



# 2013

## Annual Report

*...more than bricks and mortar!*

# 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 1998 to include financing for all health care organizations or components thereof.

Since its inception, the Authority has issued nearly \$20 billion in bonds on behalf of roughly 180 health care organizations throughout the state. 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.

## Financings through the years

1973 ~ \$12,950,000	1987 ~ \$414,336,984	2001 ~ \$474,775,000
1974 ~ \$141,970,000	1988 ~ \$324,685,000	2002 ~ \$529,082,005
1975 ~ \$5,400,000	1989 ~ \$279,034,283	2003 ~ \$684,800,000
1976 ~ \$32,375,000	1990 ~ \$612,185,000	2004 ~ \$506,700,000
1977 ~ \$95,893,000	1991 ~ \$531,859,333	2005 ~ \$414,650,000
1978 ~ \$109,410,000	1992 ~ \$329,703,375	2006 ~ \$813,674,654
1979 ~ \$182,117,200	1993 ~ \$497,295,000	2007 ~ \$849,066,000
1980 ~ \$137,762,500	1994 ~ \$789,204,390	2008 ~ \$1,272,380,000
1981 ~ \$329,223,913	1995 ~ \$56,305,200	2009 ~ \$830,840,000
1982 ~ \$580,381,998	1996 ~ \$162,385,000	2010 ~ \$916,972,666
1983 ~ \$382,288,200	1997 ~ \$475,395,000	2011 ~ \$987,865,000
1984 ~ \$200,164,027	1998 ~ \$1,390,732,857	2012 ~ \$488,800,148
1985 ~ \$933,336,287	1999 ~ \$536,745,442	2013 ~ \$937,123,243
1986 ~ \$79,985,000	2000 ~ \$412,263,588	





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## NJHCFFA 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.

## Message from the Chair



### Commissioner Mary E. O'Dowd, M.P.H. New Jersey Department of Health

I believe that 2013 will be remembered as a very significant year for New Jersey hospitals.

Governor Christie continued his commitment to our hospitals with nearly \$1 billion in funding for charity care, Graduate Medical Education and a new system called the Delivery System Reform Incentive Payments (DSRIP). This new program is an incentive-based funding pool that rewards hospitals for quality outcomes.

The Governor also began a new era in higher education by signing the New Jersey Medical and Health Sciences Education Restructuring Act in August 2012. The Act restructured the University of Medicine and Dentistry of New Jersey (UMDNJ) and strengthened Rutgers University with medical schools in Newark and New Brunswick and nursing and dental schools in Camden. A key element of the Act converted University Hospital of Newark into an independent hospital - although it remains the primary teaching hospital for New Jersey Medical School, Rutgers School of Dental Medicine, and the School of Nursing.

In July 2013, the NJHCFFA issued \$150 million in notes on behalf of University Hospital, enabling the hospital to refinance existing bonds. This move allowed University Hospital to pay off any outstanding debts attributed to UMDNJ.

The Authority also was able to assist the Department of Human Services to bring new life to a pair of out dated properties. In March, the Authority issued \$210 million in bonds to complete the demolition of the old Greystone Park Psychiatric Hospital, remediate the grounds adjacent to the facility and refund the bonds issued to complete the construction of the new hospital. In April, the Authority issued \$73.5 million in bonds for the demolition of the former Marlboro Psychiatric Hospital, the construction of group housing and the remediation of the grounds.

The improvements facilitated by the Authority in 2013 created a solid foundation for the future of New Jersey's hospitals. With this fresh start, we can look forward to an era of improved care and innovation.

# Message from the Executive Director



As New Jersey continued to climb out of the Great Recession, the Authority was able to do its part in helping New Jersey's hospitals work their way through a sluggish economy. During 2013, the Authority issued 15 series of bonds and notes on behalf of nine New Jersey hospitals and the State Department of Human Services. Over \$780,000,000 in bonds and \$150,000,000 in notes were issued. The issuance of bonds and notes, however, cannot be viewed solely as financial transactions. The funding provides opportunities to stimulate economic growth and create jobs in those several regions of the State. Additionally, the savings resulting from issuing tax-exempt bonds compared to traditional taxable financing, estimated at a present value of over \$136 million, is often utilized for growing other needed hospital services.

