



DASNY

ANDREW M. CUOMO
Governor

ALFONSO L. CARNEY, JR.
Chair

REUBEN R. MCDANIEL, III
President & CEO

Memorandum

TO: Sara P. Richards, Esq., Managing Senior Director, Government and Administration

FROM: Robert S. Derico, R.A., Director, Office of Environmental Affairs



DATE: April 29, 2021

RE: *State Environmental Quality Review (SEQR) Type II Determination for Teachers College's Refinancing of Existing Debt and Minor Maintenance Project, New York, New York County, New York*

Description of Proposed Action and Proposed Project. Teachers College ("TC" or the "University") has requested financing from the Dormitory Authority of the State of New York ("DASNY") for its *Refinancing of Existing Debt and Minor Maintenance Project* (the "Proposed Project"). Based on a review of the attached *Single Approval Transaction Summary*, dated April 27, 2021, it has been determined that the Proposed Action would involve DASNY's authorization of the issuance of one or more series of fixed- or variable-rate, tax-exempt and/or taxable, Series 2021 Bonds to be sold at one or more times through a negotiated offering and/or a private placement, in an amount not to exceed \$64,000,000 in funding under DASNY's Independent Colleges and Universities Program. Teachers College is located at 525 West 120th Street, New York, New York County, New York.

Specifically, the Proposed Project proposes to refund all or a portion of DASNY's Teachers College Revenue Bonds, Series 2012A and Series 2012B Bonds (\$48.7 million). In addition, the proposed bond issue would finance various construction and renovation costs including roof repairs and replacements, heating, ventilation, and air conditioning ("HVAC") upgrades, classroom renovations, residential building infrastructure and room renovations, and general deferred and preventative maintenance located on the College's campus buildings (\$10.0 million).

Institution. Teachers College is an independent, coeducational, non-sectarian graduate school of education located adjacent to Columbia University in New York City. The College was founded in 1887 and was chartered by the Regents of the University of the State of New York in 1889. Today, Teachers College is one of the oldest and most prestigious graduate schools of education in the nation. The College offers more than 100 programs though four core areas of expertise - education, health, psychology and leadership. Degrees are awarded at both the masters and doctoral levels.

Teachers College has been affiliated with Columbia University since 1898 but has retained legal and financial independence. The affiliation benefits the College by allowing students cross-registration privileges at Columbia, along with access to Columbia's libraries. Graduates of Teachers College also receive a Columbia University degree upon completion of their studies. In addition, the institutions share faculty and commonly

exchange best practices and knowledge in such areas as financial management and grant administration. The College is governed by a 36-member Board of Trustees.

SEQR Determination. DASNY conducted this environmental review in compliance with the *State Environmental Quality Review Act* (“SEQRA”), codified at Article 8 of the *New York Environmental Conservation Law* (“ECL”), and its implementing regulations, promulgated at Part 617 of Title 6 of the *New York Codes, Rules and Regulations* (“N.Y.C.R.R.”), which collectively contain the requirements for the *State Environmental Quality Review* (“SEQR”) process.

The Proposed Project components to be funded with this bond financing are all classified as Type II actions under SEQR, and would involve the “*maintenance or repair involving no substantial changes in an existing structure or facility,*” the “*replacement, rehabilitation or reconstruction of a structure or facility, in kind, on the same site, including upgrading buildings to meet building, energy, or fire codes unless such action meets or exceeds any of the thresholds in Part 617.4,*” the “*...refinancing of existing debt,*” and the “*purchase or sale of furnishings, equipment or supplies...*” These Type II actions are specifically designated by 6 N.Y.C.R.R. § 617.5(c)(1), 6 N.Y.C.R.R. § 617.5(c)(2), 6 N.Y.C.R.R. § 617.5(c)(29), and 6 N.Y.C.R.R. § 617.5(c)(31) of SEQR, respectively. Type II “*actions have been determined not to have significant impact on the environment or are otherwise precluded from environmental review under Environmental Conservation Law, article 8.*”¹ Therefore, no further SEQR determination or procedure is required for any component of the Proposed Project identified as Type II.

