



DASNY

KATHY HOCHUL
Governor

ALFONSO L. CARNEY, JR.
Chair

REUBEN R. MCDANIEL, III
President & CEO

Memorandum

TO: Sara P. Richards, Esq., Associate General Counsel
FROM: Robert S. Derico, R.A., Director, Office of Environmental Affairs
DATE: February 28, 2022



RE: *State Environmental Quality Review (SEQR) Determination for Rockefeller University's Refunding of Existing Debt, Boroughs of Manhattan, New York County, New York*

Description of Proposed Action and Proposed Project. Rockefeller University ("RU" or the "University") has requested financing from Dormitory Authority of the State of New York ("DASNY") for its *2022 Refunding of Existing Debt* (the "Proposed Project"). Based on a review of the attached Single Approval Transaction Summary, dated February 22, 2022 (attached), it has been determined that the Proposed Action would involve DASNY's authorization of the issuance of one or more series of fixed- and/or variable-rate, tax-exempt and/or taxable, Series 2022 bonds sold at one or more times through a negotiated offering or a private placement, in an amount not to exceed \$90,000,000 in funding under DASNY's Independent Colleges and Universities Program. The Rockefeller University campus is located at 1230 York Avenue, New York, New York County, New York.

More specifically, the proceeds from the Series 2022 bond issue or issues would be used for the refunding of all or a portion of DASNY's Rockefeller University Revenue Bonds, Series 2012A and 2012B (\$79.7 million).

Institution. Founded in 1901 by John D. Rockefeller as The Rockefeller Institute for Medical Research, The Rockefeller University has become a world center for advanced study and research in the natural sciences. The University's principal campus is located on the upper east side of Manhattan on approximately 14 acres of land. This campus includes 18 buildings, primarily laboratories, and includes a 40-bed research hospital and a library. The most recent addition is the Stavros Niarchos Foundation – David Rockefeller River Campus completed in early 2019, which added two acres, four buildings and laboratory space directly above FDR Drive.

The fundamental activity of the University is basic scientific research in the life sciences. Approximately 81 laboratories currently engage in research, each with its own faculty head and focus area of scientific inquiry. Research programs include genetics, neuroscience, biological imaging, cancer biology, and immunotherapy, among other fields. Since its inception, 26 scientists associated with the University have been awarded Nobel Prizes. The University also conducts an academic program for pre-doctoral students and, in conjunction with Cornell University's Weill Medical College, a combined program for M.D./PhD. students

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 consists of the “*refunding of existing debt*,” which is classified as a Type II action, specifically designated by 6 N.Y.C.R.R. §617.5(c)(29) of SEQR. 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.

SHPA Determination. 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”). In compliance with Article III, Section 3.0 of the MOU, OPRHP would be notified of the Proposed Project being funded with bond proceeds.

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

¹ 6 N.Y.C.R.R. § 617.5(a).

Single Approval Transaction Summary

The Rockefeller University
New York, New York

February 22, 2022

Program: Independent Colleges & Universities

Purpose: Refunding

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 \$90,000,000 with maturities not to exceed 23 years are to be sold at one or more times through a negotiated offering and/or a private placement.

- Senior Manager – BofA Securities
- Bond Counsel – Nixon Peabody
- Underwriter's Counsel – Katten Muchin Rosenman

Purpose

- Refunding of all or a portion of DASNY's The Rockefeller University Revenue Bonds, Series 2012A and 2012B (\$79.7 million).

Security

- General obligation of University

Current Ratings: Moody's: Aa1 (Stable)
S&P: AA (Negative)

Overview

Founded in 1901 by John D. Rockefeller as The Rockefeller Institute for Medical Research, The Rockefeller University has become a world center for advanced study and research in the natural sciences. The University's principal campus is located on the upper east side of Manhattan on approximately 14 acres of land. This campus includes 18 buildings, primarily laboratories, and includes a 40-bed research hospital and a library. The most recent addition is the Stavros Niarchos Foundation – David Rockefeller River Campus completed in early 2019, which added two acres, four buildings and laboratory space directly above FDR Drive.

The fundamental activity of the University is basic scientific research in the life sciences. Approximately 81 laboratories currently engage in research, each with its own faculty head and focus area of scientific inquiry. Research programs include genetics, neuroscience, biological imaging, cancer biology, and immunotherapy, among other fields. Since its inception, 26 scientists associated with the University have been awarded Nobel Prizes. The University also conducts an academic program for pre-doctoral students and, in conjunction with Cornell University's Weill Medical College, a combined program for M.D./PhD. students.

