The Dormitory Authority of the State of New York Finance Committee Meeting was held by videoconference technology among DASNY's Offices in New York City, 28 Liberty Plaza, New York, New York, 6047 Transit Road, Suite 103, Buffalo, New York, and 515 Broadway, Albany, New York at 9:36 a.m. on Wednesday, September 11, 2024.

CALL TO ORDER / ROLL CALL

The Meeting was called to order by Gerard Romski, Finance Committee Chair, at 9:35 a.m. and a quorum was declared present. The following Board Members and Staff were present:

Finance Committee Members Present

Gerard Romski, Esq. – Finance Committee Chair (NYCO)
Alfonso L. Carney, Jr. – Finance Committee Member (NYCO)
Janice McKinnie—Finance Committee Member – (Buffalo Office)

Other Board Members Present – NYCO

Beryl L. Snyder, Esq. – Board Member
Wellington Chen – Board Member

Other Board Members Present - Albany

Joan M. Sullivan – Board Member
Kent Syverud – Board Member – **Via Phone**
Christina Coughlin, Designated Representative of the Commissioner of Education, Board Member (*ex officio*)
Kenneth Evans − Designated Representative of the Commissioner of Health, Board Member (*ex officio*)

Other Board Members Absent

Lisa Gomez − Board Chair
Adrian Swierczewski, Designated Representative of the Director of Budget, Board Member (*ex officio)*

Senior and Presenting Staff Members:

Robert J. Rodriguez, President & CEO
Charlie Williams, Vice President
Stephen Curro, Managing Director, Construction
Kimberly Ellis, Chief Financial Officer
Nadine Fontaine, Esq., General Counsel
Portia Lee, Managing Director, Public Finance & Portfolio Monitoring
Sara Potter Richards, Managing Director, Executive Direction
Ricardo Salaman, Deputy General Counsel
Matthew Moore, Deputy General Counsel

Matthew Bergin, Director, Public Finance
David Ostrander, Assistant Director, Public Finance
Alex Sirdine, Senior Financial Analyst, Public Finance

Bond Counsel Present

John Renken, Esq., Hawkins Delafield & Wood LLP

Various Staff Members of the Dormitory Authority of the State of New York and Members of the Public also joined via Zoom.

PUBLIC SESSION

Approval of Meeting Minutes from the June 17, 2024 Finance Committee Meeting and August 21, 2024 Special Finance Committee Meeting

Finance Committee Chair Gerard Romski called the meeting to order and welcomed Members and Staff. He called for a moment of silence to commemorate those who lost their lives in the September 11, 2001 terrorist attacks. The Minutes of the July 17, 2024 Finance Committee Meeting and the August 21, 2024 Special Finance Committee Meeting were unanimously approved.

Montefiore Medical Center (Single Approval)

Mr. Sirdine stated that the Finance Committee is being asked to recommend that the full Board authorize the issuance of one or more series of tax-exempt and/or taxable, fixed and/or variable rate bonds in an amount not to exceed $135,000,000 with a maturity not to exceed 30 years on behalf of the Montefiore Medical Center. Mr. Sirdine further stated that proceeds from the Series 2024 Bonds are expected to finance the costs and/or reimbursements associated with various capital projects at Montefiore Medical Center, Montefiore Nyack Hospital, Montefiore Mount Vernon Hospital, and Montefiore New Rochelle Hospital, including upgrades to existing facilities, equipment acquisition and replacement, and information technology system acquisition, replacement, and upgrades.

Mr. Sirdine informed the Committee Members that this financing is being undertaken pursuant to the DASNY Act rather than the MCFFA Act, as the Montefiore project is not eligible for MCFFA financing. Since a DOH memo is only required for financings under the MCFFA Act, there is no DOH memo in connection with this transaction. Mr. Sirdine noted that bond counsel would provide further information regarding this issue later in the presentation.

Mr. Sirdine stated that Montefiore Hospital first borrowed through DASNY in 1979 using the FHA insurance program. He further stated that the Medical Center's most recent issuances through DASNY in 2018 and 2020 utilized an Obligated Group structure. Mr. Sirdine informed the Committee Members that Montefiore Medical Center is a member of the Montefiore Health System, Inc. and is the flagship of the integrated academic healthcare system serving the Bronx, Westchester, Orange, and Rockland Counties. He stated that the Medical Center represents approximately 66% of the Health System’s total operating revenue and 69% of its total assets.