The Proposed Project was also reviewed in conformance with the *New York State Historic Preservation Act of 1980* (“SHPA”), especially the implementing regulations of section 14.09 of the *Parks, Recreation and Historic Preservation Law* (“PRHPL”), as well as with the requirements of the Memorandum of Understanding (“MOU”), dated March 18, 1998, between the DASNY and the New York State Office of Parks, Recreation and Historic Preservation (“OPRHP”). Initial consultation was made with OPRHP (OPRHP Project No. 21PR02638) regarding the components of the Proposed Project on April 22, 2021. Consultation continues and additional information in the form of photographic documentation was requested and furnished to OPRHP on April 27, 2021. It is the opinion of DASNY that the Proposed Project would have no impact on historical or cultural resources in or eligible for inclusion in the National and State Registers of Historic Places.

cc: Dena T. Amodio, Esq.
David P. Ostrander
SEQR File
OPRHP File

¹ 6 N.Y.C.R.R. § 617.6(b)(3)(iii).

Single Approval Transaction Summary

Teachers College
New York, New York

April 27, 2021

Program: Independent Colleges & Universities

Purpose: Refunding / New Money

New Issue Details

One or more series of fixed and/or variable rate, tax-exempt and/or taxable bonds in an amount not to exceed \$64,000,000 with maturities not to exceed 30 years are to be sold at one or more times through a negotiated offering and/or a private placement.

- Lead Manager – BofA Securities
- Co-Bond Counsel – Squire Patton Boggs and Golden Holley James
- Underwriter's Counsel – Katten Muchin Rosenman

Purpose:

- Refunding of all or a portion of the DASNY Teachers College Revenue Bonds, Series 2012A and Series 2012B Bonds (\$48.7 million).
- Financing of various construction and renovation costs including roof repairs and replacement, HVAC upgrades, classroom renovations, residential building infrastructure and room renovations, and general deferred and preventative maintenance located on the College's campus buildings (\$10.0 million).

Security:

- General obligation of the University.

Current Ratings: Moody's: A1 (Stable)
S&P: A+ (Stable)

Overview

Teachers College is an independent, coeducational, non-sectarian graduate school of education located adjacent to Columbia University in New York City. The College was founded in 1887 and was chartered by the Regents of the University of the State of New York in 1889. Today, Teachers College is one of the oldest and most prestigious graduate schools of education in the nation. The College offers more than 100 programs through four core areas of expertise - education, health, psychology and leadership. Degrees are awarded at both the masters and doctoral levels. Teachers College has been affiliated with Columbia University since 1898 but has retained legal and financial independence. The affiliation benefits the College by allowing students cross-registration privileges at Columbia, along with access to Columbia's libraries. Graduates of Teachers College also receive a Columbia University degree upon completion of their studies. In addition, the institutions share faculty and commonly exchange best practices and knowledge in such areas as financial management and grant administration. The College is governed by a 36-member Board of Trustees.

Description of the Bonds

- The Bonds are a special obligation of DASNY.
- The Loan Agreement is a general obligation of the College.
- The Bonds are payable from payments made under the Loan Agreement and all funds and accounts established under the Resolutions.

Approvals

- TEFRA Hearing – April 20, 2021
- SEQR Filing – May 4, 2021*
- PACB Approval – May 19, 2021*

*Anticipated date.

Additional Information

- Student Demand – Teachers 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 7,190 over the last five years and a consistently high matriculation ratio that has averaged nearly 51%.
- Operating Margins – The College has posted an operating surplus in four of the last five years, averaging \$1.9 million annually.
- Financial Resources – Teachers College has experienced a steady increase in Cash and Investments over the last five years. Total Cash and Investments to Operating Expenses increased from 1.6 times in fiscal year 2016 to 2.2 times in fiscal year 2020.
- Program Diversity – As a standalone graduate school, Teachers College is more susceptible to enrollment trends and fluctuations than universities with more diverse undergraduate and graduate programs.
- Savings – The refunding is expected to result in net present value savings of approximately \$8.8 million, or 18.5% of the bonds being refunded.

Recommendation

The attached staff report recommends that the Board adopt the necessary documents for one or more series of bonds with maturities not to exceed 30 years in an aggregate amount not to exceed \$64,000,000 on behalf of Teachers College.

This report was prepared solely to assist DASNY in its review and approval of the proposed financing described therein and must not be relied upon by any person for any other purpose. DASNY does not warrant the accuracy of the statements contained in any offering document or any other materials relating to or provided by the Institution in



Single Approval Transaction Summary

Teachers College
New York, New York

April 27, 2021

Program: Independent Colleges & Universities

Purpose: Refunding / New Money

connection with the sale or offering of the Bonds, nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the Institution, (2) the sufficiency of the security for the Bonds or (3) the value or investment quality of the Bonds.

