

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on September 24, 2009 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

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

William Conroy, Designee of the Commissioner of Health and Senior Services (Chairing); Ulysses Lee, Public Member (via telephone); Maryann Kralik, Designee of the Commissioner of Banking and Insurance; and Eileen Stokley, Designee of the Commissioner of Human Services.

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

Mark Hopkins, Steve Fillebrown, Suzanne Walton, Bill McLaughlin, Edwin Fuentes, Taryn Jauss, Carole Conover, Michael Ittleston, Arvella King, Marji McAvoy, and Stephanie Bilovsky.

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

Maryann Kicenuik, Windels, Marx, Lane & Mittendorf; Daniel Deets, Hunterdon Medical Center; Michael Richette, Chilton Memorial Hospital; Kay Fern, Evergreen Financial; Scott Kobler, McCarter & English; Howard Eichenbaum, Gluck Walrath; and, Cliff Rones, Deputy Attorney General.

### ***CALL TO ORDER***

Mark Hopkins called the meeting to order at 10:05 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 28, 2009 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting. Mr. Hopkins then stated that in the absence of the Authority's chair and vice chair, a chair pro-tem was needed to lead the meeting. Ms. Stokley nominated Bill Conroy to serve as chair pro tem; Ms. Kralik seconded. The vote was unanimous and the motion carried.

### **AB RESOLUTION NO. JJ-26**

**NOW, THEREFORE, BE IT RESOLVED**, that, in the absence of the Authority's chair and vice chair, the Authority hereby appoints Bill Conroy to serve as chair pro tem for the September 27, 2009 Authority meeting.

Mr. Conroy led the meeting from this point on.

## ***APPROVAL OF MINUTES***

### ***A. August 27, 2009 Authority Meeting***

Minutes from the Authority's August 27, 2009 meeting were presented for approval. Ms. Stokley offered a motion to approve the minutes; Ms. Kralik seconded. Mr. Conroy voted yes, Mr. Lee voted yes, Ms. Kralik voted yes, and Ms. Stokley voted yes. The minutes were approved.

### ***B. August 27, 2009 Authority Meeting***

Minutes from the Authority's September 9, 2009 special meeting were presented for approval. Ms. Stokley offered a motion to approve the minutes; Ms. Kralik seconded. Mr. Conroy voted yes, Mr. Lee abstained, Ms. Kralik voted yes, and Ms. Stokley voted yes. The minutes were approved.

## ***TEFRA HEARING AND CONTINGENT BOND SALES***

### ***Chilton Memorial Hospital***

Mr. Conroy stated that, as required by the Tax Reform Act of 1986, the following portion of the meeting is considered a public hearing in connection with the proposed Chilton Memorial Hospital ("Chilton") transaction.

Bill McLaughlin introduced Michael Richetti, Chilton's Chief Financial Officer. Following the introduction, Mr. McLaughlin informed the Members that today he would be requesting approval of a contingent sale of bonds on Chilton's behalf. He stated that the proposed transaction will be comprised of approximately \$40,000,000 of tax-exempt bonds. The transaction will be structured as a fixed rate financing and sold on the basis of the Hospital's credit rating. The Hospital is currently rated "Baa1" by Moody's and "BBB+" by Standard & Poor's, both of which have been confirmed.

The proceeds of this transaction are expected to be used to refund the Authority's 1993 Series D Bonds; to refinance a line of credit with Wachovia Bank, which was used to construct and equip a building addition for the MRI, renovations to the Family Care Center Nursing Unit, renovations to the Radiology Department, and renovations to common area corridors; to finance capital budget items, which include renovating and equipping a new Cardiac Catheterization Suite, renovations to two nursing units, renovations to the Wound Care Center and renovating and purchasing equipment for the Surgical area; to fund Capitalized Interest; to fund the Debt Service Reserve; and to pay related costs of issuance.

Responding to a question from Mr. Conroy, Mr. Richetti stated that, with the bond proceeds, Chilton would acquire catheterization lab equipment and radiology equipment such as ultrasound and imagery machines. Staff also clarified for the Members that the reference to a "project fund deposit" simply means the funds would be deposited into an account for the project; it is not meant to imply a downpayment with additional funds needed for the project.

