

A Video Conference Meeting of the Finance Committee of the Dormitory Authority of the State of New York (“DASNY”) was held on September 8, 2021 with proceedings commencing at 9:30 a.m.

The following Committee Members, Board Members and Staff present are as follows:

Board Members Present – NYCO

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

Board Members Present – Albany

Tracy Raleigh, Designated Representative of the Commissioner of Health, Board Member (*ex officio*) – Board Member
Kenneth Evans, Designated Representative of the Commissioner of Health, Board Member (*ex officio*) – Board Member

Board Members Present – Buffalo

None

Board Members Present – ZOOM

Jonathan Gardner, Esq. – Board Member
Wellington Chen – Board Member
Joan M. Sullivan – Board Member
Janice McKinnie – Board Member
Phyllis Morris, Designated Representative of the Commissioner of Education, Board Member (*ex officio*) – Board Member
Adrian Swierczewski, Designated Representative of the Director of the Budget, Board Member (*ex officio*) – Present

Board Members Absent

Beryl L. Snyder, Esq. – Secretary

Staff Members Present - NYCO:

Reuben R. McDaniel, III, President and Chief Executive Officer
Ricardo Salaman, Esq., Deputy General Counsel

Staff Members Present - Albany:

Paul G. Koopman, Vice President
Kimberly A. Ellis, Chief Financial Officer

Nadine Fontaine, Esq., General Counsel
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring
Stephen Curro, Managing Director, Construction
Caroline V. Griffin, Chief of Staff
Sara Potter Richards, Esq., Managing Senior Director, Governance and Administration
Craig Schreivogl, Director, Portfolio Monitoring
Matthew T. Bergin, Director, Public Finance
David Ostrander, Assistant Director, Public Finance and Portfolio Monitoring
Dena Amodio, Esq., Assistant General Counsel
Gerard Klauser, Senior Financial Analyst
Maria Carrasco, Financial Analyst

Staff Members Present - Zoom:

Kathy Ebert, Senior Director, Internal Audit
Deborah K. Fasser, Director, Strategic Communications and Business Development
Karen Ehlinger, Manager, Internal Control Analysis

Gerry Romski, Committee Chair: Welcome to the September 2021 Meeting of the Finance Committee. It is being held from a number of locations today due to recently enacted legislation; some folks are in Albany, and some folks like us are in New York City. First up on the Agenda is the adoption of the Meeting Minutes from the July Meeting of the Finance Committee. May I please have a motion to approve those Meeting minutes?

Tracy Raleigh, Committee Member: I'll move.

Chair Romski: Thank you Tracy. May I have a second?

Alfonso Carney, Committee Member: Second.

Chair Romski: Thank you very much. All in favor? (Collective Aye). That motion carries. Thank you very much. Sara?

Sara Richards, Managing Senior Director, Grants and Administration: Pursuant to legislation the Governor signed into Law on September 2, 2021, Board Members may fully participate in the meeting from remote locations that are not open to the public. The new law sunsets on January 15, 2022.

Chair Romski: Thank you very much, Sara. First up on the Agenda is a PIT - Sales Tax offering. Matt, take us away.

Matt Bergin, Director, Public Finance and Portfolio Monitoring: Thank you. The Finance Committee is being asked to recommend to the Board, the issuance of multiple series of tax-exempt and/or taxable fixed rate and/or variable rate bonds issued at one or more times with a term of 21 years, in an amount not to exceed \$850 million under either the Sales Tax Revenue Bond Program

and/or the Personal Income Tax Revenue Bond Program. At this time, the current plan is to issue under the Personal Income Tax Program, otherwise known as PIT.

The proposed financing will refund certain variable rate State supported debt and eliminate the State's variable rate debt portfolio with DASNY. The swaps associated with these variable rate bonds will be terminated and any costs associated with terminating the swaps will be financed as part of the transaction. With these swaps, DASNY pays a fixed rate of interest to the swap counterparty. DASNY receives a variable rate of interest from the swap counterparty which is used to pay the variable rate interest on the bonds.

I want to highlight a few things. Back when the swaps were entered into, the synthetic fixed rate of interest on the swaps was lower than the traditional fixed rate. The current interest rate environment, together with the fact that these loans have been amortizing for some time, enables the State to issue fixed rate bonds to refund the underlying variable rate bonds and terminate the swaps. The savings associated with the proposed refunding of these variable rate bonds is expected to approximate the costs of issuance and the costs associated with terminating the swaps.

The variable rate bonds expected to be refunded include bonds issued for Mental Health Services in 2003; for CUNY in 2008 and a 2019 Personal Income Tax bond issue. In addition, the current plan of finance also includes the refunding of all or a portion of the DASNY's State Personal Income Tax Revenue Bonds Series 2011E and Series 2011G. These 2011 bonds are more traditional fixed rate refundings, and this is where the bulk of the savings are.