The Bonds are special limited obligations of DASNY that are secured only by the amounts required to be paid by the Institution pursuant to the Loan Agreement, certain funds established under the Resolution and other property, if any, pledged by the Institution as security for the Bonds.

Transaction Report

Teachers College

INSTITUTION: Teachers College (the “College”) is an independent, coeducational, non-sectarian graduate school of education located adjacent to Columbia University in New York City. The College was founded in 1887 and was chartered by the Regents of the University of the State of New York in 1889. Today, Teachers College is one of the oldest and most prestigious graduate schools of education in the nation. The College offers more than 100 programs though four core areas of expertise - education, health, psychology and leadership. Degrees are awarded at both the masters and doctoral levels. Teachers College has been affiliated with Columbia University since 1898 but has retained legal and financial independence. The affiliation benefits the College by allowing students cross-registration privileges at Columbia, along with access to Columbia’s libraries. Graduates of Teachers College also receive a Columbia University degree upon completion of their studies. In addition, the institutions share faculty and commonly exchange best practices and knowledge in such areas as financial management and grant administration. The College is governed by a 36-member Board of Trustees.

DASNY FINANCING HISTORY: DASNY’s experience with Teachers College dates back to 1970 with the issuance of the Series A Bonds. Since then, DASNY has issued nine series of bonds and notes totaling \$275.5 million on behalf of the College. As of March 31, 2021, \$91.5 million remains outstanding as shown in Table 1 below.

Series	Defeasance or Maturity	Amount Issued (000's)	Amount Outstanding (000's)
Series A	1999	7,670,000	0
Notes	1985	4,100,000	0
	1985	7,700,000	0
	1992	11,580,000	0
	2002	42,085,000	0
	2007	45,950,000	0
	2009	52,595,000	0
2012A	2031	30,115,000	20,060,000
2012B	2042	30,360,000	30,360,000
2017	2039	<u>43,390,000</u>	<u>41,065,000</u>
		\$275,545,000	\$91,485,000

The College has always met its obligations to DASNY on time and in full.

THE REFUNDING PLAN: 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.

The Series 2012A and 2012B Bonds have a combined par amount outstanding of \$50,420,000 and are callable on or after July 1, 2022. The College will likely choose to utilize a forward delivery, whereby the bonds would price as early as June 2021 and close on or after April 2, 2022 when the issuance would qualify as a current refunding. Although 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.

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 as shown in Attachment I.

THE PROJECT: Approximately \$10 million in proceeds from the proposed bond issue will be used to finance numerous construction and renovation projects. The projects will include roof repairs and replacement, HVAC upgrades, classroom renovations, residential building infrastructure and room renovations, and general deferred and preventative maintenance located on the College’s campus buildings.

FINANCING DETAILS: The proposed issuance is expected to be sold in one or more series of tax-exempt, fixed rate bonds. Approximately \$48.7 million in bond proceeds will be applied toward refunding escrow deposits. Project costs totaling approximately \$10.0 million are expected to be funded with bond proceeds. Issuance costs are approximated in the range of \$588,000. Completing the plan of finance will require a bond issue of approximately \$53.2 million. Staff is requesting bonding authorization in an amount not to exceed \$64.0 million. A table of the estimated sources and uses of funds is provided in Attachment II.

Ratings: Moody’s Investors Service has assigned a rating of “A1” to the outstanding obligations of the College with a “Stable Outlook”. Standard & Poor’s has rated the College’s obligations “A+” with a “Stable Outlook”.

Security Provisions: It is anticipated that the Loan Agreement will be a general unsecured obligation of the College and no security interest in any revenues or assets of the College will be granted by the College to DASNY under the Loan Agreement.

