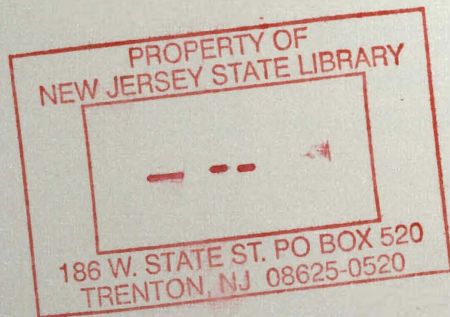


2016



Annual Report



974.901
H38
2016

A record year for New Jersey health care!

New Jersey Health Care Facilities Financing Authority Mission Statement

Created by an act of the New Jersey Legislature in 1972, the New Jersey Health Care Facilities Financing Authority's mission is:

"To ensure that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State."

The Authority's mission was expanded in 2000 to include:

"... provid[ing] assistance in the restructuring of the health care system of the State."

The Authority fulfills its statutory purpose primarily by issuing tax-exempt bonds for health care organizations throughout the State, including hospitals, skilled nursing facilities, assisted living facilities, continuing care retirement communities, visiting nurse associations and blood banks. The Authority also collects and analyzes data on health care organizations and funds studies on the provision of health care services.



New Jersey Health Care Facilities Financing Authority



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Message from the Chair, Cathleen D. Bennett Commissioner of the Department of Health

Since the creation of the Department of Health's Office of Population Health in August 2015, New Jersey has been working to foster communication and partnerships among healthcare and nontraditional partners because good health is not only addressed with a doctor's visit. Given the diversity of issues influencing health, it is critical to build broad collaborations to strengthen each other's efforts.

At the state level, members of the Governor's cabinet formed the Population Health Action Team to create and advance policies that build healthy communities and improve health outcomes. We identified nutrition and fitness as well as lead exposure in children as two key improvement areas. In September 2016, the Department convened the state's first Population Health summit with seven other state Departments, including six Christie Administration cabinet members. We joined community partners in nutrition, health and wellness, social services, education, housing, transportation and the environment to strategize how to improve health in all policies. Our next summit will be held in June 2017.



Community engagement is fundamental to the population health model that promotes prevention, wellness and equity in all environments to achieve a healthier state. We have seen health leaders come together locally to build Regional Health Planning teams in Camden, Trenton and Newark to improve their residents' health and are seeing progress in that area. In December 2016, the Passaic County Health Coalition received \$640,000 from the Nicholson Foundation to create the state's fourth Regional Health Planning Team to drive population health efforts in the county. Additionally, the Department and its funding partners, through the Healthy Communities Network, are supporting 42 communities which have facilitated making the healthy choice the easy choice in New Jersey schools, municipalities and businesses.

Expanding opportunities for vulnerable populations to lead healthy, fulfilling lives is also a key component of the health improvement model. In January 2017, we announced a \$290,000 telehealth grant award to Virtua Health that assists veterans who need access to primary and behavioral healthcare services but may face mobility or transportation challenges. Telehealth can ease the burden by offering long-distance virtual care to veterans while they remain in a familiar and comfortable environment.

Healthy communities are developed and sustained through coordination among a broad base of partners to ensure access to health care, social services, education and faith-based supports that foster a culture of health. New Jersey's population health model thrives because of strong collaboration that supports good health for all residents by creating and promoting healthy environments.

Message from Executive Director Mark E. Hopkins

In some ways I was sad to see 2016 go.

2016 was an amazing year for the Authority and definitely one for the record books!

First and foremost, the Authority set a new record for total financings in one year with an aggregate amount of \$1,911,417,500. This eclipsed the Authority's former record of \$1,390,732,857 that was set in 1998. While the Authority is typically in the top 100 issuers in the country and in the top 5 issuers in New Jersey, in 2016, the Authority ranked 32nd in the country and was 2nd in New Jersey. In addition, the Authority had its single largest series sale ever with the \$679 million sale of bonds on behalf of RWJBarnabas Health. The previous record for a single series sale was \$458 million on behalf of Barnabas Health in 1998. Plus, we even beat the record for a combined series total which was the \$569 million of bonds issued on behalf of Virtua in 2009.



