Minutes of the New Jersey Health Care Facilities Financing Authority Meeting held on August 23, 2018 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

Dr. Munr Kazmir (Vice Chair) Chairing; Robin Ford, Designee of the Commissioner of Health; Greg Lovell, Designee of the Commissioner of Human Services; Maryann Kralik, Designee of the Commissioner of the Department of Banking and Insurance; and, via telephone, Suzette Rodriguez, Public Member

*The following **Authority staff members** were in attendance:*
Mark Hopkins, Frank Troy, Ron Marmelstein, Bill McLaughlin, Carole Conover, Alpa Patel, Edwin Fuentes, Ellen Lieber, John Johnson, Bernie Miller, Taryn Rommell, Michael Solidum, Tracey Cameron, Taryn Brzdek, Nino MacDonald

*The following **representatives from the State and/or the public** were in attendance:*
Brian McGarry, Attorney General's Office; Brian Wilton, Governor's Authorities Unit; John Draikiwicz, Gibbons P.C.; Eric Wolf, Kevin Fiore, Ted Fiore, Village Drive Healthcare Urban Renewal LLC; John Ralosky, Solvere Senior Living; Jim Fearon, Gluck Walrath LLP

CALL TO ORDER

Dr. Kazmir 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 24, 2018 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to *The Star-Ledger* and the *Courier Post* and to all newspapers with mailboxes at the Statehouse, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

1. APPROVAL OF MINUTES

June 28, 2018 Authority Meeting

Minutes for the Authority's June 28, 2018 Authority meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Mr. Lovell made the motion. Ms. Kralik seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. All Members voted in the affirmative and the minutes were approved.

July 26, 2018 Authority Meeting

Minutes for the Authority's July 26, 2018 Authority meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Ms. Ford made the motion. Mr. Lovell seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. All Members voted in the affirmative and the minutes were approved.

2. CONTINGENT BOND SALE
Village Drive Healthcare Urban Renewal, LLC

Dr. Kazmir called on Edwin Fuentes to provide the Members with the details of the Village Drive Healthcare Urban Renewal, LLC transaction.

Mr. Fuentes stated that in attendance from Village Drive Healthcare Urban Renewal LLC ("Village Drive" or the "Borrower") are members of the LLC; Eric Wolf, Kevin Fiore and Ted Fiore. Also in attendance is John Ralosky, Chief Operating Officer of Solvere Senior Living, the Property Manager on the project being presented today.

Mr. Fuentes then stated that Members are being asked to consider a contingent sale of privately placed bonds on behalf of Village Drive, in an amount not to exceed $23 million. The transaction will be secured by a Gross Revenue Pledge made by Village Drive under the Loan Agreement as well as a Mortgage on the financed property.

Proceeds of the Series 2018 Bonds, along with other funds, will be used to: (i) acquire real property located at 1111 and 1125 Village Drive in Millville NJ; (ii) renovate, construct, and equip an assisted living residence for low income seniors on the aforementioned property, consisting of, among other things, the renovation of an existing private room hotel, the new construction of additional units and kitchen, dining, administrative and resident activity areas, including an adult day care facility ("The Project"); (iii) reimbursement to Village Drive for certain prior expenses; (iv) pay capitalized interest on the Bonds; (v) fund a debt service reserve fund; and (vi) pay certain costs incidental to the issuance and sale of the bonds.

Village Drive Healthcare Urban Renewal, LLC, is a for-profit limited liability company, the owner and developer of the Project being presented to you today. The members of Village Drive Healthcare Urban Renewal, LLC are Village Drive, LLC (the "Managing Member"), and VDLP, LLC (the "Investor Member"). The management team for Village Drive has worked on several other assisted living facilities including a $19.4 million financing with the Industrial Development Authority of the City of Phoenix, Arizona, as well as a $22.35

million financing with the Housing and Redevelopment Authority in and for the City of St. Cloud, Minnesota.

Tax-exempt financing is available as a result of Village Drive's agreement to qualify this facility as a residential rental project under Section 142(d) of the Internal Revenue Code. This requires that a certain number of its units be rented to low and moderate income individuals or families. It is expected that the target market will be seniors of whom 90% or more will be funded through Medicaid and supplemental social security income. The bonds to be issued require an allocation of a portion of the State's Volume Cap, which has been received from the Treasurer. In addition, VDLP, LLC, which is comprised of the same principals of Village Drive LLC, will be the Investor Member and current tax credit purchaser. The Village Drive team plans to find another Investor Member to purchase the tax credits once the Project is completed.

The Borrower will enter into a construction bridge loan with Community Loan Fund of NJ, which will be subordinate to the Series 2018 Bonds. Typically, the Authority requires the Trustee to hold all funds necessary to complete the Project at closing. An exception to this is being made, which will allow the Borrower to draw on the Bridge Loan as needed, thereby reducing interest costs associated with the borrowing. Also, members of Village Drive, along with other Guarantors of the project (Michael Best, Arni Thorsteinson, Robert Downing, NJALF Devco LLC, and Manitoba Limited) will enter into a Completion Guaranty, providing personal guarantees in order to ensure full completion of the project including, but not limited to; (1) paying all costs of the Project in the event sums from the Bond Proceeds and Subordinate Bridge Loan are insufficient to acquire and complete the project, (2) pay all interest on the Bonds accruing during construction, and (3) pay all sewer and water rents, vault taxes, real estate taxes, assessments and payments in lieu of taxes of the Project during the period of construction.