Additional Information

- Revenue Diversity – Rockefeller's reputation in the field of biomedical research enables it to draw on diverse revenue sources, including government grants, philanthropy, and investment income.
- Financial Resources – The University's financial resource base has grown, mainly due to philanthropic support and a history of positive investment returns. As of June 30, 2021, the University reported Total Net Assets of over \$3.0 billion.
- Balance Sheet Liquidity – The University reported total cash & investments of \$3.1 billion for fiscal year 2021, an increase of \$1.1 billion over five years. When comparing this amount to both debt and expenses, the University compares favorably to DASNY Medians.
- Government Funding Levels – Direct research funding from government sources are a significant source of revenue for the University, averaging \$88.6 million annually over the last five years. Any changes in funding at the federal level have the potential to impact amounts received by Rockefeller in the future.
- Debt Service Savings – Assuming current market conditions, a total net present value savings in the range of \$15.7 million, or 20.2% of the refunded bonds, is expected from the refunding of the bonds.

Description of the Bonds

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

Approvals

- TEFRA Hearing – February 25, 2022*
- SEQR Filing – February 28, 2022*
- PACB Approval – March 16, 2022*

*Anticipated date.

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 23 years in an aggregate amount not to exceed \$90,000,000.

This Transaction Summary 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



Single Approval Transaction Summary

The Rockefeller University
New York, New York

February 22, 2022

Program: Independent Colleges & Universities

Purpose: Refunding

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.

Transaction Report

The Rockefeller University

INSTITUTION: Founded in 1901 by John D. Rockefeller as The Rockefeller Institute for Medical Research, The Rockefeller University has become a world center for advanced study and research in the natural sciences. The University's principal campus is located on the upper east side of Manhattan on approximately 14 acres of land. This campus includes 18 buildings, primarily laboratories, and includes a 40-bed research hospital and a library. The most recent addition is the Stavros Niarchos Foundation – David Rockefeller River Campus completed in early 2019, which added two acres, four buildings and laboratory space directly above FDR Drive.

The fundamental activity of the University is basic scientific research in the life sciences. Approximately 81 laboratories currently engage in research, each with its own faculty head and focus area of scientific inquiry. Research programs include genetics, neuroscience, biological imaging, cancer biology, and immunotherapy, among other fields. Since its inception, 26 scientists associated with the University have been awarded Nobel Prizes. The University also conducts an academic program for pre-doctoral students and, in conjunction with Cornell University's Weill Medical College, a combined program for M.D./Ph.D. students.

DASNY FINANCING HISTORY: Over the last 49 years, DASNY has issued 25 separate obligations on behalf of the University totaling nearly \$1.5 billion. As of January 31, 2022, \$745.1 million remained outstanding as shown in Table 1 below.

Table 1 -- Outstanding DASNY Debt

<u>Series</u>	<u>Defeasance or Maturity</u>	<u>Amount Issued (000's)</u>	<u>Amount Outstanding (000's)</u>
1973 through 1998		\$319,885	\$0
2002A1	2012	55,000	0
2002A2	2032	50,000	50,000
2005A	2015	65,000	0
2008A	2039	103,215	103,215
2009A	2019	59,295	0
2009B	2017	100,000	0
2009C	2019	100,000	0
2010A	2020	50,000	0
2012A	2037	26,465	26,465
2012B	2038	51,390	51,390
2015A	2045	119,190	119,190
2015B	2045	44,000	44,000
2017A	2052	100,445	100,445
2019A	2035	46,770	46,770
2019B	2050	73,285	73,285
2019C	2049	89,365	89,365
2020A	2053	<u>40,985</u>	<u>40,985</u>
		\$1,494,290	\$745,110

The University has always met its obligations under these financings 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 DASNY Series 2012A and 2012B Bonds. The Series 2012A Bonds have a current par amount outstanding of \$26,465,000 and the Series 2012B Bonds have a current par amount outstanding of \$51,390,000. Both series of bonds are callable at par on or after July 1, 2022. The University may extend the final maturities of the refunding bonds beyond the final maturities of the bonds to be refunded, but within the average life required by tax law.

Assuming current market conditions, a total net present value savings in the range of \$15.7 million, or 20.2% of the refunded bonds, is expected from the refunding of the 2012A and 2012B Bonds as shown in Attachment I.

FINANCING DETAILS: Bond proceeds of approximately \$79.7 million are expected to be deposited to the refunding escrow accounts. Issuance costs, including DASNY's fee, counsel fees, and underwriter's discount, are estimated to total approximately \$613,000. Staff is requesting bonding authorization in an amount not to exceed \$90.0 million to provide the University with flexibility and ensure sufficient proceeds to complete the financing. The estimated sources and uses of funds are provided in Attachment II.

