The meeting commenced at 4:07 p.m.

<u>Committee Members Present – New York City Office</u>

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

<u>Committee Members Present—via Zoom</u>

Janice McKinnie, Committee Member (Board Member)

<u>Other Members Present</u>
John B. Johnson, Board Vice-Chair (NYCO)
Ken Evans, Board Member (Zoom)

<u>Staff Members Present - via NYCO and Zoom</u>

Reuben R. McDaniel, III, President and Chief Executive Officer
Paul G. Koopman, Vice President
Nadine Fontaine, Esq., General Counsel
Kimberly A. Ellis, Chief Financial Officer
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring
Sara Potter Richards, Esq., Managing Senior Director, Governance and Administration
Ricardo Salaman, Esq., Deputy General Counsel
Dena Amodio, Esq., Assistant General Counsel
Craig Schreivogl, Director, Portfolio Monitoring, Public Finance
Matthew Bergin, Director, Public Finance
David Ostrander, Assistant Director, Public Finance
Steve Kosier, Senior Financial Analyst, Public Finance
Deborah Fasser, Director, Strategic Communications and Business Development
Amanda Nazario, Confidential Legal Assistant

Gerard Romski, Esq., Board Member and Committee Chair: Welcome to the April 2022 meeting of the Finance Committee. Some of us are here at 28 Liberty. First up on the Finance Committee Agenda is the adoption of the meeting minutes from the Finance Committee Meeting from March 1, 2022. Can I please have a motion to approve those meeting minutes?

Janice McKinnie, Board Member: This is Janice McKinnie. So moved.

Mr. Romski: A second?

Al Carney, Board Chair: Second

Mr. Romski: Thank you. All in favor please say “aye.” (Collective “aye”).

Any opposed? None oppose, so that motion carries. The meeting minutes are officially adopted. We're going to take a couple of things out of order. First up we're going to do the Yeshiva University financing, then will do Cornell, Northwell and then the School Districts, if that's okay with everybody.

Let’s first talk about Yeshiva. Steve is going to take that up, and this is on for preliminary approval.

Steve Kosier, Senior Financial Analyst, Public Finance:

The Finance Committee is being asked to recommend that the full Board adopt a resolution to proceed for one or more series of fixed and/or variable rate tax-exempt and/or taxable bonds, with a term not to exceed 31-years, in an amount not-to-exceed $165,000,000, to be issued by negotiated sale or private placement, on behalf of Yeshiva University.

Yeshiva has been a DASNY client since 1994 and has always met its obligations to DASNY on time and in full.

The proposed issuance will be used to refund the University’s outstanding DASNY bonds, including the Series 2009 and Series 2011A bonds, and to finance approximately $20 million of new money projects.

The new money and refunding components of the proposed financing are each anticipated to provide annual cash flow savings and better align expenses with the useful life of the assets financed. New money proceeds will finance high priority projects under the University’s energy master plan.

Financing the projects is expected to be cash flow positive to the University as the annual debt service on the new money portion of the proposed issuance is estimated at approximately $1.2 million and the anticipated energy savings is approximately $1.7 million per year. Subject to review by tax counsel, the University may repay principal over approximately 25 years following five years of interest only payments for both the new money and the refundings.

Debt service on the Series 2009 and 2011A bonds is currently approximately $12.2 million a year. Debt service on the refunding bonds is anticipated to be approximately $5.5 million a year during the interest only period and approximately $8.4 million a year when principal amortization begins. The refunding is estimated to provide net present value savings of approximately $6.5 million, or approximately 5.0% of the bonds being refunded.

The bonds are anticipated to be rated by S&P which rates Yeshiva BBB- with a stable outlook. In accordance with DASNY’s financing guidelines, the Loan Agreement shall be a general unsecured obligation of the University.

The financing documents may include additional security provisions based on market conditions.

With respect to the operations of the University, Yeshiva has reported deficits since 2008 when the University took on additional expenses at the Albert Einstein College of Medicine associated with the expansion into the Michael F. Price Center for Genetic and Translational Medicine in the Harold and Muriel Block Research Pavilion.

At the same time, net tuition revenue growth stalled, endowment losses reduced revenue from the spending rate, and federal research funding was scaled back.

The University's balance sheet has helped support operations by utilizing a combination of borrowing for working capital, investment sales, and monetization of certain real estate and receivables.

As detailed in the staff report, around 2014, the University engaged a team of financial advisors to assist with the development and implementation of short- and long-term strategies to better align Yeshiva's expenses with revenues and improve liquidity which the University continues to implement.

One of the strategies I highlighted in the report was the September 2015 transfer of the Albert Einstein College of Medicine to a newly formed education corporation controlled by Montefiore Medicine.