At its August 2017 Meeting, this Authority approved the use of both a negotiated form of a public offering, as well as an negotiated form of a private placement. It was decided to sell the $23 million of tax exempt bonds through a private placement sold to Qualified Investment Buyers. This enabled the Purchasers of the Bonds to negotiate their own terms for the transaction. Nuveen Investment Management Company and Oppenheimer Funds were identified as the initial Purchasers and will execute Investor Letters at closing.

The following are several of the major modifications to the loan documents after negotiations with the Purchasers. Typically, on volume cap transactions for unrated assisted living facility start-ups, the Authority requires the addition of certain covenants and financial metrics that are atypical of deals issued for not-for-profit hospitals. These include an operating ratio, a trades payable covenant, and occupancy requirements, along with our standard Required Ratio and Triggering Events mechanism. The Purchasers of the Bonds are satisfied with the exclusion of these covenants, including replacing the Required Ratio with a Debt Service Coverage covenant tested semi-annually on the bonds only. A quarterly Liquidity Covenant will test the Days Cash on Hand of the organization. In addition, the documents require the funding of several reserves, including an Administrative/Marketing Reserve, an Operating Reserve, an Overhead/Lease-Up Reserve, a Replacement Reserve, and a Tax and Insurance Escrow Reserve. The Borrower has also agreed to provide secondary market disclosure for this private placement, filing quarterly financial statements and operating data with the MSRB. Also, Gross Revenues of the project will be deposited on a daily basis into the Revenue Fund held in trust by the Trustee.

The Series 2018 Bonds will be structured with a balloon payment in the final maturity year of the Bonds. Authority standards govern that the calculation of any Debt Service Requirements for a balloon payment be amortized over a 30 year period. Negotiations with the Purchasers and the Borrower have led to an exception to the Debt Service Coverage Covenant calculation, where the balloon payment will be excluded from the Maximum Annual Debt Service Requirement for all years except the year of the final maturity, as well as exclusion of the Subordinated Construction Bridge Loan.

The Authority shall not have the right to declare any Event of Default under the Loan Documents, wherein the Bond Trustee will retain those rights. The Authority, however, shall have the right to specific performance pertaining to sections of the Loan Documents including, but not limited to: (1) tax-exempt status of the Bonds, (2) compliance with Tax Regulatory Agreement, (3) rebate calculations, (4) secondary market disclosure, (5) completion of the project, (6) proper insurance coverage, (7) maintenance of existence, and (8) reporting requirements.

A TEFRA notice was published and a hearing held for this transaction at the January 2018 Meeting of this Authority.

Eric Wolf of Village Drive Healthcare Urban Renewal, LLC then presented a short overview of the project as follows:

- The conversion of Country Inn Hotel into a 154 unit facility
    - New construction at the Country Inn
        - Renovated rooms to DCA and NJDOH code. Resident, fire and other safety systems.
        - Main lobby and administrative offices and community activity space.
- Heritage House/Paper Waiter to be demolished
    - 3-story/pitched roof new construction with 48 units on Floors 2 & 3
    - Ground floor will include dining hall/office space/kitchen/80 person adult day care
- Construction to commence immediately after September 12, 2018 closing
    - 12-14 months of construction
    - 18 months to lease-up

They noted the project benefits as:

- Target market – moderate and lower income frail elderly seniors
- Services include but not limited to meals, social activities, prescription oversight and laundry services
- >100 temporary/construction jobs

- 95 Permanent FTE's created
    - $3.2 million in annual payroll
- Minimal impact on city facilities – no drain on school systems; highest and best use of facility
- Institutional investment in the community

Mr. Lovell asked what the payor case mix was going to be to which Mr. Ralosky responded that it is anticipated to be 70% Medicaid and 30% private pay. Ms. Ford asked whether Solvere will be the managing the property to which he responded yes. Ms. Ford asked if they had any similar facilities with a similar case mix? Mr. Ralosky stated that they do not at this time but in their collective leadership they have managed communities with Medicaid but not at a 70% mix.

He stated that they just opened Homstead in Hamilton and they have a commitment of 10% Medicaid mix. He has managed communities that were skilled nursing facilities and had a similar mix to this in terms of Medicaid. Mr. Lovell asked if they would be negotiating a similar percentage of Medicaid at this facility as well, to which Mr. Ralosky responded that their sponsors have made it clear that this is part of the mission and they want to provide a quality living environment to low income people, and they agree.