Second, the “merger mania” among New Jersey Hospitals resulted in the creation of two (2) mega-systems: Hackensack Meridian Health and RWJBarnabas Health. Each system contains a state record 11 hospitals! JFK Medical Center, however, recently signed a letter of intent to merge with Hackensack Meridian Health. If the merger is approved, Hackensack Meridian will be the new leader with 12 hospitals under their brand.

The proliferation of mergers and alliances has dramatically reduced the number of stand-alone hospitals in our state. Just 10 years ago in 2007, New Jersey had 30 stand-alone hospitals. Today we have a record low 16 and, if the JFK Medical Center deal is approved, the number will be 15. In addition, the 15 health systems that we currently have, is also a record low.

New Jersey's record year, however goes well beyond financing and construction. Recently, the Leapfrog Group said that New Jersey ranked 5th in the country for the number of top hospitals in the state. Similarly, UnitedHealthcare ranked New Jersey 9th in the nation for quality of care. I would like to believe that the Authority has, at least in some part, contributed to this success.

As exciting as last year was, the Authority anxiously looks forward to the coming year. Plans are in the works for constructing new hospitals and building additions. As interest rates stay low, refunding becomes a very attractive option to generate savings and free up funds for purchasing equipment and making improvements.

We have just completed the most successful year in Authority history. I know it will be difficult to top what we did in 2016, but we will definitely try!

NJHCFFA Governing Board Ex-officio Members



Cathleen D. Bennett, Chair
**Serves in her position as Commissioner of
the Department of Health**

Ms. Bennett joined the Department as Director of Policy and Strategic Planning in August 2010. Prior to joining the Department, Ms. Bennett worked as an executive in the private sector for 20 years, providing consulting, strategy, and management services to federal and state health and human services agencies. She holds a Master of Government Administration from the University of Pennsylvania, a Juris Doctorate from The Dickinson School of Law, and a Bachelor of Arts from Villanova University.



Elizabeth Connolly
**Serves in her position as Acting Commissioner of the
Department of Human Services**

Ms. Connolly has worked in various roles at the Department for 26 years, most recently as Chief of Staff. She began her career in the Division of Family Development and as Director of Data Analysis and Reporting in the Office of Children's Services. Ms. Connolly also served as Director of Research and Evaluation, Special Assistant to the Commissioner and led the Department's Sandy recovery initiatives and emergency preparedness activities related to Ebola Virus Disease. She holds a Bachelor of Arts degree and Masters in Public Administration from Seton Hall University.



Richard J. Badolato
**Serves in his position as Commissioner of the
Department of Banking and Insurance**

Richard J. Badolato was a veteran civil litigator and partner in the Connell Foley law firm in Roseland. Mr. Badolato's legal career of nearly five decades has been marked by service, not only to his clients, but also to the bar, the legal profession and the executive and judicial branches of New Jersey state government. Mr. Badolato is also the Past State Chair of the Fellows of the American Bar Foundation; he served as President of the Essex County Bar Association (1977-1978.) He also served as Chairman of the Supreme Court of New Jersey Commission on Professionalism in the Law. Mr. Badolato received his law degree from Rutgers University and his bachelor's from Fairfield University.

Ex-officio Members' Designees



Alison Gibson serves as the Designee for the Commissioner of the Department of Health



Maryann Kralik serves as the Designee for the Commissioner of the Department of Banking and Insurance



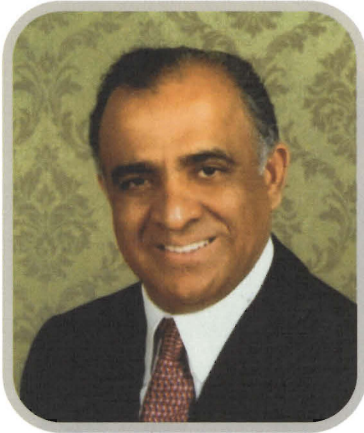
Jessica Feehan serves as the Designee for the Acting Commissioner of the Department of Human Services

The Authority is governed by a seven-member board, three of whom are ex-officio and four members of the public who are nominated by the Governor with the consent of the Senate. The public members serve staggered terms. The Authority currently has two public member vacancies.

