

These are the Minutes of the New Jersey Health Care Facilities Financing Authority’s regular meeting held on October 24, 2024, on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

Via Microsoft Teams: David Brown, Public Member (Chairing); Catherine Byrne, Designee of the Commissioner of Health; Manny Paulino, Designee of the Commissioner of Banking and Insurance; Bridget Devane and Tom Sullivan, Public Members. On-site: Greg Lovell, Designee of the Commissioner of Human Services

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

On-Site: Frank Troy, Ron Marmelstein, Cindy Kline, Jeff Solimando, Bill McLaughlin, Edwin Fuentes, Taryn Rommell, Jose Lora and Alpa Patel. On the phone: Tracey Cameron. Via Microsoft Teams: Jessica Waite

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

On-site: Stephanie Gibson, Attorney General’s Office and Samuel Kovach-Orr, Governor’s Authorities Unit. Via Microsoft Teams: David Gannon, PKF O’Connor Davies; John Colberg, Cheiron, Inc.; Carrie Camp, NJ Department of Health; Kaitlin Wojtowicz, Planned Parenthood Action Fund of New Jersey and Tamara Cunningham, RWJBarnabas Health.

## **CALL TO ORDER**

Mr. Brown called the meeting to order at 10:02 a.m., by announcing that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 23, 2024, Authority meeting. Complying with the Open Public Meetings Act and the Authority's bylaws, a notice of this meeting was mailed to *The Star-Ledger*, the *Courier Post* and provided to numerous other newspapers and media outlets serving New Jersey, early enough to publish an announcement at least 48 hours in advance of this meeting.

Mr. Brown called on Jeff Solimando, the Authority’s Communications Specialist, to call the roll and establish attendance.

After establishing quorum, Mr. Brown reminded Members on the phone to identify themselves before making or seconding a motion.

## **1. APPROVAL OF MINUTES**

### **- September 26, 2024 Authority Meeting**

Minutes for the Authority’s last regular meeting held on September 26, 2024, were distributed for Member review and approval prior to today’s meeting. Mr. Brown reminded Members that only those in attendance or who have familiarized themselves with the minutes should vote.

Mr. Brown requested a motion to approve the September 26, 2024, Minutes. Ms. Devane made the motion and Mr. Lovell seconded. Mr. Brown confirmed who made the motion and who seconded it and then asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown then called for a vote. All Members voted in the affirmative, except for Mr. Brown and Ms. Byrne who abstained.

## **2. CONSENT TO AMENDMENTS TO THE VILLAGE DRIVE HEALTHCARE URBAN RENEWAL, LLC SUBORDINATED LOAN BETWEEN VILLAGE DRIVE HEALTHCARE URBAN RENEWAL, LLC AND CAPITAL IMPACT PARTNERS**

Mr. Brown called on Taryn Rommell to present a request for approval to execute consent of amendments related to a subordinate loan agreement between Village Drive Healthcare Urban Renewal, LLC and Capital Impact Partners.

Ms. Rommell began by reminding Members that, the Authority issued \$23 million in bonds on September 14, 2018, on behalf of Village Drive Healthcare Urban Renewal LLC (the Borrower), which was to be used with other funds to construct a low-income assisted living facility in Millville, New Jersey. Along with the \$23 million dollar bond issue, the plan of finance included a \$5.7 million subordinate bridge loan from the Community Loan Fund of New Jersey. The Authority executed an Intercreditor and Subordination Agreement in connection with that loan.

Ms. Rommell stated that the Borrower subsequently refinanced the bridge loan with a \$6.0 million Subordinate Loan from Capital Impact Partners (the Subordinate Lender) in July 2022, with more favorable terms for the Borrower. The Second Subordination Agreement replaced the initial Intercreditor and Subordination Agreement.

Ms. Rommell further explained that on September 25, 2024, the Borrower requested Authority consent to a Second Amendment to the Loan Agreement between the Borrower and the Subordinate Lender. At that time it was also brought to the staff's attention on November 17, 2023, that the Borrower and Subordinate Lender entered into a First Amendment to the Loan Agreement without notice to or consent from the Authority.