Table 2 – Selected Enrollment Statistics

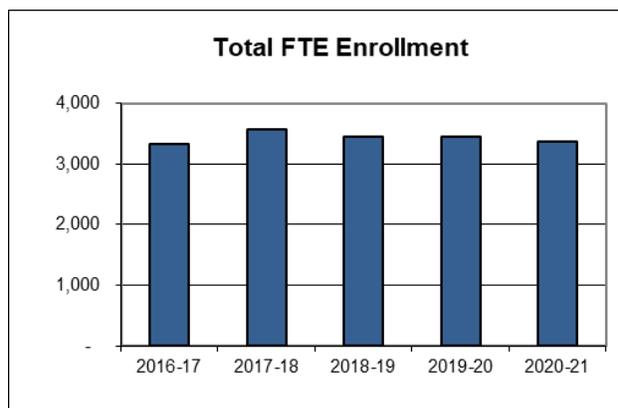
	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Graduate Applications Received	6,970	7,314	6,804	7,152	7,711
Graduate Applications Accepted	3,902	3,866	3,621	3,825	4,072
Graduate Acceptance Ratio	56.0%	52.9%	53.2%	53.5%	52.8%
Graduate Applicants Enrolled	2,072	1,982	1,838	1,926	1,949
Headcount Enrollment					
Full-Time	1,811	2,437	2,402	2,438	2,160
Part-Time	<u>3,340</u>	<u>2,329</u>	<u>2,216</u>	<u>2,117</u>	<u>2,523</u>
Total	5,151	4,766	4,618	4,555	4,683
Full-time Equivalent Enrollment					
Undergraduate	0	0	0	0	0
Graduate	<u>3,319</u>	<u>3,567</u>	<u>3,456</u>	<u>3,441</u>	<u>3,363</u>
Total	3,319	3,567	3,456	3,441	3,363

ENROLLMENT ANALYSIS: Teachers College continues to maintain its reputation as one of the leading graduate schools of education in the nation. Its affiliation with Columbia University, which provides students with cross-registration privileges and a Columbia University degree upon completion of their studies, further enhances the draw. Student demand is reflected in steady annual applications and a consistently high matriculation ratio. The total number of applications received by Teachers College has averaged 7,190 over the last five years while its matriculation ratio has averaged 50.7%. The College has remained selective, with an average Acceptance Ratio of 53.7% over five years. Overall, FTE enrollment has been consistent over five years, averaging 3,429 students.

Since the outbreak of the pandemic, Teachers College has been delivering most class instruction remotely. Classes were moved online in March 2020, bringing 775 courses online in just nine days. The College ultimately made the determination to hold both the fall 2020 and spring 2021 semesters remotely. The shift to online learning did not significantly impact enrollment levels for fall 2020. Management is now looking ahead toward preparing for the summer and fall of 2021. While summer sessions are expected to be primarily online with a small number of hybrid courses, the College is optimistic about returning to substantially more in-person instruction and operations for fall 2021.

As a standalone graduate school, the College is more susceptible to enrollment trends and fluctuations than universities with more diverse undergraduate and graduate programs. While roughly 30 percent of students are concentrated in teacher education programs, the remainder focus in programs as wide ranging as health, leadership and psychology. The College also continues to explore new programs to drive demand and has worked to expand its online and certificate offerings.

The chart below illustrates the FTE enrollment levels since the fall of 2016.



The College's student body is drawn from nearly all fifty states and over 60 foreign nations. International students account for 20% of the student body. The students range from recent college graduates to experienced professionals, with the median age being 30. Approximately 46% of the students pursue their studies on a full-time basis and are working toward their graduate master's or doctoral degrees. The remaining 54% of students are enrolled on a part-time basis.

Table 3 – Selected Operating Statistics

<i>(dollars in thousands)</i>	2016	2017	2018	2019	2020
Total operating revenue	\$207,973	\$210,884	\$220,300	\$217,819	\$210,590
Total operating expense	<u>205,660</u>	<u>211,959</u>	<u>217,705</u>	<u>213,926</u>	<u>208,967</u>
Change in net assets from operations	2,313	(1,075)	2,595	3,893	1,623
Total non-operating activities	<u>(10,545)</u>	<u>14,815</u>	<u>9,609</u>	<u>(9,264)</u>	<u>14,118</u>
Change in unrestricted net assets	(8,232)	13,740	12,204	(5,371)	15,741
Plus: Total depreciation/amortization	11,380	12,299	12,780	12,409	11,567
Plus: Total interest paid (expense)	<u>5,468</u>	<u>5,852</u>	<u>4,826</u>	<u>4,625</u>	<u>4,528</u>
Adjusted change in net assets	\$8,616	\$31,891	\$29,810	\$11,663	\$31,836
Cash provided by operating activities	\$699	(\$4,260)	\$5,875	\$2,613	\$2,326
Total annual debt service	\$8,203	\$8,692	\$7,941	\$7,890	\$7,893
Adjusted Operating Margin (DASNY 2019 Median: 1.4%)	2.5%	0.8%	2.0%	2.5%	1.7%
Adjusted Net Income Margin (DASNY 2019 Median: 1.9%)	-2.5%	7.7%	6.3%	-1.8%	8.3%
Debt Service to Operating Expenses (DASNY 2019 Median: 5.0%)	4.0%	4.1%	3.6%	3.7%	3.8%
Annual Debt Service Coverage (DASNY 2019 Median: 1.9:1)	2.7	2.3	2.8	2.8	2.5

OPERATIONS ANALYSIS: Teachers College has posted an operating surplus in four of the last five years, averaging \$1.9 million annually.