### **SERIES RESOLUTION**

Maryann Kicenuik of Windels, Marx, Lane & Mittendorf, LLP stated that the Series Resolution authorizes the issuance of the tax-exempt Series 2009 Bonds in an aggregate principal amount, not in excess of \$42,000,000 and at a true interest cost not to exceed 8.00% per annum. The Series 2009 Bonds will have a final maturity date of no later than July 1, 2039 and be subject to redemption prior to maturity as set forth therein, provided, that the redemption price can not be greater than 105%. The Series 2009 Bonds will be secured by payments made by the Hospital under its Loan Agreement with the Authority as evidenced and secured by a Note issued pursuant to the provisions of a Master Trust Indenture and amounts on deposit in

certain funds held by the Trustee pursuant to the General and Series Resolutions. Additional security will include a gross receipts pledge together with a mortgage on certain Hospital property.

Additionally, the Series Resolution approves the form of and authorizes the execution of a Bond Purchase Contract prior to close of business on December 31, 2009. The Series Resolution also approves the form of the Series 2009 Bonds, Preliminary Official Statement, Official Statement, and Loan Agreement. Further, the Series Resolution appoints the Bank of New York Mellon as Trustee, Bond Registrar and Paying Agent for the Bonds. In addition, it authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Bond Purchase Contract and the Loan Agreement, the financing of the Project and the issuance of the Series 2009 Bonds.

Mr. Conroy asked the Members' pleasure with respect to the adoption of the Bond Resolution. Ms. Kralik moved that the document be approved. Mr. Lee seconded. The vote was unanimous and the motion carried.

#### **AB RESOLUTION NO. JJ-27**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Bond Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS CHILTON MEMORIAL HOSPITAL, SERIES 2009."

#### ***Co-Managers***

Mr. Hopkins reminded the Members that the Authority's policy "reserves the right to select firm(s), from its qualified list, to serve as co-managing underwriter(s) for its financings. Co-manager(s) will be selected by the Authority, based on demonstrated ability to distribute New Jersey securities of comparable credit quality, sufficient capital to participate in underwriting the issue, and borrower preference(s)."

Chilton had selected Merrill Lynch & Co. as Senior Managing Underwriter for the proposed 2009 bonds. Based on the current market conditions and type of transaction and its size, staff recommended the addition of two co-managers for the bonds. Chilton expressed a preference that either Morgan Stanley or JPMorgan Chase be considered co-manager for the bonds. The Authority would also like to ensure that other capable co-managers on its approved list have an opportunity to participate in bond transactions. To complement the senior managing underwriter and Morgan Stanley, staff recommended Doley Securities.

Staff clarified for the Members that the Authority has a list of banks deemed qualified to serve in various capacities on Authority transactions. When assigning co-managers from that list, the Authority seeks to both fulfill the borrowers' requests and assign firms that are not commonly selected by borrowers in order to facilitate broader investor exposure and provide business opportunities to a wider range of firms. The Authority also seeks to balance different investment solicitation strengths when assigning co-managers by appointing, for example, one firm that focuses on institutional investors and another that primarily does business with retail investors.

Doley Securities is qualified to serve in this capacity and has served as such for other authorities. This will be the first Authority transaction to use Doley Securities' co-managing services.

Ms. Stokley moved to appoint Morgan Stanley and Doley Securities to serve as co-managers for the Chilton transaction. Ms. Kralik seconded. The vote was unanimous and the motion carried.

**AB RESOLUTION NO. JJ-28**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby appoint Morgan Stanley and Doley Securities to serve as co-managers for the 2009 Chilton Memorial Hospital transaction.

Mr. Richetti thanked the Authority for its assistance and cooperation. He added that it has been several years since Chilton has entered the bond market and commended staff, particularly Bill McLaughlin, for being so helpful. Mr. Conroy then closed the public hearing required by the Tax Reform Act of 1986 on Chilton's behalf.

***INFORMATIONAL PRESENTATION***

***Hunterdon Medical Center***

Bill McLaughlin introduced Daniel J. Deets, Chief Financial Officer for Hunterdon Medical Center ("Hunterdon") and then reminded the Members this is an informational presentation on a proposed bond transaction on Hunterdon's behalf.

Mr. McLaughlin described Hunterdon as a not-for-profit community teaching hospital located near Flemington that currently maintains 178 acute care beds and is the only acute care hospital located in Hunterdon County.