Ms. Rommell advised Members that the First Amendment to the Loan Agreement entered into by the Borrower and Subordinate Lender changed the maturity date of the subordinate loan from August 1, 2027, to February 1, 2028. The Second Amendment to the Loan Agreement being entered into by the Borrower and Subordinate Lender puts the subordinate loan into forbearance and waives payments on the loan from May 1, 2024, through January 1, 2025. Neither Amendment impacts any agreement between the Authority and the Borrower.

Ms. Rommell stated that after the Attorney General's Office review and comment changes to the consent and Second Amendment to the Loan Agreement were made, the updated documents were e-mailed to Members on Wednesday October 23, 2024. The Attorney General's Office has no objection to the Authority Members' consideration thereof. Therefore, with your approval, the Executive Director will consent to the First and Second Amendments to the Loan Agreement between the Borrower and the Subordinate Lender.

Ms. Rommell concluded her presentation by saying that she or Mr. Troy would be happy to address any questions Members may have.

Mr. Brown thanked Ms. Rommell for her presentation and asked if Members had any questions on the information presented, to which there were none.

Mr. Brown asked for a motion to execute consent of amendments related to a subordinate loan agreement between Village Drive Healthcare Urban Renewal, LLC and Capital Impact Partners. Mr. Paulino offered the motion. Ms. Devane seconded. Mr. Brown confirmed who made the motion and who seconded it and then asked if there were any questions or comments on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

### **AB RESOLUTION NO. 2024-10-A**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the resolution entitled “**A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF CONSENT TO A FIRST AND SECOND AMENDMENT TO THE LOAN DOCUMENTS RELATED TO A SECOND INTERCREDITOR AND SUBORDINATION AGREEMENT BETWEEN VILLAGE DRIVE HEALTHCARE URBAN RENEWAL, LLC AND CAPITAL IMPACT PARTNERS RELATING TO THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, VILLAGE DRIVE HEALTHCARE URBAN RENEWAL ISSUE, SERIES 2018.**”

*(attached)*

### **3. AUDIT COMMITTEE REPORT** **- Recommendation of Auditor**

Mr. Brown called on Manny Paulino to give the Audit Committee’s recommendation for awarding the Authority’s auditing contract.

Mr. Paulino began by reporting to Members that a quorum of the Audit Committee, comprised of Mr. Feeney, Mr. Lovell, and himself (as Chair), met on October 8, 2024, at 2:30 p.m., via conference call to consider the Evaluation Committee’s report on selecting an auditing firm for the Authority.

Mr. Paulino then thanked the Members of the Evaluation Committee, Audit Committee, and Authority Staff members, Ron Marmelstein, Jessica Waite, and Alpa Patel, for their efforts during the bidding process.

Mr. Paulino stated that the Audit Committee formally recommends to Members that PKF O'Connor Davies be re-hired for a five-year contract as the Authority's auditor.

Mr. Paulino made the motion to award the Authority's auditing contract to PKF O'Connor Davies. Mr. Brown confirmed to Members that Manny Paulino made the motion to adopt a resolution awarding the Authority's auditing contract to PKF O'Connor Davies and asked if there was a second. Mr. Sullivan seconded. Mr. Brown confirmed who seconded and then asked if there were any questions or comments on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

#### **AB RESOLUTION NO. 2024-10-B**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the awarding of the Authority's auditing contract to PKF O'Connor Davies for five years. The Contract shall be in force for the calendar years of 2024, 2025, 2026, 2027 and 2028.

#### **4. RECOMMENDATION FOR ACTUARIAL SERVICES**

Mr. Brown called on Alpa Patel to present a request to award Cheiron Inc. a four-year contract for actuarial services.

Ms. Patel began by explaining to Members that the contract for Actuarial Consulting Services with Cheiron Inc. (Cheiron) to provide reports showing the liability for post-retirement health benefits ("OPEB") in accordance with the provisions of GASB Statement No. 75 expired with the issuance of the 2023 report.