NJHCFFA Public Members

Munr Kazmir, MD - Vice Chair

(Term expired 4/30/2015*)



Dr. Kazmir is the CEO of Quality Home Care Providers and founder of Direct Meds Pharmacies, Inc. and Easy Carry Inc. He is also the founder of American School Systems which brings American values to Third World and Middle Eastern children. Dr. Kazmir graduated from the University of Punjab where he received his M.B.B.S./M.D. He completed his internal medicine internship at the White Plains Hospital/Montefiore Medical Center in New York and continued his medical studies at the Methodist Hospital, Baylor College of Medicine, in Houston, Texas. Dr. Kazmir also completed his PGY3 at SUNY Downstate Medical Center, Department of Medicine in New York.

Suzette T. Rodriguez, Esq. - Secretary/Treasurer

(Term expired 4/30/2013*)



Suzette T. Rodriguez, Esq. is an accomplished corporate counsel with significant experience in advising company personnel on matters affecting the business operations of their various companies. Her specialties include civil litigation, employment law and general corporate counseling. Ms. Rodriguez previously worked as in-house Associate Counsel for Jackson Hewitt Tax Service Inc.; in the Labor and Employment Departments of LeClairRyan in Newark, NJ and Wong Fleming in Princeton, NJ. Ms. Rodriguez is a past president of the Hispanic Bar Association of New Jersey and the past deputy regional president (Region III) of the Hispanic National Bar Association. She also served as a Bar Examiner for the New Jersey Board of Bar Examiners and as an Advisory Board Member for the New Jersey Law and Educational Empowerment Project (NJLEEP.)

Elisa A. Charters, CCIM

(Resigned in April 2016)



Ms. Charters is principal of EAC Business International LLC, a consultation firm that specializes in Diversity & Inclusion (D&I) strategies, as well as, financial, business and operating strategies relating to various industries including: transportation, planning, commercial real estate and wholesale/retail fashion. Ms. Charters founded and, for five years, managed Toussa International LLC, a wholesale distribution and sourcing company of children's apparel imported from South America (Argentina, Peru and Brazil.)