When asked if the adult day care portion is primarily medical, he responded that it was. Mr. Lovell asked if they reached out to any of the local MCOs or local HMOs. Mr. Ralsoky responded that it was premature, and they feel that they are looking at a year and half before having to do it. They model their preopening by having a sales manager and general manager on site six months in advance and that gives them plenty of time to start building brand name and educating on their mission. They have a whole plan to introduce the new product to market with lead generating activities and have done a number of new start ups from ground up in New Jersey including Homestead in Hamilton. He stated that they have 195 units of which 96 are independent, 75 are assisted living and the remainder are memory care. They opened in December with independent living and had some issues with TCO on the assisted living side which opened in April. He stated that they ended this month 50% occupied for the whole project. Ms. Ford asked if they met their 10% for Medicaid to which he stated it is not tested until year three.

Mr. Lovell stated that they are showing 2% growth rates each year for Medicaid and further stated that they usually don't see that level of growth. He asked if they are going to be able to receive that growth from the 30% of the other pay mix to which Mr. Ralosky responded yes.

Ms. Ford asked if they had adult day care services in other facilities. Mr. Ralsoky stated that they do not but their VP of Clinical services has managed adult day care services as well as their chief strategy officer. When asked what the mix would be on the adult day care, Mr. Fiore responded that they are underwriting it at 100% Medicaid but they anticipate a mix similar to the assisted living facility anywhere from 10% to 30% private pay residents and the rest Medicaid. He stated that the beauty of this facility on the assisted living side as well as the adult day care side is that as residents spend down their assets, it will be a seamless transition on their part to Medicaid. The change to them will be transparent. They will not change rooms or facilities.

Mr. Ralosky stated that they anticipate pulling from outside the community for their adult day care. It will be a completely separate population from the assisted living. They will not share activities, but they will share food preparation and the commercial kitchen. The adult day care will be a mix of medical and non-medical, and they will provide social activities, prescription oversight, and meal preparation.

Mr. Lovell asked if they had any affiliations with any hospitals or long term care facilities in that area. Mr. Fiore responded that they do not currently but it will be part of the outreach program once they start construction. He further stated that the outreach will include skilled nursing facilities, senior care facilities and other market rate assisted living facilities in the area that have a pipeline of Medicaid residents that they can't house.

Frank Troy, Director of Research, Investor Relations, and Compliance then provided a review of Village Drive's Managerial projections. He stated to the Members that financial projections prepared by the Borrower and the related significant assumptions for the Village Drive Healthcare Urban Renewal, LLC project (or Village Drive) were included in their packets. The proposed Series 2018 Bonds would finance $23 million of the approximately $33 million estimated project cost including reserves. Staff reviewed the projections and significant assumptions for reasonableness and for compliance with loan documents made available to us. Staff also used publically available benchmarks whenever possible in our review including financial feasibility studies done in connection with recent assisted living project financings.

Mr. Troy also noted that included in the meeting materials was a one page handout entitled Review of Village Drive Healthcare Urban Renewal, LLC Financial Projections which he referred to. The assumed 12-month construction period is considered reasonable for a project of this scope as is the 18 month fill-up period for the assisted living units. As you can see, the average move-in's per month is lower than that of two benchmarks we used. The stabilized assisted living unit occupancy of 93.5% also appears reasonable. The assumed Adult Day Care stabilized utilization of 54 slots is supported by the market analysis provided by the Borrower. The projections assume the adult day care center will be operated by the Borrower.

Inflation factors for revenues and expenses are similar to those assumed for other projects and the 25% fringe benefit factor is appropriate for the State of New Jersey. We have also listed two of the Borrower's balance sheet assumptions which affect working capital. The 5.75% interest rate of the Authority Bonds is taken from a bond pricing prepared by PiperJaffray in June 2018 and is consistent with the Bond Resolution presented today. The 7% rate on the New Jersey Community Capital loan is from a preliminary term sheet obtained by staff.

While Village Drive would generate a small loss, the projections show a robust EBITDA margin (Earnings Before Interest, Taxes Depreciation and Amortization) and positive cash flow from operations. The projections also suggest Village Drive would generate adequate debt service coverage and liquidity to meet the covenants in the most recent draft of the Loan Agreement.

Mr. Troy encouraged Members to ask the facility manager or the development team any questions they may have.

Dr. Kazmir asked how many nurses will be on staff. They responded that by regulation you are only allowed an LPN or registered nurse on staff 8 hours a day which is one of the qualifications of a residential facility. There will be an RN or LPN on call 24 hours a day serving the two sides of the facility.

Ms. Ford asked about their full-time employee mix since there will be one LPN or RN on staff. They responded that Medical Technicians will be responsible for medication, and they are looking for a blend of experience and new graduates. There is anticipation of hiring experienced employees. When asked about the Hamilton facility, he stated that there is General Manager (Executive Director) of facilities, Vice Presidents including senior marketing and the scale of salaries and benefits varies down, a General Manager, RN of health services for assisted living and separate director in charge of memory care unit and fairly in-depth programming and activities program which has its own director and which is very involved with the Hamilton community.