Ms. Patel informed Members that, as a result, staff completed and forwarded a Request for Proposal (RFP) to 9 individual actuarial consulting services firms. The RFP was also posted to the Authority and State of New Jersey Business Opportunity websites and advertised in both the Star-Ledger and Courier Post.

Ms. Patel stated that the Authority received a proposal from one firm, Cheiron which was the only firm to submit and subsequently meet the requirements outlined in the RFP. Therefore, the staff recommends the contract for actuarial services be awarded to Cheiron. The valuation reports will include calculations of net OPEB Liability for the years 2024, 2025, 2026, and 2027.

Ms. Patel concluded by stating Ron Marmelstein or she would be happy to answer any questions.

Mr. Brown asked for a motion to approve the resolution granting Cheiron Inc., a four-year contract for actuarial services. Mr. Lovell offered the motion. Ms. Devane seconded. Mr. Brown confirmed who made the motion and who seconded it and then asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown then called for a vote. All Members voted in the affirmative and the resolution was approved.

## AB RESOLUTION NO. 2024-10-C

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the awarding of the Authority's actuarial services contract to Cheiron Inc. The Contract shall be in force for the calendar years of 2024, 2025, 2026 and 2027.

### 5. AUTHORITY EXPENDITURES

Mr. Brown referenced a summary of Authority expenses and invoices provided to the Members and asked if there were any questions or comments on the material distributed. Mr. Brown requested a motion to approve the bills and authorize payment. Mr. Sullivan made the motion to approve the expenses. Mr. Paulino seconded. Mr. Brown confirmed who made the motion and who seconded it and then asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown called for a vote. All Members voted in the affirmative, and the motion was approved. The resolution was approved to approve the bills and to authorize their payment.

## AB RESOLUTION NO. 2024-10-D

**WHEREAS**, the Members of the Authority have reviewed the memoranda dated October 16, 2024, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and the memorandum dated October 16, 2024, summarizing general operating expenses, in the amounts of \$8,500.00 and \$20,138.65, 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. Brown asked Executive Director Frank Troy to present his Executive Director's report.

Mr. Troy reported the following:

1. Ex-officio Members and their designees are reminded that Executive Order #41 (Codey 2005) requires annual ethics training. If you haven't already done so, please provide me with a copy of your receipt from your State Employee Training so that I may report it to the Governor's Authorities Unit. I would like to thank the Authority's public Members for your 100% compliance with the requirement. If you ever have any ethics-related questions, please reach out to the Authority's Ethics Liaison Officer, Robin Piotrowski, or me.
2. New Jersey Hospital News
  - a) Dr. Jawad Shah, founder and president of Insight Health, has assumed the CEO position of CarePoint Health System ("CarePoint") replacing Dr. Achintya Moulick who will remain with the organization as Chairman of the board. Dr. Shah is a neurosurgeon based in Michigan, where he founded Insight Health in 2008. CarePoint continues to be in the news due to financial and governance issues.
  - b) University Hospital and the Health Professionals and Allied Employees ("HPAE") reached an agreement on a new contract. In addition to new wage scales and benefit standards, the contract includes enforceable nurse-to-patient ratios. HPAE represents approximately 1,400 nurses at the hospital.
  - c) Construction has begun on the \$240 million expansion at Inspira Health's Mullica Hill campus. The first phase of the project includes a new wing, expansion of the maternity unit and additional parking. The expansion is largely funded by Authority bonds.
  - d) The children's hospitals at both Atlantic Health System and Hackensack Meridian Health were among U.S. News and World Report's 2024-2025 best.
  - e) Hospitalogy put out lists of top hospitals by patient revenue and discharges which included several based in New Jersey or with a New Jersey presence.
  - f) RWJBarnabas Health CFO Frank Pipas was one of NJBIZ 2024 People to Watch in Finance. He was also a Becker's Hospital Review CFO to Know in 2023 and 2024.
3. Ratings Agency Actions and Publications
  - a) S&P Global Ratings ("S&P") affirmed AtlantiCare Health Systems' ("AtlantiCare") AA-rating but revised the outlook from Stable to Negative. Despite a strong balance sheet, S&P considered AtlantiCare's operating margins below expectations for an AA-credit.
  - b) Fitch Ratings ("Fitch") also affirmed AtlantiCare's AA- rating but maintained a Stable outlook expecting operational improvement.
  - c) Fitch affirmed University Hospital's underlying BB- rating on bonds issued by the Authority. The outlook is Stable.
  - d) Fitch also affirmed Virtua Health's AA- rating and revised the outlook from Stable to Positive suggesting an upgrade is possible in the next twelve to eighteen months.
  - e) Fitch assigned an A rating with a Stable outlook on bonds issued on behalf of Thomas Jefferson University Health System ("Jefferson"). According to Fitch, Jefferson has approximately 20% of the Southern New Jersey inpatient market. Jefferson is the parent of the former Kennedy Health System.

