

**ROSWELL PARK CANCER INSTITUTE CORPORATION
FINANCE COMMITTEE
OF THE
BOARD OF DIRECTORS**

A meeting of the Finance Committee of the Board of Directors of Roswell Park Cancer Institute Corporation was held on Wednesday, June 14, 2023 at 8:30 a.m. in the Scott Bieler Clinical Science Center, 9th Floor, Patrick P. Lee Board Room.

Present: R. Buford Sears, Committee Chairman
Candace S. Johnson, Ph.D., President & CEO
Kenneth Manning, Esq. (*via Teams*)
Elyse NeMoyer (*via Teams*)
Dennis Szeffel

Present by

Invitation: Ronald Andro, Chief Clinical Operations Officer
Meghan Dobson, Esq., Associate General Counsel
Betsy Doty-Lampson, Board Administrator
Thomas Furlani, Ph.D., Chief Information Officer
Ryan Grady, Chief Financial Officer
Kathryn Hineman, Esq., Vice President and General Counsel
James C. Kennedy, Vice President, Government & Community Relations
Boris W. Kuvshinoff, M.D., Chief Medical Officer (*via Teams*)
Mary Ann Long, R.N., Senior Vice President & Chief Nursing Officer
Todd Maier, Vice President, Finance and Payor Relations
Thomas Schwaab, M.D., Ph.D., Chief of Strategy, Business Development & Outreach
Michael B. Sexton, Esq., Senior Vice President, Chief Legal Officer & Corporate Secretary
Jeff Walker, Executive Vice President

I. Opening/Minutes

Mr. Sears opened the meeting at 8:30 a.m. by welcoming all attendees. He then turned to a review of the Minutes from the March 15, 2023 Finance Committee meeting. With no commentary/questions offered, *a motion was made by Mr. Manning to approve the Minutes, seconded by Ms. NeMoyer, and unanimously carried.*

II. Contracts/Capital Expenditure Projects

a. Line of Credit - Revenue Cycle

Mr. Grady presented on an up to two-year contract with M&T Bank for a secured revolving line of credit of up to \$50 million to support any temporary cash flow disruptions caused by the new revenue cycle going live in July 2024. The estimated two-year expenditure is \$1.7 million (assumes a six month draw of up to \$50 million). Mr. Grady detailed the competitive bid process used to select M&T Bank over Key Bank, the only other bidder. He anticipates that Roswell Park will pull from

this line of credit despite actions taken by management to prevent cash flow disruptions. Mr. Sears also noted that Roswell Park must execute a pledge to maintain its securities at Wilmington Trust to secure this line of credit.

Mr. Manning advised the Committee that his existing relationships with Key Bank and M&T Bank required him to abstain from any discussions and voting on this matter. There being no further commentary, *a motion for approval for an expenditure of up to \$1.7 million with M&T Bank for closing and interest costs incurred by Roswell Park to draw up to \$50 million from a secured revolving line of credit offered by M&T Bank was then made by Mr. Szeffel, seconded by Dr. Johnson and carried. Mr. Manning abstained from voting.*

Mr. Sears updated the Committee that he may now participate in and vote on Key Bank-related matters because enough time had lapsed since his retirement from Key Bank. Mr. Szeffel advised that his son-in-law is an in house attorney at M&T Bank. It was determined that this did not present a conflict of interest sufficient to disqualify him from voting.

Upon a motion made by Mr. Szeffel, seconded by Mr. Manning and unanimously approved, the Committee moved to Executive Session to review management's proposal to exercise a purchase option to acquire 199 and 203 Park Club Lane.

b. Park Club Lane Purchase Option

Mr. Grady presented on management's recommendation that Roswell Park exercise its purchase option to purchase 199 PCL and 203 Park Club Lane (including an adjacent parking lot) for \$26.25 million. Roswell Park's captive professional corporation ("Captive PC") currently leases a portion of 199 PCL (with the remainder occupied by Great Lakes Medical Imaging). Roswell Park leases 203 PCL, which will be the site of Roswell Park's new hospital extension clinic once construction is completed. The owner has received a bona fide offer for 199 PCL and 203 PCL, including the adjacent parking lot, from a Chicago, IL. real estate firm, for \$26.25 million with a \$500,000 deposit and all-cash closing contemplated within seven (7) days after issuance of 203 PCL's Certificate of Occupancy.

