

35 Years of Strengthening New Jersey's Health Care Network

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The New Jersey Health Care Facilities Financing Authority

2007 Annual Report

NJHCFFA Financing Totals Through the Years:

1973 - \$12,950,000	1982 - \$580,381,998	1991 - \$406,732,333	2000 - \$495,693,588
1974 - \$141,970,000	1983 - \$382,288,200	1992 - \$329,703,375	2001 - \$474,775,000
1975 - \$5,400,000	1984 - \$200,164,027	1993 - \$384,280,000	2002 - \$529,082,005
1976 - \$32,375,000	1985 - \$933,336,287	1994 - \$894,950,000	2003 - \$684,800,000
1977 - \$97,190,000	1986 - \$79,985,000	1995 - \$56,305,200	2004 - \$506,700,000
1978 - \$109,410,000	1987 - \$414,336,984	1996 - \$162,385,000	2005 - \$414,650,000
1979 - \$182,117,201	1988 - \$324,685,000	1997 - \$455,935,000	2006 - \$813,674,654
1980 - \$155,312,500	1989 - \$279,034,283	1998 - \$1,410,192,856	2007 - \$849,066,000
1981 - \$329,223,913	1990 - \$612,185,000	1999 - \$453,315,442	

Total: \$14,194, 585,847

*Since its inception in 1972,
it has been the Authority's mission
to ensure that all health care
organizations have access to
financial resources to improve the
health and welfare of the citizens
of the State.*



Governor Jon S. Corzine

Salute From the Governor

Like the state of New Jersey, hospitals are struggling financially. The financial pressures on hospitals in 2007 thrust the New Jersey Health Care Facilities Financing Authority and the New Jersey Department of Health and Senior Services into complex hospital bankruptcy negotiations on more than one occasion.

The Authority balances the protection of bondholders-whose ongoing investment in New Jersey hospital bonds is critical to the future of health care in our state-with the State's responsibility to meet the health care needs of our communities. Whenever possible, the Authority worked with health care providers to find new funding sources and advances. If that was not possible, the Authority went to great lengths to work with other health care providers to find solutions that ensured continued access to health care services.

Among its many findings, the Reinhardt Commission that I appointed recommended that the Department and the Authority work even more closely together to monitor the finances of New Jersey hospitals. I look forward to working with both the Department and the Authority to find solutions to restore the fiscal health of our hospitals and our state.

A combination of financial expertise and compassion for the people of New Jersey and its communities will ensure a healthy future for New Jersey's residents, health care workers and hospitals.

I thank the Authority for its dedication and commitment to ensuring that all New Jersey residents have access to high quality health care services.

"Whenever possible, the Authority worked with health care providers to find new funding sources and advances. If that was not possible, the Authority went to great lengths to work with other health care providers to find solutions that ensured continued access to health care services."

Table of Contents

page 2 - Salute from the Governor

page 4 - Message from the Commissioner

page 5 - Message from the Executive Director

page 6 - Historic Moments at the Authority

page 10 - The Year in Review and the Authority Yet to Come

page 16 - Authority Members

page 18 - Authority Staff Chart

page 20 - 2007 Authority Financings

Heather Howard, J.D.
Commissioner of Health and
Senior Services,
NJHCFFA Chairperson



From the Commissioner

It is an honor and a privilege to lead the Department of Health and Senior Services. Governor Jon Corzine has entrusted me with an enormous responsibility to safeguard the health of the residents of New Jersey.

The state of New Jersey is facing significant financial challenges. Many of our acute care hospitals are in fragile financial condition. Both problems are multi-faceted and long-standing. We must work together to find solutions to these complex problems.

Following a year-long study, a panel of experts known as the Reinhardt Commission (also known as the *Commission on Rationalizing New Jersey's Health Care Resources*) proposed a series of recommendations earlier this year that give us the tools we need to shape the future of our health care system.

We can no longer careen from crisis to crisis.

The Commission's recommendation for an "early warning system" to monitor acute care hospitals requires close collaboration between the Department and the Health Care Facilities Financing Authority. We have to identify those hospitals in financial distress earlier and intervene in advance to protect our communities' access to care.

I have worked closely with Executive Director Mark Hopkins and Director of Research and Investor Relations Steve Fillebrown and have been impressed with their mastery of health care financial data for the state of New Jersey.

With extensive expertise of the bond market and health care finance, the Authority strives to find creative funding options for New Jersey's health care providers.

I look forward to working with the Authority even more closely as it fulfills its mission to "ensure that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State."

"With extensive expertise of the bond market and health care finance, the Authority strives to find creative funding options for New Jersey's health care providers."

From the Executive Director

Two thousand and seven was a very active year for the Authority. Through the issuance of over \$866 million, the Authority helped twelve different health care organizations across the state gain access to capital. A little more than half of the funds issued were used for refinancings. With the other half of the 2007 bond proceeds, a nursing facility was purchased in Ocean Grove, a hospital was purchased in Passaic, four other hospitals were renovated, eight hospitals upgraded or added new equipment, and three hospitals added newly constructed facilities. As always, the Authority is tremendously pleased to have been able to help these communities achieve improved health care.

Also of note in 2007, the Authority issued its first series of bonds through the Hospital Asset Transformation Program with an interesting transaction on behalf of St. Mary's Hospital in Passaic, in which the Authority issued interim bonds to help ensure that the city of Passaic would maintain at least one hospital within city limits for its people.

The first issuance through the Authority's revamped Equipment Revenue Note program was also issued in 2007, allowing for the program's qualified borrower, FitnessFirst Oradell Center, LLC, to receive almost \$1.4 million in bond proceeds in a matter of weeks.

While staff was busy throughout the year tailoring these bond structures to the borrowers' respective needs and seeing the bonds through closing, 2007 was a busy year in other ways as well. As 2006 came to a close, the *Commission on Rationalizing New Jersey's Health Care Resources* was created as a result of an Executive Order by Governor Jon S. Corzine. The Authority provided help with funding, logistics, staffing, facilities and data resources. While the report wouldn't be issued until January 2008, the bulk of the Commission's work occurred during 2007 through meetings held here at the Authority's offices. Unfortunately, the Authority also became involved when three hospitals filed bankruptcy in 2007.

In addition to these outward activities, the Authority coordinated a two-day retreat to reflect upon its internal policies in an effort to update any outdated practices and improve Authority policies that give excess burden to our borrowers with no benefit to our bondholders. In response to that retreat, staff worked to revise numerous policies, some taking only a few weeks for approval at the following Authority meeting while others are still being created with outside assistance in order to ensure a best practice going forward.

While the retreat and the Commission gave the Authority an opportunity to look at the future of health care finance, staff also enjoyed looking back at the past with this annual report in honor of 2007 being our 35th year of service. It is with great pleasure that I offer you a look at, not only the financing activity of 2007, but also highlights of the Authority's other achievements over the past 35 years.

I was proud of the lengthy list of accomplishments, which has been dramatically pared down for this report, and I look forward to continuing our efforts to improve access to capital for New Jersey's health care providers.

"Through the issuance of over \$866 million, the Authority helped twelve different health care organizations across the state gain access to capital."