The level of the deficits over the past five years are well below the deficits Yeshiva reported while the Medical School was included as part of its operations.

Excluding a one-time gain included in Yeshiva's 2017 operating revenue, the deficits have declined (improved) in each of the past five years.

The University continues to evaluate and implement strategies to improve operating margins by controlling expenses and enhancing revenues with a strategic focus on growing and expanding graduate programs which produce favorable margins.

The University has steady enrollment and despite the COVID-19 pandemic total FTE enrollment increased approximately 3% since Fall 2019, primarily due to growth in graduate enrollment. Graduate enrollment increased 12.4% from Fall 2019 to Fall 2021.

At fiscal year-end 2021, Yeshiva reported approximately $647 million of investments and approximately $649 million of total net assets.

Total cash & investments to debt was 2.5:1 in 2021 (DASNY median: 2.6:1) and total cash & investments to operating expenses was 2.7:1 in 2021 (DASNY median 1.7:1)

In summary, the new money and refunding components of the proposed financing are each anticipated to provide annual cash flow savings and better align expenses with the useful life of the assets financed.

Staff is requesting the Finance Committee to recommend the Full Board to adopt a resolution to proceed with a financing on behalf of Yeshiva University in an amount not to exceed $165 million.

Mr. Romski: Thank you. Any comments, questions, or concerns? And welcome to John Johnson, who has now joined us.

Mr. Carney: Steve talks about the diminishing deficit, which is terrific. They're doing a fine job at managing that even with the difficulties they had to face. A couple of things Steve:

As the deficit comes down, can you talk to us a little bit about their outlook? What are they thinking is going to happen? Nobody's got a crystal ball. We don't expect them to have one, but it would be great to hear you talk a little bit about what they think their outlook is.

Mr. Kosier: They are forecasting operating margins in 2022 similar to what they reported in 2021 and they continue to work in the long term goal of seeing breakeven results. The Universities expects to increase net tuition revenue by enhancing graduate programs and increasing fundraising efforts which would obviously translate into additional investment revenue from the endowment. They plan to continue the cost reduction process through streamlining of university wide operations while also preserving the academic core. This financing is expected to help them in their endeavors. Like you said, nobody has a crystal ball but I think they are in trending in the right direction.

Mr. Carney: Could you talk to us a little bit about the energy savings projects and give us a sense of what they are going to spend that money on?

Mr. Kosier: So they're going to modernize their HVAC systems, including boiler and chiller replacements. They're going to convert from steam to electric, install energy recovery systems and upgrade their building management control systems. They're going to modify their building envelopes, which includes efficient insulation and window re glazing or replacement to enhance their thermal efficiency, and they'll also replace or modernize approximately 13 elevators with more efficient motors and computerized dispatching controls for reduced energy use.

Mr. Carney: Thank you.

Mr. Romski: I think Portia and the team, they should be thanked. They continue to help these private universities get through the challenges created by the pandemic. We saw it early on and I think you're seeing it again here. They are obviously taking their cash savings up front to help them through these challenging times that were already challenging before the pandemic and certainly have increased since then.

Mr. Carney: This is a good story.

Mr. Romski: And they have been a good client of DASNY. The savings are upfront, but that makes sense in this environment, and savings is always a good thing. Any other concerns from either Janice or any of the other board members?

Ms. McKinnie: None from me.

Mr. Romski: Can I get a motion to recommend approval of this transaction at tomorrow's Board meeting?

Mr. Carney: So moved.

Mr. Romski: Thank you.

Ms. McKinnie: Second.

Mr. Romski: Thank you. All in favor please say "aye." (Collective "aye").

Any opposed? None opposed so that motion carries.

Next up, we're going back to Cornell. And that's behind Tab #4, a refunding. Dave?

David Ostrander, Assistant Director, Public Finance: Thank you Mr. Chairman.

The Finance Committee is being asked to recommend to the full board the adoption of three series of tax-exempt and/or taxable, fixed and/or variable rate bonds in an amount not to exceed $150,000,00 on behalf of Cornell University. The proceeds would be used to refund all or a portion of Cornell's Series 2000A, 2000B and 2019C Bonds, all of which were issued by DASNY. All three series of bonds are variable rate, with interest rates reset monthly based on LIBOR plus a spread. The bonds are all privately placed - the Series 2000A&B Bonds with Banc of America, and the Series 2019C Bonds with TIAA Bank. The proposed transaction is expected to reduce the University's variable rate exposure by refunding the Series 2000A, 2000B, and 2019C bonds with publicly offered, fixed rate bonds.