Ms. Ford questioned why in 2021 they have a projection of only 22 days for accounts receivable versus 2020, 2022, 2023 with 24 days for accounts receivable. Mr. Fiore responded that if it was one of the interim years, it is because there is some uncertainty of how long it will take to get those Medicaid receivables paid. One interim year will be a learning curve with the Medicaid office administering those payments and Village Drive billing them. They anticipate their Medicaid receivables will outperform what they are projecting based on the current environment of where they are.

Ms. Ford asked about the management fee on the income statement and questioned if that was subordinate to the debt payment. Mr. Fiore stated that it was not and that it is typical of industry standards. It is 5% of revenue and that is paid to Solvere as part of the management fee. Salaries and benefits of all costs of employees are born in the Profits and Losses. Typical industry standard is the third party manager is paid 4% to 6% of revenue and that is senior to the debt. They do not have performance incentives fees.

When asked about the developer fee being deferred until payment of the subordinate loan, Mr. Fiore stated that was part of the requirement from the subordinate lender and bond underwriter is to try to get that subordinate loan paid off and as an incentive to pay off the loan, the Developers are not getting any fees out of the deal until it is paid off. The subordinate loan is a 24 month interim period plus three 6 month options and 5 year term beyond that. Expectation is to meet liquidly requirements in the bond documents to the extent the borrowers have excess cash they will pay down more quickly to save interest costs and get it paid off. There are no prepayment penalties. He stated that loan will close the same day as the bonds.

The construction period is expected to be 12 to 14 months and the contract calls for quicker than 12 months. The lease up period is expected to be 18 months. Their expectation is they will get it leased up in the 15 month period but because this is a new facility for the State, they built in a cushion for the license approval.

Mr. Fiore stated that there is a 2% contingency built in for changes in the construction contract.

Dr. Kazmir asked about if beds are available for veterans. There are none specifically set aside but that veterans are a population they will market to. They have developed, owned and operated facilities across the country that house veterans, and it has been a focus for them. In fact, they have two facilities that are veteran-centric facilities. It is an important part of their population.

Mr. Draikiwicz began by stating that he would like to note the superlative efforts of staff and in particular Bill McLaughlin and Edwin Fuentes for their work on this project which was a new type of financing for the Authority.

BOND RESOLUTION

John Draikiwicz of Gibbons P.C., Bond Counsel for the transaction, stated that the Bond Resolution authorizes the issuance of tax-exempt Series 2018 bonds in an amount not to exceed $23 million at a True Interest Cost not to exceed 5.75%. The Series 2018 bonds will be secured by a Note issued under a Trust Indenture, further secured by a mortgage lien on the facility and an interest in the gross revenues. The Series 2018 Bonds will have a final maturity date of not later than October 1, 2039 and be subject to redemption prior to maturity as set forth in the Trust Agreement, provided, that the redemption price cannot be greater than 105%. The Bond Resolution approves the form of a Placement Agency Agreement with Piper Jaffray as the Placement Agent on the transaction, at a Placement Fee (including counsel fees) not in excess of $18.50 per $1,000 principal amount of the Series 2018 Bonds, and authorizes the execution of said agreement prior to the close of business on November 14, 2018. The Bond Resolution approves the form of the Private Placement Memorandum relating to the 2018 Bonds, and contains a contingency that the PPM not be mailed, posted, or distributed until the Borrower has received the approval of the low income housing tax credit application from the New Jersey Housing and Mortgage Finance Agency. The Bond Resolution also approves the forms of the Bonds, the Indenture, the Loan Agreement, and the Intercreditor and Subordination Agreement, and authorizes their execution and delivery. The Tax Regulatory Agreement includes, among other things, the requirements necessary to comply with the IRS Section 142(d) provisions under which the Bonds can be issued as tax-exempt. Further, the Bond Resolution appoints U.S. Bank, National Association as Trustee for the Series 2018 Bonds.

Dr. Kazmir asked for a motion to approve the bond resolution on behalf of Village Drive Healthcare Urban Renewal, LLC. Mr. Lovell made the motion. Ms. Kralik seconded.
Dr. Kazmir asked if the Members had any questions on the motion. There were no questions.
All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. SS-16

NOW, THERFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, VILLAGE DRIVE HEALTHCARE URBAN RENEWAL ISSUE, SERIES 2018."

(attached)

3. APPROVAL OF MEMORANDUM OF AGREEMENT WITH THE DEPARTMENT OF HEALTH FOR ARCHITECTURAL REVIEW SERVICES

Dr. Kazmir called on Executive Director Mark Hopkins to explain the architectural review agreement to the Members.

Mr. Hopkins stated that Since 1997, the New Jersey Health Care Facilities Financing Authority (the "Authority") has provided Architectural Review Services to the Department of Health (Department) with the latest renewal occurring in August 2017, when a new Memorandum of Agreement (2017 MOA) was executed. Under 2017 MOA, the Authority's Construction Compliance Officer performs the following services for the Department:

- Conducts review of construction and renovation projects submitted by health care facilities to determine compliance with physical plant standards, patient flow issues, and licensing requirements (including compliance with the American Institute of Architect's Guidelines);
- Reviews and processes requests for waivers from licensing requirements submitted by health care facilities, providing recommendations with associated rationale in cases where it was determined that waivers were warranted; and
- Participates as a team member in functional review meetings held at the Department's office.