To sum it up, we are seeking authorization for bonds to be issued for the following purposes: the refunding of all or a portion of certain bonds issued under various State supported debt programs, including, but not limited to, DASNY's Mental Health Services Facilities Improvement Revenue Bonds Series 2003D - 2E, Series 2003D - 2F and Series 2003D - 2H; DASNY's City University System Consolidated Fifth General Resolution Revenue Bonds Series 2008C and Series 2008D; DASNY's State Personal Income Tax Revenue Refunding Bonds Series 2019C and all corresponding swap termination fees related to these aforementioned bonds; and the refunding of all or a portion of DASNY's State Personal Income Tax Revenue Bonds Series 2011E and Series 2011G.

For security under the Sales Tax Revenue Bond Program, the security includes semi-annual payments to be made pursuant to the Financing Agreement between DASNY and the Division of the Budget and a set aside of two cents or 50% of the State's 4% sales tax pursuant to statute and deposited in the Sales Tax Revenue Bond Fund. An additional one cent for a total of two cents is now available to be dedicated, as the obligations of the Local Government Assistant Corporation were satisfied on April 1 of 2021.

Personal Income Tax Revenue Bonds are secured by semi-annual payments to be made pursuant to the Financing Agreement between DASNY and the Division of the Budget, a set aside of 50% of receipts from the New York State Personal Income Tax, and an Employer Compensation Expense Tax, with 50% of such receipts also deposited in the Revenue Bond Tax Fund.

In addition, this year's Budget provides that 50% of the receipts from the imposition of the Pass Through Entity Tax, pursuant to article 24A of the Tax Law, shall be deposited in the Revenue Bond Tax Fund. This is expected to be revenue neutral to the State, although PIT receipts would decrease to the extent that qualifying entities elected to pay this tax. To hold the Revenue Bond Tax Fund harmless and to maintain comparable security, 50% of the receipts of this tax would also be deposited in the Revenue Bond Tax Fund.

The expected ratings of either program are AA2 / AA+ / AA+. For the fiscal year ending March 31, 2022, the debt service coverage for all outstanding Sales Tax Bonds is projected to be 5.6 times total debt service and the debt service coverage on all outstanding State Personal Income Tax Bonds is projected to be 6.4 times total debt service. This is an improvement from the projected coverage that was presented in May when, at the time, the projection looked to have Sales Tax covered by 5.1 times and a coverage ratio of 5.6 times for State Personal Income Tax Bonds.

Mr. Chairman, that concludes my presentation.

Chair Romski: Thanks very much for that thorough presentation. Are there questions from any of the Finance Committee Members or anybody else from the Board?

Ms. Raleigh: Just to confirm, there's no extension of maturity in the aggregate?

Mr. Bergin: The maturity, in the aggregate, will be within the same fiscal year of the bonds to be refunded.

Ms. Raleigh: And there is present value savings associated with the refunding, so this really is an economic decision.

Chair Romski: And those savings will be taken mostly by the end of 2027, so we are basically saving on interest payments at the end of the day, which is a good thing.

Mr. Bergin: Yes, that is correct.

Ms. Raleigh: That makes sense. I think it also exits the State from DASNY's variable rate debt.

Mr. Bergin: Yes.

Chair Romski: Any other questions or concerns from anybody else?

Reuben McDaniel, President: I just want to make the comment that eliminating swaps will limit the administrative burden of swaps on DASNY staff. It will certainly be a benefit to DASNY to have the swaps off the books.

Chair Romski: If there are no other comments or concerns or questions, I will ask the Committee Members to make a motion to recommend approval of this offering at today's full Board Meeting.

Ms. Raleigh: So moved.

Mr. Carney: Second.

Chair Romski: Thank you very much. All in favor? (Collective Aye). Opposed? Hearing none, we will recommend that DASNY approve at today's full Board Meeting. Thank you very much.

Next up is the Fordham University offering. Dave?

David Ostrander, Assistant Director, Public Finance: The Finance Committee is being asked to recommend to the full Board one or more series of tax-exempt and/or taxable, fixed and/or variable rate bonds in an amount not to exceed \$205,000,000, with maturities not to exceed to 31 years on behalf of Fordham University.

The majority of the proceeds from this issuance will be used to refund all or a portion of the DASNY's Series 2012, Series 2014, and Series 2016A Bonds, all totaling about \$182 million. The Series 2012 Bonds are callable on or after July 1st of next year. Therefore, the University intends to either advance refund the Series 2012 Bonds with taxable bonds or utilize a forward delivery of tax-exempt bonds, whereby the bonds would price as early as October of this year and close on or after April 2nd of 2022 when the issuance would qualify as a current refunding.