*Mark E. Hopkins
Executive Director*

Historic Moments at the Authority

On May 25, 1972, legislation creating the New Jersey Health Care Facilities Financing Authority (Chapter 29, Laws of New Jersey) was signed into law by Governor William T. Cahill. The Authority began that year with only two staff members: an executive director and an economist.

Here are just a few highlights from our 35-year history that leads us up to 2007...

May 25, 1972 - Governor William T. Cahill signs legislation creating the New Jersey Health Care Facilities Financing Authority (Chapter 29, Laws of New Jersey).

November 2, 1973 - The first issue of NJHCFFA bonds was sold, totaling \$12,950,000 on behalf of the Community Hospital Group, Inc.

April 1979 - NJHCFFA establishes the nation's second tax-exempt health care equipment financing program, providing a lower cost alternative.

September 1979 - NJHCFFA issued one of the first US Department of Health Education and Welfare (HEW)-backed tax-exempt issues for a hospital.

1981 - NJHCFFA crossed the \$1 billion mark for total bonds issued in its history.

March 16, 1982 - NJHCFFA completed its first FHA-insured mortgage financing on behalf of Elmer Community Hospital.

May 3, 1982 - NJHCFFA issued its first transaction using the Zero Coupon Bonds marketing technique, whereby bonds were offered at a deep discount to the purchaser with no stated interest rate; the bondholder then realizes an attractive yield on the investment at the time of maturity.

1983 - Just two years after crossing the \$1 billion mark in cumulative issuance, the NJHCFFA doubles that total.

September 1985 - In response to expected tax law reforms, NJHCFFA created the Capital Asset Loan Program, which provided a resource pool available to loan on a revolving basis for years to come.

1986 - NJHCFFA created the Apollo System to assess hospitals' financial and operating performance.

1988 - NJHCFFA issued its first financing to merge two facilities. The financing, tied to the creation of South Jersey Hospital System, was named "Deal of the Quarter" by bond insurer Municipal Bond Investors Assurance Corporation.

November 30, 1992 - NJHCFFA served as "information broker" to policymakers and hospitals to assess the likely effects of new health care reimbursement policies. The Health Care Reform Act then abolished the State's rate-setting system and created a subsidized health insurance program to significantly broaden access to health care.



*Evelynne A. Burroughs
at the Authority Office
entrance, 1982*

September 1, 1993 - Executive Order No. 92 required that bond sales be completed on a competitive rather than negotiated basis, where feasible. NJHCFFA issued its first competitive sale of revenue bonds, totaling \$100,380,000 on behalf of St. Peter's Medical Center. The competitive sale yielded the lowest true interest cost in NJHCFFA's history to that point.

1994 - NJHCFFA brought project management oversight duties in-house, eliminating the outsourcing expense, thereby reducing fees for the borrower by 90%. On a \$50 million issue, this translated into a savings of \$450,000.

1995 - NJHCFFA eased borrower burden by reducing fees and modifying financial feasibility study requirements.



Authority Members of 1993 (l. to r.): Theodore A. Schwartz, Thomas S. Higgins, Bruce Sigel, Charles D. Fallon, and Ed Tetelman [designee for Commissioner Walman]



Staff reviewing bond documents, 1996

1996 - NJHCFFA further eased borrower burden by lowering fees for trustee services and lowering the Capital Asset Loan program fees and interest rate.

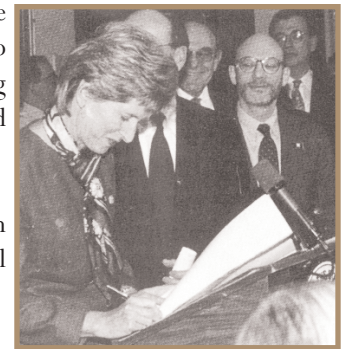
March 1996 - NJHCFFA financed its first assisted living facility, Care Institute, Inc. - Cherry Hill.

July 1996 - NJHCFFA issued its first taxable bonds, allowing St. Joseph's Hospital & Medical Center to purchase a residential building to house personnel.

January 19, 1998 - NJHCFFA's statutory powers were expanded to include financing for all health care organizations and components, allowing it to finance other organizations regardless of their tax status such as continuing care retirement communities, management service organizations, blood banks, hospices, day care facilities, etc.

May 28, 1998 - NJHCFFA launched the Variable Rate Composite Program for smaller borrowings; under the program, bonds are marketed for several borrowers at once, thereby reducing costs of issuance.

December 19, 1998 - NJHCFFA commissioned a report, at the direction of Governor Whitman, to investigate the fiscal condition of New Jersey's hospitals; the report confirmed NJHCFFA's own observations about the hospitals' overall financial deterioration.



Governor Whitman signing legislation to expand the Authority's statutory powers, 1998

April 15, 1999 - NJHCFFA completes its first financing on behalf of a for-profit entity, The Avalon at Bridgewater Assisted Living.

August 29, 2000 - Governor Whitman signed legislation creating the Hospital Asset Transformation Program, which allows for the issuance of bonds supported by a contract with the State Treasurer in order to refinance the bonds of not-for-profit hospitals choosing to close acute care services.



Executive Director Edie Behr and the Authority Members welcome new Chairman Dr. Lacy; (l.to r.) Carmen Saginario Jr., Edith F. Behr, Timothy Richards, Clifton R. Lacy, John Kerr, and Authorities Unit representative Joseph Neal, 2002

2000 - NJHCFFA commissioned an Assisted Living Facilities Study in order to evaluate the financial implications of increasing access by low- and moderate-income residents to assisted living facilities.

2001 - NJHCFFA commissioned a Post Acute Care Study on New Jersey's higher-than-average length-of-stay for Medicare patients in acute care hospitals.

March 2002 - NJHCFFA contributed \$16.5 million from its fund balance to support

Charity Care payments; the NJHCFFA increased fees to compensate for the depletion.

June 4, 2003 - NJHCFFA hosted its first CFO Advisory Panel session in which seven CFO's representing a cross-section of hospital demographics discussed issues affecting hospital finances.

November 20, 2003 - NJHCFFA established a monitoring policy for self-insurance entities and/or captives proposed by borrowers to ensure the ongoing financial stability of those borrowers.

January 2004 - NJHCFFA helped the Muni Council create a central post office, called DisclosureUSA, to advance the indexing of documents at nationally recognized information repositories and state information depositories.



Executive Director Michael Kornett and CFO Panel Members James Nolan (AtlantiCare) & William Phillips (Meridian), 2003



Governor McGreevey addressing the guests of the Authority's Financing Authority Summit, 2004

April 28, 2004 - NJHCFFA hosted the *Financing Authority Summit: Partnering New Jersey's Healthcare Leaders*, providing a full-day educational seminar for hospital executives and finance professionals.

December 15, 2005 - Having rebuilt a strong fund balance, NJHCFFA reduces costs of borrowing once again.

2006 - NJHCFFA participates in and provides funding for the *Commission on Rationalizing New Jersey's Health Care Resources*, created by Governor Jon S. Corzine in order to provide the State with criteria to determine how to respond to hospital requests for financial aid.