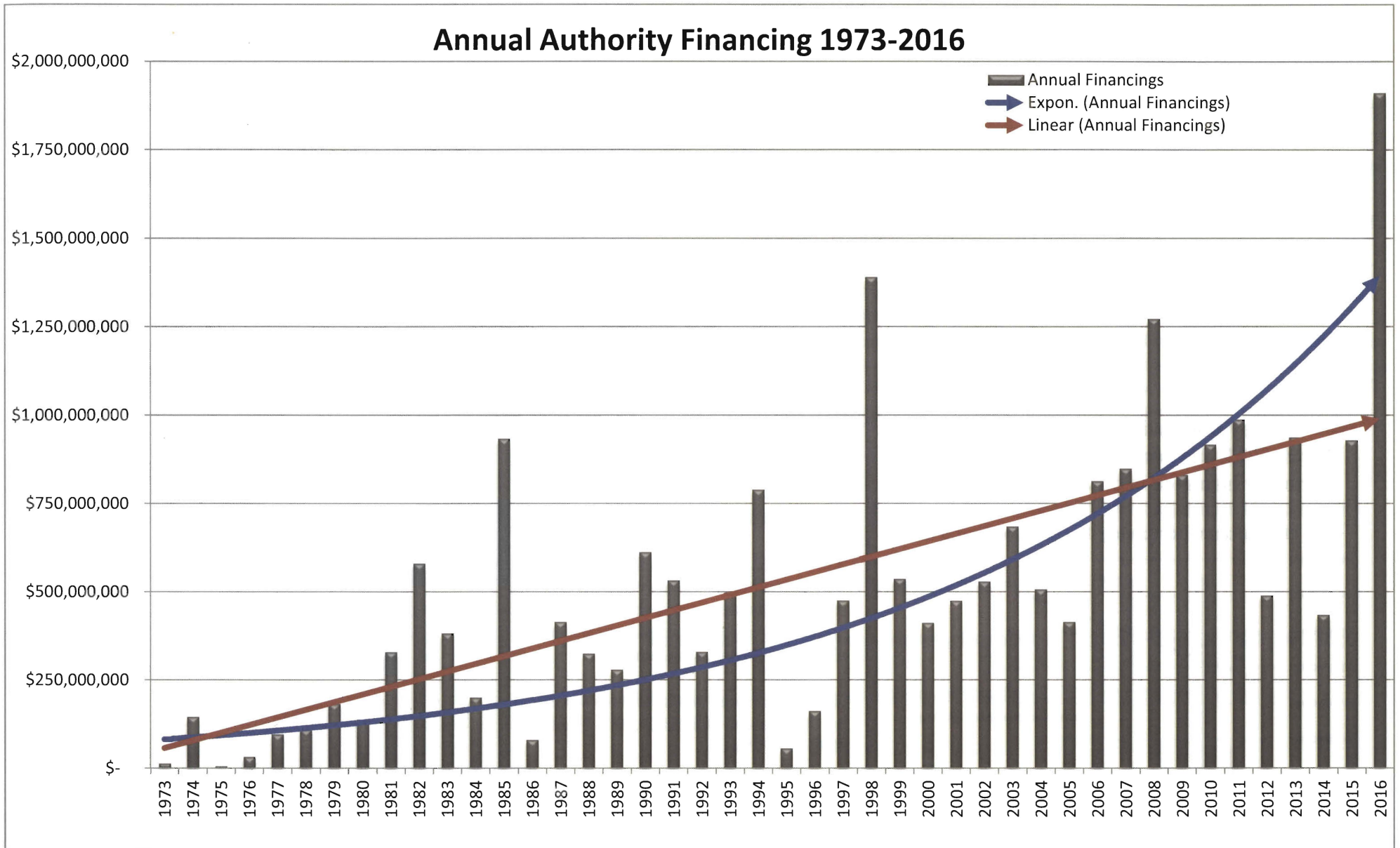
Ms. Charters is a Certified Commercial Investment Member (CCIM) and an advanced Diversity & Inclusion Practitioner (CCDP/AP '16). She is a graduate of New Jersey Institute of Technology, New York University and Columbia University with advanced degrees in Environmental Science, Real Estate Finance and International Finance and Business, respectively.

(*Members continue to serve until reappointed or replaced.)

2016 was a record year for the NJHCFFA

\$1,911,417,500 in total financings - a new record!

\$679,000,000 single issue - a new record!



2016 Financings

Princeton HealthCare System

On January 20, 2016, the Authority closed on \$275,065,000 of bonds on behalf of Princeton HealthCare System. The bonds were issued in three series: \$190,065,000 publicly issued tax-exempt series 2016A; \$65,000,000 Series 2016B directly placed with Wells Fargo; and \$20 million Series 2016C directly placed with Bank of America.



The proceeds of the combined Series 2016A, Series 2016B and Series 2016C bonds were used to currently refund all or a portion of the Authority's Princeton Medical Center Series 2010B, 2010C and 2010D Bonds; refinance all or a portion of a Bank of America loan; construct a surface parking lot on the hospital's campus; and pay the related costs of issuance.

