A Telephonic Meeting of the Finance Committee of the Dormitory Authority of the State of New York ("DASNY") was held on November 9, 2020 with proceedings commencing at 4:10 p.m.:

Gerard Romski, Esq., Chair, Finance Committee: Good afternoon and welcome to the November 2020 meeting of the Finance Committee. I hope everyone's doing okay.

Reuben R. McDaniel, III, President: Mr. Romski, two things: I need Mike Cusack to give the legal notice, and I want to make sure that we know who is present from the Board, other than the Committee Members, so Kim will call the roll.

Kimberly A. Ellis, Chief Financial Officer: On today's call. We have the following Committee Members:

Gerard Romski, Esq. – Chair, Finance Committee
Alfonso L. Carney, Jr. – Committee Member
Tracy Raleigh – Committee Member

Other Board Members present are:

John B. Johnson, Jr. – Vice Chair of the Board
Beryl L. Snyder, J.D. – Secretary of the Board
Wellington Z. Chen – Board Member
Joan M. Sullivan – Board Member
Janice McKinnie – Board Member
Jonathan H. Gardner, Esq. – Board Member (joined at 4:30 p.m.)*

Chair Romski: Well, thank you all. I didn't realize I had such a big turnout for the exciting Finance Committee for November. So welcome, everyone. Go ahead, Mike.

Michael E. Cusack, Esq., General Counsel: Thank you, Mr. Chairman. On March 7, 2020, Governor Cuomo declared a disaster emergency in the State of New York due to the outbreak of the novel coronavirus, or COVID-19. Pursuant to Governor Cuomo's subsequent Executive Order 202.1 dated March 12, 2020, as extended most recently by Executive Order 202.72, today's meeting of the Finance Committee of the Dormitory Authority of the State of New York, or DASNY, is being conducted telephonically and by video conference.

Executive Order 202.1, as extended, provides, in relevant part, that Article 7 of the Public Officers Law, known as the Open Meetings Law, is suspended through December 3, 2020 to the extent necessary to permit any public body to meet and take such actions authorized by the law without permitting in public in-person access to meetings and authorizing such meetings to be held remotely by conference call or similar service, provided that the public has the ability to view or listen to such proceeding and that such meetings are recorded and later transcribed.

At the time of the Board mailing, Staff anticipated an extension of Executive Order 202.1 to encompass today's Finance Committee Meeting. For the record, I'd like to confirm that Governor

Cuomo signed Executive Order 202.72, on November 3, 2020, continuing the suspension of the Open Meetings Law for an additional 30-day period through and including December 3, 2020.

The location of today's Conference Call and Video Conference Meeting of the DASNY Finance Committee is designated as the DASNY Headquarters, 515 Broadway, Albany, New York, where I and several other members of DASNY are located. Notice of this meeting has been posted in the standard locations that are publicly accessible. Notice has also been prominently posted on the DASNY.org public website. In accordance with Executive Order 202.1 (as extended) and the DASNY Bylaws, an audio and video recording of this meeting will be accessible from DASNY's website (www.dasny.org) not later than two business days after the close of this meeting, and today's proceedings will also be transcribed and posted as soon thereafter as is reasonable and practicable under the circumstances. Thank you, Mr. Chairman.

Chair Romski: Thank you, Mike. The first item on the Agenda is the transcript from the last Finance Committee Meeting. That was in September, I believe, because we didn't have one in October. Can I please get a motion to approve those meeting minutes?

Alfonso L. Carney, Jr., Board Chair, Committee Member: So moved, Mr. Chairman.

Chair Romski: Thank you very much Al.

Tracy Raleigh, Committee Member: Second.

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

Members: Aye.

Chair Romski: Hearing none opposed, that motion carries.

We'll be addressing two Resolutions today. First is the Urban Health Plan, Inc. and that's going to be presented by Gerard Klauser. Gerard, please take it away. Thank you.

Chair Romski: I think this is probably the eighth or seventh time we've done a Zoom on Finance and I'm looking forward to saying it's the last.

Mr. Carney: Guessing we will have one more, Gerard.

Mr. Cusack: This is the ninth time, we did two in May and no August.

Chair Romski: Oh, that's right.