Ratings: Moody's Investors Service has assigned a rating of "Aa1" to the outstanding obligations of the University with a "Stable Outlook". Standard & Poor's has rated the University's obligations "AA" with a "Negative Outlook".

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

ENROLLMENT: Rockefeller University is a fully endowed Research Institute that offers its programs of pure research to graduate students across the nation and around the globe. The University charges no tuition to its students. Students are paid stipends to cover living expenses while they attend the University. Offsetting the economic benefits of attending Rockefeller University are its competitive standards of admission. The University currently enrolls 262 students. Since no tuition is charged, the enrollment base bears little correlation to the financial success of the University other than dictating the levels of direct expenditures attributable to the students from year to year.

Table 3 – Selected Operating Statistics

<i>(dollars in thousands)</i>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total operating revenue	\$430,822	\$458,856	\$654,352	\$245,526	\$552,400
Total operating expense	<u>373,044</u>	<u>383,568</u>	<u>392,994</u>	<u>406,070</u>	<u>402,927</u>
Change in net assets from operations	57,778	75,288	261,358	(160,544)	149,473
Total non-operating activities	<u>6,548</u>	<u>2,104</u>	<u>(171,015)</u>	<u>(112,550)</u>	<u>(170,442)</u>
Change in unrestricted net assets	64,326	77,392	90,343	(273,094)	(20,969)
Plus: Total depreciation/amortization	42,564	42,726	46,835	57,504	56,162
Plus: Total interest paid (expense)	<u>31,789</u>	<u>32,531</u>	<u>33,297</u>	<u>32,845</u>	<u>36,200</u>
Adjusted change in net assets	\$138,679	\$152,649	\$170,475	(\$182,745)	\$71,393
Cash provided by operating activities	(\$90,712)	(\$37,129)	(\$43,503)	(\$332,676)	(\$236,077)
Total annual debt service	\$31,789	\$32,531	\$33,297	\$32,845	\$36,200

OPERATIONS: Rockefeller University is unique among DASNY's higher education clients. Unlike other research institutes that depend on a budgeted enrollment level, its revenues are derived primarily from investment income, government grants and contracts, and fundraising.

Rockefeller has a world-renowned reputation in the field of biomedical research, attracting top scientific recruits, government and foundation research grants, and philanthropic gifts for future research. Direct research funding from government sources has averaged \$88.6 million annually over the last five years. Major government sponsors include centers, divisions and institutes of the Department of Health and Human Services and the National Science Foundation. While government grant revenue has been stable over five years, there can be no assurance that the University will continue to receive government-sponsored research grants and contracts in amounts comparable to those that it has received in the past.

Rockefeller has historically enjoyed strong success in fundraising, driven primarily by high net worth individuals including Board members and other donors with a strong interest in biomedical research. The University continues to focus considerable effort on increasing private support for its research programs. Since 2017, private gifts and grant revenue has averaged \$20.6 million annually.

Fluctuations in the University's total revenue over the last five years is mainly the result of changes in the fair value of the University's investment portfolio and changes in the fair value of the University's interest rate swap agreements. The University reports all realized and unrealized investment gains and losses and changes in the value of the University's swap agreements "above the line" on its Statement of Activities. As a result, fluctuations in these values have impacted total revenue from year to year. Unrealized investment gains/losses have ranged from a high of \$138.0 million in fiscal year 2021 to a low of \$38.0 million in fiscal year 2019. Operating revenue was below average during fiscal year 2020 due to a change in fair value of the University's swaps of negative \$63.9 million, below average fundraising, and lower amounts of assets released from restriction for capital purposes, which vary annually.

The COVID-19 pandemic has not had a significant impact on the University's operations and financials. Rockefeller did not receive CARES act funding. Operational protocols were implemented including weekly on campus testing, enhanced cleaning guidelines and social distancing requirements. On the research side, the University launched numerous studies aimed at understanding the coronavirus and developing interventions to prevent and treat infections.