Staff Memories

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Right: Jan Blazewski's going away party, 1992



Left & below:
Holiday luncheon,
1993



Left: Baby shower for Peggy Smith, 1997

Right: Kay Fern's going away party, 1992



Left: Bonnie Kisco's retirement party, 2002

Right: Carole Conover's 5-year milestone, 2004



Right: Office decorating party, 1999

Left: Employee Appreciation Day, 2003



Right: Cynthia Adams' going away party, 1999

Left: Charity giftwrap, 2004



Above and right: Peggy Smith's going away party, 2004



Right: Staff photo, 2005



The Year in Review and the Authority Yet to Come...

While this report celebrates the past, in its 35th year, much of the Authority's attention was actually focused on the future.

Looking Outward to the Future of New Jersey's Health Care

At the end of 2006, the Authority had agreed to help fund and facilitate the *Commission on Rationalizing New Jersey's Health Care Resources*, which was created by Governor Corzine (Executive Order No. 39) who said, "We need to take a thoughtful look at whether all our hospitals are necessary, whether they are suitably located to meet health care needs, and whether State funding is being spent efficiently and properly."

The Commission was tasked with exploring (1) why so many New Jersey hospitals are struggling financially, (2) which among the hospitals approaching the State for financial assistance warrant that assistance, and (3) what steps might be taken to rationalize the functioning of New Jersey's hospital system and other components of the health care delivery system that interact with the hospital system.

The Authority supported the Commission by selecting and funding the Commission's consultant (Navigant Consulting, selected through an RFP process), providing data and research information from its APOLLO data, and providing meeting space and administrative services for the 11-member commission. Staffers Mark Hopkins and Steve Fillebrown also attended and participated in the commission meetings. Mr. Fillebrown also sat on the Commission's Reimbursement/Payer subcommittee.

Also, three of the Authority's Members served on the Commission: Commissioner of Human Services Jennifer G. Velez, Commissioner of Banking &



January 16, 2007 meeting of the Commission on Rationalizing New Jersey's Health Care Resources, with Chairman Uwe E. Reinhardt, Ph.D., seated at the head of the table

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"We need to take a thoughtful look at whether all our hospitals are necessary, whether they are suitably located to meet health care needs, and whether State funding is being spent efficiently and properly." -Governor Jon S. Corzine

Insurance Steven M. Goldman, and (then) Commissioner of Health and Senior Services Fred M. Jacobs.

The Commission acknowledged that the State has only a limited budget to assist financially distressed hospitals, therefore, these funds should be reserved for those hospitals classified as "essential." Because the health care landscape is in constant flux, instead of providing a list of which hospitals are essential, the Commission identified criteria for making this determination, and then furnished the State with software that can help the decision-makers reach a determination according to the latest available data.



Governor Corzine addressing the Commission on Rationalizing New Jersey's Health Care Resources at the Authority offices, March 30, 2007; Commissioners Velez, Goldman and Jacobs are seated to his left (left to right).

The Commission also identified numerous recommendations to enhance the proper functioning of the State's health system including a call for greater transparency on the cost and quality of hospital care, as well as suggestions for more effective hospital management, methods to avoid hospital closure, and an orderly hospital closing process. The Commission worked through 2007 to complete its tasks and released its final report in January 2008. The final report can be viewed in full at http://www.state.nj.us/health/rhc/finalreport/documents/entire_finalreport.pdf.

The hope is that the tools provided to the State through this Commission will help to construct a more efficient health care landscape, maintaining high quality and broad accessibility of services, as hospitals vie for funding going forward.

Looking Inward to the Future of Health Care Finance

In June, the Authority held a two-day retreat designed to refresh the Members, new and old, on the Authority's business practices and to revisit some of the Authority's older policies that had been contested by borrowers over the past few years. The main objective was to find ways to update potentially outdated policies to better serve Authority borrowers and bondholders going forward.

"I learned a lot from the professionals in the field and the hospital representatives. The Authority's staff does an excellent job, and part of that job is to seek input from the folks we serve."
-Authority Member Gustav Escher



Public Member Gus Escher

The two-day retreat was attended in its entirety by three "Expert Guests" to provide counsel. These guests were:

- Michael Irwin - Citigroup Global Markets, Inc. (underwriter experience and was previously employed by the Authority)
- Scott Kobler - McCarter & English, LLP (bond, borrower, and underwriter counsel experience)
- Chuck Toto - Hawkins Delafield & Wood (bond, borrower and underwriter counsel experience in various states across the country)

The event also included an open forum in which guests from both the bondholding and borrowing communities were invited to present their thoughts on "hot-button" policies directly to the Members and staff. Such testimony was heard from Sean Hopkins of the New Jersey Hospital Association and Jerry Solomon of the National Federation of Municipal Analysts, and written testimony was provided by Karen Lump of Atlantic Health System.

"I learned a lot from the professionals in the field and the hospital representatives," said Authority Member Gustav Escher. "The Authority's staff does an excellent job, and part of that job is to seek input from the folks we serve."

The widespread input in an intimate setting provided for easy discussion and free flowing questions from the Members, which, in turn, led to the reformation of numerous Authority policies.



Jerry Solomon (top) and
Sean Hopkins (bottom)
providing testimony



The expert guests at the June retreat: (left to right)
Mike Irwin, Chuck Toto and Scott Kobler

Electronic OS Dissemination

Staff will continue to work with the Attorney General's Office to formulate proper disclaimer language that can be used in conjunction with electronic access to Official Statements; however, until the SEC rules otherwise, purchase of an Authority bond in the primary market will continue to require the delivery of a hard copy of the Official Statement.

Global Authorization to Identify Forward Hedging Agreements

A Global Resolution now authorizes an authorized officer of the Authority to identify forward hedging agreements for anticipated bond transactions.

Bond Sale Contingencies

Members will consider waiver requests for general Authority policies when a borrower demonstrates a hardship (not of the borrower's own making) and submits an appropriate request.



Roundtable of Members, staff and guests at the June Retreat

Derivatives

Staff organized a collective industry working group to create a policy regarding Authority borrowers' use of derivative products. The resulting policy affects borrowers that issue bonds through unenhanced public issues. The policy requires that borrowers meet minimum standards in order to securitize and collateralize derivative contracts. Further, the policy requires that the borrower supply certain information to the Authority concerning derivative contracts and the borrower's internal derivative policy.

Requirements for Captive and Self-Insurance Entities

Staff created an ad hoc committee to determine the best way to evaluate the financial soundness of borrowers' proposed self-insurance and captive insurance entities. The new policy gives borrowers an alternative to the requirement for an A.M. Best rating.

Remedies for Covenant Defaults

In order to obtain "middle ground" remedies, language was added to the Authority's loan agreement to enable staff to interact with a borrower's board representatives rather than relying on the borrower's management to facilitate such interaction.

Permission for a Private Placement

Procedures to Implement Executive Order No. 26 under Method of Sale were modified to state: "A private placement would be permitted if, based on an analysis by the borrower, a private placement would be more beneficial to the borrower than a public sale, and the borrower provides, in writing to the Authority, the reason(s) for the use of a private placement."