The bonds were rated Baa2 by Moody's and BBB by Fitch. The all-in TIC for the Series 2016A was 3.66%. The all-in TIC for Series 2016B and Series 2016C was 1.87%. The 2016 bonds refunded variable rate bonds with fixed rate bonds during a period of historically low fixed rates and thus the savings were not possible to measure. However, the bonds were issued at yields significantly lower than other higher rated or similarly rated health care bonds issued the same day.

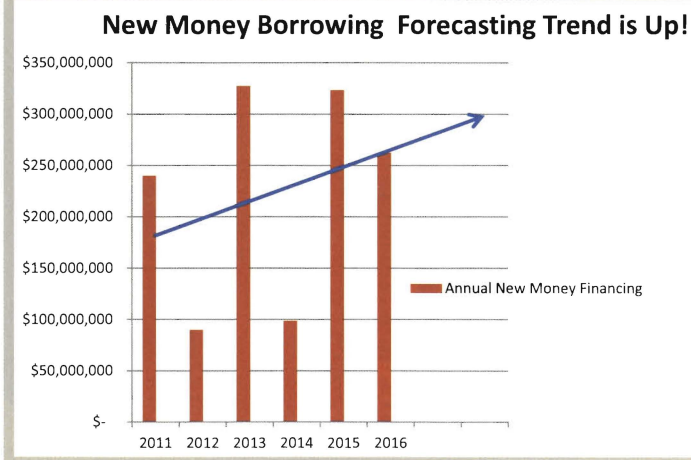
Meridian Hospital Corporation

On March 16, 2016, the Authority closed on \$131,500,000 of bonds for Meridian Hospital Corporation (Meridian.) At the time, Meridian was comprised of Jersey Shore University Medical Center, Riverview Medical Center, Ocean Medical Center, Southern Ocean County Hospital, Bayshore Community Hospital, and K. Hovnanian Children's Hospital. On July 1, 2016, Meridian Health and Hackensack University Health Network merged. The new system is named Hackensack Meridian Health.



The proceeds of the bonds were used to: refund the Series 2012A Bonds; refund the Series 2012B Bonds; refund the Series 2012C Bonds; fund a debt service reserve fund; and pay the related costs of issuance. The bonds were privately placed with Bank of America with an initial interest rate of 0.08%.

New Money borrowing is making a comeback. Since 2011, the annual total dollars of new money issuance is on an upward trend.



Holy Name Medical Center

On July 12, 2016, the Authority closed on \$54,425,000 of refunding bonds on behalf of Holy Name Medical Center. Proceeds of the transaction were used to currently refund all or a portion of the Authority's Holy Name Medical Center Series 2006 Bonds; and pay the related costs of issuance.



The bonds were issued in two series: Series 2016A in the amount of \$39,425,000; and Series 2016B in the amount of \$15,000,000. The bonds, privately placed with Siemens Public Inc., had an all-in TIC of 2.77%.

Holy Name Medical Center realized a present value savings of \$16,527,457. The percentage savings for the Series 2016A Bonds was 27.55% and 30.36% for Series 2016B.

2016 Financings

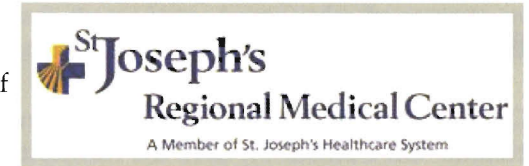
Englewood Hospital and Medical Center Master Lease

On July, 27, 2016, the Authority as Lessee, closed on a Master Lease and Sublease Agreement with TD Equipment Finance, Inc. on behalf of Englewood Hospital and Medical Center as Sublessee. The aggregate principal amount is not to exceed \$27,000,000 at an interest rate of 1.85%. The proceeds of the lease will be used by the Hospital to provide funds to: acquire an EPIC electronic health record system, including software, licensing, hardware, and implementation; and finance legal, accounting, consulting and other administrative costs related to the tax-exempt leasing program.

