A Conference Call and Video Conference Meeting of the Finance Committee of the Dormitory Authority of the State of New York ("DASNY") was held on May 4, 2021 with proceedings commencing at 4:10 p.m.

Sara Richards, Managing Senior Director, Grants and Administration:

As a result of the ongoing public health emergency related to COVID-19, Executive Order 202.1, as extended, authorizes public boards to meet remotely and take action without permitting in-person access to meetings. The public must have the ability to view or listen to the proceedings. An audio and video recording of today's meeting will be accessible from DASNY's website within two days, and a transcript will be posted as soon as practicable under the circumstances. For additional information, please see the DASNY website.

Unless there are any questions, I will now take the roll and turn it back over to you, Mr. Chair.

Gerard Romski, Committee Chair: Thank you very much.

Ms. Richards: We have with us today the following Committee Members:

Gerard Romski, Esq. – Chair, Finance Committee
Alfonso L. Carney, Jr. – Committee Member (Board Chair)
Tracy Raleigh, Designated Representative of the Commissioner of Health, Board Member (*ex officio*) – Committee Member

We also have the following Board Members:

John B. Johnson, Jr. – Vice Chair of the Board
Jon Gardner, Board Member
Joan M. Sullivan – Board Member

DASNY Staff:

Reuben R. McDaniel, III, President and Chief Executive Officer
Paul G. Koopman, Vice President
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring
Kimberly A. Ellis, Chief Financial Officer
Caroline V. Griffin, Chief of Staff
Ricardo Salaman, Esq., Deputy General Counsel
Sara Potter Richards, Esq., Managing Senior Director, Governance and Administration
Jeffrey R. Gordon, Senior Director, Marketing and Communications
Deborah K. Fasser, Director, Strategic Communications and Business Development
Matthew T. Bergin, Director, Public Finance
David Ostrander, Assistant Director, Public Finance and Portfolio Monitoring
Gerard E. Klauser, Senior Financial Analyst
Maria Carrasco, Financial Analyst
Alex Sirdine, Public Finance Fellow

Diane Felitte, Executive Administrator, Governance and Administration

And with that, Mr. Chair, I will turn it over to you.

Chairman Romski: Thank you very much, Sara and welcome everyone to the May 2021 Meeting of the Finance Committee. Hopefully this will be the last Finance Committee meeting by way of Zoom and hopefully we will be meeting in person sometime in June.

First up on the Agenda is the adoption of the Meeting Minutes from the March 31 Meeting of the Finance Committee, which was the second meeting we had in March. Hopefully the Members of the Committee have had an opportunity to review those Meeting Minutes and assuming such, can I please get a motion to approve those Meeting Minutes?

Tracy Raleigh, Committee Member: So moved.

Chairman Romski: Thank you very much.

Alfonso Carney, Committee Member: Second.

Chairman Romski: Thank you Tracy. Thank you, Mr. Chair. All in favor? Aye.

Committee Members: Aye.

Chairman Romski: Any opposed? None, so that motion carries. Thank you very much. We will be looking at three resolutions today. First up is Matt with the EHS Towers LLC financing.

Matt Bergin: Thank you, Mr. Chairman and good afternoon everyone. The Finance Committee is being asked to recommend to the full Board a 19-year term for a bond issue in an amount not to exceed $19 million on behalf of EHS Towers LLC. The financing that you are considering is the partial refunding and restructuring of DASNY's Educational Housing Services - CUNY Student Housing Project Insured Revenue Bonds, Series 2005. Similar to the recent SUNY Dormitory Facilities and FIT Student Housing Corporation transactions, this is being done to provide near term debt service relief due to the low occupancy rates which are a result of the pandemic. As described in the report, in 2005 DASNY issued these bonds to finance the construction of a residence hall with approximately 600 beds on the campus of City College of New York, which is incorporated within the City University of New York System.

To provide some background, we originally did a financing with Educational Housing Services, Inc. (EHS) in 2005. EHS is a not-for-profit corporation formed in 1987 to provide college students with housing in New York City. EHS was added to DASNY's statute in 1998 and the statute was further amended in 2008 to authorize DASNY financing not only for EHS directly, but also for its wholly owned corporations or limited liability companies. Subsequent to this amendment, all the rights and obligations of EHS in the project that was financed in 2005 and all of the related financing documents were assigned to EHS Towers LLC, a wholly owned, bankruptcy-remote not-for-profit subsidiary of EHS. The purpose of this was to facilitate the financing structure to be able to utilize a bankruptcy remote entity. The Institution thereby became the borrower with respect to the Series 2005 Bonds, and EHS Towers LLC will also be the borrower with respect to the proposed Series 2021 Bonds.