...continued...

Investor Letter Requirement

For private placements where the borrower agrees to provide an initial disclosure document *and* continuing secondary market disclosure, the Authority still requires an Investor Letter; however, the letter no longer refers to indemnification of the Authority or the need for similar investor letters from future bondholders. Failure to provide these two forms of disclosure requires that the Investor Letter include either indemnification from the initial purchaser or the requirement for a traveling investor letter.

Financial Feasibility Study Requirement

The Authority no longer requires a feasibility study; however, the underwriter, placement agent or credit enhancer may still require the borrower to obtain one.

Executive Order No. 26 Compliance

The Authority's Qualified Bankers List now has open enrollment, allowing firms to submit Statements of Qualifications at any time. Qualified firms may also apply for status changes at any time.

Good Faith Deposits

On standard Authority transactions, underwriters are no longer required to provide Good Faith Deposits. When there is a State contract involved, however, the Authority will be guided by the Treasurer or Office of Public Finance.

Mortgage & Title Insurance

The Mortgage and Title Insurance requirement was revised as follows:

1. For enhanced issues and issues sold privately, the question of mortgages and title insurance shall be up to the enhancer or purchaser.
2. Unenhanced issues rated at least "A3/A-" do not require a mortgage but do require a negative pledge recorded at closing.
3. Unenhanced issues with a rating below "A3/A-" (or unrated) require a mortgage.
4. For borrowers with existing bonds secured by a mortgage, any new issue must be secured on parity.
5. When a mortgage is provided as security, title insurance is required equal to the bonds less the debt service reserve fund.
6. Borrowers may request a waiver when circumstances would cause hardship or inequity. The waiver should include underwriter input, consideration of the borrower's financial condition, and its experience and strength of management, among other things.
7. Appropriate disclosure must be provided in the offering document.

Fee Schedule

The Authority modified its fee structure to address some of the previous structure's inconsistencies and further reduced the cost of borrowing for many Authority borrowers. The primary change is that ongoing fees are now based on the borrower's outstanding principal amount of bonds, as opposed to an issue's original par amount. The structure also includes reduced charges for transactions involving multiple series and less duplicate charges applied to issues that refund Authority bonds. The Authority's goal was to match the Authority's fees, as closely as possible, to the costs that the Authority incurs during the issuance and ongoing monitoring of Authority bonds .

People making it happen...



The Members

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The Authority, consisting of seven members, meets on a monthly basis and convenes special meetings when necessary to accommodate the financing needs of potential borrowers. Three of the Authority Members are ex-officio: the Commissioner of Health and Senior Services, the Commissioner of Human Services, and the Commissioner of Banking and Insurance. By law, the Commissioner of Health and Senior Services serves as the Authority Chairperson. The Authority currently has two Public Member vacancies.

"I look forward to working with the Authority even more closely as it fulfills its mission to 'ensure that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State.'"
-Heather Howard

HEATHER HOWARD, J.D., NJHCFFA Chairperson Commissioner of Health & Senior Services

Heather Howard was nominated to serve as the 14th Commissioner of the New Jersey Department of Health and Senior Services by Governor Jon S. Corzine on November 29, 2007, and was confirmed by the Senate on January 7, 2008.

At the time of her nomination, Ms. Howard was serving as Policy Counsel to the Governor, where one of her achievements included working closely with the Congressional delegation and the Department of Human Services to protect FamilyCare. Prior to her service as Policy Counsel, Ms. Howard was the Honorable Jon S. Corzine's Chief of Staff during his tenure as a United States Senator, where she managed staff and operations for three offices, handling all aspects of policy development and legislative issues. In this role, she was applauded for her successful campaign to protect New Jersey's PAAD and Senior Gold prescription assistance programs.

Ms. Howard also investigated and litigated healthcare anti-trust matters as a member of the Honors Program at the U.S. Department of Justice, and served as policy advisor to President Bill Clinton, First Lady Hillary Clinton and Congresswoman Nita Lowey.

A cum laude graduate of Duke University and the New York University School of Law, Ms. Howard currently lives in Princeton with her husband and son.



STEVEN M. GOLDMAN, Commissioner of Banking & Insurance - Steven M. Goldman was sworn in as Commissioner of the New Jersey Department of Banking and Insurance on March 24, 2006. Prior to his nomination by Governor Jon S. Corzine, Mr. Goldman was a senior member and 22-year veteran of Sills Cummis Epstein & Gross PC, where his focus revolved around corporate law, specifically: mergers and acquisitions, banking and finance, joint ventures, and leveraged buy-outs. Mr. Goldman earned a Masters of Law in taxation from New York University School of Law, a Jurist Doctorate from the George Washington University School of Law and an Artium Baccalaureatus in political science from Boston University.



JENNIFER VELEZ, ESQ., Commissioner of Human Services - Jennifer Velez was sworn in as Commissioner of Human Services in June of 2007. Prior to her nomination by Governor Jon S. Corzine, Velez served as Deputy Commissioner for Family and Community Services. Before joining the DHS Office, Velez served as New Jersey's First Assistant Child Advocate, beginning in September 2003. From 1998 until 2003, Velez served Governors McGreevey and Whitman as Senior Associate Counsel and Assembly Liaison in the Office of Governor's Counsel, where she was primarily responsible for advising on DHS-focused legislation and regulation. Before entering public service, Velez was in private practice at the law firm of Pitney, Hardin, Kipp & Szuch in Florham Park. She received her law degree from Rutgers School of Law and her undergraduate degree in Economics from Drew University.



GUSTAV E. ESCHER, III, Public Member - Mr. Escher is a Managing Director at Bergen Capital, a division of Scott & Stringfellow, an East Coast regional Investment Bank with over 46 offices from New York to Georgia. He previously served as Vice President of New Jersey Public Finance at PNC Bank located in East Brunswick. Prior to joining PNC, Mr. Escher was affiliated with several leading investment and commercial banks and provided financial advisory services in both the housing and governmental sectors. He also held executive positions at several consulting firms, a State financing agency, and a local governmental unit. Mr. Escher received both his Masters degree in Architecture and Urban Planning and his Bachelor of Arts degree from Princeton University.



ULYSSES LEE, Public Member - Ulysses Lee is currently a Government Relations Counsel and HIPAA Privacy Officer for The Guardian Life Insurance Company of America. Prior to Guardian, he held various legal positions involving regulatory compliance and litigation. Mr. Lee is also a board member of the NJ Small Employer Health Coverage Program and the NJ Individual Health Coverage Program. He is also involved in policy and finance as a board member of the District of Columbia Regulatory Trust Fund Bureau, which oversees the budget and operations of the D.C. Insurance, Securities and Banking Department, and the D.C. Life and Health Insurance Guaranty Association. He is also a board member of the New Hampshire Small Employer Health Reinsurance Pool. Mr. Lee has an undergraduate degree from Rutgers University, a law degree from Howard University and a Masters in Public Health from Columbia University with a concentration in Health Policy, Finance and Management.



Ex-Officio Members may designate long-term representatives to attend meetings and vote on their behalf.