The 2017 MOA expired on June 30, 2018. The Memorandum of Agreement renewing the 2017 MOA Agreement (Renewal Agreement) was provided in your meeting packets. The proposed Renewal Agreement is essentially the same as the 2017 MOA, with one major exception: the proposed Renewal Agreement is for three years rather than one year, as was the case in the 2017 MOA.

Under the Renewal Agreement, the Authority's Construction Compliance Officer spends up to two business days (14 hours) per week performing the above-mentioned services for the Department. The Department reimburses the Authority for a commensurate amount of the Construction Compliance Officer's salary, benefits and other related costs incurred by the Authority. The form of the Renewal Agreement is similar to that of our Memorandum of Agreement with the Department for the collection and review of Financial Data and Data Analysis.

The Renewal Agreement would be effective for the period July 1, 2018 through August 15, 2021 and specifies the amount that the DOH will reimburse the Authority. It is important to note that at the request of the Department of Health, under this Renewal Agreement, the services of the Authority's Construction Compliance Officer are contracted through June 30, 2021, rather than the August 15, 2021 expiration date. The difference in the time period, allows for the Department of Health to make quarterly reimbursements to the Authority, no later than 45 days after the close of each quarter. The Memorandum of Agreement would expire when the last deliverable is due.

The Office of the Attorney General has no objection to the Members' consideration of this Renewal Agreement.

Mr. Lovell asked why the contract went through August 15, 2021 instead of through June 30, 2021. Mr. Hopkins responded the additional time was for the Department of Health to make its last payment within 45 days after the last services were delivered by the Authority.

Mr. Lovell questioned whether the fact that the MOA was starting July 1, 2018 (prior to this meeting) caused any concern. Mr. Hopkins and DAG McGarry saw nothing to be concerned about.

Dr. Kazmir asked for a motion to approve the Memorandum of Agreement with the Department of Health for Architectural Review Services. Dr. Kazmir asked if the Members had any further questions on the motion. Ms. Kralik offered the motion. Ms. Rodriguez seconded. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. SS-17

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby authorizes the approval of the Memorandum of Agreement with the Department of Health, Division of Health Facilities Evaluation and Licensing for Architectural Review Services

4. POLICY ADOPTION

Reduce the number of meetings required for the bond approval process

Dr. Kazmir called on Mark Hopkins to explain the policy change to the Members.

Mr. Hopkins began by explaining that the New Jersey Health Care Facilities Financing Authority (the "Authority") has a practice of requiring a three meeting process for issuing new money bonds by a negotiated sale: one meeting for considering the negotiated sale request, a second meeting to receive an informational presentation about the project and financial projections, and a third meeting to consider a contingent bond sale. At the request of borrowers, Authority Senior Staff has reviewed the implications of reducing the three meeting process down to two meetings: one for a negotiated sale request and the second for considering the contingent bond sale.

Senior Staff believes reducing the process to two meetings will not in any significant way reduce the opportunity for staff and Authority Members to vet the project and the financing, and it will provide additional benefit to the Authority's borrowers by shortening their time to market, reducing the chance of significant market fluctuation. In order to ensure ample opportunity to vet the project and the financing, Senior Staff will expect the borrower to make its informational presentation, including the project description and financial projections, at the first meeting, when a negotiated sale presentation, if requested, takes place. However, Senior Staff understands that circumstances for financings vary; therefore it recommends that if an informational presentation cannot be timely made at the meeting with the negotiated sale request, Authority Members, upon Senior Staff's recommendation, may allow the informational presentation to be made at the meeting when the contingent bond sale is considered. Senior Staff and I are available to answer any questions you may have on this issue.

Mr. Hopkins offered to answer the members' questions. There were no questions.

Dr. Kazmir asked for a motion to adopt the resolution amending the Authority's policy and reduce the number of meetings required to approve new money bonds from three (3) meetings to two (2) meetings. Ms. Ford offered the motion. Ms. Kralik seconded the motion. Dr. Kazmir asked if the Members had any questions or comments on the motion. There were no questions. He then called for a vote. All Members voted in the affirmative and the resolution was approved.

AB RESOLUTION NO. SS-18

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby adopts the resolution amending the Authority's policy and reducing the number of meetings required to approve new money bonds from three (3) meetings to two (2) meetings.

5. ADDITION TO QUALIFIED BANKERS LIST
Tribal Capital Markets

Dr. Kazmir asked Bill McLaughlin to present the recommendation for an addition to the Qualified Bankers List.

Mr. McLaughlin stated that Tribal Capital Markets ("TCM") has requested that the Authority add them to the list of Qualified Bankers as a Co-manager.

