

New Jersey Health Care Facilities Financing Authority

FEB 26 1998

September 1997



*Robert Harvey, Assistant Vice President, Summit Bank, (left) and Dennis Hancock, Deputy Executive Director and Director of Project Management, NJHCFFA, look on as Edie Behr, Executive Director of the Authority, signs the agreement initiating the Authority's Target Cities Program to aid community healthcare providers to finance capital projects in nine cities throughout the state.*

## AUTHORITY LEGISLATION

Legislation has been introduced in the New Jersey Legislature which would permit the Authority to better serve the needs of the state's health care organizations. Assembly Bill A.3149 was recently introduced to expand the range of health care organizations and projects eligible for financing by the Authority. The Bill is sponsored by Assemblyman Nicholas Felice and Assemblywoman Charlotte Vandervalk and co-sponsored by Assemblywomen Joan Quigley and Loretta Weinberg, and Assemblymen Joseph Doria, Richard Bagger, and Alan Augustine. Senate Bill S.2226, a companion bill, was proposed by Senator Peter Inverso in June and is expected to be formally introduced at the next session of the Senate.

The legislation would permit the Authority to provide financing for health care organizations or components

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## AUTHORITY CELEBRATES TWENTY-FIVE YEARS

More than 25 years have passed since Senate Bill S.841 was introduced, passed and signed into law by Governor William T. Cahill. The Bill, sponsored by 17 senators and introduced on March 27, 1972, provided for "An Act relating to the financing of health care facilities and equipment; creating the New Jersey Health Care Facilities Financing Authority..." Its purpose - to replace and modernize many of New Jersey's obsolete and inadequate healthcare facilities; to update them in order to meet the needs of modern medicine and its rapidly increasing technological changes...all in an effort to protect and prolong the lives of the state's population.

1997 commemorates 25 years of service to the healthcare facilities of New Jersey. During this time, the Authority established and has maintained a strong reputation in the financial community affording it both access to the marketplace and low-cost financing on behalf of its borrowers. As one of the leading issuers of tax-exempt hospital bonds in the nation, the Authority has provided more than \$7.5 billion for approximately 107 healthcare facilities, \$4 billion of which remains outstanding. Capital financing for new construction, renovations, additions, new and replacement equipment and other acquisitions; refinancing of taxable debt; as well as refunding of previously incurred tax-exempt debt, has been completed to meet the borrowers' needs. While a majority of the Authority's financings have been completed for

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## AUTHORITY BOARD OFFICERS 1997 - 1998

**Len Fishman, Chairman**  
**Noreen White, Vice-Chairperson**  
**Robert H. Rahl, Treasurer**  
**Timothy Richards, Secretary and Assistant Treasurer**  
**Thomas Higgins, Assistant Treasurer**

## AUTHORITY CELEBRATES

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hospitals, the Authority also arranged financings for nursing homes, assisted living facilities, specialty hospitals, home health agencies, mobile intensive care units, outpatient centers, rehabilitation centers, homes for multi-handicapped individuals, and health maintenance organizations.

The Authority is very proud of its accomplishments; of having met the purpose for which it was created. In furtherance of its commitment to the health care providers of New Jersey, legislation has been introduced to enable the Authority to broaden the health care organizations that it serves (see Authority Legislation article on page 1). Although health care has changed dramatically since 1972, the Authority will continue to serve the health care institutions in the state; to obtain low cost capital; and to provide for the health and well-being of the citizens of the state.

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## AUTHORITY LEGISLATION

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thereof without regard to: (1) whether the organization is a direct deliverer of health care services or a provider of support services; or (2) corporate tax status. The bill contemplates that any health care organization or related entity would be permitted to borrow funds through the Authority for capital projects, equipment acquisition and/or working capital. The bill eliminates the requirement that the Commissioner of Health and Senior Services approve costs for those portions of projects which do not require a certificate of need, and it clarifies and updates definitions and terminology to conform with current titles and names of state departments and offices.

While seeking this legislation in order to better serve all the health care organizations in the state, the Authority has taken a number of actions on its own to increase flexibility and to address the financing needs of its borrowers. The Authority has lowered fees, liberalized policies and expedited the financing process. In addition, the agency has responded to the desire of borrowers for more participation in the financing process by allowing borrowers to select their own senior managing underwriters. It is expected that the legislation will be considered during the Legislature's post-election session. For a copy of the proposed legislation or for further information, please contact Benjamin Strong at the Authority (609 - 292-8585).