*William Conroy,
Health & Senior Services Designee*



*Maryann Kralik,
Banking & Insurance Designee*



*Eileen Stokley,
Human Services Designee*

*Office of the
Executive Director*



Mark E. Hopkins
Executive Director



Carole A. Conover
Office Manager
and Executive
Assistant



Evelynne A. Burroughs
Office Management
Assistant



Lorraine M. Donohue
Office Management
Assistant



Robin Piotrowski, PHR
Human Resources Manager



Stephanie Blovsky
Communications Specialist

*Division of
Project Management*



Dennis Hancock
Deputy Executive Director,
Director of Project
Management

Project Managers



Louis R. George



Suzanne K. Walton



William McLaughlin



Mae Jeffries-Grant
Administrative
Assistant

*Please note, the chart is
arranged according to
the constraints of the pages.
The height placement of a staff
member does not necessarily
reflect professional hierarchy.*

*Division of Research, Investor
Relations, and Compliance*

*Division of
Operations and Finance*



Stephen M. Fillebrown
Director of Research,
Investor Relations,
and Compliance



James L. Van Wart
Director of Operations
and Finance,
Custodian of the Record



Susan Tonry, CPA
Assistant Director of
Research, Investor
Relations, and
Compliance



Emerson E. Sullens
Information
Technology Specialist



Priscilla I. Copper
Database Administrator &
Administrative Assistant



Wanda L. Lewis
Senior



Ronald S. Marmelstein
Senior



Marjorie P. McAvoy



Diane Johnson
Assistant Account
Administrator



Jessica Waite
Assistant Account
Administrator



Neetu Thukral
Assistant Account
Administrator



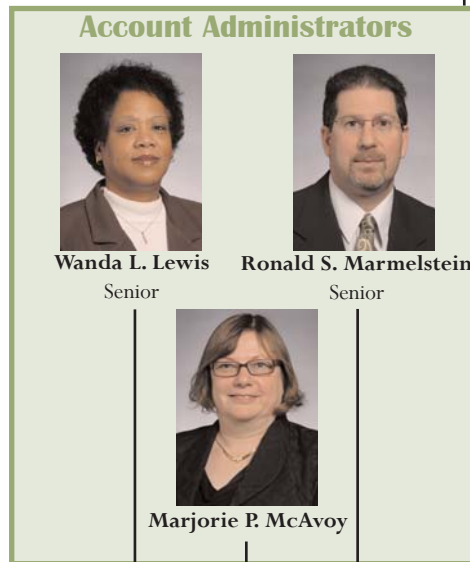
Bernard J. Miller, Jr.
Construction Manager



**Michael B.
Ittleson**
Controller



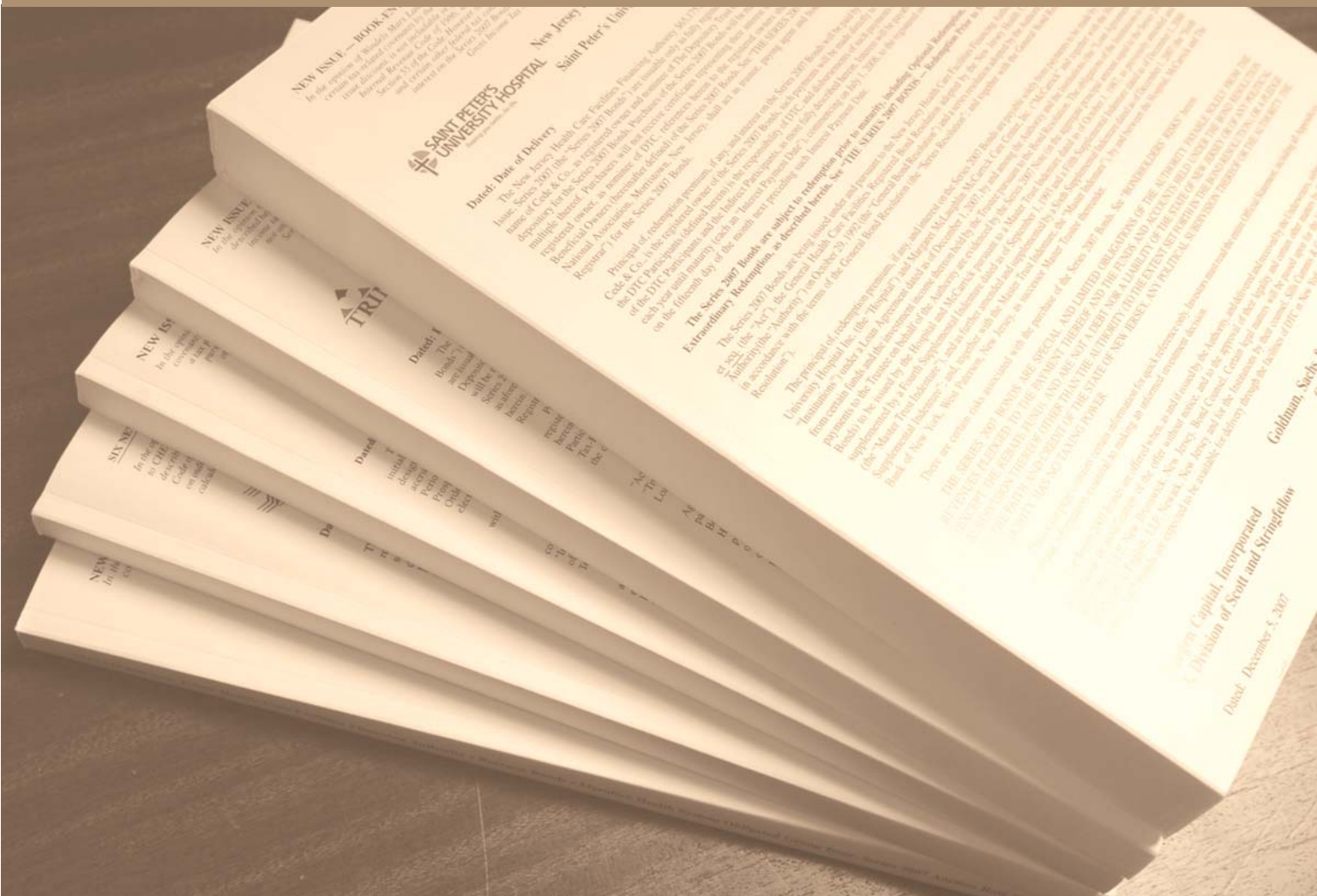
Taryn Jauss
Accountant



2007 *Financings*

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Capital where it's needed...





St. Mary's Hospital, formerly located at 211 Pennington Avenue in Passaic, relocated its services to 350 Boulevard in Passaic in a move made possible with the help of these bonds. The new St. Mary's facility is a 264-bed non-profit acute care hospital that boasts a full array of medical services and specialties including a comprehensive cancer center, a State-designated perinatal level 2 center, a sleep center, a pain management center, a wound care center, an endoscopy center, a vascular center, behavioral health services, orthopedic and sports medicine, and an emergency department.