The outstanding obligations of the University have been assigned a rating of "Aa1" from Moody's and "AA" from S&P. Accordingly, Cornell meets the requirements under DASNY's financing guidelines for the bonds to be issued as a general unsecured obligation of the University.

The University has experienced strong demand and increasing enrollment over the last five years, despite disruptions caused by the COVID-19 pandemic.

Freshman applications increased by over 43% over five years, reaching a total of 67,380 in fall 2021. Cornell has become increasingly selective over the years, accepting only 8.7% of applications for fall 2021. Overall, total FTE enrollment increased by 11.7% over five years, reaching a five-year high of 26,956 for fall 2021.

When looking at operations, Cornell has maintained a diverse revenue composition. For fiscal year 2021, only 19% of revenues came from student-generated sources. Operating revenues and Operating Margin reached a five-year high in fiscal year 2021.

Cornell's balance sheet reflects growing financial resources and liquidity. Unrestricted net assets increased by 22.8% over five years, growing to $3.8 billion at fiscal year-end 2021.

The University's variable rate debt, which represents approximately half of its total long-term debt, will be reduced by approximately $140 million through the proposed transaction.

Mr. Romski: Thank you. Any comments or questions?

Mr. Carney: Just one comment. It's great to be able to support an institution that is as powerful as this one. We are in a great position. We're fortunate to have them as a client. The list of commendables goes on and on and I am fully in favor of this transaction.

Mr. Romski: I fully endorse your comments, Mr. Chair. Cornell is fine institution client of the Dormitory Authority and in doing the refunding we help the University. So I look for a motion to recommend this single approval at tomorrow's board meeting.

Mr. Carney: So moved.

Mr. Romski: Thank you.

Ms. McKinnie: Second.

Mr. Romski: Thank you. All in favor please say "aye." (Collective "aye"). Any opposed? None oppose, so that motion carries. Let me see what's next.

Ms. Richards: While you are doing that, Mr. Chair, I'll just let you know that two Members of the public have joined the meeting.

Mr. Romski: Welcome. Nice to have you. Northwell is up. It's an Obligated Group, and Matt is going to present.

Matthew Bergin, Director, Public Finance: Thank you and good afternoon everyone. The Finance Committee is being asked to recommend to the full board a financing on behalf of the Northwell Health Obligated Group.

The staff report presents a 30-year term for a bond issue in an amount not to exceed $820,000,000 on behalf of the Northwell Health Obligated Group. The Project that you are considering will finance various construction, renovation, and modernization projects for the members of the Northwell Health Obligated Group, as well as refund all or a portion of DASNY's North Shore – Long Island Jewish Obligated Group Revenue Bonds, Series 2009B, C & D.

As this is an Obligated Group Structure, Obligations issued under the Master Trust Indenture will be a joint and several obligation of each member of the Obligated Group and will be secured by a lien on certain Gross Receipts of the members of the Obligated Group. It is anticipated that the existing mortgages will be eliminated once the consents of 51% of the holders of the Master Trust Indenture Obligations are received, which is expected to occur by the closing of the Series 2022 Bonds. This change in the security was also discussed when we did their 2019 financing and the 2019 POS included deemed consent language for this amendment to the MTI as well as the 2022 POS. Specifically, it will state that by their purchase of the Series 2022 Bonds, the purchasers shall consent and shall be deemed to have consented to this amendment.

In looking at the Obligated Group, they have consistently recorded over 100 days cash on hand and their cushion ratio has averaged nearly 13:1. The Obligated Group's operating gain has averaged nearly $235 million over the last five years.

The System's inpatient market share is approximately 31%, which, based on the most recent information available, is more than double that of its nearest competitor. When we talk about the System, there are 4 hospitals in the System but not in the Obligated Group as noted in the staff report. As of December 31, 2020, the members of the Obligated Group represented nearly 82% of the total operating revenue and 83% of the total assets of the System. Attachment I is an organizational chart that shows the System and the members of the Obligated Group. Northwell Health, Inc. is the parent of the System and Northwell Healthcare Inc. is the parent of the Members of the Obligated Group.

The staff report also goes into some detail on the COVID-19 impact. As the largest health system in New York State, the System played an integral role in partnering with New York State, community organizations, and other health systems in planning and responding to COVID-19. The System provided one of the first private clinical laboratories approved by New York State and the federal government to conduct COVID-19 testing and also devised and executed COVID-19 testing and vaccine distribution plans in numerous locations throughout its service area and provides free testing and vaccinations in many medically underserved communities. The negative financial impact of the coronavirus pandemic on the System is also described and was primarily attributable to the reductions in patient service volume and incremental costs resulting from the changes in operations in response to this crisis. Also described are the monies received from the CARES Act, the Consolidated Appropriations Act, temporary Medicare rate enhancements, Medicare advances and additional federal funding including funding from the Federal Emergency Management Agency or FEMA.