It is important to note that the debt service on both the Series 2005 bonds and the proposed series 2021 bonds are both payable from revenues of the project and is non-recourse to both EHS and EHS Towers LLC. To the extent that the project revenues are not sufficient to service this debt, CUNY guarantees any shortfalls through the Support Agreement.

We are currently discussing this partial refunding and restructuring of the Series 2005 Bonds in the context of providing 2 1/2 years of debt service relief. This amounts to approximately $4.4 million of debt service relief annually. Current thoughts are that the debt service on the proposed refunding and restructuring bonds is anticipated to mature after the 2035 maturity of the 2005 Bonds. And as this partial refunding and restructuring is being done for upfront savings, it does not provide aggregate savings on a net present value basis.

It is anticipated that the bond issue will be secured by a policy of municipal bond insurance; a leasehold mortgage on property; assignment of student rentals; a debt service reserve fund, if required; and the Support Agreement of the City University of New York. This is really the crux of the security: to the extent that project revenues are not sufficient to service the debt, CUNY guarantees any shortfalls through the Support Agreement. The expected ratings are a A2/AA.

Finally, in looking at the Transaction Summary, although we have requested flexibility, we are anticipating this to be a fixed rate, taxable, bond-insured transaction with the restructuring providing near-term debt service relief due to the low occupancy rates which are a result of the pandemic. We are planning to come back to the next scheduled Board Meeting with the adoption of documents. Mr. Chairman.

Chairman Romski: Thank you very much, Matt, for that nice presentation. Are there any questions or concerns from the Finance Committee Members or any of the other Board Members?

Mr. Carney: Matt, just for clarity for me and for the record, the existence of the Support Agreement makes the creation of a debt service reserve fund less likely. Is that the intended conclusion?

Mr. Bergin: Mr. Chairman, the debt service reserve fund is not required. As we go through the discussions with the various parties, it may be determined that it is required, but have not come to a final conclusion on that.

Mr. Carney: All right. That was it for me, Mr. Chairman.

Chairman Romski: Thank you, Mr. Chair. I had a question too. Is this a mechanism to help the Educational Housing Services, Inc. through the COVID emergency?

Mr. Bergin: Correct. Similar to the SUNY Dormitory Facilities transaction and the FIT Student Housing Corporation transaction, occupancy rates are very low and therefore revenues are not coming in. This financing is to facilitate near term debt service relief.

Chairman Romski: This is another example of how DASNY is helping the various educational institutions through the current crisis and hopefully into a better light. Is that fair to say?

Mr. Bergin: That is fair to say.

Chairman Romski: And just one other question. Is the CUNY backstop by Capstone under their agreement?

Mr. Bergin: The Support Agreement is separate and distinct and away from Capstone.

Chairman Romski: So Capstone is acting as the Managing agent, so to speak, for that building?

Mr. Bergin: That is correct.

Chairman Romski: Okay. Thank you.

Reuben McDaniel, President and Chief Executive Officer: Chairman Romski, before we go to a vote, I want to make a couple comments. The staff did a great job on this transaction, first by identifying that CUNY, as the underlying responsible party, would face a similar situation to both FIT and SUNY, as you rightly pointed out. Staff did a great job working through the transaction with the CUNY folks on the legal side. They did a great job of bringing EHS in, which was not a simple thing to do and then pulling that together. A lot of work went into the transaction from a credit perspective as well. I just want to say kudos to Portia, Matt and the full team for taking the initiative and getting it parsed up, working through the structure and then coming up with a solution that I think really works well for everybody. In particular, it benefits CUNY, one of our best clients on the construction side. So I want to say that, for the record and for the Board Members to hear.

Second, one of the reasons we need to have a Special Board Meeting in a couple of weeks is because this transaction needs to close before our June Board Meeting. You will recall our June Board Meeting is late this year, as it always is, because of the annual audit. We have several transactions on the agenda for the Special Board Meeting, but this was the first one that came up and is the rationale for it. So the Board Meeting is May 19th and the Finance Committee Meeting will be May 18th. We will have four transactions on the Special Meeting Agenda as of now.

Chairman Romski: Are there any other questions or concerns related to this specific transaction?

Ms. Raleigh: I just echo that the Staff Report was really well done. I just want to make sure I understand the principal amortization. Is there two and a half years of debt service relief that the structure defers during that period?

Mr. Bergin: That is correct. It is two and a half years of debt service relief and that amounts to about $4.4 million annually in both principal and interest. They will capitalize the interest and have a debt service holiday for two and a half years.