Mr. Klauser: Mr. Chairman, Members of the Board, DASNY Senior Staff and guests, the Transaction Summary and Staff Report provided to the Members is seeking authorization for Resolution to Proceed for Urban Health Plan, Inc. ("UHP"). This will be a fixed and/or variable rate transaction, tax-exempt and/or taxable, with maturities not to exceed 30 years. This is expected to be a private placement with Preston Hollow Capital with a not-to-exceed amount of $70 million.

There will be two series of bonds, Series 2020A and 2020B. The Series 2020B bonds are for a bridge financing which is expected to be paid down in three years with governmental grant proceeds.

This is a new money transaction for a federally qualified health clinic. The proceeds of the bonds will be used for the construction of a new extension clinic and certain brownfield cleanup on vacant land located at 1095 Southern Boulevard in the Bronx, New York. The new building will be a 57,000 square foot, six-story facility that will include approximately 47,000 square feet of Article 28 clinical space, with the remainder for mechanical areas and parking garage.

The security features include a mortgage on the property, a pledge of the UHP gross receipts, a Medicaid lockbox and a one-year debt service reserve fund. The Bonds will not be rated; UHP does not have an underlying rating. We are in receipt of a term sheet from Preston Hollow Capital that is aligned with the Certificate of Need requirements for the financing. Preston Hollow Capital has done a similar transaction with Richmond Hospital away from DASNY and they are a qualified institutional buyer, or “QIB”. UHP is a new client, they have not issued debt previously with DASNY.

We've worked closely with our colleagues at the Department of Health, resulting in a CON approval for the project. We have the DOH approval letter endorsing the transaction. UHP’s payor mix is Medicaid-heavy, in the 70% range. As an FQHC, UHP’s Medicaid reimbursement rates are enhanced; they're a bit higher than is traditional. Their favorable revenue projections and debt service coverage statistics support the cash flows for this new project. This is a well-established health care provider in this region with several facilities which they’ve successfully operated since 1974. UHP holds a 31% market share; its competitors are Community Healthcare Network with a 19% share and Bronx Care Health System with a 15% share. Staff recommends that the Board adopt a Resolution to Proceed for a 30-year bond issue in an amount not to exceed $70 million on behalf of Urban Health Plan, Inc. Thank you, Mr. Chairman.

Chair Romski: : Thank you Gerard. Any questions or concerns?

Mr. Carney: I have had a number of questions. Gerard has actually helped me to understand a lot about this deal and Gerard, thank you very much for that. I go to Table 3, total unrestricted net assets: a 50% increase from $42 million in 2015 to $63 million in 2019. This is precisely the kind of deal for which DASNY exists to finance. There may be risk; I'm going to assume that Gerard has satisfied himself that whatever that risk is, this community of people, of underserved folks, deserve what the Department of Health has made clear they should have. And I want to thank Tracy on the record for providing a letter, that was, in my view, very thoroughly done. Tracy, thank you very much for that and thank you and your staff. I fully support this and will vote in favor of recommending it to the full Board for tomorrow's meeting.

Chair Romski: Thank you. Tracy?

Ms. Raleigh: I would like to make a couple of comments in support of what Gerard said and as noted in the memo. Hands down, I think Gerard covered it. This is a stable institution in an underserved area, expanding access to underserved communities, and has a track record of delivering projects of similar size and scope. So I think that's important to note. Secondly, part of our diligence was looking at the structure of the financing, given it's a private placement, and the interest rates, and that was noted in the memo. That's part of our CON review and given where the market is now, we went back and asked for comparable interest rates for other transactions that are non-rated for new money because the interest rates are in the 6.5% to 6.7% range and there's an aspect of Medicaid, given the high payor mix, that allows for Medicaid capital reimbursement of that interest expense. So we did that due diligence and still conclude with the recommendation to go forward. Another piece of the diligence is looking at the projections that we asked for in support of this Center, and that did show the ability to forecast out the expanded revenues and associated expenses with the Center showing a coverage ratio that we felt comfortable with.

