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Governor

Thomas A. Maul
Commissioner

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RECEIVED
BUDGET SERVICES
MAY 30 REC'D
OFFICE OF MENTAL RETARDATION
AND DEVELOPMENTAL DISABILITIES

MEMORANDUM

TO: DDSO Directors
Associate Commissioner Kathleen Broderick
Executive Directors, Provider Agencies

FROM: Alden B. Kaplan
Deputy Commissioner
Administration and Revenue Support

DATE: May 30, 2002

SUBJECT: Refinancing Savings Reinvestment

Over the past few years, provider associations have been developing various tax-exempt financing programs for capital projects. One of the primary goals of these programs is to generate savings based on the refinancing of existing properties at favorable interest rates to reinvest in other projects/services. OMRDD is certainly supportive of any initiatives that generate additional resources that can be used to benefit consumers via new or expanded MR services. Now that these financing programs are becoming operational, we have been requested to provide guidance on the methodology to be used to calculate the savings available for reinvestment.

First, a few general ground rules for future bond issues:

- A basic OMRDD, Division of the Budget, and Public Authorities Control Board (where applicable) requirement for any refinancing is that the maturity date of the original debt is not extended.

- Properties financed with Mental Health Services Facilities Improvement Revenue Bonds may not be refinanced under other bond programs without the prior approval of Division of the Budget.

- Only savings available from the refinancing of properties used for the direct delivery of OMRDD services will be eligible for reinvestment.

- Savings may only be applied to **new** OMRDD services/supports, or **enhancements** to existing OMRDD services/supports. To that end, reallocated savings could include, but are not limited to, the following options:

    - Start-up costs for new NYS-CARES opportunities.
    - Capital repairs to existing consumer residences or day settings, for which providers would normally request reimbursement via PPA.
    - Non-capital related services to new consumers, (e.g. family supports) based on savings carrying forward for at least ten years.

- Provider specific proposals for the intended use of the savings should be submitted to the DDSO/NYCRO and DARS for conceptual approval prior to the establishment of the bond issue project listing. Unless a proposal of intended use of savings by a provider is submitted within 90 days from the date the refinancing occurs, OMRDD reserves the right to redirect the savings at its discretion.

- The list of properties proposed for refinancing should be forwarded to OMRDD Capital Financing Services for review prior to the establishment of the bond issue project listing by the underwriter.

- Property specific analyses showing the estimated savings calculation together with the NYCRO/DDSO conceptual approval of the intended use of the savings must be submitted to OMRDD Capital Financing Services for review six weeks prior to the contract of sale of the bonds.

- Any proposed financing that would require the assignment and intercept of debt service payments must be submitted to OMRDD Capital Financing Services for approval. If approval of the assignment and intercept is not obtained prior to the issuance of the bonds, OMRDD reserves the right to determine the use of any savings even if other reinvestment rules have been complied with.

- **Ongoing** provider association administrative fees related to any financing are not a reimbursable cost.

- Savings available for reinvestment will be based on the OMRDD **State share**, not gross savings. The State share dollars available for reinvestment may be used for services/supports supplemented with federal/local matching funds where applicable or available.

CALCULATING SAVINGS

Interest expense on the bonds will be net of projected interest earnings on the debt service reserve fund. Reimbursable bond financing costs will be adjusted to account for any amounts borrowed that exceed the principal balance related to the original loan. For multi-purpose buildings that include administrative as well as program use, reimbursement will be allocated based on historical allocations reflected in current reimbursement.

In order to calculate estimated savings from refinancing, the bond issuer or underwriter will need to generate property specific Sources and Uses statements and debt service schedules. The basic calculation involves the determination of current interest reimbursement for capital indebtedness and then subtracting appropriate bond financing costs that include interest and amortization of issuance costs. Once the savings for a specific property is calculated, this amount is then adjusted for State share. Providers should submit their analysis of savings to Capital Financing Services for review prior to the issuance of the refinancing debt.

The attached example is provided to illustrate the theoretical determination of gross savings available for reinvestment. The amount of State share savings will be determined on a property specific basis. Please note that depreciation is not reflected on the schedule since refinancings will generally have no impact on depreciation reimbursement.

Provider agencies and associations should direct any questions regarding the gross savings calculation methodology to Earl Costello in the Capital Financing Services unit at 518-474-8214. Questions relating to determination of State share savings can be directed to Karla Smith in the Budget Office at 518-474-5425.

Attachment

cc: Commissioner Maul
Ms. DeSanto
Mr. Pezzolla
Mr. Moran
Mr. Hamelin
Mr. Brady
Mr. Costello

Ms. Ames, I.A.C.
Mr. Brandt, NYSARC, Inc.
Mr. Fox, NYSRA
Ms. Hardiman, NYSACRA
Mr. Parker, CP Assoc of NYS
Mr. Stein, A.L.I.A.

Dormitory Authority of the State of New York
Bond Series 200X

Voluntary Agency
Project #

Period	A Current Interest	B Bond Interest	C Issuance Cost	D Dasny Fee	E DSRF Interest[1]	F=(B + C +D - E) Net Bond Cost	A-F Savings
2002	$8,713.00	$4,847.30	$410.94	$51.11	$8.22	$5,301.13	$3,411.87
2003	$8,430.00	$4,299.41	$410.94	$51.11	$8.22	$4,753.24	$3,676.76
2004	$8,119.00	$4,039.45	$410.94	$50.51	$8.22	$4,492.68	$3,626.32
2005	$7,778.00	$3,738.23	$410.94	$50.51	$8.22	$4,191.46	$3,586.54
2006	$7,404.00	$3,327.09	$410.94	$50.51	$8.22	$3,780.32	$3,623.68
2007	$6,994.00	$2,874.23	$410.94	$50.51	$8.22	$3,327.46	$3,666.54
2008	$6,545.00	$2,398.85	$410.94	$50.51	$8.22	$2,852.08	$3,692.92
2009	$6,052.00	$1,899.66	$410.94	$50.51	$8.22	$2,352.89	$3,699.11
2010	$5,512.00	$1,375.32	$410.94	$50.51	$8.22	$1,828.55	$3,683.45
2011	$4,920.00	$824.64	$410.94	$50.51	$8.22	$1,277.87	$3,642.13
2012	$4,270.00	$271.29	$410.94	$50.51	$8.22	$724.52	$3,545.48
2013	$3,558.00	$0.00	$0.00	$0.00	$0.00	$0.00	$3,558.00
2014	$2,777.00	$0.00	$0.00	$0.00	$0.00	$0.00	$2,777.00
2015	$1,920.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,920.00
2016	$981.00	$0.00	$0.00	$0.00	$0.00	$0.00	$981.00
2017	$110.00	$0.00	$0.00	$0.00	$0.00	$0.00	$110.00
Total	$84,083.00	$29,895.47	$4,520.32	$556.81	$90.41	$34,882.20	$49,200.80

Notes:
(1) Interest rate estimated at 2%.