Mr. Grady provided a detailed financial analysis that compared the purchase option to the existing lease arrangements for 199 and 203 Park Club Lane and which supported management's recommendation that Roswell Park exercise this purchase option. He highlighted the importance of acquiring the adjacent parking lot for these buildings, which the owner is currently acquiring from M&T Bank. He also advised that CBRE appraised these properties for Roswell Park at \$27.5 million.

Mr. Grady advised that several banks will be providing financing proposals with term sheets expected by next week's Board of Directors ("BOD") meeting. Mr. Sexton clarified that management is currently seeking approval only to exercise this \$26.25 cash purchase option, and approval for any financing of this purchase option will be sought on a later date. Mr. Szeffel also commented that management's financial analysis was conservative given the exclusion of terminal costs.

Upon a motion unanimously approved, the Committee returned to Open Session.

There being no further discussion/commentary, *a motion for approval for Roswell Park to exercise the purchase option in its 203 PCL Lease Agreement to purchase 199 Park Club Lane and 203 Park Club Lane for a purchase price of \$26.25 million was made by Mr. Manning, seconded by Mr. Szeffel, and unanimously approved.*

Before moving to the next agenda item, Mr. Sears acknowledged Dr. Furlani's upcoming retirement. Mr. Manning and Mr. Sears praised Dr. Furlani's achievements at Roswell Park. Mr. Walker also recognized MaryAnn Long's upcoming retirement and lauded her professional achievements as well.

III. Informational Reviews: NextGen Sequencer (Sole Source), Roche Scanner - Lease Agreement (Debt), Ricoh Contract Extensions (Post Implementation Review) and Cerner Upgrade (Post Implementation Review)

There were no comments or questions on the four (4) informational items.

Upon a motion made by Mr. Szeffel, seconded by Mr. Sears and unanimously approved, the Committee moved to Executive Session for purposes of a Debt and Financing Activities Update, a Government Relations Update, a Managed Care Update, a Revenue Cycle Implementation Update, and a Year End Financial Review.

IV. Debt and Financing Activities Update

Mr. Grady provided an update on current debt and financing activities, highlighting that management meets monthly with a Board subcommittee formed to oversee these activities. Mr. Grady then reviewed Roswell Park's existing bond indebtedness. He highlighted that Roswell Park participates in monthly calls with the Dormitory Authority of the State of New York the Division of the Budget and the Department of Health to discuss these bonds being paid off prior to 2027, when a portion of the bonds is callable. Mr. Grady cautioned that any potential early pay-off of these bonds depends on in this debt issuance, including Nassau County, will be able to pay off their portions of the bonds in the near future.

Mr. Grady also provided an update on Roswell Park's exploration of a future new debt issuance. He highlighted that a financial advisor has been selected, and an underwriter will be selected soon, each through a competitive bid process, to guide Roswell Park's development of appropriate debt issuance parameters.

Mr. Szeffel inquired if Roswell Park will seek assurances from NYS that state funding will continue despite any new debt issuance. Mr. Grady advised that seeking such an assurance is part of current discussions. Mr. Manning inquired how Roswell Park's existing pension and OPEB liabilities will impact this new debt issuance analysis. Mr. Grady responded that potential creditors will likely examine these liabilities, but the option of funding these liabilities with newly issued debt will be explored. Mr. Sexton also observed that New York State is likely to resist issuing a firm commitment for continued state funding in the future.

Mr. Sears concluded the discussion by clarifying that Committee and BOD approval for the issuance of new debt is not being sought now. Rather, any such approval request will come in the future after Roswell Park's financial advisor opines on Roswell Park's optimal new debt structure.

V. Government Relations Update

Mr. Kennedy provided an update on government relations, highlighting that the final enacted NYS budget included \$107 million in funding for Roswell Park, consisting of \$55.4 million in operating funds and \$53.1 million in capital funds. He also announced an initiative to pursue legislative changes necessary for revisions to Roswell Park's investment policy.

Mr. Kennedy also updated the Committee on the advance of site neutral legislation in U.S. Congress. This legislation aims to reimburse hospital outpatient departments on the same basis as for physician offices. He reviewed four (4) recent subcommittee proposals and explained the impact, if any, that each proposal would have on Roswell Park. Site neutral reimbursement would have a significant negative effect on Roswell Park's financial status.

VI. Managed Care Update - Payor Negotiations

Mr. Grady provided an update on payor relations, noting that Roswell Park is currently between major contract renewal cycles. He advised that Roswell Park recently met with Highmark to discuss current operational issues, which resolved some issues. Dr. Schwaab then advised that Roswell Park has engaged in discussions on collaborative models with payors located in NYS' capital region. Mr. Grady then advised that Roswell Park continues to struggle with negotiating a contract with United Healthcare. After Mr. Grady finished his presentation, Mr. Sears issued an invitation to other Committee members to join himself and Mr. Szeffel on the Managed Care Subcommittee.