The College has increased tuition by an average of 4.0% annually over the last five years while its tuition discount rate decreased slightly from 20.7% in 2016 to 19.2% in 2020. The result has been a modest overall increase in Net Tuition per FTE student over five years, from \$33,370 in 2016 to \$34,576 in 2020. The College's tuition discount rate is still well below the DASNY Median of 33.5%.

The College's operating revenues are fairly diverse, making it less vulnerable to fluctuations from a single revenue source. Net Tuition and Fees accounted for 56% of total operating revenue in fiscal year 2020, followed by Government Support (16%), Auxiliaries (10%), and Investment Returns (8%). This revenue mix is consistent with previous years.

Teachers College reported positive net income results in three of the last five years. Year-to-year fluctuations are largely due to unrealized investment returns and changes in the College's pension and postretirement obligations. In fiscal year 2016 and 2020, investment losses totaling \$4.0 and \$1.9 million, respectively, and an increase in pension obligations of \$7.7 million and \$12.9 million, respectively, resulted in a negative change in Unrestricted Net Assets

of \$8.2 million at FYE 2016 and \$5.4 million at FYE 2020. Overall, the College's Net Income Margin averaged 3.6% annually over five years.

The College's Debt Service Coverage Ratio has averaged 2.6 times over the last five years, comparing favorably to the 2019 DASNY Median of 1.9 times.

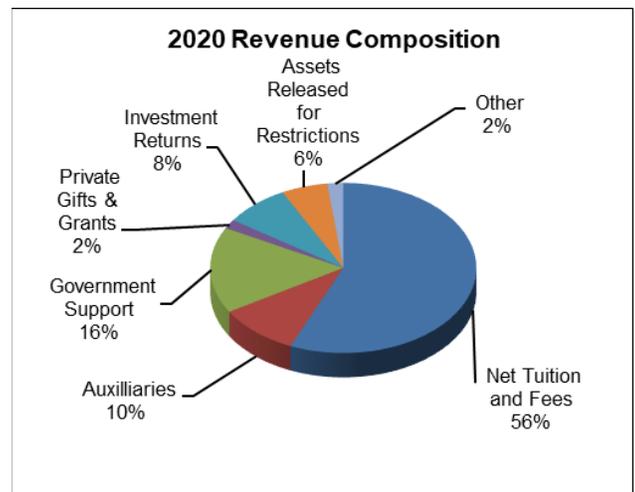


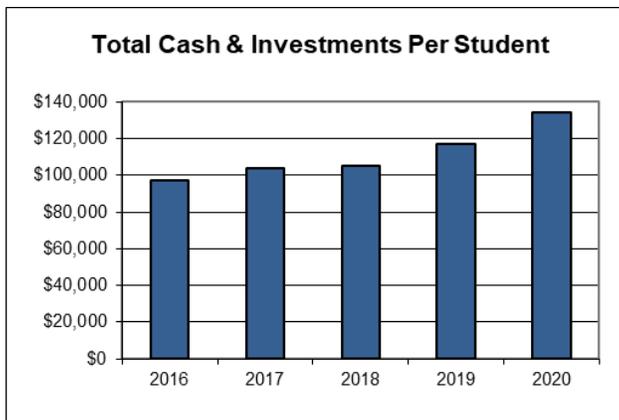
Table 4 – Selected Financial Position Statistics

(dollars in thousands)	2016	2017	2018	2019	2020
Total Assets	\$524,003	\$541,130	\$558,699	\$595,936	\$639,338
Total Liabilities	206,789	203,569	195,719	191,428	188,135
Net Assets					
Unrestricted	101,334	115,074	127,278	121,908	137,648
Temporarily Restricted	111,311	114,333	124,350	153,220	179,481
Permanently Restricted	<u>104,569</u>	<u>108,154</u>	<u>111,352</u>	<u>129,380</u>	<u>134,074</u>
Total Net Assets	\$317,214	\$337,561	\$362,980	\$404,508	\$451,203
Long-Term Debt	\$108,359	\$110,147	\$106,557	\$102,818	\$98,978
Total Cash & Investments to Operating Expenses (DASNY 2019 Median: 1.6:1)	1.6	1.6	1.7	1.9	2.2
Total Cash & Investments to Total Debt (DASNY 2019 Median: 2.5:1)	3.1	3.1	3.5	3.9	4.7
Total Cash & Investments per Student	\$97,325	\$103,531	\$104,958	\$116,935	\$133,949