He explained that TCM is a Native American-owned full-service broker-dealer organized under the laws of the State of Delaware and is certified as a Minority Business Enterprise by the State of New Jersey. The firm is headquartered in Summit, New Jersey with offices in New York, Florida, California, Illinois, Idaho, Tennessee and Montreal. TCM has 48 employees overall with 15 residing in New Jersey. The firm's primary business includes the distribution of fixed income securities; specifically, US Treasuries, US Agencies, Mortgage-backed securities, preferred stock and municipal securities.

To date, the firm's Municipal Capital Markets Department, which was established in 2017, has not participated in any healthcare underwritings in the primary market, however, the firm has supported New Jersey health care issuances in the secondary market.

The firm has reported excess net capital of approximately $12.53 million which enables them to underwrite up to $140 million of long-term municipal debt. Our primary contacts will be Arjan Roghanchi, Managing Director and Jon Yamaoka, Managing Director, both of whom work out of the Summit, New Jersey office.

Based upon the information provided, the firm has demonstrated that it is qualified under the Authority's standards to serve as a co-manager. Therefore, staff is requesting the Members consideration for the inclusion of Tribal Capital Markets, LLC on the Authority's approved list in the role of co-manager.

Mr. McLaughlin offered to answer any questions that the Members might have. There were no questions.

Dr. Kazmir then asked for a motion to approve the resolution adding Tribal Capital Markets as a Co-manager on the Authority's Qualified Bankers List. Ms. Ford made the motion.

Mr. Lovell seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. SS-19

NOW, THERFORE, BE IT RESOLVED, that the Authority hereby approves the appointment of Tribal Capital Markets to the Authority's Qualified Bankers List as a Co-Manager.

6. 2018/2019 Calendar

Dr. Kazmir referenced a proposed list of dates on which to conduct meetings of the Authority and its Finance Committee for the coming year. Ms. Ford offered a motion to adopt the schedule. Ms. Kralik seconded. Dr. Kazmr asked if there were any questions on the motion. There were no questions. Dr. Kazmir called for a vote. The vote was unanimous and the motion carried.

AB RESOLUTION NO. SS-20

NOW THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the following schedule of dates on which to conduct meetings of the Finance Committee and the Authority; and,

BE IT FURTHER RESOLVED, that, as provided by the provisions of the Open Public Meetings Act and the Authority's By-laws, the Assistant Secretary is authorized to provide notice of these meeting dates to the Authority's designated newspapers, to post notice in the Authority offices and on the Authority's website, and provide notice to the Secretary of State.

FINANCE 10:00 a.m.	AUTHORITY* 10:00 a.m.
2018	**2018**
Tuesday, June 12	Thursday, June 28
Tuesday, July 10	Thursday, July 26
Tuesday, August 7	Thursday, August 23
Tuesday, September 11	Thursday, September 27
Tuesday, October 9	Thursday, October 25
Wednesday, November 7	Thursday, November 15
Tuesday, December 4	Thursday, December 20

2019	2019
Tuesday, January 8	Thursday, January 24
Tuesday, February 12	Thursday, February 28
Tuesday, March 12	Thursday, March 28
Tuesday, April 9	Thursday, April 25
Tuesday, May 7	Thursday, May 23**

*A Finance Committee meeting has also been scheduled immediately following every Authority meeting.
**Annual Meeting

Dr. Kazmir noted for the record that, unless advertised to the contrary, all meetings are open to the public and shall be held in the Authority's office on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey. He added that the Authority's staff will perform the required public announcement and notification of the meeting dates once the Governor's ten-day veto period has passed.

7. APPROVAL OF EXPENSES

a. JULY 16, 2018 EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Mr. Lovell made the motion to approve the expenses. Ms. Kralik seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. He then called for a vote. All Members voted in the affirmative and the resolution was approved to approve the bills and to authorize their payment.

AB RESOLUTION NO. SS-21

WHEREAS, the Members of the Authority have reviewed the memoranda dated July 16, 2018 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $17,370.00 and $51,582.94 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.

b. AUGUST 15, 2018 EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Ms. Ford made the motion to approve the expenses. Mr. Lovell seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. He then called for a vote. All Members voted in the affirmative and the resolution was approved to approve the bills and to authorize their payment.

AB RESOLUTION NO. SS-22

WHEREAS, the Members of the Authority have reviewed the memoranda dated August 15, 2018 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $34,122.50 and $541.05 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.

8. STAFF REPORTS

Dr. Kazmir thanked Staff for the Project Development Summary, Cash Reconciliation Report, Semi-Annual Budget Report and Legislative Advisory reports.

Dr. Kazmir asked Executive Director Hopkins to present his Executive Director's report.