Hunterdon has requested that the Authority consider issuing approximately \$15,000,000 of bonds on its behalf in order to: refund the Authority's 1990 Series A bonds; finance certain capital budget items; fund the Debt Service Reserve; and fund capitalized interest along with pay related costs of issuance. The transaction is expected to be structured as a private placement. Hunterdon is currently rated "A-" by Standard & Poor's and "A" by Fitch. These ratings are not expected to change as a result of this issuance.

Hunterdon's annual financial information indicates that Days Cash on Hand decreased from 128.65 days for 2007 to 108.76 days for 2008. Although this represents a slight decrease, the Days Cash on Hand position remains stronger than the 2008 Statewide Median of 59.18 days. The Hospital's Operating Margin for 2008 was negative at (2.16%). This loss was primarily due to a thirty-three percent increase in charity care, additional depreciation associated with new bond financed projects and overall limited revenue growth. Debt Service Coverage is solid at 3.44 times as was the Cushion Ratio at 21.66 times for 2008. Days in Accounts Receivable were 45.95 days versus the statewide median of 45.49 days and full time employees per adjusted occupied bed were at 7.08 versus a statewide median of 5.25. Unaudited six-month interim financial statements indicate continued solid performance.

Hunterdon's Annual Inpatient Utilization Trends for the period 2007 to 2008 are stable, showing no material deviation in admissions and inpatient days. Length of stay has increased modestly and the occupancy rate on licensed beds has risen slightly. Utilization statistics derived from interim six-month performance financials are consistent with year-end 2008 results.

Ms. Stokley noted that it would take a very large increase in charity care services to decrease the operating margin as substantially as reported. Mr. Deets stated that, perhaps as a result of the recession, charity care increased from approximately \$17 million to roughly \$21 million in 2008, which is a jump from about 4% to 5% of its budget. The operating margin

decrease is a reflection of this coupled with other conditions such as the fact that some of Hunterdon's assets had been put into use at this time. Portions of Hunterdon's northern facility, for example, came online in 2008, and as that facility become more known and fully operational, the operating margin improved.

Ms. Stokley reminded Mr. Deets of the importance of having hospital staff help find payors for eligible patients, to which Mr. Deets confirmed that Hunterdon's staff does help to enroll those that are eligible for Medicaid. Mr. Deets also noted that there had been a change in the use of the proceeds from what was originally stated by the hospital. Hunterdon now seeks to fund its cancer facility largely from outside fundraising and instead will be using bond proceeds for capital budget items, likely including medical records equipment.

This report was for informational purposes only; no action was required.

## ***NEGOTIATED SALE REQUEST***

### ***St. Ann's Home for the Aged***

Mr. Hopkins stated that St. Ann's Home for the Aged ("St. Ann's") signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing, the proceeds of which will be used to finance: (i) the refunding of approximately \$6 million of the Authority's 1996 Bonds issued on behalf of St. Ann's; (ii) the construction for \$5.5 million of a new Adult Medical Day Care building; and (iii) the payment of costs of issuance. The total amount of bonds is expected to be approximately \$12 million.

On behalf of St. Ann's, the Authority issued \$9 million in bonds in 1996. As of June 30, 2009, approximately \$6.4 million remained outstanding on that issue. The 1996 bonds are expected to be refunded by the bonds proposed in this issuance.

St. Ann's is a 120-bed not-for-profit long-term care facility located in Jersey City sponsored by the Sisters of Saint Joseph of Peace. It is a member of the Sisters of Saint Joseph of Peace Healthcare System Corporation.

According to audited financial statements provided with the Memorandum of Understanding, St. Ann's generated an excess of revenues over expenses of approximately \$171,000 in 2008 and excess revenues over expenses of approximately \$1.2 million in 2007. Unaudited information for the first seven months of 2009 shows a net income from operations of approximately \$609,000.

St. Ann's asks the Authority to permit the use of a negotiated private placement sale based on the sale of a complex or poor credit, market volatility and the issuance of variable rate bonds. These reasons are considered under the Authority's Executive Order #26 policy to be justifications for the use of a negotiated private placement sale. Therefore, staff recommended the consideration of a resolution approving the use of a negotiated private placement sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins noted that St. Ann's is in the process of selecting a bank for the private placement of the bonds. Additionally, St. Ann's has researched several law firms from the Authority's qualified list and has received approval from the Attorney General's Office to have the law firm of Windels, Marx, Lane & Mittendorf serve as bond counsel.