BALANCE SHEET ANALYSIS: The College's balance sheet reflects growing financial resources and adequate liquidity. Teachers College reported Total Net Assets of \$451.2 million as of fiscal year end 2020, of which \$137.6 million (or 31%) were Unrestricted Net Assets. Unrestricted Net Assets have increased by 35.8% since 2016, mainly due to positive net income margins which have averaged \$5.6 million annually.

Over the last five years, the College has experienced a steady increase in Cash and Investments. Total Cash and Investments to Operating Expenses increased from 1.6 times in fiscal year 2016 to 2.2 times in fiscal year 2020. This compares favorably to the 2019 DASNY Median of 1.6 times.

The following chart illustrates the College's Total Cash and Investments per Student, which has increased by over \$36,000 since fiscal year 2016.

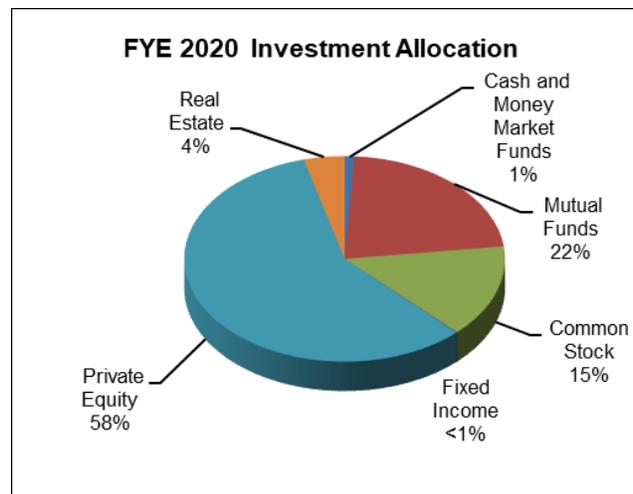


The College's debt structure consists of 100% fixed rate bonds issued through DASNY. With no additional long-term debt incurred over the last five years, along with growth in cash and investments, Total Cash and Investments to Total Debt has increased from 3.1 times at FYE 2016 to 4.7 times at FYE 2020. This ratio exceeds the 2019 DASNY Median of 2.5 times. The College has no plans to issue additional debt in the near term beyond the \$10 million of new money included in the proposed financing.

INVESTMENTS: As of August 31, 2020, the College's investment portfolio was valued at \$386.0 million. The College's endowment, which accounted for \$384.5 million of total investments, consists of both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. The Investment Committee of the Board of Trustees oversees the investment of the endowment funds, including the selection of external managers, the allocation of investments among managers, and any restrictions on the amounts of funds in any type of investment.

The investment objectives for the College's endowment are to preserve the principal value of the funds, provide a stable source of financial support to endowment beneficiaries, and maximize the total rate of return over the long-term without assuming an unreasonable degree of risk. In connection with these investment objectives, the Board has adopted a spending policy under which 5% of a sixteen-quarter moving average of the fair value of the endowment is made available for operations.

The following is the composition of the College's Investment portfolio with market valuations reported as of August 31, 2020.



SUMMARY: Staff recommends that the Board adopt the necessary documents for one or more series of bonds with maturities not to exceed 30 years in an aggregate amount not to exceed \$64,000,000 on behalf of Teachers College.

This report was prepared solely to assist DASNY in its review and approval of the proposed financing described therein and must not be relied upon by any person for any other purpose. DASNY does not warrant the accuracy of the statements contained in any offering document or any other materials relating to or provided by the Institution in connection with the sale or offering of the Bonds, nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the Institution, (2) the sufficiency of the security for the Bonds or (3) the value or investment quality of the Bonds.

The Bonds are special limited obligations of DASNY that are secured only by the amounts required to be paid by the Institution pursuant to the Loan Agreement, certain funds established under the Resolution and other property, if any, pledged by the Institution as security for the Bonds.