Mr. Hopkins reported the following:

1. **Hospital & Other News**

a. St. Joseph's Health, which operates St. Joseph's University Medical Center in Paterson and St. Joseph's Wayne Medical Center in Wayne, is considering partnering with other health care organizations to increase cost efficiency and patient volume. It stressed it would nevertheless remain a Catholic organization sponsored by the Sisters of Charity of Saint Elizabeth.

b. Valley Hospital has received two donations totaling $35 million for construction of its new hospital in Paramus. The Bolger Foundation donated $15 million and an anonymous donor contributed $20 million. The new Valley hospital is expected to have 372 beds and to be completed in 2023. Total construction costs are expected to be

$738 million funded through donations, equity contributions of Valley and tax-exempt bonds.

c. Atlantic Health System has partnered with Optum's MedExpress to coordinate care at 11 of MedExpress' urgent care centers in northern New Jersey.

d. Hackensack Meridian Health and the Carrier Clinic have signed a definitive agreement to merge. The merger is expected to integrate medical and behavioral health services across the vast integrated health network of Hackensack Meridian and Carrier.

e. Cooper University Health Care announced that it has appointed Brian M. Reilly as Interim CFO to replace former CFO Doug Shirley. Mr. Reilly most recently served as CFO at RWJBarnabas Health and previously worked many years in executive positions at Tenet Healthcare.

f. St. Luke's Health System CEO Dr. Melinda Estes has been named the chair-elect designate of the American Hospital Association's board of trustees. She will succeed chair-elect Brian Gragnolati, CEO of Atlantic Health System, once his term expires in 2020. St. Luke's owns St. Luke's Warren Hospital in Phillipsburg, New Jersey.

g. In a false claims case brought by a whistleblower and the Department of Justice, Prime Healthcare Services and its CEO Prem Reddy have agreed to settle allegations that, from 2006 through 2013, 14 of its California hospitals admitted patients for inpatient care who actually required less costly outpatient care and billed Medicare for that care. Prime will pay $61.75 million and Dr. Reddy will pay $3.25 million as part of the settlement. Prime also agreed to enter into a Corporate Integrity Agreement. Prime owns St. Clare's Health System, St. Mary's General Hospital and St. Michael's Medical Center in New Jersey.

h. Governor Murphy has ordered oversight of University Hospital as a result of its recent four notch downgrade from Fitch, its "F" grade from Leapfrog in April, its premature transfer of pediatric services to Newark Beth Israel and ongoing financial struggles. Judith Persichilli, former CEO of Catholic Health East has been appointed as a monitor to University Hospital. University Hospital plans to cooperate fully with the monitor and touted several steps it has already taken to address the concerns raised by the Governor.

i. Geisinger, the Danville-based health system which owns the AtlantiCare Health System, has joined the Health Care Transformation Task Force, a group of over 40 organizations promoting value-based care.

j. U.S. News & World Report recently announced its list of the best hospitals in the country. No New Jersey hospital finished in the top 20 overall but Morristown Medical Center (part of Atlantic Health System) finished first in New Jersey and fourth in the New York Metro region, with Hackensack University Medical Center and Robert Wood

Johnson University Hospital – New Brunswick finishing second and third in New Jersey and fifth and sixth in the New York Metro region, respectively.

2. In State Health Care News:

k. New Jersey's reinsurance program has been approved by the U.S. Department of Health and Human Services. The plan would create a reinsurance pool from federal contributions with a companion program from State contributions received from penalties on State residents that do not meet the State's individual health care mandate signed into law in May. The reinsurance program is intended to counteract federal reductions in premium support and stabilize the insurance marketplace, thus reducing costs to consumers caused by insurance being provided to high risk individuals. As a result, proposed health insurance premiums in the State are expected to go up only 5.8%, one of the lowest increases in the country, rather than the expected 12.6% increase, had reinsurance and other State programs not been enacted.

l. Increased Medicaid reimbursements to several behavioral health providers in New Jersey as part of a federal pilot program started in 2017 may be at risk of expiring in June of 2019 if it is not renewed by the federal government. The pilot program, which was launched in eight states, has demonstrated success in improving behavioral health outcomes for the patients that have participated.

m. Other articles on New Jersey health care being provided include: (i) the expansion of stigma-free health care for LGBTQ residents of New Jersey, including the opening of a LGBTQ health care program in Asbury Park created by the Visiting Nurse Association of Central New Jersey; (ii) the importance of New Jersey's 134 locations of Federally Qualified Health Centers in providing health care for those without insurance; and (iii) the New Jersey Housing and Mortgage Finance Agency teaming up with the New Jersey Hospital Association to launch a pilot program for supportive housing for homeless residents who are often super-utilizers of hospital emergency services as a result of not having access to care before their illness becomes an emergency.

3. In ratings news:

n. Fitch has completed the initial implementation of its not-for-profit health systems rating criteria update, which reviewed 125 of its hospital credits (nearly half of its total not-for-profit health system credits). Ten hospitals were downgraded and nine were upgraded with eleven being affirmed.

o. Moody's issued a sector comment cautioning that CMS's proposed changes to outpatient services would hurt hospital margins if finalized.