Mr. McDaniel: Tracy, the technical term for this is a scoop and chuck transaction. It is not unusual in the tax- exempt market where you have a difficult credit situation, whether because of a natural disaster as we have here, or some performance issue. During the pandemic, a lot of entities have utilized this structure and the market has been very accepting. They recognize that they would rather an institution have a strong current portfolio rather than to spend all its money today and not have money in the future. That is what this structure is.

Ms. Raleigh: Thank you very much.

Chairman Romski: Thank you, Reuben. Anything else on that Tracy?

Ms. Raleigh: No, that was very helpful, thank you.

Chairman Romski: Anything else John, Jon Gardner or anybody else who might be on the call - any concerns or questions? Hearing none, I am going to ask for a motion to recommend approval of this transaction at tomorrow's full Board Meeting.

Al Carney: I will move to recommend.

Chairman Romski: Thank you very much, Mr. Chair.

Ms. Raleigh: Second.

Chairman Romski: Thank you, Tracy. All in favor.

Committee Members: Aye.

Chairman Romski: None opposed and that motion carries. Again, thank you Portia and staff and everyone else for bringing this transaction to us. We look forward to the final adoption in a couple of weeks.

Next on the Agenda is the PIT and Sales Tax transaction. This one seems a bit more complex than a typical PIT or Sales Tax transaction. Matt, can you take us through it? Thank you.

Mr. Bergin: Thank you. The Finance Committee has been asked to recommend to the full Board the issuance of multiple series of tax-exempt and/or taxable, fixed and/or variable rate bonds issued at one or more times with a term of 13-years in an amount not to exceed $2.0 billion under either the Sales Tax Revenue Bond Program and/or the Personal Income Tax Revenue Bond Program. However, at this time, the current plan is to issue under the Personal Income Tax Revenue Bond Program.

I want to start out by talking about the recent fiscal year 2022 Budget. The fiscal year 2022 Budget included language authorizing the issuance of State Supported Debt to provide for the legal defeasance of bonds issued by the Sales Tax Asset Receivable Corporation ("STARC"). The State is currently paying an annual payment of $170 million through June 30, 2034, subject to annual appropriation, in relation to these bonds.

The State's $170 million annual obligation is to the Local Government Assistance Corporation ("LGAC"). LGAC is to transfer this $170 million payment each year to the City of New York which, in turn, has assigned these monies to pay the STARC bonds. Pursuant to the language in the Budget, the obligation of LGAC to make this $170 million annual payment to the City of New York is terminated once the STARC bonds have been defeased. As such, this defeasance of the STARC bonds eliminates the State's obligation to make this $170 million payment to LGAC. The FY 2022 Budget also included language authorizing the issuance of State Supported Debt for the purpose of refunding DASNY's Secured Hospital Bonds. The State is currently paying debt service on the Secured Hospital bonds through the State Service Contracts.

To sum it up, we are seeking authorization for the Bonds to be issued for the following purposes: the legal defeasance of the Sales Tax Asset Receivable Corporation's Sales Tax Asset Revenue Bonds, Fiscal 2015 Series and the termination of the State's $170 million annual corresponding obligation. In addition, we are also seeking the authorization for the refunding of DASNY's Secured Hospital Revenue Refunding Bonds (North General Hospital), Series 2003; DASNY's Secured Hospital Revenue Refunding Bonds Interfaith Medical Center, Series 2007; and/or DASNY's Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), Series 2015 and the termination of the State Service Contracts.

Under security features for the Sales Tax Revenue Bond Program, the security includes**: s**emi-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 four percent sales tax, pursuant to statute and deposited in the Sales Tax Revenue Bond Tax Fund. This additional one cent – for a total of two cents – is now available to be dedicated since the obligations of the Local Government Assistance Corporation were satisfied on April 1, 2021.

As for security for the Personal Income Tax Revenue Bond Program, the semi-annual payments are to be made pursuant to the Financing Agreement between DASNY and the Division of the Budget. Also, the current legislation provides for 50% of the receipts from the New York State personal income tax and an employer compensation expense tax, with 50% of such receipts also deposited into the Revenue Bond Tax Fund.

Legislation authorized as part of the Enacted Budget provides that 50% of the receipts from the imposition of the pass-through entity tax pursuant to Article 24-A of the Tax Law shall be deposited into the Revenue Bond Tax Fund ("RBTF"). This is expected to be revenue neutral to the State; however, PIT receipts would decrease to the extent that qualifying entities elect to pay this tax. To hold the RBTF harmless and to maintain comparable security, 50% of the receipts of this tax would also be deposited into the RBTF or the Revenue Bond Tax Fund.