## BOARD MEETING SCHEDULE

1997-1998

September 25, 1997	February 26, 1998
October 30, 1997	March 26, 1998
November 25, 1997	April 30, 1998
December 18, 1997	May 28, 1998
January 29, 1998	(Annual Meeting)

Meetings are generally held at 10:00 a.m. in the Authority's office, Station Plaza, Building 4, 22 South Clinton Avenue, Trenton, NJ.

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## FINANCING NOTES

**T**wo health care facilities recently obtained loans through the Authority's Capital Asset Program. A brief description of the purposes for these loans is as follows:

- A \$6.5 million loan was provided to SOMERSET MEDICAL CENTER, Somerville, in June. The proceeds of the loan financed the construction of a 261-space parking garage and walkway to the Medical Center as well as the acquisition of numerous pieces of equipment.
- The VISITING NURSE ASSOCIATION OF CENTRAL JERSEY ("VNA") closed on phase two of a Capital Asset Program loan which was approved by the Authority in the latter part of 1996. The \$1,428,000 financing was obtained for the purchase of property and an office building which the VNA had been leasing in Red Bank.

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## NOTEWORTHY

**NRMSIR UPDATE** - While DPC Data, Inc. has recently been added to the list of nationally recognized municipal securities information repositories ("NRMSIR") by the Securities and Exchange Commission, Disclosure, Inc. has pulled out of the NRMSIR business. These recent actions will now require borrowers to forward certain information to six nationally recognized repositories on an annual basis. The secondary market disclosure requirements, adopted by the SEC in 1994, apply to public bond issues sold on or after July 3, 1995. The rule obligates borrowers to provide financial and operational information and to disclose material adverse events over the term of the financing to all NRMSIRs. A standardized cover sheet, developed for

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*The Authority showed its support of New Jersey hospitals by having an exhibit booth at the first New Jersey Healthcare Congress in Atlantic City. Pictured above left to right: Jo Surpin, Mediq; Doug Struyk, Christian Health Care Center, and Dennis Hancock, Deputy Executive Director and Director of Project Management at the Authority.*

## NOTEWORTHY

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efficiency and accuracy by the Public Security Association's Task Force on Electronic Disclosure, is available for borrowers' use when filing the information. To obtain a copy of the form, please call the Authority (609 - 292-8585) and speak with your Account Administrator (Bob Day, Wanda Lewis or Ron Marmelstein).

**JAMES VAN WART** was recently appointed Director, Division of Operations, at the Authority after having served as Acting Director since December 15, 1996. Prior to this appointment, he coordinated the Project Management Oversight program at the Authority. Prior to joining the Authority, he was responsible for construction monitoring at the Division of Gaming Enforcement. In addition, Jim has previously held various positions in the construction industry ranging from Controller to Chief Financial Officer and was formerly affiliated with a major national public accounting firm.

In keeping with the Authority's policy related to the selection of professionals for its bond sales, the Authority has approved the addition of several firms to its **QUALIFIED LIST** of senior managers, financial advisors, private placement agents and co-managers. The firms and their respective designations are:

- CoreStates Capital Markets - senior manager, co-manager and placement agent;
- Key Capital Markets, Inc. - senior manager, co-manager, placement agent, and financial advisor; and,
- Gates Capital Corporation - senior manager, co-manager, and placement agent.

In addition, the following firms have been deleted from the Authority's qualified list due to their withdrawal from the municipal bond business: Reinoso & Company; Alex. Brown & Sons, Inc.; Dillon Read & Co.; and E.A. Moos & Co. L.P.

Edith F. Behr and Dennis P. Hancock recently participated in a series of three **EDUCATIONAL SEMINARS** held at different locations around the state. The seminar, "Promoting New Jersey Economic Growth - Alternative Financing Options," was sponsored by Commerce Bank. Both Ms. Behr and Mr. Hancock presented information to the audience on the Authority's numerous financing options, its streamlined financing process, and its low cost of borrowing. Other presenters included representatives of Commerce Bank, Commerce Capital, the New Jersey Economic Development Authority, Ernst and Young, and various bond counsel firms.

## APOLLO UPATE

**B**ased on year-end APOLLO data reported by New Jersey hospitals, there was minimal change in acute care hospital performance in 1996. With 95% of hospitals reporting, capital and liquidity ratios showed modest improvement over 1995 while profitability levels decreased somewhat. Days cash on hand improved from 78 days to 83 days and other cash-related ratios showed similar growth. Debt to capitalization fell from 43% to 42% while debt to net fixed assets dropped from 74% to 71%. The median operating margin fell from 2.29% to 1.56% and the median profit margin dropped from 3.38% to 2.18%. Median debt service coverage also dropped, from 2.60 times in 1995 to 2.33 times in 1996. These are the lowest levels that the three ratios have reached during the four years since deregulation.

