

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on April 24, 2014 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

*The following **Authority Members** were in attendance:*

Brian O'Neill, Designee of the Commissioner of Health (Chairing); Mary Ann Kralik, Designee of the Commissioner of Banking & Insurance; Greg Lovell, Designee of the Commissioner of Human Services; Dr. Munr Kazmir, Public Member; and via telephone: Elisa Charters, Public Member.

*The following **Authority staff members** were in attendance:*

Mark Hopkins, Ron Marmelstein, Suzanne Walton, Michael Ittleson, Carole Conover, Linda Hughes, Carl MacDonald, Bill McLaughlin, Ellen Lieber, Debra Coons, Paige Piotrowski, Taryn Jauss, Archie King, Edwin Fuentes and Marji McAvoy.

*The following **representatives from the State and/or the public** were in attendance:*

Cliff Rones, Attorney General's Office; Peter Simon, Governor's Authorities Unit; Ryan Feeney, Treasury (via telephone); Grant Leidy of Deborah Heart and Lung Center; John Kelly of Wilentz, Goldman & Spitzer, P.A; Scott Kobler of McCarter & English; Geri Ann Swenarton of RWJUH; Ward Sanders of New Jersey Association of Health Plans; Christine Stearns of New Jersey Business & Industry Association; Chuck Stafford of Ziegler; and Dr. James T. Kostinas of David Kostinas & Associates.

CALL TO ORDER

Executive Director Mark Hopkins called the meeting to order at 10:01 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 23, 2013 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

Mr. Hopkins recommended that in the absence of the Chair, and as the Vice Chair was participating by phone, that a Chair pro tem should be named. Dr. Kazmir nominated Brian O'Neill to serve as Chair pro tem for the April 24, 2014 meeting and Mr. Lovell seconded. The vote was unanimous, and the motion carried.

AB RESOLUTION NO. NN-64

NOW, THEREFORE, BE IT RESOLVED, that, in the absence of the Authority's Chairperson, and as the Vice Chairperson was participating by phone, Brian O'Neill will serve as the chair pro tem for the April 24, 2014 Authority meeting.

1. APPROVAL OF MINUTES

a. March 27, 2014 Authority Meeting

Minutes from the Authority's March 27, 2014 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Mr. Lovell seconded. The vote was unanimous, and the motion carried.

2. CONTINGENT BOND SALE

Deborah Heart and Lung Center

Mr. Bill McLaughlin introduced Grant Leidy, Vice President and Chief Financial Officer, from Deborah Heart and Lung Center. Mr. McLaughlin informed the Members that he would be requesting approval of a contingent sale of bonds on behalf of the Deborah Heart & Lung Center Obligated Group. Proceeds of the proposed Series 2014 Bonds will be used to effectuate the current refunding and redeeming of all outstanding Deborah Heart & Lung Center revenue bonds, Series 1993 Bonds; the funding of a debt service reserve fund for the Series 2014 Bonds; and the payment of certain costs incidental to the issuance and sale of the Series 2014 Bonds.

The Series 2014 Bonds will be privately placed with Siemens Public, Inc. and will be secured by a note issued pursuant to the provisions of a Master Trust Indenture and First Supplemental Indenture, together with a gross receipts pledge and a mortgage on certain property. The bonds will be structured as a fixed rate obligation. The final rate will be derived by adjusting the initial offered fixed rate of 4.21% by 65% of the change to the five-year LIBOR swap rate two days before the closing date. If the rate had been set yesterday, it would be 4.32%

The amortization schedule for the Series 2014 Bonds will mirror that of the outstanding Series 1993 Bonds. A preliminary analysis of the proposed private placement indicates present value savings of approximately 8% or \$1.4 million of the refunded bonds.

No disclosure document is being prepared in connection with this transaction and, as a result, Siemens Public, Inc. has agreed to provide the Authority with the travelling investment letter on the date of closing.

Mr. McLaughlin then indicated that his portion of the presentation was concluded and he would be turning the presentation over to John Kelly of Wilentz, Goldman & Spitzer, P.A, bond counsel, to outline the Bond Resolution.