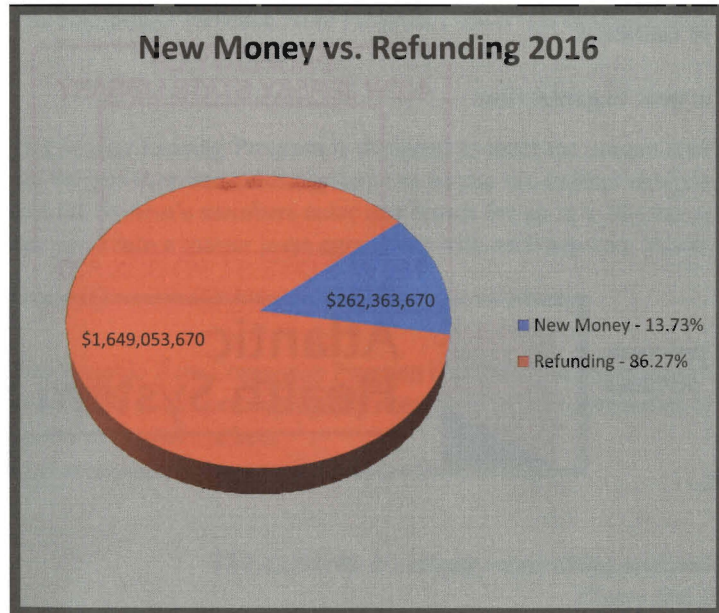


St. Joseph's Healthcare System

On August 24, 2016, the Authority closed on a \$246,845,000 publicly issued tax-exempt Series 2016 bond financing on behalf of the St. Joseph's Healthcare System.



The proceeds of the Series 2016 issuance were used to: fund the completion of a \$50 million new money project, which includes \$22.5 million in expenses related to the construction of a new building, along with \$27.5 million for equipment and technology expenses; advance refund the Authority's Series 2008 Bonds; and pay the related costs of issuance. The transaction achieved net present value savings of \$43.4 million or 20% of the refunded bonds. Further, the financing achieved \$4.7 million of annual cash flow relief, despite increasing the amount of debt outstanding. The final all-in total interest cost for this transaction was 3.639%.



Present Value Savings on Refunded Bonds = \$185,710,438

Present Value Savings on New Money Bonds vs. Taxable Bonds = \$20,101,456

On average, our Borrowers *saved an estimated 1.32%* over taxable bonds

2016 Financings

Trinitas Regional Medical Center

At the August 25, 2016 Authority Meeting, the Authority approved a contingent bond sale on behalf of Trinitas Regional Medical Center to be issued in two series with the Series 2016A closing on October 5, 2016 and the Series 2017A, a forward delivery bond, scheduled to close on April 3, 2017.

The 2016A Series was used to: refinance all of the Trinitas Hospital Taxable Variable Rate Demand Bonds, Series 2006; reimburse Trinitas for capital expenditures associated with the Emergency Room renovation project; and pay for the cost of issuance. The public sale was for \$16,164,452 of bonds.

This transaction had an all-in TIC of 3.25%. The present value savings compared to taxable bonds was \$2,181,095.



RWJBarnabas Health

On March 31, 2016, Robert Wood Johnson Health System and Barnabas Health merged, forming RWJBarnabas Health. On October 19, 2016 the Authority along with Citigroup, as lead underwriter, priced the \$679,135,000 publicly issued tax-exempt Series 2016A Bond financing on behalf of RWJBarnabas Health. The bonds were rated A1/A+ by Moody's and Standard & Poor's, respectively.

The proceeds of the Series 2016A issuance were used to directly refund Saint Barnabas Series 2006A, Robert Wood Johnson University Hospital Series 2013B, RWJ Hamilton Series 2013 and the Robert Wood Johnson Composite Program (COMP) 2003 A-3 and repay a taxable bank loan that refunded Barnabas Health Series 2011A and Robert Wood Johnson University Hospital Series 2010 in order to place them under a new Master Trust Indenture; plus fund existing renovation/expansion projects primarily at Clara Maass Medical Center and Saint Barnabas Medical Center; and to pay the related costs of issuance.