As far as the 2014 Bonds, these are callable on or after July 1, 2024 and the University intends to advance refund these Bonds with taxable bonds. As far as the 2016A Bonds, they have a current par amount outstanding of \$131,700,000. It is anticipated that the University will refund about \$32,000,000 of the Series 2016A step coupon bonds maturing in July of 2038. These step coupon bonds are currently callable. The remaining 2016A bonds are not callable until July 2026. So while we included the full amount in this authorization because there are savings, the University may opt to not refund the full amount of those bonds.

In addition to the refunding, bond proceeds may be used to finance a portion of the costs associated with the renovation and expansion of the University's campus center located on the Rose Hill Campus in the Bronx, as well as certain renovation, repair, and replacement projects located on the University's campuses. That portion totals approximately \$15 million. The University financed a major portion of the Student Center in 2020 with a DASNY bond issuance.

Fordham has a rating of "A2" with a stable outlook from Moody's, as well as an "A" rating from S&P with a stable outlook. As in recent Fordham transactions, it is anticipated that the Loan Agreement will be a general unsecured obligation of the University.

Demand for the University's programs has increased in each of the last five years. Applications totaled just under 48,000 for fall 2020, which held steady from the fall 2019 despite disruptions caused by the COVID-19 pandemic. The University reported 14,726 FTEs for the fall of 2020, which was down from a 5-year high of 15,400 from the fall of 2019. In speaking with management last week, the final numbers for Fall 2021 are not available; however, it looks like Freshman enrollment reached a record high for the Fall of 2021. So those numbers show a rebound from the fall of 2020.

Fordham relies on tuition and fees and other student related revenue. For fiscal year 2020, tuition and fees accounted for 74% of total revenue while auxiliary revenue represented an additional 10%. Operating margins have been positive in each of the last five years, averaging \$11.7 million. That includes fiscal year 2020 where the University's operations were negatively impacted by the pandemic and the shift to remote learning. The margin was still positive at \$5.5 million.

Lastly and most importantly, this issuance is being done for savings. Assuming current market conditions, a total net present value savings and the range of \$19.8 million or 12.3% of the refunded bonds is expected from the refunding of the Series 2012, 2014 and 2016A Bonds.

Mr. Chairman.

Chair Romski: Any other questions or concerns from my fellow Committee Members and Board members?

Mr. Carney: I didn't have any Mr. Chair.

Chair Romski: Fordham has been a long time and excellent client of DASNY and is a well-respected institution that is an important part of New York City. I personally welcome this offering. I need a motion to recommend approval.

Mr. Carney: So moved.

Chair Romski: Thank you. Second?

Ms. Raleigh: Second.

Chair Romski: Thank you. All in favor? (Collective Aye). Thank you very much. Any opposed? The motion carries.

Portia has an update for us with regard to the Urban Health Plan transaction that will be before the full Board later. Portia?

Portia Lee, Managing Director, Public Finance and Portfolio Management: Thank you Gerry. In addition to the two financings which the Committee reviewed this morning, I did want to say a few words about the Urban Health Plan financing which will be considered by the Board for Adoption of Documents later this morning. Staff presented Urban Health Plan to the Committee and the Board in November. As you will recall, this is a private placement transaction to Preston Hollow, a qualified institutional buyer, or QIB, in an amount not to exceed \$70 million to fund the construction of a federally qualified Health Center extension clinic in the Bronx.

I wanted to note a few things. The project has been downsized in scope and DOH has issued an amended Certificate of Need. In light of the ongoing pandemic, we wanted to let you know that Urban Health Plan's payor mix and market share remains the same.

With regard to financials, the balance sheet was relatively stable from 2019 to 2020, although the income statement does show a loss as revenues were down as a result of Covid.

You are going to hear more about this transaction from Gerard at the Board Meeting, but I wanted to recap that for the Finance Committee first. Thank you very much.

Chair Romski: Thank you Portia. Is there anything in regard to the brownfield that I think was a part of their development plan--has that advanced to DEC?

Ms. Lee: I believe so Gerry. Gerard will address that point in the full Board meeting.

Chair Romski: All right, thank you. Are there any questions? Hearing none, may I have a motion to go into Executive Session to discuss the financial, credit or employment history of a particular person or corporation, or matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of a particular person or corporation?

Mr. Carney: So moved.

Chair Romski: I'll second. Thank you very much.

EXECUTIVE SESSION

PUBLIC SESSION

Chair Romski: Welcome back. We have come out of Executive Session where no action was taken other than to return to Public Session. Unless there are any other matters for this Finance Committee I will ask for a motion to adjourn.

Mr. Carney: So moved.

Chair Romski: Thank you very much.

Ms. Raleigh: Second.

Mr. Romski: Thank you very much. The motion carries and the Finance Committee Meeting is adjourned.

The Finance Committee meeting adjourned at 10:17 a.m.

Respectfully submitted,

Sara P. Richards
Assistant Secretary