Bond Resolution

Mr. Kelly informed the Members that the Bond Resolution authorizes the issuance of the tax-exempt Series 2014 Bonds in an aggregate principal amount not in excess of \$18 million. The Bond Resolution provides that the Series 2014 Bonds shall have a final maturity date of no later than July 1, 2023 which is the final maturity date of the refunded bonds. The Bond Resolution also provides that the Series 2014 Bonds shall bear interest at an all-in true interest cost not to exceed 5.00% per annum. The Series 2014 Bonds will be subject to redemption prior to maturity as set forth therein, provided, that the redemption price cannot be greater than 105%. The Series 2014 Bonds will be secured by payments made by Deborah, under the Loan Agreement with the Authority. The obligations of Deborah under the Loan Agreement with the Authority will be

evidenced and secured by a note issued by the Obligated Group pursuant to the provisions of a Master Trust Indenture and by amounts on deposit in certain funds held by the Trustee pursuant to the Trust Agreement. Deborah Heart & Lung Center is currently the only member of the Obligated Group. The note to be issued pursuant to the Master Trust Agreement will be secured by a gross receipts pledge of the Obligated Group, a mortgage on certain Deborah property and a Subsidy Agreement between the Center and the Deborah Hospital Foundation. The Bond Resolution also approves the form of, and authorizes the execution of, a Direct Bond Purchase Agreement with Seimens Public, Inc. for the purchase of the Series 2014 Bonds. The Direct Bond Purchase Agreement must be executed prior to the 5:00 p.m. (local New Jersey prevailing time) on July 23, 2014. No disclosure document is being prepared in connection with the issuance of the Series 2014 Bonds and, as a result, the Bond Resolution also requires the purchaser of the Series 2014 Bonds to provide the Authority with a travelling investor letter on or prior to the date of closing.

Additionally, the Bond Resolution approves the form of, and authorizes the execution and delivery of, a Trust Agreement and Loan Agreement. Further, the Bond Resolution appoints The Bank of New York Mellon as Bond Trustee, Bond Registrar and Paying Agent for the Series 2014 Bonds. In addition, the Bond Resolution also authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Trust Agreement, the Loan Agreement and the Direct Bond Purchase Agreement, the completion of the refunding and the issuance and sale of the Series 2014 Bonds.

Mr. O'Neill asked the Members' pleasure with respect to the adoption of the Bond Resolution on behalf of Deborah Heart and Lung Center. Dr. Kazmir made a motion to approve the adoption of the Bond Resolution on behalf of Deborah Heart and Lung Center. Ms. Charters seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-65

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Bond Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, DEBORAH HEART AND LUNG CENTER OBLIGATED GROUP ISSUE, SERIES 2014."

(attached)

Mr. Leidy noted that he was very appreciative of the expeditiousness of the process. Deborah had an ambitious time schedule and the Authority Staff was excellent in shepherding the center through the process. He thanked the Authority Board for their consideration and approval and noted this would be very helpful to Deborah, its patients and its staff.

3. NEGOTIATED SALE REQUEST

Robert Wood Johnson University Hospital

Mr. Mark Hopkins informed the Members that Robert Wood Johnson University Hospital (RWJUH) has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt public offering of approximately \$98 million of bonds to refund debt.

RWJUH is a private, nonprofit, acute care hospital located in New Brunswick, New Jersey. Currently, the hospital has 573 licensed beds and is the principal teaching hospital for Rutgers, The State University of New Jersey. RWJUH provides a wide range of inpatient, ambulatory care, home care and community services as well as specialty services in cardiac care, cancer care, emergency medicine, pediatrics and maternal-fetal medicine. It is the hub of a clinically-integrated medical campus that includes the Cancer Institute of New Jersey, the Child Health Institute of New Jersey and the Bristol-Myers Squibb Children's Hospital. The parent organization of the hospital, Robert Wood Johnson Health Care Corp., also includes RWJ University Hospital Hamilton, RWJ University Hospital Rahway and Children's Specialized Hospital.