The other aspect of this that's important to note is that the State and the City have supported this with capital grant funding. So there is a capital restructuring financing grant that the State has given, and the City Council expects to enter into a funding agreement for this new access point. So I think that also echoes the support. We spent time understanding the structure because this is a little outside of what DASNY normally would finance, but I think you're right on point, saying, this is really providing access to capital that these facilities desperately need. So we did look at the fact that there is a second series of bonds, the B bonds, which essentially the private investor will provide a bridge to the grant funding and can amortize those over time if the grant funding is delayed or does not come in. And worst-case scenario, if that does occur, and the grant funds do not come in, we looked at what the coverage ratio would be in that situation and got comfortable. So all those points taken together, we're supportive of this project. Of course, we require that before the final approval to proceed with the construction and before the issuance of the preliminary official statement, in conjunction with our procedures we would require that the contingencies be satisfied, which means that the grant contracts would be executed and in place.

Mr. Carney: That's terrific. Does the fact that this is, Gerard, as you described, a special Federally recognized program that enhances the reimbursement by Medicaid and Medicare, 70% and 13% respectively, does that happen any faster because of the Federal recognition? Does this organization get its money -- and you may not know the answer to this, that's fine -- but is there any reason to think that in order of reimbursements these federally enhanced reimbursements come sooner?

Ms. Raleigh: Gerard, I could take that if you would like.

Mr. Klauser: I have not heard that. I don't know the answer to that, Tracy.

Ms. Raleigh: Al, just to clarify, do you mean the general reimbursements for patient care or are you talking about the grant funding?

Mr. Carney: I'm talking about regular reimbursement for patient care. The grant funding I assume is going to be in place expeditiously. But it's the patient reimbursement that I'm concerned about.

Ms. Raleigh: So a Federally qualified health center like Urban Health Plan in terms of this project, they apply to HRSA – the Federal government – for what's called a new access point for this extension clinic and that is typically granted by HRSA. What then happens is they look to the

State in our CON to confirm that we've approved this, and we have, with contingencies. What you may be hinting in asking about, is that they do provide cost-based reimbursement, which is enriched, and the State does this through grant funding to the FQHC that's approved by the Federal government. So there's additional reimbursement that these centers get from the State and the Federal government, recognizing that they're serving a higher proportion of under-insured and uninsured.

Mr. Carney: I'm asking a bit of a different question, I'm asking whether or not the Federal recognition and the enhanced reimbursement comes faster. Does it happen that the Federally supported reimbursement enhancement causes the care centers to be to be reimbursed sooner, do they move to the front of the line because they have federal recognition?

Ms. Raleigh: I am not aware of that. It’s a good question.

Mr. Carney: That's fair. Mr. Chairman, I don't have any more questions, I'll be quiet now.

Chair Romski: I had a couple of questions. And first of all, I'll echo what Al and Tracy said about the need for this facility in that area of the Bronx. But I had a couple of questions – and Gerard, maybe you have the answer, maybe you don't – I'm just curious about how the brownfield piece operates. So, are they taking some additional credits from that brownfield program, and is the brownfield process underway? Do they have a firm understanding of what the costs are going to be on the cleanup, etc.? That's my first question, if you have an answer for that.

Mr. Klauser: I think I do. I think that the prior facility there was a dry cleaner and I think that they've done their diligence regarding the cost and the preparation and I think that they have a good understanding as to what's going to be involved as far as the cleanup goes. In conversations with UHP, I know that they had purchased this land at one point and then transferred it to a subsidiary or something like that, but they fully understand the costs involved. And I think that the diligence has been done. It will take place subsequent to the financing when the construction starts, and they have not done any of the remediation at this stage of the game. But that is included in this project cost.

Chair Romski: So if it's a dry cleaner, they probably have to do one of these sub-slab depressurization systems, they cost money, but it's not like they’re going to remove all the soil, they probably have a pretty decent handle on the cleanup.

The other question really goes back to Tracy. Tracy, I saw, like you said, the grant numbers which were about $5.5 or $6 million, as I remember. And a good portion of that came from the State grant. And I realize that no one has the answer, because even though things may be headed in the right direction, who knows what curves lie ahead in regard to the grant and the State financing. On the State Health Department grant, I know you can't speak on behalf of your Counsel, is that money still available for them? And I realize, even if it isn't, it looks like the deal still works anyway.

Ms. Raleigh: Great question, Gerry. The contract is executed, so we have an executed grant contract. Before a disbursement occurs for any grant, the CON has to be approved and that includes getting through the contingencies, one of which is the financing. The CON had a modification, originally there was a different financing plan, now they're going through the financing plan you have before you. So we expect, there's no reason to believe that the grant funding for this project will not flow. It's a matter of getting through the steps to get to disbursement.