St. Mary's Hospital, Passaic

This transaction is a two-fold transaction involving, first, an issuance of Interim Bonds (privately placed with Merrill Lynch), followed by the issuance of State-backed bonds to refund the interim bonds.

Interim Bonds (Series 2007A & 2007B):

\$45,150,000

(1 taxable series & 1 tax-exempt)

Delivery Date:

February 27, 2007

Final Maturity:

4/27/07 with an extension of 30 days with consent

Ratings:

None

Security:

A mortgage and a Forward Delivery Agreement for the follow up issuance of Series 2007-1 & Series 2007-2 within 60 days of the issuance of the Interim Bonds.

Interest Rate:

Tax-exempt series = rate of BMA + 2%

Taxable series = 30-day LIBOR + 2%

State-Backed Bonds (Series 2007-1 & 2007-2):

\$45,425,000

(1 tax-exempt series [2007-1] & 1 taxable [2007-2])

Delivery Date:

April 11, 2006

Final Maturity:

March 1, 2027 (Ser. 2007-1)

March 1, 2018 (Ser. 2007-2)

Ratings:

"A+" rating from Fitch

"A1" from Moody's

"AA-" from S&P

Security:

State contract under the Hospital Asset Transformation Program

All-in True Interest Cost:

4.55% (Ser. 2007-1)

5.47% (Ser. 2007-2)

The proceeds of the Interim Bonds were used to finance the acquisition of PBI Regional Medical Center ("PBI") in an amount of \$36.7 million, from which approximately \$22 million of PBI's outstanding Authority bonds and a \$5 million debtor-in-possession loan were paid off. Interim Bond proceeds were also used to refund approximately \$7.4 million Authority bonds outstanding on behalf of St. Mary's and pay certain costs of issuance. Proceeds of the State Contract Bonds were used to refund the Interim Bonds and pay for related costs of issuance and the accrued interest on the Interim Bonds.

FitnessFirst, L.L.C., has Holy Name Hospital, a 501(c)(3) organization, as its sole member. Treated as a partnership, FitnessFirst has the same tax status as Holy Name Hospital. As a medically-based fitness center, FitnessFirst offers: sessions targeted to specific health conditions, such as diabetes, cardiac risk factors or cardiac disease, and joint diseases; software that lets members track their progress and communicate it to a fitness trainer or a personal physician; technology that evaluates fitness age rather than chronological age; and Hospital/Physician Partnerships to ensure that members work within the context of their respective health histories and physician recommendations.

FitnessFirst Oradell Center, L.L.C.

These bonds were issued through the Authority's remodeled Equipment Revenue Note Program ("ERN"), which reduces fees, costs and issuance time for smaller equipment financing and/or refinancing projects. The ERN Program is the Authority's most efficient vehicle for smaller projects. As part of the program, these bonds were structured as a private placement, with the bonds being privately placed with Banc of America Public Capital Corp.



Equipment Revenue Note Program

\$1,376,000

Delivery Date:

March 23, 2007

Final Maturity:

March 23, 2012

Ratings:

None

Security:

First lien on the equipment being financed

Interest Rate:

3.92%

The proceeds were used to provide funds for the purchase and installation of equipment to be used at the Oradell facility.

Catholic Health East ("CHE") is a multi-institutional Catholic health system, co-sponsored by 12 religious congregations and Hope Ministries. Based in Newtown Square, PA, and with facilities located in eleven eastern states, CHE operates 33 acute care hospitals, 4 long-term acute-care hospitals, 39 freestanding and hospital-based long-term care facilities, 13 assisted living facilities, 5 continuing care retirement communities, 8 behavioral health and rehabilitation facilities, 32 home health/hospice agencies, and numerous ambulatory and community-based health services. In New Jersey, CHE operates Our Lady of Lourdes Medical Center (pictured below) in Camden, Lourdes Medical Center of Burlington County in Willingboro, and Saint Francis Medical Center in Trenton.

Catholic Health East

These bonds were issued and marketed simultaneously with other bonds on behalf of CHE through six different authorities for a total of \$333,430,000. The other authorities involved were:

- Development Authority of Fulton County in Georgia (\$93,515,000)
- Development Authority of the Unified Government of Athens in Georgia (\$20,560,000)
- Massachusetts Health and Educational Facilities Authority (\$51,475,000)
- Montgomery County Higher Education and Health Authority in Pennsylvania (\$17,135,000)
- Saint Mary Hospital Authority in Pennsylvania (\$49,350,000)

Series 2007E

\$101,395,000

Delivery Date:

April 19, 2007

Final Maturity:

November 15, 2033

Ratings:

"A1" by Moody's

"A" by S&P

"A+" by Fitch

Security:

Note issued under a Loan Agreement, pursuant to the provisions of a Master Trust Indenture and Supplemental Indenture

All-in True Interest Cost:

4.46%



The proceeds were used to advance refund outstanding CHE indebtedness in New Jersey. Early predictors show a savings of approximately \$4.8 million on CHE's New Jersey debt, or 4.6% of the refunded bonds.

AHS Hospital Corp., whose parent organization is Atlantic Health System, operates two divisions commonly referred to as Morristown and Overlook. Renowned for its breadth of cardiac services, Morristown Memorial Hospital performs the second most heart surgeries in the New York metropolitan area. Overlook Hospital, the regional leader in comprehensive stroke care and neurosciences, was the first hospital in the Northeast to use revolutionary Cyber Knife technology.

AHS Hospital Corp.

This transaction was issued in two lots of auction rate securities. Lot A (\$50,500,000) resets every business day, and Lot B (\$50,500,000) resets weekly.

Series 2007

\$101,000,000

Delivery Date:

May 3, 2007

Final Maturity Date:

July 1, 2023 (Lot A)

July 1, 2036 (Lot B)

Rating:

"AAA" by both Moody's & S&P

Enhancement:

Insured by Ambac Assurance Corporation

Initial Interest Rate:

3.60% (both lots)



The proceeds were used to effect a current refunding of Series 1997A Bonds, and to provide funds for renovations and capital expenditures at AHS' Morristown (pictured above), Overlook, and Corporate locations. More specifically, in addition to helping AHS replace a roof at the Overlook division, the proceeds will be used more extensively at the Morristown facility, where they will help to relocate the neonatal intensive care unit; renovate and expand the obstetrics, emergency room and nursing units; renovate a parking garage; and, replace patient beds as well as patient care bays in the post-anesthesia care unit. Proceeds also funded the acquisition of furniture and equipment for various AHS sites.

Trinitas Hospital was formed in 2000 by the consolidation of the Elizabeth General Medical Center and St. Elizabeth Hospital. Using the two hospital sites, Trinitas provides services to the City of Elizabeth and surrounding communities in Union, Essex and Middlesex Counties. With 389 licensed general acute-care beds and 142 long-term care beds, Trinitas provides a wide array of services, covering the full spectrum of inpatient and outpatient care, ancillary services and long-term care.

Trinitas Hospital

The Series 2007B Bonds are taxable convertible to tax-exempt; they are expected to convert on or around April 2, 2010.

