MEMORANDUM

January 26, 2021

TO: Members of the Board of Trustees
FROM: Dr. Jim Malatras, Chancellor
SUBJECT: Tax-Exempt Leasing Program – Stony Brook Medical University Hospital

Action Requested

The proposed resolution authorizes a tax-exempt leasing transaction in an amount not to exceed $48 million to finance equipment for Stony Brook Medical University Hospital.

Resolution

I recommend that the Board of Trustees adopt the following resolution:

Whereas pursuant to Section 7415-b of the Unconsolidated Laws of New York, the State University of New York has the statutory authority to participate in the Dormitory Authority of the State of New York's Tax-Exempt Leasing Program ("Program") for hospitals and residential health care facilities; and

Whereas Stony Brook Medical University Hospital ("Hospital") desires to participate in the Program to finance certain equipment; and

Whereas it is desirable to finance the cost of the Hospital's equipment acquisition and installation through the Program; now, therefore, be it

Resolved that the form and content of the proposed Master Lease and Sublease Agreement ("Agreement") by and
between the State University and the Dormitory Authority of the State of New York (copy on file in the Office of the Secretary of the University), be, and hereby is, approved; and, be it further

Resolved that the Chancellor, or designee, be, and hereby is authorized to execute and deliver one or more said Agreements in the name and on behalf of the State University of New York, for and on behalf of Stony Brook Medical University Hospital, with such changes and additions, not materially altering said Agreement, as may be found appropriate to effectuate the purposes thereof, and to provide all certifications, assurances or other documents, and to take any and all steps necessary and appropriate to enable the State University to participate in the Program for the acquisition and installation of the Hospital's equipment in an amount not to exceed $48 million.

Background

This resolution authorizes the State University to participate in the Tax Exempt Leasing Program of the Dormitory Authority of the State of New York ("DASNY") to finance new equipment for Stony Brook Medical University Hospital. The equipment will include Network Distribution Access System, Dual Energy Unit, VOIP UCC IT System, monitors and Related Equipment, PET/CT, Open MRI, Hill Rom Beds and other equipment totaling $47.7 million, which when combined with associated fees and closing costs of $0.3 million, equals $48.0 million.

It is estimated that the Stony Brook Medical University Hospital’s payments to DASNY under this loan program will be approximately $10.2 million per year, totaling $50.7 million at the end of the loan period. The cost of the lease will be paid out of hospital revenues from its annual operating budget. It should be noted that TELP payments will decline by $7.8 million between calendar year 2020 and 2022 on existing TELP transactions which will offset the $10.2 million per year in payments for this proposed TELP transaction.

This TELP transaction supports Stony Brook Medicine’s key strategic initiative of being the tertiary hub for its affiliated hospitals in Suffolk County. Several of its larger purchases are for communication systems for computer networks as well as its phone system. These systems are vital to the health system as the COVID pandemic has forced the Healthcare environment to rapidly shift towards telemedicine and other remote forms of providing
Healthcare services. It allows clinicians to provide services remotely to the east end of Long Island where the population and patient demand doesn’t support the ability to have medical staff available.

DASNY plans to close this transaction in March 2021.