During 2018, the University retained external legal counsel to investigate a report by a former patient of inappropriate conduct by a former physician at the Rockefeller University Hospital. The physician was a faculty member at the hospital from the 1940s until the 1980s. The New York Child Victims Act, which passed in February 2019, modified the statute of limitations for civil claims and created a window for individuals to initiate claims between August 2019 and August 2021. Rockefeller settled a number of claims against the University during that time. For fiscal year 2021, the University recorded expenses of \$172.0 million related to Child Victims Act settlements, legal fees, investigation costs, and other expenses through October 15, 2021. Expenses totaled \$110.3 million in fiscal year 2020 and \$162.9 million in fiscal year 2019. These amounts were recorded as non-operating expenses within the University's financials. The University expects that a number of these claims will be covered by existing insurance coverage and is seeking to recover proceeds expended in connection with these claims.

Table 4 – Selected Financial Position Statistics

(dollars in thousands)	2017	2018	2019	2020	2021
Total Assets	\$3,669,901	\$3,906,488	\$3,901,922	\$3,876,924	\$4,526,789
Total Liabilities	1,134,995	1,158,350	1,319,162	1,417,584	1,520,747
Net Assets					
Unrestricted	465,357	542,948	633,291	360,197	339,228
Temporarily Restricted	1,744,249	1,896,631	1,574,654	1,713,247	2,262,600
Permanently Restricted	<u>325,300</u>	<u>308,559</u>	<u>374,815</u>	<u>385,896</u>	<u>404,214</u>
Total Net Assets	\$2,534,906	\$2,748,138	\$2,582,760	\$2,459,340	\$3,006,042
Long-Term Debt	\$734,263	\$734,783	\$729,232	\$896,055	\$993,796
Total Cash & Investments to Operating Expenses (DASNY 2020 Median: 1.7:1)	5.8	5.9	6.1	6.0	7.7
Total Cash & Investments to Total Debt (DASNY 2020 Median: 2.6:1)	2.9	3.1	3.2	2.7	3.1

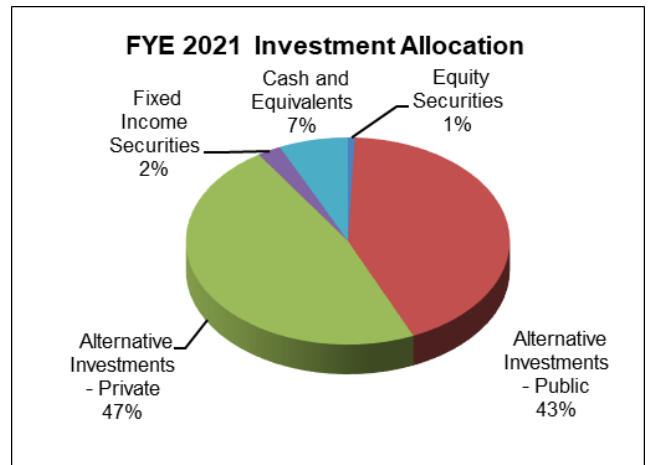
BALANCE SHEET: The University’s financial resource base has grown, mainly due to philanthropic support and a history of positive investment returns. As of June 30, 2021, the University reported Total Net Assets of over \$3.0 billion.

The University reported total cash & investments of \$3.1 billion for fiscal year 2021, an increase of \$1.1 billion over five years. When comparing this amount to both debt and expenses, the University compares favorably to DASNY Medians. Total Cash & Investments to Operating Expenses was 7.7 times and Total Cash and Investments to Total Debt was 3.1 times. Each of these ratios exceed the DASNY Medians of 1.7 times and 2.6 times, respectively.

The University’s long-term debt portfolio, all issued through DASNY, currently consists of 55% fixed rate and 45% variable rate debt. The majority of the University’s variable rate debt is hedged by floating-to-fixed interest rate swaps. The University’s liability associated with the current valuation of the swap obligation was \$163.7 million as of fiscal year end 2021. The University has several bullet maturities on its long-term debt.

ENDOWMENT AND INVESTMENTS: As of June 30, 2021, the University reported investments totaling \$3.0 billion. The University’s endowment, totaling just over \$2.8 billion, consists of both donor-restricted endowment funds and funds designated by the University for long-term purposes. The Investment Committee of the Board of Trustees is responsible for overseeing the endowment and, with the support of the Office of Investments, establishes investment policy and asset allocation, appoints investment managers, and monitors the implementation and performance of the investment program. The policy emphasizes broad asset diversification and low correlation to traditional equity market indices. The University operates under a spending policy for operations that applies a spending rate to the endowment’s trailing three-year average fair value of investments. The applied spending rate was 5.5% for fiscal year 2021.

The table below presents the asset allocation within the University’s investment portfolio as of June 30, 2021.



SUMMARY: Staff recommends the Board adopt the necessary documents for one or more series of bonds in an amount not to exceed \$90,000,000.

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.