Ser. 2007A & 2007B

\$130,400,000

Delivery Date:

May 17, 2007

Final Maturity Date:

July 1, 2030 (Series 2007A)

July 1, 2023 (Series 2007B)

Ratings:

"BBB-" from S&P

"Baa3" from Moody's

Security:

Notes issued under a Master Trust Indenture secured by a pledge of the gross receipts, plus a mortgage

All-in True Interest Rate:

5.18% (Series 2007A)

5.88% (Series 2007B, assuming a 2010 conversion)



The proceeds of the Series 2007A tax exempt bonds were used to effect a current refunding of the former St. Elizabeth Hospital's Series 1997 Bonds together with any Trinitas Series 2000 bonds that were presented for tender. The proceeds of the Series 2007B taxable convertible bonds were used to defease all or a portion of the remaining un-tendered Trinitas Series 2000 bonds. Assuming the conversion, the Trinitas refunding will provide the hospital with a net present value of savings just over \$9.4 million (6.5% of the refunded bonds).

AtlantiCare Regional Medical Center, formerly known as Atlantic City Medical Center, is a 567-bed not-for-profit teaching hospital with two divisions: City Campus located in Atlantic City and Mainland Campus located in Pomona. In addition to comprehensive cancer and heart centers, AtlantiCare provides a neonatal intensive care unit and one of only two Level 2 Trauma Centers in southern New Jersey.

AtlantiCare Regional Medical Center

Series 2007

\$113,420,000

Delivery Date:

June 7, 2007

Final Maturity Date:

July 1, 2037

Ratings:

"A+" by S&P

"A+" by Fitch

"A2" by Moody's

Enhancement:

Note issued under a Master Trust Indenture secured by a gross receipts pledge and a mortgage on certain property

All-in Interest Cost:

4.80%



The proceeds were used to: construct and equip a seven-story addition and renovate various areas of the City Division facility; construct a bridge connecting the City Division hospital to the parking garage; acquire equipment for use at both the Mainland and City Division facilities; advance refund a portion of the Series 2002 Bonds; and currently refund two CAP loans. By refunding a portion of its Series 2002 Bonds, AtlantiCare will save approximately \$2 million, or 5.57% of the refunded principal. Also, the refunding and re-amortizing of two other Authority loans, combined with the interest rate on the Series 2002 Bonds, allowed AtlantiCare to borrow approximately \$50 million of new money without any increase to its current maximum annual debt service.

Children's Specialized Hospital, an affiliate member of the Robert Wood Johnson Health System, is the largest pediatric rehabilitation hospital in the United States. Children's Specialized currently operates eleven facilities throughout New Jersey, located in Mountainside, Fanwood, Toms River, Roselle Park, Hamilton, Newark, and New Brunswick.

Children's Specialized Hospital

Equipment Revenue Note Program

\$3,600,000

Delivery Date:

December 6, 2007

Final Maturity:

December 6, 2012

Ratings:

None

Security:

First lien on the equipment being financed

Interest Rate:

3.92%



These bonds were issued through the Authority's remodeled Equipment Revenue Note Program ("ERN"), which reduces fees, costs, and issuance time for smaller equipment financing and/or refinancing projects. Privately placed with Banc of America Public Capital Corp, the bonds provided proceeds to purchase a fully integrated information system, including software and installation costs.

Meridian Health System is a premier health care provider in central New Jersey, providing a broad continuum of care through Meridian Hospitals Corporation, which operates four divisions: Jersey Shore University Medical Center, Ocean Medical Center, Riverview Medical Center, and K. Hornaniam Children's Hospital. Every year, more than 250,000 people pass through Meridian's hospital doors accessing leading-edge technology, advanced research and the latest clinical trials close to home.

Meridian Health System

Series 2007

\$242,125,000

**Delivery Date:**

December 13, 2007

Final Maturity Date:

July 1, 2038

Ratings:

"AAA" by S&P, and Moody's

Enhancement:

Insured by Assured Guaranty

Initial Interest Rate:

4.0%

Together with hospital equity, the proceeds of the bonds were used to: construct and equip the 213,000 square foot Northwest Pavilion on the Jersey Shore University Medical Center campus (rendered above), consisting of a new emergency department and trauma center, three new nursing units, an additional 36-bed shell space for future capacity needs, and connection to a new atrium lobby and patient entrance; construct and equip an approximately 109,000 square foot diagnostic and treatment building consisting of six new surgery suites, a new kitchen and dining area, a loading dock, and a new sterile processing department; renovate, expand and upgrade existing clinical and out-patient areas including the outpatient pavilion in the existing ambulatory care center and emergency department; add six pediatric beds and eleven maternity beds to the inpatient areas, thirteen bassinets to the neonatal intensive care unit, two new electrophysiology procedure rooms, and a new cardiac catheterization suite; expand and enhance the radiology, pharmacy and laboratory departments; and acquire major moveable equipment including a new MRI, CT scanner and diagnostic imaging equipment.

*S*aint Peter's University Hospital ("Saint Peter's"), a non-profit, acute-care facility sponsored by the Roman Catholic Diocese of Metuchen, is a technologically-advanced, 478-bed teaching hospital that provides a broad array of services to the community - from sophisticated care of premature babies to specialized geriatric medicine. Saint Peter's was New Jersey's first state-designated Regional Perinatal Center (Level III) and NICU (Level III), and it delivers approximately 6,100 newborns annually, which is more than any other facility in New Jersey. Saint Peter's is also affiliated with The Children's Hospital of Philadelphia.

Saint Peter's University Hospital

Series 2007

\$65,175,000

Delivery Date:

December 18, 2007

Final Maturity Date:

July 1, 2037

Ratings:

"BBB-" by S&P

"Baa2" by Moody's

Security:

A Note issued under a Master Trust Indenture, secured by a pledge of gross receipts and mortgages on properties

All-in True Interest Cost:

5.817%



The proceeds of the bonds, together with other funds, were used to: renovate existing Saint Peter's public and patient care areas; reimburse Saint Peter's for various equipment and furnishings including a portion of the costs related to the purchase of an information technology system; and currently refund a portion of the Authority's Series F Bonds issued in 1993.

Capital Asset Loan Program

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The Capital Asset Loan Program ("CAP") is designed to take advantage of bonds issued prior to the 1986 changes in the tax laws. Loans under the program are continuously repaid, making fresh funds available for other health care organizations in need of capital. Unlike bond issues where the bonds are delivered at closing, CAP funds remain in a Project Fund that was established in 1985. As existing borrowers repay CAP loans, the money recycles back into the Project Fund.

Palisades Medical Center, Inc \$5,000,000

Palisades Medical Center ("PMC"), a major health care resource for Hudson and Bergen Counties, is a 202-bed acute-care hospital with comprehensive medical services, a quick-response emergency department (including a heliport) and a centralized North Bergen location overlooking Manhattan.

Final Maturity Date: July 1, 2014

Security: The loan is secured by a promissory note, issued in favor of JPMorgan Chase Bank, N.A., pursuant to an existing Master Trust Indenture. The Note will be secured by a pledge of gross revenues and a mortgage.