In June of 2013, RWJUH and Somerset Medical Center, a 355-bed acute care hospital in Somerville, New Jersey, signed an agreement and plan of merger. The proposed merger is under review to obtain the required state and federal regulatory approvals and it is anticipated that the merger will be finalized in June. Proceeds of the proposed bond issue will be used to refund Somerset Medical Center's Series 2003 and Series 2008 Bonds; and fund the related costs of issuance.

Aside from these two series of bonds, the only remaining Authority debt outstanding on behalf of Somerset Medical Center is an Equipment Revenue Note with a balance of \$2.5 million. A decision whether that debt will remain outstanding will be made when the working group is assembled. The new bonds will be secured by promissory notes issued under RWJUH's Master Trust Indenture.

According to the audited financial statements that were submitted with the Memorandum of Understanding, RWJ generated an excess of revenues over expenses of \$62.25 million and \$48.59 million for the years ending 2013 and 2012 respectively.

RWJ has issued debt through this Authority in 1991, 1996, 2000, 2003, 2004, 2010 and 2013 totaling \$569,280,000 of which \$345,620,000 remains outstanding. The most recent issuance by the Authority on behalf of RWJ occurred in 2013, when the Authority issued \$110,175,000 of fixed rate bonds and \$70 million of variable rate bonds on behalf of RWJUH to provide funds for various construction and renovation projects on the New Brunswick campus. RWJ currently maintains ratings of A/A2 by S&P and Moody's respectively.

RWJ has asked that the Authority permit the use of a negotiated sale based on: the sale of a complex financing structure including transactions that involve the simultaneous sale of more than one series with each series structured differently; volatile market conditions; and large issue size. These reasons are considered under the Authority's policy regarding Executive Order #26,

to be a justification for the use of a negotiated sale. Therefore, Mr. Hopkins recommended the consideration of the resolution, included in the meeting materials, approving the use of a negotiated public offering and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. O'Neill asked the Members' pleasure with respect to the adoption of the Resolution supporting the issuance of bonds by negotiated sale pursuant to Executive Order #26 on behalf of Robert Wood Johnson University Hospital. Dr. Kazmir offered a motion to adopt the resolution; Mr. Lovell seconded. Mr. O'Neill, Ms. Kralik, Mr. Lovell and Dr. Kazmir voted yes; Ms. Charters abstained and the motion carried.

AB RESOLUTION NO. NN-66

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26."

(attached)

4. NEGOTIATED PRIVATE PLACEMENT **CentraState Medical Center**

Mr. Mark Hopkins informed the Members that CentraState Medical Center has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt negotiated sale of approximately \$49 million in the form of a private placement.

The medical center, a wholly-owned subsidiary of the CentraState Healthcare System, is a 276-bed general acute care community hospital located in Freehold. The medical center provides a broad range of adult, pediatric and newborn acute care services as well as numerous outpatient, ambulatory and emergency care services and enjoys a leading market position in an affluent and high-growth service area with an absence of any significant nearby inpatient competition. It has a history of strong admissions and favorable financial performance and represents approximately 86% of the system's total revenue.

The proceeds of the proposed bond issue will be used to: construct a new women's center and data center on the medical center campus, as well as the purchase of equipment; currently refund all or a portion of the CentraState Medical Center Series 1998 Bonds; and pay the related costs of issuance.

In 2006, the Authority issued two series of bonds on behalf of the medical center. Series 2006A, a fixed rate issue in the amount of \$41,575,000 and Series 2006B, a variable rate issue in the amount of \$29,850,000. Of these bonds, \$39,455,000 of the Series 2006A Bonds remain outstanding. In 1998, the Authority issued fixed rate bonds on behalf of the medical center in the amount of \$61,290,000. The bonds were insured by Ambac, and currently \$40,215,000 remains

outstanding. It is anticipated that these outstanding bonds will be currently refunded with proceeds from the Series 2014 private placement.

The medical center has asked that the Authority permit the use of a negotiated sale based on the sale of bonds for a complex or poor credit and volatile market conditions. These reasons are considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale.

The medical center's credit can be considered complex as its Moody's rating is "Baa1". The medical center wishes to minimize costs associated with this issue and has received proposals from three banks. The medical center is seeking to secure a fixed-rate term through final maturity of the bonds.