Chair Romski: Okay, and if the City part doesn't come to fruition, the State part is not contingent on that, right? Sometimes you see these grant deals where one can continue to fund the other deal, and in other words, if the $1.5 or the $1.4 million doesn't come from the City, that doesn't impact the State grant, right?

Ms. Raleigh: Well, just to be clear, in any instance we're looking at the full fundability of the project. In order to get through the grant contract you have to make sure all funds to complete it are there. But what this financing does is allow for a vehicle, through the 2020B bonds, to provide financing for that component should the grant money not come in. And that's where we looked at the worst-case scenario, what the debt service associated with that would be, and got comfortable. Through talking in our diligence – and the DASNY team was involved – we believe that, Urban Health believes that, it will have the funding agreement in place with the City, at least the agreement signed, I believe – Gerard can correct me – prior to closing. That's the expectation.

Mr. Klauser: Yes. And just another point or two, Gerry, to maybe help a little bit. I'm not certain that you saw the cash flows, but the cash flows include about $7.1 million of equity. The DOH money has a matching concept to it. So they've demonstrated that they have made that match. So that is favorable as well. Also, these are anticipated to be drawdown bonds and Plan A would be that they are quite confident that the City is going to deliver this money. We, of course, took the most cautious approach and wanted to get diligence, the cash flows, to understand exactly what would happen if it didn't come in. But at any rate, if Plan A works out, then they may not have to draw down proceeds; these grant proceeds would come in and they would use those grant proceeds to construct as opposed to drawing down the bonds. So, we've proceeded most cautiously and, I think, thoroughly scrubbed this with Tracy and her team.

Chair Romski: And I compliment you all. I have one more, last question for you. There's no type of community opposition or issues or anything with the community that you're aware of? I'm assuming that to be the case.

Mr. Klauser: The feeling that I got was the exact opposite, that they feel that this would be a piece of property or lot that would otherwise be wasted and that it couldn't be used for a better purpose.

Ms. Raleigh: I echo that.

Chair Romski: Perfect. Okay, so if there are no further questions I'm going to ask that we get a motion to recommend the approval of this at tomorrow's Board Meeting.

Ms. Raleigh: So moved.

Chair Romski: Thank you.

Mr. Carney: Second.

Chair Romski: Thank you. All in favor?

Members: Aye.

Chair Romski: None opposed, the motion carrries. Thank you.

Tracy, thank you very much, as always, because the Certificate of Need actually helped me very much get my hands around this aggressive but important transaction. So thank you very much, Tracy. And thank you very much, Gerard.

Mr. McDaniel: Chairman Romski, if I could, we have several people in the waiting room, including your colleague Mr. Gardner. I would like to add them to this meeting and just let them know that we're carrying on so they're not sitting there waiting. Is that okay?

Chair Romski: Of course. And by the way, I should have asked – and I apologize to my fellow Board Members who are not on the Committee – if they had any questions or concerns about the transaction. Even though we already approved, I'm more than happy to let those questions get asked now. Thank you. And again, I apologize for not doing that at the time.

Mr. McDaniel: Kim is admitting the other Members. There's Mr. Gardner. How are you, sir?

Jonathan H. Gardner, Esq., Board Member: Good. How are you?

Mr. McDaniel: Good. We are still in the Finance Committee Meeting; we should be another 10 to 15 minutes, but wanted to let you in so you weren't just sitting there quietly. We will start your meeting as soon as we finish this one.

Chair Romski: I apologize to the Audit Chair for delaying his meeting, I'm very sorry, Mr. Chair.

Next up is FIT Student Housing Corporation. Matt Bergin will present. Take it away, Matt.