Initial Monthly Rate: 3.66%

The proceeds were used to purchase capital equipment, finance minor building improvements and pay the related financing costs.

Cooper University Hospital \$5,225,000

Cooper University Hospital, which has over 550 physicians in over 75 specialties, is a major tertiary-care referral hospital for specialized services located in South Jersey. Centers of excellence include: Level I Southern New Jersey Regional Trauma Center; the Cooper Cancer Institute, the Cooper Heart Institute, the Cooper Bone & Joint Institute, the Cooper Neurosciences Institute and critical care medicine. Also, as the clinical campus of the University of Medicine and Dentistry of New Jersey - Robert Wood Johnson Medical School at Camden, the hospital is committed to excellence in medical education, patient care and research.

Final Maturity Date: October 1, 2017

Security: The loan is secured by a note issued under an existing Master Trust Indenture. The note will be secured by a parity interest in the pledge of gross receipts and a mortgage on certain property of the Obligated Group.

Initial Monthly Rate: 1.42%

The proceeds were applied to a new endoscopy center and employed physician offices in Marlton.

Meridian Nursing and Rehabilitation at Ocean Grove, Inc. *\$7,000,000*

Meridian Nursing and Rehabilitation has facilities in Brick, Ocean Grove, Shrewsbury, and Wall where high-quality medical care, progressive rehabilitation, a comfortable atmosphere, and loving support is provided to residents and their families. Within a comfortable, home-like setting, Meridian Nursing and Rehabilitation offers long-term care, short-term rehabilitation, post-hospital and post-surgical care, respite care, hospice care, 24-hour skilled nursing, coordination of physician services, and family counseling.

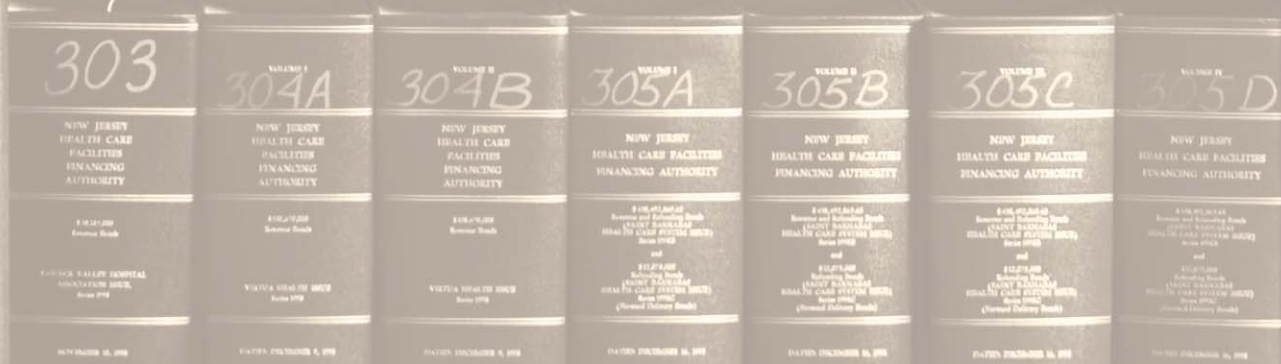
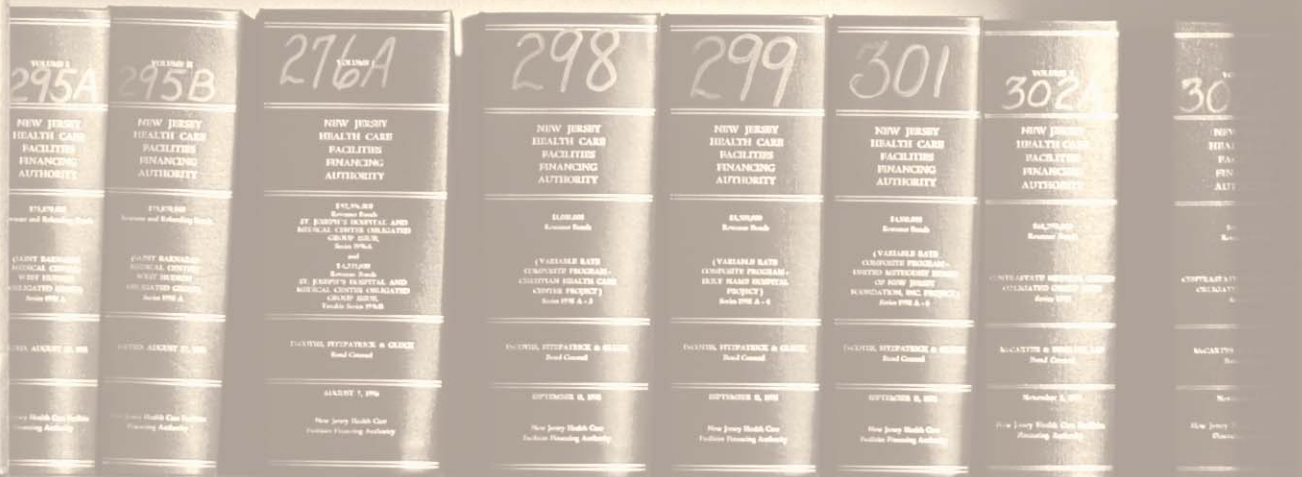
Final Maturity Date: November 1, 2017

Security: The loan is secured by a promissory note issued under the existing Meridian Health Obligated Group Master Trust Indenture. As a condition of closing, JPMorgan required that Meridian Nursing become a member of the Obligated Group.

Initial Monthly Rate: 1.65%

The loan provided the borrower with funds to exercise a purchase option for Manor by the Sea, a 120-bed skilled nursing facility in Ocean Grove, from The United Methodist Homes. The proceeds also financed and reimbursed costs incurred for building renovations, acquiring major movable equipment, miscellaneous property, plant and equipment expenditures, and upfront legal and financial consulting fees.

The New Jersey Health Care
Facilities Financing Authority's
Complete 2007 Audited Financial Statements
are available online at
<http://www.state.nj.us/njhccfa/reports.html>
or by contacting the Authority at
(609)292-8585.



Members through NJHC77A History

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 Michael A. Slovak

**Note: Chairperson in their capacity as Commissioner of the Department of Health (or Health and Senior Services)*

Executive Directors through NJHC77A History

Mark E. Hopkins
 Michael T. Kornett
 Edith F. Behr
 Christina M. Klotz
 D. Kathryn Fern
 Herbert J. Horowitz
 John F. O'Connor
 James M. Ruth, Jr.
 J. Robert Lackey

Governors through NJHC77A History

Jon S. Corzine
 James E. McGreevey
 Christine Todd Whitman
 Jim Florio
 Thomas H. Kean
 Brendan T. Byrne

Number of Authority Employees

2007 - 26	1979 - 10
1998 - 26	1978 - 9
1993 - 24	1977 - 6
1987 - 30	1976 - 5
1986 - 28	1975 - 6
1985 - 20	1974 - 5
1984 - 18	1973 - 2
1983 - 12	
1982 - 11	
1981 - 11	
1980 - 9	

The Authority began with just an Executive Director and an Economist.



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