And finally, Mr. Chairman the Expected Ratings are Moody's: A3, S&P: A-, Fitch: A-

Mr. Romski: Thank you. And it's a not to exceed of $820 million. Any comments or questions? Concerns? Thank you for the organizational chart. That was very helpful.
Is there any reason why the ones on the left weren't part of the Obligated Group or is it just for their own independent reasons?

Mr. Bergin: They're newer members of the system and I talk a little bit about that in the staff report.

Mr. Romski: And the projects that are being financed by a substantial portion of the financing are all approved?

Mr. Bergin: They've all been approved by the Department of Health.

Mr. Romski: And I was going to note that, because that's always important to us when we approve these, is that we have the approval and the certificate of need and the blessing of the Department of Health so to speak, which we always look at.

Mr. Carney: Ken, do you have any comments about this transaction?

Kenneth Evans, Board Member: I don't have any comments at this time unless people have questions, we can answer the questions. The Department of Health is in support of this financing going forward and has been a long-term partner with Northwell. We very much appreciate all the services that Northwell provides to their constituents and we're looking forward to having this advanced. Everything is in the report and the CON projects are listed out as part of the memo which was provided today as the as a recommendation to go forward. If there are any specific questions I'd be happy to answer them.

Mr. Romski: So can I get a recommendation to approve the single approval transaction?

Mr. Johnson: I have a question. This is the second project we've seen that emphasizes energy. This one talks about rebuilding boilers. How does that reconcile with what's going on down here in New York regarding building new boilers?

Mr. Romski: Well, I think you can use gas, it may be different in the City than on Long Island. I think the boiler plan was out of their main campus out there on Long Island and so they need to get it done right. Interesting policy question and issue.

Mr. Evans: That's a question that I can try and answer. All of their CON projects were reviewed by architects in our architectural bureau to ensure that they're in compliance with the current building codes. They have to pass that as part of the CON process. The construction of the projects as outlined in the memo either were approved, or will be approved, through our architectural review unit. I don't know if that answers the question, or if there was any more detailed questions along those lines, but at this time, as long as it passes current Code, the Department is comfortable with advancing those projects.

Mr. Johnson: They need to get it built soon.

Mr. Romski: Thank you. Can I get a motion please to recommend?

Ms. McKinnie: So moved.

Mr. Carney: Second.

Mr. Romski: Thank you. All in favor please say "aye." (Collective "aye").

Any opposed? None opposed so that motion carries.

Last up is the School Districts Revenue Bond transaction where we're looking to increase the amount previously approved last month because of the enhanced need for this type of program given the current interest rate environment. We’re more than happy to advance it but we'll hear more about it from David.

Mr. Ostrander: Thank you. The Finance Committee is being asked to recommend to the full board the adoption of an amended and restated supplemental resolution which will amend the not to exceed amount from $750,000,000 to $1 Billion.

At last month’s board meeting, the Staff requested an amount not to exceed $750,000,000, which was expected to be sufficient to accommodate a June new money pool and BAN refinancing pool, as well as a refunding pool later in the year. As discussed at that time, a rising interest rate environment drives more school districts to finance with DASNY.

The rise in interest rates over recent weeks has resulted in increased demand from school districts to participate in the DASNY pool.

To date, staff has received responses from 66 districts who wish to participate in the pool, totaling over $820 million. In addition, a refunding transaction later this year could total up to $150 million. The total amount of school district demand for new money, BAN refinancing, and refunding bonds now exceeds the previously- authorized amount of $750,000,000. Other that the additional demand, there are no additional changes to what has been requested.

Therefore, in order to accommodate additional school district demand, staff recommends the Board authorize the necessary amendments to the documents adopted at the March 2, 2022, Board Meeting to increase the not to exceed amount from $750,000,000 to $1,000,000,000.

Mr. Romski: Thank you. Any comments, questions, or concerns? Hearing none, can I get a motion to recommend approval at tomorrows full board meeting?

Ms. McKinnie: So moved.

Mr. Carney: Second.

Mr. Romski: Thank you. All in favor please say “aye.” (Collective “aye”). Any opposed? None oppose so that motion carries. Unless I am missing something, I believe I can ask for a motion to adjourn.

Mr. Carney: So moved.

Ms. McKinnie: Second.

Mr. Romski: Thank you. All in favor please say “aye.” (Collective “aye”).

Any opposed? None opposed so that carries. We are adjourned.