Matthew T. Bergin, Director, Public Finance: Thank you and good afternoon, everyone. It's good to see everyone, and hear everyone's voice. The Finance Committee is being asked to recommend to the full Board an 18-year term for a bond issue in an amount not to exceed $39 million on behalf of the FIT Student Housing Corporation. The FIT Student Housing Corporation was created to develop and operate dormitories for FIT. It was added to the DASNY statue in 1982. The FIT Board of Trustees also serves as the Board of Directors for the FIT Student Housing Corporation. The project that you're considering is the partial refunding and restructuring of DASNY's FIT Student Housing Corporation Insured Revenue Bonds, Series 2007. We are currently discussing this partial refunding and restructuring of the Series 2007 bonds in the context of providing three years of debt service relief. This amounts to approximately $9.7 million of debt service relief annually. The current thought is that the debt service on the proposed refunding and restructuring bonds is anticipated to mature between the years 2035 and 2038, which is after the 2034 maturity of the 2007 bonds. Partial refunding and restructuring of the Series 2007 bonds does not provide aggregate savings on a net present value basis. It is anticipated the bond issue will be secured by a policy of municipal bond insurance. The bonds will be also secured by a mortgage and a pledge of the room rents of Kaufman Hall, which is the residential facility located at 406 West 31st Street. FIT Student Housing Corporation will also continue to have an operating agreement with FIT whereby payments of debt service will be a general obligation of FIT to the extent of the non-payment of such amounts by the FIT Student Housing Corporation. In addition, it is anticipated that a debt service reserve fund will also be required. And just to sum this up, in looking at the Transaction Summary, although we have requested flexibility, we are anticipating this to be a fixed-rate, taxable, bond-insured transaction and again with the restructuring, it's looking to provide near term debt service relief.

Chair Romski: Thank you, Matt. Questions or concerns - that's open to all, including non-Finance Committee Members as well.

Mr. Carney: I don't have any questions.

Ms. Raleigh: I have just one, Matt, and I may have just overlooked this. Are the bonds currently callable?

Mr. Bergin: Yes, they are 2007 bonds, so it would be a current refunding.[1] We are doing these on a taxable basis because of what's happening with the anticipated maturity of the bonds. So the thought right now is a taxable refunding and restructuring.

Ms. Raleigh: Okay.

Chair Romski: Thank you. Did somebody else have a comment?

I had one and maybe I'm just not understanding something. And I always call it the Sandra sheet, Matt, where Sandra would see how the savings would be utilized, and I didn't see that sheet here.

Mr. Bergin: That's a good point. With this restructuring, there's really no savings. What essentially they're doing, they're looking at the next three years of debt service which equates to about $9.7 million annually, and taking that and putting it at the end. So, in essence, the 2007 bonds mature in 2034 but again, they are going to put that refunding debt service after the 2034 maturity of the 2007 bonds. It is a restructuring.

Chair Romski: I got it. So it's sort of a COVID restructuring.

Mr. Bergin: That's correct. And this is all done because of the low occupancy because of the fact that people just are learning and going to FIT remotely.

[1] At the November 10 Board Meeting, Mr. Bergin clarified that the Series 2007 bonds are not subject to optional redemption prior to maturity and the Series 2020 bonds will fund an escrow that will pay scheduled principal and interest only on the specific serial bonds being refunded.

Chair Romski: Got it. Makes sense. And I'm sure they'll be back as soon as they possibly can. Which hopefully will be sometime in the early part of 2021.

Portia Lee, Managing Director, Public Finance and Portfolio Monitoring: Gerry, this is similar to the SUNY Dorms restructuring that we did over the summer.

Chair Romski: Okay, thank you.

Ms. Raleigh: Can I just ask one follow-up to that? Did they give us any plans of what they would do with that liquidity, or is it just to have that liquidity to weather through this period.

Mr. Bergin: It's really to have the liquidity to weather through this storm.

Mr. Romski: Okay, anybody else? So hearing no other questions, can I please get a motion to recommend approval of this offering at tomorrow's Board meeting?

Mr. Carney: So moved.

Chair Romski: Thank you very much, Al.

Ms. Raleigh: Second.

Chair Romski: All in favor?

Members: Aye.

Chair Romski: None opposed. That motion carries. And thank you all very, very much.

Do I have anything else? Okay. Well, thank you. And thank you all and I look forward to seeing everyone tomorrow on Zoom and I think I have to now request a motion to adjourn.

Mr. Carney: So moved.

Ms. Raleigh: Second.

Chair Romski: All in favor?

Members: Aye.

Chair Romski: That motion carries. And so Finance is now over.

The Finance Committee Meeting adjourned at 4:44 p.m.

Respectfully submitted,

Ricardo Salaman
Assistant Secretary