may only be refunded with tax-exempt bonds beginning 90 days before the call date. He further explained that as a result, the School is considering two options to lock in fixed-rate savings in the current market and will select from one of these two options based on the responses received from the RFP process. Mr. Ostrander stated that the School will decide on which option to pursue prior to returning to DASNY for the adoption of documents.

Mr. Ostrander stated that the first option being considered is a taxable to tax-exempt transaction. He explained that under this scenario, the Series 2019 bonds would be issued as taxable bonds at closing, which is anticipated to occur in November 2019. Mr. Ostrander further explained that once the Series 2011 bonds are callable, on or about May 1, 2021, the Series 2019 taxable bonds would then be subject to a mandatory tender and replaced with Series 2021 tax-exempt bonds upon receiving a tax-exempt opinion from bond counsel.

Mr. Ostrander informed the Committee Members that the second option under consideration is a forward delivery. He explained that under this scenario, the purchaser would commit to a tax-exempt fixed rate in November 2019, but the Series 2021 refunding bonds would not be issued until the Series 2011 Bonds are callable, on or about May 1, 2021. Mr. Ostrander indicated that at that point, the Series 2021 bonds would bear interest at the pre-determined tax-exempt rate upon receiving a tax-exempt opinion from bond counsel.

Mr. Ostrander noted that conservatively assuming a taxable rate through final maturity, the refunding of the 2011 Bonds would result in total net present value savings in the range of $3.3 million, or 14.2% of the refunded bonds.

Mr. Ostrander stated that the School has experienced consistent demand for a limited number of openings and that applications have averaged approximately 500 annually. He reported that for fall 2018, the School had an acceptance rate of 32%. Mr. Ostrander further reported that enrollment has averaged approximately 723 students over the last five years. Mr. Ostrander stated that the School's balance sheet reflects a growing financial resource base over the last five years due to a combination of positive operating margins, investment earnings, and fundraising support. He indicated that the School's total net assets have increased by 7.8% during that time, from $105.5 million in 2014 to $113.7 million in 2018.

Mr. Ostrander stated that the School has received an A- rating from Standard & Poor's. He noted that since the bonds will be privately placed, no rating is expected.

The Board Chair observed that the School has performed very well over time. He noted that total enrollment is constant and the Institution is selective. In response to a question from the Board Chair regarding tuition charges, Mr. Ostrander stated that the net tuition rate per student is calculated by subtracting financial aid from the tuition charges and then averaging it out across all students. The Board Chair and Committee Chair thanked Mr. Ostrander for the comprehensive summary and thorough analysis.

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

Committee Chair Romski thanked Ms. Lee for her work in bringing so many transactions to the Finance Committee for approval. The Board Chair concurred, and observed that in addition to the number of transactions being considered, both the PIT/Sales Tax transaction and the TELP transaction are large dollar amounts.

Montefiore Medical Center - TELP

Ms. Lee reported that the Committee is being asked to recommend an amendment to the approval of a TELP transaction for Montefiore Medical Center in the amount of $44,870,565. She explained that an amended Resolution to Proceed is now required, as the DASNY Board originally approved a TELP transaction in the amount of $32,988,567 on June 19, 2019. Ms. Lee further explained that the equipment list being financed with the TELP proceeds has been revised, and the total amount has increased from $32,988,567 to $44,870,565. Ms. Lee directed the Committee Members' attention to the equipment list provided with the Board materials, which details the items to be acquired. In response to an inquiry from Mr. Romski, Ms. Lee stated that she would provide additional information regarding the "IT Storage Strategy" line item. The Board Chair thanked Ms. Lee and Mr. Volk for their input and willingness to answer questions about the equipment to be financed.

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

The Board Chair moved that the meeting adjourn. Ms. Raleigh seconded the motion and the Meeting was adjourned at approximately 5:45 p.m.

Respectfully submitted,

Michael E. Cusack
Assistant Secretary