Mr. Sirdine explained that the security for the Bonds will be one or more Obligations issued under the Master Trust Indenture. He stated that the Obligations are expected to be secured by both a security interest in the gross receipts of members of the Obligated Group and mortgages on certain facilities of members of the Obligated Group. He noted that currently, the sole member of the Obligated Group is the Montefiore Medical Center.

Mr. Sirdine stated that the Medical Center's current ratings on its outstanding debt is Baa3 from Moody's and BBB- from S&P, and these ratings are expected to remain the same. He informed the Committee Members that the Medical Center has advised staff that it is evaluating a tender program for previously issued taxable bonds and, if implemented successfully, the tender program would permit the Medical Center to purchase tendered taxable bonds at a discount. Mr. Sirdine explained that this may enable the Medical Center to have less debt on its balance sheet and lower its overall debt service requirements. He noted that the timing of any such tender program has not been determined and the Medical Center cannot provide assurances as to the amount of prior taxable bonds that would be tendered or the related purchase price.

Mr. Sirdine reported that Medicare and Medicaid (combined) constitute 67% of the Medical Center's gross revenues, followed by Commercial payors at 32%. Discharges have increased approximately 5% post-pandemic, from 72,400 in 2020 to 76,300 in 2023. Similarly, outpatient visits have grown post-pandemic to 2.5 million in 2023, almost back to its 2019 pre-pandemic level of 2.6 million. Mr. Sirdine informed the Committee Members that the Medical Center's Occupancy Rate has increased post-pandemic to approximately 85%, above both the 2022 Statewide and DASNY medians. He noted that the Medical Center has faced a number of challenges in the last few years, some of which were triggered by the COVID-19 pandemic, which had a disproportionately negative impact on the Medical Center when compared to the Health System's other suburban sites, like White Plains Hospital Medical Center.

Mr. Sirdine informed the Committee Members that lower inpatient volume, higher labor costs, and continued transfers to the Albert Einstein College of Medicine have all resulted in the Medical Center posting operating losses in three out of the last five years. He stated that the Medical Center returned to operating profitability for fiscal year 2023, posting an operating profit of $60.2 million. Mr. Sirdine explained that this is partly due to increased State/Federal funding through the State's Directed Payment Template (DPT) Program for safety net providers, which support comes in the form of a Medicaid rate enhancement. He stated that the Medical Center reported total assets of approximately $4.7 billion in FY 2023, which was slightly above the $4.6 billion figure reported in FY 2019. Over the same period, liabilities grew by 24% to just over $4.7 billion, resulting in the Medical Center reporting negative net assets of $111.7 million. Mr. Sirdine further stated that the Medical Center has submitted approximately $460 million in funding requests to the Federal Emergency Management Agency (FEMA) related to COVID expenses incurred during the pandemic. For Fiscal years 2023 and 2022, the Medical Center recognized a combined total of $74 million of such revenues. In 2024, $189 million in additional FEMA payments were obligated to Montefiore and are expected to be received, with the balance potentially coming in 2025.

Mr. Renken, bond counsel from Hawkins Delafield & Wood, explained that the proceeds of the Bonds will be utilized to finance capital projects at Montefiore Medical Center and various other facilities that are part of the overall health system. He stated that most health care facility financings are done under the MCFFA Act. In this case, however, several of the components of the project are not owned and operated by the Montefiore Medical Center but are owned and operated by members of the Montefiore Health System. As a result, the MCFFA Act cannot be used. He noted, however, that the financing is authorized pursuant to the DASNY Act.

In response to a question from Mr. Romski, Mr. Evans stated that DOH is supportive of the project. Mr. Evans informed the Committee Members that DOH staff reviewed the project in the same manner as if it would be financed pursuant to the MCFFA Act. Mr. Romski thanked Mr. Evans and his staff for undertaking a thorough review and analysis.

The Finance Committee unanimously agreed to recommend full Board approval of the transaction.