Also under the Authority's policies, a borrower requesting a private placement form of a negotiated sale must justify the use of a private placement. The medical center, along with its financial advisor, prepared a financial analysis to determine whether to proceed with a private placement or a public offering. Based upon their analysis, a private placement would: reduce costs of issuance; expedite the issuance of the refunding bonds to capture the current favorable interest rate market; and generate net present value savings over a public offering of \$2.713 million, or 7.0%, for the life of the bonds. Therefore, Mr. Hopkins recommended the consideration of the resolution, included in the meeting materials, approving the use of a private placement form of negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Staff anticipates conducting an informational presentation at the May meeting, followed by a request for a contingent sale of bonds at the Authority's June board meeting.

Mr. O'Neill asked the Members' pleasure with respect to the adoption of the resolution supporting the issuance of bonds by negotiated private placement pursuant to Executive Order #26 on behalf of CentraState Medical Center. Dr. Kazmir offered a motion to adopt the resolution; Mr. Lovell seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. NN-67

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY PRIVATE PLACEMENT TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26."

(attached)

5. APPROVAL OF EXPENSES

Mr. O'Neill referenced a summary of Authority expenses and invoices. Dr. Kazmir offered a motion to approve the bills and to authorize their payment; Mr. Lovell seconded. The vote was unanimous, and the motion carried.

AB RESOLUTION NO. NN-68

WHEREAS, the members of the Authority have reviewed the memoranda dated April 15, 2014, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$8,082.50 and \$28,928.96 respectively, and have found such expenses to be appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the members of the Authority hereby approve all expenses as submitted, and authorize the execution of checks representing the payment thereof.

6. STAFF REPORTS

Mr. O'Neill thanked Staff for the Project Development Summary, Cash Flow Statement, First Quarter Budget Report and Legislative Advisory reports.

Mr. Hopkins then presented his Executive Director's report, noting the following items to Members:

1. He provided the Authority Members and Senior Staff with one last reminder that they are required to file Financial Disclosure Statements with the State Ethics Commission by no later than May 15, 2014. Filings must be made electronically through the State Ethics Commission website. Late filers will be subject to a fine of up to \$50 per day. Authority Members are required to file the somewhat less onerous disclosure for Public Officers (not Public Employees). If Members have any questions about the process they should call Mr. Hopkins or Robin Piotrowski, the Authority's Ethics Liaison Officer.
2. Audit Committee Members, Mr. O'Neill, Ms. Kralik and Mr. Feeney were reminded that immediately following the Authority meeting, the Audit Committee would meet to decide whether to approve the reappointment of the Authority's auditor for the second and last additional year available under the contract.
3. Authority Members were also directed to the blank slate of officers and suggested meeting dates provided in meeting packets. The Authority Members will be asked to elect officers and vote on meeting dates at the annual meeting next month.

4. NJ Hospital & Health Care Organization News

a. Barnabas Health has announced that Jay Picerno has been promoted to Chief Operating Officer in addition to his position as Chief Financial Officer. Also, John Doll, formerly Vice President of Financial Management, has been promoted to Senior Vice President of Finance.

b. CHE Trinity Health, the nationwide Catholic health care system with four hospitals in New Jersey, has named Benjamin Carter as its Chief Financial Officer and Executive Vice President of Finance.

c. Meadowlands Hospital and Medical Center named former Commissioner of Banking and Insurance Tom Considine as its new Chief Executive Officer and Neil Sullivan, the former Assistant Commissioner of Insurance, as its Chief Counsel.

d. JFK Medical Center in Edison unveiled its new emergency room which was financed largely by bonds issued by the Authority in 2009. It has also announced plans to move its satellite emergency room on the former Muhlenberg Hospital Campus in Plainfield from the former hospital building to an adjacent building.

e. St. Barnabas Medical Center in Livingston received a \$25 million gift from the Leon and Toby Cooperman Family Foundation that will be used to construct a new wing at the hospital.