- f) Included with this month's articles are S&P's not-for-profit health care medians for the U.S., the Northeast and New Jersey. S&P rates ten New Jersey health care credits with a median rating of A+, an operating margin of almost 2% and 230.7 days cash on hand. These are all higher than the U.S. and Northeast medians.

#### 4. New Jersey Health Care News

- a) About 77,000 New Jerseyans with unpaid medical bills at one of the state's largest hospital systems will see much of their debt eliminated under a plan Gov. Phil Murphy announced recently. Using \$900,000 in federal COVID-19 relief funds, the Murphy administration partnered with New York-based nonprofit group Undue to purchase \$120 million in medical debts from Atlantic Health System. This second round of debt elimination brings the total amount of medical debt erased to \$220 million for 127,000 residents.
- b) Two recent articles discuss health care costs in New Jersey which are among the highest in the country. Annual per adult monthly health care spend went from \$518 in 2016 to \$659 in 2021, an increase of 4.9% per year. Monmouth and Ocean Counties were the highest in the State at \$714. The national average was \$575 per month.

#### 5. National Health Care News

- a) The August 2024 Kaufman Hall National Hospital Flash Report noted that operating expenses declined slightly on a volume-adjusted basis. While still high compared to previous years, the growth rate appears to be slowing.
- b) Lisa Goldstein's latest blog is about servant leadership which requires employee engagement.
- c) A Journal of the American Medical Association study found that not-for-profit hospitals received \$37.4 billion in federal, state and local tax benefits. The exemption from federal income tax made up \$11.5 billion, or 31%, of the total.
- d) KFF reports that annual family health care insurance premiums paid by U.S. employers will increase 7% to an average of \$25,572 in 2024, after a 7% increase in 2023. Workers contribute an average of \$6,296 annually toward the cost of family coverage. The increase is in spite of most large employers not covering the cost of the expensive and widely-advertised GLP-1 weight loss drugs.

#### 6. Bond and Tax Legislation and Regulatory News

Included with this month's articles is a draft comment letter prepared by the Authority's trade association, NAHEFFA, on the proposed rule on Federal Data Transparency Act Joint Data Standards. The letter notes, among other issues, the burden onerous requirements would impose on the relatively small size of health care and educational organizations that utilize the tax-exempt municipal bond market as well as the different accounting standards used by borrowers – FASB vs. GASB.

## 7. Authority News

I would like to thank the Evaluation and Audit Committees for their diligence in reviewing the proposals received by the accounting firms. Thank you to Ron Marmelstein, Alpa Patel and Jessica Waite for their efforts during the bidding process. The next regular Authority meeting will be Thursday, November 21, 2024 at 10:00AM.

## 7. ADJOURN

As there was no further business, Mr. Brown asked for a motion to adjourn. Mr. Sullivan made the motion and Ms. Devane seconded. Mr. Brown confirmed who made the motion and who seconded it and then asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown then called for a vote. All Members voted in the affirmative and the meeting was adjourned at 10:22 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 ON OCTOBER 24, 2024.

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Cindy Kline, Assistant Secretary