Northwell Health (Single Approval)

Mr. Bergin stated that the Finance Committee is being asked to recommend that the full Board authorize the issuance of one or more series of tax-exempt and/or taxable, fixed and/or variable rate bonds in an amount not to exceed $1,300,000,000 with a maturity not to exceed 30 years on behalf of Northwell Healthcare, Inc. He further stated that the proceeds of the Bonds will finance various construction, renovation, and modernization projects for the members of the Northwell Health Obligated Group, as well as the current refunding of all or a portion of DASNY's North Shore – Long Island Jewish Obligated Group Revenue Bonds, Series 2009B, C and D and the forward refunding of all or a portion of DASNY's North Shore – Long Island Jewish Obligated Group Revenue Bonds, Series 2015A. Mr. Bergin informed the Committee Members that under current market conditions, the refunding is anticipated to provide a net present value benefit of approximately $24.2 million.

Mr. Bergin stated that as 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. He informed the Committee Members that the Obligated Group members collectively have consistently recorded either close to or above 100 days cash on hand and the cushion ratio has averaged nearly 11.3:1. Mr. Bergin noted that these ratios, as well as the current ratio, operating margin, excess margin, net profit margin and debt service coverage ratio were all above the recent Statewide and DASNY Medians. He stated that the annual operating gain has averaged over $190 million over the last five years, and over $17.5 billion in total assets were recorded in 2023, with unrestricted net assets coming in at over $4.8 billion.

Mr. Bergin directed the Members' attention to the Board materials and stated that as of December 31, 2023, the members of the Obligated Group represented approximately 81% of the total operating revenue and approximately 85% of the total assets of the System. He stated that, in connection with this financing, the Obligated Group is proposing to add four hospitals to the Obligated Group. Mr. Bergin noted that these four entities are currently members of the System but not members of the Obligated Group--this will occur on the date of closing or shortly thereafter. He stated that with the addition of these four hospitals, the resulting members of the Obligated Group will make up approximately 91% of the total operating revenue and approximately 95% of the total assets of the System. He referred to Attachment I to his report, which depicts the corporate relationship of the System and the Obligated Group Members. Mr. Bergin stated that the expected ratings are A3, A- and A-.

Mr. Romski stated that the four hospitals that will be joining the Obligated Group have received high ratings. Mr. Bergin confirmed that the process is underway to include the four entities in the Obligated Group.

The Committee Members unanimously agreed to recommend full Board approval of the transaction.

NYU Langone Hospitals (Single Approval)

Mr. Bergin stated that the Finance Committee is being asked to recommend that the full Board authorize the issuance of one or more series of tax-exempt and/or taxable, fixed and/or variable rate bonds in an amount not to exceed $140 million with a maturity not to exceed 12 years on behalf of the NYU Langone Hospitals. He further stated that the proceeds of the Bonds will refund all or a portion of DASNY's NYU Hospitals Center Revenue Bonds, Series 2014 and DASNY's NYU Hospitals Center Revenue Bonds, Series 2014 (Dated January 2015) and the refinancing of all or a portion of the Nassau County Local Economic Assistance Corporation Revenue Bonds, Winthrop-University Hospital Association Project, Series 2014. He noted that under current market conditions, the transaction is anticipated to provide a net present value benefit of approximately $14.3 million. The transaction is being structured so that the savings will be taken in the first two years.

Mr. Bergin stated that as an Obligated Group Structure, Obligations issued under the Master Trust Indenture will be secured by both a security interest in NYU Langone Hospital's Gross Receipts and mortgages on certain NYU Langone Hospitals facilities. He further stated that in recent years, the Hospital has consistently recorded either close to or above 150 days cash on hand and their cushion ratio has averaged nearly 13.3:1.0. Mr. Bergin stated that for 2023, these ratios, as well as the current ratio, operating margin, excess margin, net profit margin and debt service coverage ratio were all above the recent Statewide and DASNY Medians. He noted that NYU Langone Hospitals' operating gain has averaged over $575 million over the last five years and with regard to the balance sheet, over $12.5 billion in total assets were recorded in 2023, with unrestricted net assets coming in at nearly $5.6 billion. Mr. Bergin informed the Members that the expected ratings on the Bonds are A1/A+/NR.

The Committee Members unanimously agreed to recommend full Board approval of the transaction. The Finance Committee meeting was adjourned at approximately 9:56 a.m.

Respectfully submitted,

Sara Richards

Sara P. Richards
Assistant Secretary