f. The proposed sale of St. Mary's to Prime Healthcare Services is still awaiting final approval or denial of the Certificate of Need from the Commissioner of Health and the court hearing to determine if it meets the requirements of the Community Health Assets Protection Act ("CHAPA"). These are expected to be completed in the next couple of months. An article about the St. Mary's reduction of approximately 30 staff members was provided.

g. The CN and CHAPA applications for the sale of St. Michael's Medical Center to Prime Healthcare Services have not yet been declared complete. Therefore those regulatory processes have not begun the regulatory timeline. An article on the offers for St. Michaels was provided.

h. The process for considering Valley Hospital's expansion is winding down at the Ridgewood Planning Board. Recommendations of an expert hired by the Village were the latest aired at the planning board meetings. An article on the hearings was provided.

i. Raritan Bay Medical Center is reopening the process for finding a strategic partner. It received an offer from the for-profit Prospect Medical Holdings last year and had entered into an exclusive negotiating period with them but now wants to entertain offers from not-for-profit hospitals. The article also mentions that East Orange Medical Center is also exploring a partnership with Prospect.

5. Health Care Reform

a. New Jersey FamilyCare, the Medicaid program in New Jersey, has added over 100,000 residents to the health insurance rolls under Medicaid expansion resulting from health care reform. This has also led to an increase to the percent of children covered by health insurance.

b. Hospitals and other health care providers will have an additional year to implement ICD-10 coding under an agreement reached in Congress that will also provide another temporary patch for the sustainable growth rate that threatened to cut Medicare payments to doctors by 24%. The controversial two-midnight rule and recovery audits of medically unnecessary claims were also postponed by the legislation.

c. Atlantic Health System and United Healthcare have launched a new Accountable Care Organization partnership to provide coordinated care to improve quality and reduce costs for residents in United Healthcare's employer-sponsored health plans.

d. The Affordable Care Act is credited with speeding up sharing of patient information between health care providers through health information technology.

e. Doctors from Holy Name Medical Center have joined an Accountable Care Organization formed by Horizon Blue Cross and Blue Shield commercial insurance plans and its Medicare Advantage plan. The doctors will receive incentives to keep patients healthy rather than for providing more services. An additional article was included outlining how Horizon is planning to have most of its members in Accountable Care Organizations within the next two to three years.

6. Authority News

a. Steve Fillebrown is addressing the annual Raymond James New Jersey Institutional Investor Conference today. Next Wednesday he will be addressing the New Jersey Educational Facilities Authority's 2014 Workshop on Higher Education Financing.

b. This being Administrative Professionals' Week, Mr. Hopkins acknowledged all the hard work of the Authority's administrative professionals: Taryn Brzdek, the Administrative Assistant for the Division of Operations and Finance; Tracey Cameron, the Administrative Assistant for the Divisions of Project Management and Research, Investor Relations and Compliance; Lorraine Donahue, the Office Management Assistant, all working under the supervision of Carole Conover, Mr. Hopkins' Executive Assistant and the Office Manager. Over the last several years, the Authority has reduced the number of administrative professionals from six to four and these wonderful people have made that work with little recognition.

7. EDUCATIONAL PRESENTATIONS

a. NJBIA

Mr. Hopkins introduced Christine Stearns, Vice President of Health and Legal Affairs for New Jersey Business & Industry Association, to present information on health care from the perspective of NJ businesses. Ms. Stearns provided a slideshow overview of the health care issues facing businesses (on file at the Authority).

b. New Jersey Association of Health Plans

Mr. Hopkins introduced Ward Sanders, President New Jersey Association of Health Plans to present information on the issues facing insurers in New Jersey. Mr. Sanders guided Members and Staff through a PowerPoint presentation (on file at the Authority) highlighting the major issues taking place in the New Jersey insurance field.

As there was no further business to be addressed, following a motion by Dr. Kazmir and a second by Mr. Lovell, the Members voted unanimously to adjourn the meeting at 11:41 a.m.

I HEREBY CERTIFY THAT THE FOREGOING
IS A TRUE COPY OF MINUTES OF THE NEW
JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY MEETING HELD
APRIL 24, 2014.

Carole A. Conover, Assistant Secretary