Suzanne Walton, the Authority's project manager assigned to the transaction, clarified that the proposed project involved moving its 50 current patients to a new building; there would be no new patients added as a result of this project. While there are numerous approval processes to be completed before the bonds can be issued, these approval processes are already

underway and are expected to be complete by November, when staff expects to return to the Members to request approval for a contingent bond sale.

Mr. Lee made a motion to approve the pursuit of a negotiated private placement on behalf of St. Ann's Home for the Aged; Ms. Kralik seconded. The vote was unanimous and the motion carried.

#### **AB RESOLUTION NO. JJ-29**

*(attached)*

Mr. Conroy added that the Department of Health and Senior Services is currently reviewing the models of adult daycare provided in New Jersey and stated that the proposed project, involving 50 patient slots, is right around the Department's recommended facility size. He noted that the Department will be putting caps into place to limit facilities to a maximum of 200 patients. Some facilities larger than that recommended level are currently operating in New Jersey.

#### ***AUTHORITY EXPENSES***

Mr. Conroy referenced a summary of Authority expenses and invoices and then Ms. Stokley offered a motion to approve the bills and to authorize their payment; Ms. Kralik seconded. Mr. Conroy voted yes, Mr. Lee voted yes, Ms. Kralik abstained, and Ms. Stokley voted yes. The motion was approved.

#### **AB RESOLUTION NO. JJ-30**

**WHEREAS**, the Authority has reviewed memoranda dated September 17, 2009, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of \$202,265.48, \$23,185.80 and \$26,655.95 respectively, and has found such expenses to be appropriate;

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves all expenses as submitted and authorizes the execution of checks representing the payment thereof.

#### ***STAFF REPORTS***

Mr. Conroy thanked staff for their preparation of staff reports, including the Project Development Summary, Cash Flow Statement, and Legislative Advisory. Mr. Hopkins then presented his Executive Director's Report which stated the following:

1. There will be an Authority Finance Committee Meeting on Tuesday, October 6, 2009 at 10:00 a.m. to consider the Authority's 2010 draft budget.
2. The Authority will be hosting a TEFRA hearing for Catholic Health Initiatives ("CHI") on September 29, 2009. Though CHI's 2009 bonds will be issued through the Colorado financing authority, a New Jersey

TEFRA hearing is required since proceeds of the bonds would be used in New Jersey. This was a very big topic of discussion among the members of the National Council of Health Facilities Finance Authorities regarding an entity's ability to issue bonds across state lines. This raised the question of billing for the use of Authority time and resources for the hearing. Staff decided that the Authority would charge \$5,000 for this occurrence. This \$5,000 would appear on the Authority's budget as "Miscellaneous Expenses."

3. The Authority Members were provided with materials outlining the savings generated by purchasing Toyota Priuses in 2005 rather than continuing to lease cars or purchasing other, similar-sized non-hybrid cars. The Authority sold one of the 2005 Toyota Priuses last month for \$10,500. Even though the acquisition price was higher, the resale value and fuel savings from that one Toyota Prius resulted in a savings of \$15,300 to \$16,700 compared to leasing and a savings of \$5,900 to \$7,400 compared to purchasing similar-sized non-hybrid cars. Those savings were also partially due to a \$4,000 rebate from the BPU for the purchase of clean car technology. Less pollutants and lower gas consumption are additional benefits the Authority reaped by purchasing the Toyota Priuses.
4. On September 11, 2009, the State filed a Letter of Intent to apply for a portion of the \$564 million available in federal funding for the State Grants to Promote Health Information Technology and Implementation Projects available under the American Recovery and Reinvestment Act of 2009. Each State expects to receive at least \$4 million in grants. The full grant application is due October 16, 2009. The Authority will be the State Designated Entity for distributing the grant funds and monitoring and reporting the use of those funds and insuring compliance with the ARRA. A Review Panel made up from representatives of the Department of Health and Senior Services, the Department of Human Services and the Department of Banking and Insurance will select which grant applicants within the State will receive funding. Awards are expected to be announced by the federal government on December 15, 2009.
5. Authority staff has spoken to representatives of the Economic Development Authority about the programs it is offering to promote clean energy and energy efficiency projects. Staff believes the Authority can help health care organizations by helping to organize a symposium on the sources of grants, tax credits and tax-exempt financing opportunities that are available for clean energy and energy efficiency projects. Staff has met with representatives from the DEP, BPU and PSE&G regarding these opportunities.
6. In hospital news, Paul Pernice has resigned as Chief Financial Officer of Robert Wood Johnson University Hospital at Hamilton, and no successor has been announced. Paul Goldberg has been named the permanent Chief Financial Officer at Jersey City Medical Center after having served in that capacity on an interim basis for several months.