The refunding was part of the merger to facilitate placing all debt under one Master Trust Indenture for the new organization.

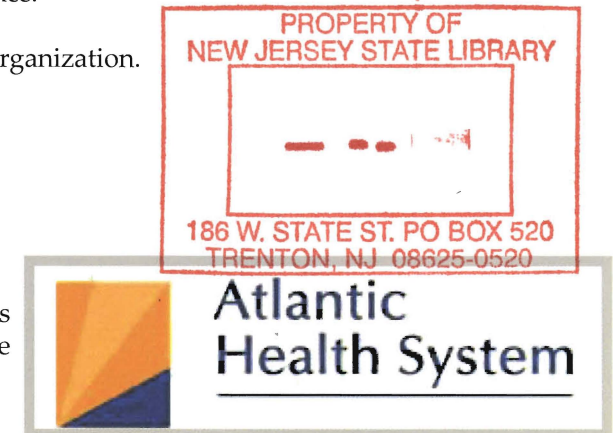
The all-in TIC of 3.8%. The Authority closed on this financing on November 2, 2016.



Atlantic Health System

On October 6, 2016, the Authority closed on \$224,800,000 of bonds on behalf of Atlantic Health System. The proceeds from the public sale were used to: advance refund a portion of Atlantic Health System's Series 2008A issue; advance refund a portion of AHS's Series 2011 issue; and to pay the related costs of issuance.

The transactions had an all-in TIC of 3.17% and resulted in a present value savings of \$33,420,902, or 14.5%.



Financing Programs

The Authority offers six (6) different financing programs through which it may lend funds to New Jersey's health care organizations:

Stand-Alone Bond Financings

The Authority's most frequently used financing option includes publicly offered bond issues and private placement of bonds or notes. Bond issues can be structured with fixed or variable interest rates and with or without credit enhancement or ratings.

Capital Asset Program ("CAP")

The Capital Asset Program ("CAP") is a revolving loan program 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. The Authority recently engaged a new letter of credit provider for the CAP. The new provider, TD Bank, has indicated a willingness to provide credit for more borrowers.

The FOHC Direct Loan Program

The NJHCFFA has increased the scope of the FQHC Direct Loan Program to include providing direct loans to qualified FQHCs that wish to upgrade or expand their operations. The loans are made directly from the Authority's fund balance and are at a low monthly interest rate. Documents are standardized and require only one meeting for approval.

Equipment Revenue Note Program

The Equipment Revenue Note Program ("ERN") is designed to offer both an easy and efficient method of financing and refinancing equipment.

Master Leasing Program

The Master Leasing Program is designed to meet the unique needs of New Jersey's health care systems, although stand-alone facilities may also participate. In the case of a System, the various members of the System can access tax-exempt equipment leases through a pre-arranged master lease financing. The Authority approves the System for a total dollar amount, and the System's members enter into leases for up to a 10-year period, aggregated up to the pre-approved dollar amount. If the System would like more than one equipment lessor, it can enter into a master lease agreement with each separate lessor/equipment vendor.

COMP Program

The Variable Rate Composite Program ("COMP") is designed to lower the costs of issuance for smaller borrowings. Under the program, bonds can be marketed for several borrowers at once, yet each borrower is only responsible for its own series of bonds. The standardization of documents and simultaneous marketing of the bonds reduces the costs of issuance for access to capital markets.

The Authority is actively researching and seeking ideas for new financing products to address the rapidly changing health care environment. Please feel free to contact us at 609-292-8585 if you have any suggestions.