For the fiscal year ending March 31, 2022, the debt service coverage on all outstanding State Personal Income Tax Bonds is projected to be 5.6 times total debt service coverage and the debt service coverage on all outstanding Sales Tax bonds is projected to be 5.1 times total debt service. Debt service coverage on the Sales Tax bonds reflects the increased deposit to the STRBF from one cent to two cents as prior obligations of LGAC were satisfied on April 1, 2021.

And finally, the proposed bonds are expected to be rated Aa2/AA+\AA+. Mr. Chairman.

Chairman Romski: Thank you, Matt. As I said at the beginning, this is a rather somewhat complicated PIT and Sales Tax offering. Are there any questions or concerns?

Mr. McDaniel: Mr. Chairman, I just want to make a quick comment on that complexity. Typically when we do a PIT or Sales Tax deal, it is for either bonding capital projects that have been completed by the State or refinancing PIT bonds that were outstanding. This transaction basically recognizes that the State has been making payments on these various programs, and now they want to consolidate these payments into the most efficient capital structure of the State, which is the PIT and Sales Tax program. So the use of proceeds is a little different than in our typical PIT and Sales Tax deals, although the security is exactly the same. The State is saying to the world, our most efficient cost of capital is our PIT and Sales Tax programs. We have these couple of payments outstanding, some of which are large -a $170 million payment obligation – and we will consolidate those under PIT and Sales Tax. From a payment perspective, we have the same obligations but from a financing perspective, we have a better cost of capital and it also just simplifies, from DOB's perspective, how they look at these obligations. I think from the State's perspective, that is why they consolidated this. It does look different from a use of funds perspective, but it's not different on the security side because every time we have a PIT or Sales Tax it is a complex security structure. In the end, it's not different on the security side, just on the use of funds side.

Chairman Romski: Thank you, Reuben. What happens to the secured hospitals' obligations to repay those bonds?

Mr. Bergin: Unfortunately, these hospitals have not been paying the debt service on the Bonds. The State has been paying through the service contract. To your point, because the State is actually paying the debt service, they are looking at the refunding by putting it under PIT and taking the savings up front. From the State's economic perspective, it makes sense. I'll also note it was in the enacted budget.

Ms. Raleigh: That was very well stated, Matt and your question was a good one. It is my understanding as well that the State is looking to do this transaction from an efficiency perspective. Are the underlying loan agreements and mortgage of the hospitals eliminated with the new security features of the PIT bonds?

Mr. McDaniel: They are not eliminated specifically with the security features of the PIT bonds. They were eliminated when we went back through and restructured all the lease agreements because of the reality that they were not paying anyway. This transaction recognizes the hospitals are not making the payments and those terms have been renegotiated already. At the Atlantic Avenue Board Meeting tomorrow, Craig Schreivogl will describe and go through the history of these two facilities. By replacing the State's obligation on a forward going basis with the PIT transaction, the State is saving somewhere between nine and $10 million, so it is much more efficient to do it this way from a cost perspective. The lease agreements will stay in place as they are now, but we now recognize that the payment will not be made by the underlying facility.

Ms. Raleigh: I totally understand that aspect of it. These facilities were not paying and under the service contract that previously was covering the debt service, the State had to come up with the funds. This is a more efficient vehicle and the question is whether there is still an obligation under the lease?

Mr. Carney: I am sorry Tracy, there is still an obligation for what?

Ms. Raleigh: For the facilities.

Mr. McDaniel: We still have a lease agreement with the facilities and in the short term, those payments are very low, only $10 now. Hopefully in the future if the situation changes, we can renegotiate. At this point, there is a recognition that it does not make sense for the State to be paying $10 million more for this obligation, given the current situation. But yes, there is still a lease agreement outstanding.

Ms. Raleigh: Thank you.

Chairman Romski: What happens to the underlying Boards?

Mr. McDaniel: We still have to maintain those two Boards. We also have the obligation to monitor the leases we still hold under the Agreement, as well as some of the underlying assets, as part of DASNY. So those two Boards will not go away anytime soon, although this will make all of the financial components of that obligation much more seamless for us.

Chairman Romski: Okay. I understand the benefits.

Ms. Raleigh: I do too. Thank you for that explanation.

Chairman Romski: Any other questions or concerns?

John Johnson, Jr., Board Member: Is there any indication yet as to what the 2020 income tax collections are in the State versus projections?

Mr. Bergin: For the fiscal year ended 2020 or 2021?