The Authority has once again discovered viruses on the APOLLO reporting discs returned by two borrowers. After the type of virus was determined, each borrower was notified and was able to eliminate the problem. As part of its information processing, the Authority staff scans each APOLLO disc when it is received to determine the presence of any virus to protect against the introduction of any virus into the Authority's and/or the borrower's systems.

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## \$150 MILLION CAP REPEALED

**O**n August 6, President Clinton signed the Taxpayer Relief Act which, among other things, contained a repeal of the \$150 million cap on tax-exempt financing for non-hospital 501(c)(3) organizations. The repeal, which eliminates the cap for bonds issued after August 5, 1997 to finance capital expenditures, removes one major obstacle toward the formation of integrated delivery systems. This repeal was a major initiative of the National Council of Health Facilities Finance Authorities (the "National Council") of which the Authority is an active member. The National Council was also successful in having no change made to the 2% de minimus rule.

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## AUTHORITY REBATES CAP SURPLUS TO BORROWERS

**T**he New Jersey Health Care Facilities Financing Authority recently rebated a total of \$1,250,000 to borrowers of the Capital Asset Program's, Series A-D pool. The rebate represented a surplus which had grown in the Series A-D Trust Estate. All borrowers whose loans were outstanding through August 1, 1995 received the rebate which was made on a pro-rata basis. The Authority took this action as part of its continuing efforts to reduce costs and increase efficiency.

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## PROJECT NOTES

**C**ongratulations to **RARITAN BAY MEDICAL CENTER** on the successful completion and dedication of the Perth Amboy Division's new wing. The five-floor addition includes a new dietary floor, OB-Gyn unit with LDRP, as well as state of the art operating and recovery rooms. Renovations to several existing buildings are in progress along with a new ambulatory care center across the street from the main facility. All work is expected to be completed by February, 1998.

The dedication of a new five-floor patient tower at **JFK MEDICAL CENTER** in Edison was recently held. The new tower is comprised of an upgraded maternity area with LDRP concept, a new surgical

suite and recovery areas as well as a medical surgical unit. Work is continuing at the facility and completion is anticipated by the end of September.

Construction of **CARE INSTITUTE, INC.'S** 112-unit assisted living facility to be known as Brighton Gardens of Cherry Hill, New Jersey is on schedule and completion should occur in mid-October.

The final phase of an energy efficiency project undertaken by **ST. JOSEPH'S HOSPITAL AND MEDICAL CENTER** is scheduled for completion in October. A dedication ceremony of the new co-generation plant is being planned for the fall.

Construction of a new 116-bed skilled nursing facility will be completed and a dedication ceremony is scheduled for September 28, 1997 for **ST. ANN'S HOME FOR THE AGED**. The remainder of the project, consisting of the demolition of an existing building and renovations to one other structure, is scheduled for completion in April, 1998.

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## RECEIVABLES FINANCING

**M**ost of us have sat through at least one presentation by a vendor offering a financing product that will turn patient account receivables into cash. Certainly, the sale, securitization, or factoring of receivables can be a viable way to manage cash flow problems created by slow-paying insurers and managed care companies.

However, providers with outstanding Authority bonds and loans should be sure that the financing is permitted by their loan documents. The Authority has tried in recent years to make its documents more flexible to allow for the growing variety of financing vehicles involving accounts receivable. Still, in some cases, especially older financings, accounts receivable cannot be used at all, even as security for a loan. In other cases, receivables can be used provided the borrower can meet certain objective tests specified in the bond documents. If you are contemplating any type of receivables financing, we suggest that you check your bond documents or call your Account Administrator at the Authority (609 - 292-8585). Bob Day, Wanda Lewis or Ron Marmelstein will be able to help you to identify the relevant sections of your documents.

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Len Fishman, Chairman • Commissioner of Health and Senior Services  
Elizabeth E. Randall • Commissioner of Banking and Insurance  
(John Kerr, Designee)  
William Waldman • Commissioner of Human Services  
(Edward Tetelman, Designee)  
Noreen P. White • Timothy T. Richards  
Thomas S. Higgins • Robert J. Rahl  
Edith F. Behr, Executive Director



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