VII. Revenue Cycle Implementation Update

Mr. Grady then updated the Committee on the current status of the Revenue Cycle Implementation Project (the "Project"), noting that Roswell Park is currently halfway through the eighteen (18) month implementation phase with a planned go-live date of July 1, 2024. Mr. Szeffel commented on the complexity of this Project.

VIII. FY23 Year End Financial Review

Mr. Grady provided a detailed financial review of FY23, including a review of sources of revenue, total assets and net patient revenue, highlighting how Roswell Park's NYS funding is currently a significantly smaller share of Roswell Park's FY23 total revenue as compared to FY2000's total revenue.

Mr. Grady also reviewed Roswell Park's FY23 Operating EBIDA Margin, Total Days Cash on Hand. He reported an Operating EBIDA Margin of 7.3%, a MADS Coverage of 4.3% and a 172 days cash on hand. He also compared Roswell Park's financial results against those of Roswell Park's national, local and academic peer organizations, highlighting that Roswell Park performed in the higher end against certain peer groups in several areas. After Mr. Grady concluded his presentation,

Mr. Sears observed that Roswell Park is most comparable to Moffitt and if Roswell Park is in line with Moffitt, then it is in a good place.

Upon a motion made by Mr. Szefel, seconded by Mr. Sears, and unanimously approved, the Committee returned to Open Session.

IX. 4th Quarter Combined Financial Statements

Mr. Grady presented on the fourth quarter financial statements for FY23, reporting that inpatient and outpatient volumes were off plan. Operating EBIDA did end at 6.5%, which was in-line with both the original and amended FY23 budgets. He also reported that the workforce vacancy rate remained higher than plan. Mr. Grady also looked ahead to the first quarter of FY24, reporting that FY24 started out reasonably strong as April was \$2.2 million ahead of plan.

There being no commentary or questions, *Mr. Manning made a motion to approve the 4th Quarter Combined Financial Statements, which was seconded by Ms. NeMoyer and unanimously carried.*

X. 4th Quarter Investment Activity

Mr. Maier presented on the key financial indicators and fourth quarter investment activity for FY23. He reported that the recent debt ceiling activities caused volatility in the treasury market, and there is speculation that the Federal Reserve will increase interest rates in July/ August 2023. He also reported on factors that indicated that a recession may not be on the horizon, such as continued strong labor markets and equities markets closing higher. He advised that Roswell Park's current bond duration in its bond portfolio is 1.4 years. Current increased rates will bode toward Roswell Park examining whether to extend bond durations as interest rates are expected to decline next year. He also reported an average expected yield of 2.6%.

Mr. Maier also provided a summary of the performance of the malpractice and HRI investment funds, reporting a net return of 1.62% for the malpractice trust. The HRI investment fund, which is permitted to invest in equities, had a return of 3.1%. Mr. Sears also commented that seventy-three percent (73%) of the market's upward performance is attributable to a small subset of technology companies.

A motion to approve the fourth quarter investment activity report was made by Mr. Szefel, seconded by Mr. Sears and was carried. Mr. Manning abstained due to professional relationships with one or more banks listed in the investment report.

XI. Periodic Reviews

a. Annual Review of Investment Policy (Consent Approval)

Mr. Grady advised that Roswell Park's Investment Policy was amended to designate Evans Bancorp, Inc. ("Evans Bank") as an approved financial institution. Mr. Sears commented that Evans Bank is well-run. There being no further commentary, *a motion to approve the Investment Policy was made by Mr. Szefel, seconded by Ms. NeMoyer and carried. Mr. Manning abstained from voting due to his professional relationships with Key Bank and M&T Bank.*

b. Annual Review of Finance Committee Charter (Consent Approval)

There being no questions/commentary on the Finance Committee Charter ("Charter"), a motion to approve the Charter was made by Mr. Szefel, seconded by Ms. NeMoyer and unanimously carried.

c. FY23 NYS Annual Public Authorities Report

There being no questions or commentary on Roswell Park's FY23 NYS Annual Public Authorities Report ("Report"), Mr. Szefel made a motion to approve the filing of the Report, which was seconded by Ms. NeMoyer and unanimously approved.

XII. Other Issues/Adjournment

There being no further business, a motion to adjourn the meeting was made by Mr. Manning and Mr. Szefel, and unanimously approved.

Michael B. Sexton, Secretary