Authority Staff

Office of the Executive Director

Mark E. Hopkins, Executive Director
Carole Conover, Executive Assistant/Office Manager & Custodian of the Record
Robin Piotrowski, PHR, CPS, Human Resources Manager & Ethics Liaison Officer
John Johnson, Network Administrator
Chris Kniesler, Communications Specialist
Maria Kinney, Office Management Assistant

Division of Research, Investor Relations and Compliance

Frank Troy, CPA, Director of Research, Investor Relations and Compliance
Taryn Rommell, Assistant Director of Research, Investor Relations and Compliance
Neetu Thukral, Compliance Manager & Tax Compliance Officer
Nino McDonald, Database Analyst

Division of Project Management

William McLaughlin, Director of Project Management
Edwin Fuentes, Project Manager & Assistant Information Technology Specialist
Tracey D. Cameron, Administrative Assistant

Division of Operations, Finance and Special Projects

Ron Marmelstein, Director of Operations, Finance and Special Projects
Marjorie P. McAvoy, Controller
Bernard J. Miller, Jr., Construction Compliance Officer
Jessica Lucas, Account Administrator
Michael Solidum, Account Administrator
Ellen Lieber, Accountant II
Diane Johnson, Senior Assistant Account Administrator
Debra Coons, Assistant Account Administrator
Taryn Brzdek, Administrative Assistant

2016 Retirement:

Michael Ittleton - Controller and Assistant Information Technology Specialist, retired on July 1, 2016, after over 29 years of service

History of the NJHCFFA

The New Jersey Health Care Facilities Financing Authority is the primary issuer of municipal bonds for New Jersey's health care organizations. Created in 1972 by an Act of the Legislature to provide not-for-profit health care providers with access to low-cost capital, the Authority's statutory powers were expanded in 2000 to include financing for all health care organizations or components thereof.

Since its inception, the Authority has issued over \$21.5 billion in bonds on behalf of roughly 185 health care organizations throughout the state. The Authority is the 91st largest issuer of municipal bonds in the country and is consistently one of the top five issuers of bonds in New Jersey each year. While the majority of its financings have been for acute care hospitals, the Authority can also provide capital for nursing homes, assisted living facilities, specialty hospitals, home health agencies, mobile intensive care units, outpatient centers, rehabilitation centers, homes for multi-handicapped individuals, health maintenance organizations (HMOs), continuing care retirement communities (CCRCs), management service organizations, blood banks, hospices, day care facilities and any related organizations. The Authority currently has financings outstanding for over 75% of the State's hospitals or hospital systems.

Total Financings 1973 -2016

1973 ~ \$ 12,950,000	1984 ~ \$200,184,027	1995 ~ \$ 56,305,200	2006 ~ \$ 813,674,654
1974 ~ \$141,970,000	1985 ~ \$933,336,287	1996 ~ \$ 162,385,000	2007 ~ \$ 849,066,000
1975 ~ \$ 5,400,000	1986 ~ \$ 79,985,000	1997 ~ \$ 475,395,000	2008 ~ \$1,272,380,000
1976 ~ \$ 32,375,000	1987 ~ \$414,336,984	1998 ~ \$1,390,732,857	2009 ~ \$ 830,840,000
1977 ~ \$ 95,893,000	1988 ~ \$324,685,000	1999 ~ \$ 536,745,442	2010 ~ \$ 916,972,666
1978 ~ \$109,410,000	1989 ~ \$279,034,283	2000 ~ \$ 412,263,588	2011 ~ \$ 987,865,000
1979 ~ \$182,117,200	1990 ~ \$612,185,000	2001 ~ \$ 474,775,000	2012 ~ \$ 488,800,148
1980 ~ \$137,762,500	1991 ~ \$531,859,333	2002 ~ \$ 529,082,005	2013 ~ \$ 937,123,243
1981 ~ \$329,223,913	1992 ~ \$329,703,375	2003 ~ \$ 684,800,000	2014 ~ \$ 434,103,000
1982 ~ \$580,381,998	1993 ~ \$497,295,000	2004 ~ \$ 506,700,000	2015 ~ \$ 513,384,950
1983 ~ \$382,288,200	1994 ~ \$789,204,390	2005 ~ \$ 414,650,000	2016 ~ \$1,911,417,500

**New Jersey Health Care
Facilities Financing Authority**

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