Mr. Johnson: The money the State's collecting right now for the 2020 taxes. They are due May 17^{th}.

Mr. Bergin: I don't have that projection. There will be an update to the State's financial disclosure coming out later this month that may speak more to that.

Mr. Johnson: Thank you. Any other questions or concerns on this? If not, I will ask for a motion to recommend approval at tomorrow's Board Meeting. This is a Single Approval so can I get a motion?

Ms. Raleigh: So moved.

Chairman Romski: Thank you very much Tracy.

Mr. Carney: Second.

Chairman Romski: Thank you very much. All in favor Aye.

Committee Members: Aye.

Chairman Romski: Any objections? None, so thank you very much, that motion carries. Number three on the Agenda is Teachers College. Dave?

David Ostrander: The Committee is being asked to recommend to the full Board the adoption of the necessary documents for the issuance of up to two series of tax-exempt and/or taxable, fixed and/or variable rate bonds in an amount not to exceed $64 million on behalf of Teachers College.

Proceeds from the proposed issuance are expected to be used to refund all or a portion of the College's Series 2012A and 2012B Bonds, totaling an estimated $48.7 million.

An additional $10 million in bond proceeds will fund certain new money projects such as roof repairs and replacement, classroom renovations, and general deferred and preventative maintenance located on the College's campus buildings.

The bond issuance is expected to be structured as one series of tax-exempt, fixed rate bonds. Since the 2012A&B Bonds are not callable until July 1, 2022, the College will likely choose to utilize a forward delivery where the bonds would be sold as early as June 2021 and close on or after April 2, 2022 when the issuance would qualify as a current refunding. While this would result in a forward yield premium, the forward delivery will allow the College to issue tax-exempt refunding bonds while taking advantage of current interest rates.

Although the transaction is expected to be structured as one series of fixed rate tax-exempt bonds, we are asking the Board to adopt two Series Resolutions in the event that the College chooses to utilize taxable bonds or to issue the new money bonds separately.

The refunding is being done for interest rate savings. Assuming current market conditions, a total net present value savings in the range of $8.8 million, or 18.5% of the refunded bonds, is expected from the refunding of the 2012A&B Bonds.

Teachers College carries a rating of A1 from Moody's and A+ from Standard and Poor's, both with a Stable Outlook.

In accordance with DASNY's Financing Guidelines, it is anticipated that the Loan Agreement will be a general unsecured obligation of the College.

Teachers College has been a DASNY client going all the way back to 1970, issuing $275.5 million during that time. The College continues to maintain its reputation as one of the leading graduate schools of education in the nation, which is enhanced by its affiliation with Columbia University. Student demand is reflected in steady annual applications averaging 7190 for the last five years, and a consistently high matriculation ratio that has averaged nearly 51%. The College remains selective, with an average acceptance rate of 53.7% over five years. Overall full time enrollment has averaged 3429 students over five years. The College posted operating surpluses for the last five years, averaging $1.2 million annually.

Teachers College has experienced a steady increase in cash and investments over the last five years. Total cash in investments to operating expenses increased from 1.6 times in fiscal year 2016 to 2.2 times in fiscal year 2020. Mr. Chairman.

Chairman Romski: Thank you very much. This is a long term client of DASNY. Are there any question or concern regarding this? I don't have any.

Mr. Carney: A very fine institution. I am required to report to the Finance Committee that my wife has recently become a graduate student at Teachers College and, therefore, could be a potential beneficiary of the transaction. I sought the advice of the legal department as to whether I should offer a recusal and Sara and Ricardo both opined that is not necessary. So I will vote today.

Ms. Raleigh: And I didn't have any further questions either. I just note that there is a saving on the refunding aspect and no concerns.

Chairman Romski: Thank you very much. Can I get a motion to recommend approval at tomorrow's full Board Meeting?

Mr. Carney: So moved.

Chairman Romski: Thank you very much, Mr. Chair.

Ms. Raleigh: Second.

Chairman Romski: Thank you very much Tracy for the second. All in favor Aye?

Committee Members: Aye.

Chairman Romski: Any opposed? Hearing none, that motion carries. I don't believe there is any other business before the Finance Committee. Am I right Portia?

Portia Lee, Managing Director, Public Finance and Portfolio Monitoring: You got it.

Chairman Romski: Okay, thank you. May I have a motion to adjourn until our next meeting of May 18?

Ms. Raleigh: So moved.

Mr. Carney: Second.

Chairman Romski: Thank you and Finance is now adjourned.

The meeting adjourned at 4:45 p.m.

Respectfully submitted,

Sara P. Richards
Assistant Secretary