This concluded the Executive Director's report.

### ***EXECUTIVE SESSION***

Mr. Conroy asked the Members to meet in Executive Session, as permitted by the Open Public Meetings Act and the Authority's By-Laws, to discuss bankruptcy litigation and receive advice from the Attorney General's Office regarding St. Mary's Hospital of Passaic. Ms. Stokley offered a motion to meet in Executive Session; Ms. Kralik seconded the motion. The vote was unanimous and the motion carried. Mr. Conroy noted that the results of this discussion will be made public when the need for confidentiality no longer exists.

#### **AB RESOLUTION NO. JJ-31**

**NOW, THEREFORE, BE IT RESOLVED**, that, as permitted by the Open Public Meetings Act and the Authority's By-Laws, the Authority meet in Executive Session to discuss bankruptcy litigation and receive advice from the Attorney General's Office regarding St. Mary's Hospital of Passaic;

**BE IT FURTHER RESOLVED**, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

Public session reconvened. As there was no further business to be addressed, following a motion by Mr. Lee and a second by Ms. Stokley, the Members voted unanimously to adjourn the meeting at 11:08 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 SEPTEMBER 24, 2009.

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Carole A. Conover  
Assistant Secretary



**AB RESOLUTION NO. JJ-29**

**RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY  
PRIVATE PLACEMENT TRANSACTION PURSUANT TO  
EXECUTIVE ORDER NO. 26**

***St. Ann's Home for the Aged***

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**WHEREAS**, the New Jersey Health Care Facilities Financing Authority (the "Authority") was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29, N.J.S.A. 26:2I-1 et seq., as amended (the "Act"), for the purpose of ensuring that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State; and,

**WHEREAS**, the Authority issues its bonds from time to time for the achievement of its authorized purposes; and

**WHEREAS**, on October 25, 1994, the Governor issued Executive Order No. 26 which sets forth procedures by which an issuer may determine the method of sale of bonds or notes; and,

**WHEREAS**, on December 8, 1994, the Authority adopted Section 2 of its policy which was developed to implement Executive Order No. 26, which requires an Authority resolution to pursue a negotiated sale of bonds; and,

**WHEREAS**, on March 28, 1996, the Authority amended its policy related to Executive Order No. 26; and,

**WHEREAS**, the Authority's policy states that a negotiated sale of bonds will be conducted if it is determined by the Authority that it would better serve the requirements of a particular financing; and,

**WHEREAS**, a negotiated transaction would be permitted in circumstances including, but not limited to, the sale of bonds for a complex or poor credit; the development of a complex financing structure, including those transactions that involve the simultaneous sale of more than one series with each series structured differently; volatile market conditions; large issue size; programs or financial techniques that are new to investors; or, for variable rate transactions; and,

**WHEREAS**, St. Ann's Home for the Aged has entered into a Memorandum of Understanding with the Authority to pursue a revenue bond financing (the "Financing"); and,

**WHEREAS**, St. Ann's Home for the Aged has requested that the Authority consider approving the pursuit of a negotiated sale; and,

**WHEREAS**, the Financing could be considered a complex or poor credit; and,

**WHEREAS**, market conditions could be considered volatile; and,

**WHEREAS**, St. Ann's Home for the Aged is considering the issuance of variable rate bonds for all or a portion of the Financing; and,

**WHEREAS**, St. Ann's Home for the Aged has requested consideration of a determination that a negotiated private placement sale is the appropriate method of financing; and,

**WHEREAS**, the Authority's policy states that a private placement would be permitted if, 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, the reasons for the use of a private placement; and,,

**WHEREAS**, St. Ann's Home for the Aged provided such reasons; and,

**WHEREAS**, the Authority is desirous of being responsive to St. Ann's Home for the Aged's request; and,

**WHEREAS**, the aforementioned resolution and justification in support of such resolution must be filed, within five days of its adoption, with the State Treasurer;

**NOW, THEREFORE, BE IT RESOLVED**, that, based upon the above findings, the Authority hereby determines that it would better serve the requirements of this Financing to conduct a negotiated sale; and,

**BE IT FURTHER RESOLVED**, that the Executive Director is hereby directed and authorized to transmit a copy of this Resolution and justification in support of such resolution to the State Treasurer.