In national health care news:

p. CMS has finalized a hospital payment rule that includes an additional $4.8 billion for inpatient services but also adds requirements for price transparency and data sharing. The rule also reduces some reporting burdens for hospitals. The inpatient increase is an average of 3% to account for changes in prices for goods and services.

q. CMS will continue to publicly disclose hospital errors and infections on the CMS's Hospital Compare database and use them for calculating penalties and incentives under the Hospital Acquired Condition Reduction Program and Value-Based Purchasing Program. However, CMS will cut most of the infection incident reporting from the Inpatient Quality Reporting Program starting in 2020.

r. CMS also boosted payments to inpatient rehabilitation facilities and skilled nursing facilities by $925 million. The additional funding reflects an average 1.3% increase for rehabilitation facilities and an average 2.4% increase for skilled nursing facilities.

s. A study by the University of Pennsylvania's Perelman School of Medicine found that bundled payment incentives for joint replacements are leading to more patients being sent home after joint replacement surgery rather than being sent to a skilled nursing facility, with many hospitals finding that in certain cases skilled nursing facilities were unnecessarily inflating costs. When skilled nursing facilities were utilized, hospitals better coordinated care with the facility.

t. The American Hospital Association is launching an innovation center to help hospitals with delivery system improvements, payment transformation and to take a more proactive approach to health policy.

u. CVS and Teladoc are partnering to bring telehealth services to CVS's MinuteClinics. Under the partnership, patients of CVS's MinuteClinics can have virtual video visits over their cell phones 24 hours a day, seven days a week using CVS's Pharmacy app. The cost of the video visit will be $59.

v. PricewaterhouseCoopers found that health care mergers continue to be robust through June 30, 2018.

w. The Leapfrog Group has updated its Hospital Safety Grade scoring methodology to include changes to how it scores progress on computerized physician order entry and adding a measure on bar code medication administration.

x. A study by the University of California, San Francisco found that switching to electronic health records is tied to fewer hospital deaths over time but that there was a slight increase during the time hospitals were transitioning to electronic medical records. The improvements for smaller non-teaching hospitals were more significant.

y. Telehealth presents a challenge to health care providers. It provides convenience to the patient and saves medical costs but provides significantly lower reimbursements to providers than traditional health care. Fifty-nine percent of Kaiser Permanente's interactions with patients were virtual in 2017. However, Kaiser Permanente is one of the few systems that takes full-risk for its patients by also providing insurance.

This makes it among a few systems that can take advantage of the cost savings. Health systems that take on less risk will realize fewer rewards from virtual health care but may still need to provide it due to patient and payer demand.

z. Forbes has an article on where blockchain technology can be useful in health care. One industry expert suggests blockchain can be most helpful in managing medical records, consent management and micropayments. Another expert believes blockchain of medical information could be used with artificial intelligence and machine learning to discover solutions to health issues that have long eluded us.

4. In regulatory, municipal bond and tax news, articles are being provided on:

aa. Issuance of municipal bonds was down over 18% compared to last year, largely attributed to the tax law changes making municipal bonds less attractive particularly to purchasers like corporations, who saw their taxes cut from 35% to 21%, and individuals in the highest income tax bracket, whose taxes dropped from 39.6% to 37%.

bb. Particularly hard hit are municipal bond issuance for environmental facilities - down 66%, development projects - down 61%, and health care-down 50% compared to last year.

cc. Over the last five years, three years and twelve months, below investment grade municipal (a.k.a. junk) bonds have significantly outperformed the rest of the municipal bond market, according to Bloomberg. Investors appear increasingly willing to take greater risks by investing in these bonds over highly-rated bonds, and at least recently, it has been paying off.

dd. The Securities Industry and Financial Markets Association along with the Bond Dealers of America urged the MSRB to modify its existing guidance on its fair dealing rule (Rule G-17) to relieve underwriters from filing reams of repetitive disclosures to issuers. The disclosures come in the form of lengthy letters from an underwriter to an issuer including the nature of the underwriter's relationship to the issuer, the risks of the transactions recommended by the underwriter, and conflicts of interest. The underwriters groups argue that the disclosure letters have become too long and repetitive to be useful to the issuer. Representatives of municipal bond issuers, however, have objected to the changes proposed by the underwriter groups.

ee. Cain Brothers has released a Banker Commentary on the pending change in 2021 to eliminate the London Interbank Offering Rate (LIBOR) as an index for financial contracts (such as derivatives) and to replace it with Secured Overnight Financing Rate. The LIBOR fell out of favor after it was subject to manipulation by some banks. The commentary notes some of the differences between the rates and the pros and cons of those differences.

ff. The Governmental Accounting Standards Board is proposing to standardize the way issuers of municipal bonds, like the Authority, report conduit debt. The proposal seeks to clarify that conduit debt is not an obligation of the issuer but instead of the third-party borrower. The issuer would not recognize the conduit bond debt as a liability, unless it appears more likely than not that the issuer would support debt service payments.

5. Authority News

a. I am pleased to report that Taryn Brzdek is being promoted, effective September 3, 2018, from Administrative Assistant to Assistant Account Administrator in the Authority's Division of Operations, Finance and Special Projects.

As there was no further business, following a motion by Mr. Lovell and a second by Ms. Ford, the Members voted unanimously to adjourn the meeting at 11:05 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 AUGUST 23, 2018.

Carole Conover

Carole A. Conover, Assistant Secretary