In 2013, the majority of the Authority's financings were for refunding of previously issued bonds. The hospitals took advantage of the Authority's ability to issue tax-exempt bonds and the current low interest rate climate. The cost savings from refunding these bonds often results in these institutions redirecting a portion of the money budgeted for debt service to other areas of hospital operations and investments in new services. Robert Wood Johnson University Hospital in New Brunswick came to the Authority to finance a major construction project. Their project included the construction of a parking garage with 60,000 square feet of office on two floors, as well as an expansion/renovation of the South Building patient floor, adding 80 new adult acute care rooms and space for 40 additional beds and four operating rooms.

Last year also saw the end of two eras and the beginning of one. The Authority assisted the State Department of Human Services to complete the rehabilitation of the Greystone and Marlboro State Hospital sites. Later in the year we helped complete Governor Christie's 2012 New Jersey Medical and Health Sciences Education Restructuring Act by refunding the University of Medicine and Dentistry New Jersey's bonds attributable to University Hospital of Newark. This process allowed University Hospital to become independent of UMDNJ. The Authority also enabled Barnabas Health to finance equipment on a tax-exempt basis using the Master Lease Program. The Master Lease Program provides financing in less time than the normal bond process. Over \$6.3 million of equipment leases were issued on behalf of Barnabas Health last year.

As the Authority begins its fifth decade of existence, I believe that it is important to acknowledge the full impact of our financing programs. Throughout the years, the Authority has been about more than just dollars and cents or bricks and mortar. The building trades jobs have been a boon to the State throughout the years, but there is much more. I believe that our activities play an important role in the state and local economies. The Authority frees up money for hospitals, often the largest employers in communities, and other health care organizations to purchase goods and hire staff – all to the benefit of the State and the local communities.

The New Jersey Health Care Facilities Financing Authority is much more than a funding source. We support some of the largest and most important economic engines in the State, helping New Jersey in multiple ways.

*- Mark E. Hopkins*



## Governing Board

# Members and their Designees

*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 one public member vacancy.*

## Ex-Officio Members & Designees



**Mary E. O'Dowd, M.P.H.**  
**Chair**

Serves in her position as the Commissioner of the Department of Health



**Brian O'Neill**

Serves as the Designee for Commissioner O'Dowd



**Jennifer Velez, Esq.**

Serves in her position as Commissioner of the Department of Human Services



**Greg Lovell**

Serves as the Designee for Commissioner Velez



**Ken Kobylowski, Esq.**

Serves in his position as Commissioner of Banking and Insurance



**Mary Ann Kralik**

Serves as the Designee for Commissioner Kobylowski



## Public Members



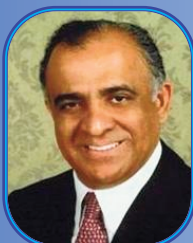
Elisa A. Charters, CCIM  
Vice Chair  
(Term expired 4/30/2014\*)

**Ms. Charters**, a Certified Commercial Investment Member (CCIM), is principal of Toussa International LLC, a wholesale distribution and sourcing company of children's apparel imported from South America. She previously served as Manager of the World Trade Center Site Acquisitions & Operations for the redevelopment effort of the Port Authority of New York & New Jersey (PANYNJ) post 9/11. Ms. Charters served as Treasurer of the Statewide Latino Leadership Alliance of New Jersey (LLANJ) from 2005-2008 and was the Chairperson of the LLANJ Fundraising Committee in 2008. In 2005, she was appointed to the Essex County Planning Board and in 2008, she was appointed by former Governor Corzine to the Minority and Women Business Development Advisory Council.



Suzette T. Rodriguez, Esq.  
Secretary  
(Term expired 4/30/2013\*)

**Ms. Rodriguez, Esq.** is an accomplished corporate counsel with significant experience advising company personnel on matters affecting the business operations of various companies. Her specialties include civil litigation, employment law and general corporate counseling. She had previously worked as in-house Associate Counsel for Jackson Hewitt Tax Service Inc.; and 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 an Advisory Board Member for the New Jersey Educational Empowerment Project (NJLEEP.)



Munir Kazmir, MD  
Treasurer  
(Term expires 4/30/2015)

**Dr. Kazmir** is the founder and CEO of Quality Home Care Providers, Direct Meds Pharmacies, Inc., and Easy Carry Inc. Over the past three decades, he has been recognized domestically and internationally for his humanitarian efforts. Dr. Kazmir has served on the Medicare Coverage Advisory Committee and The National Advisory Council for the Agency for Healthcare Research and Quality.

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

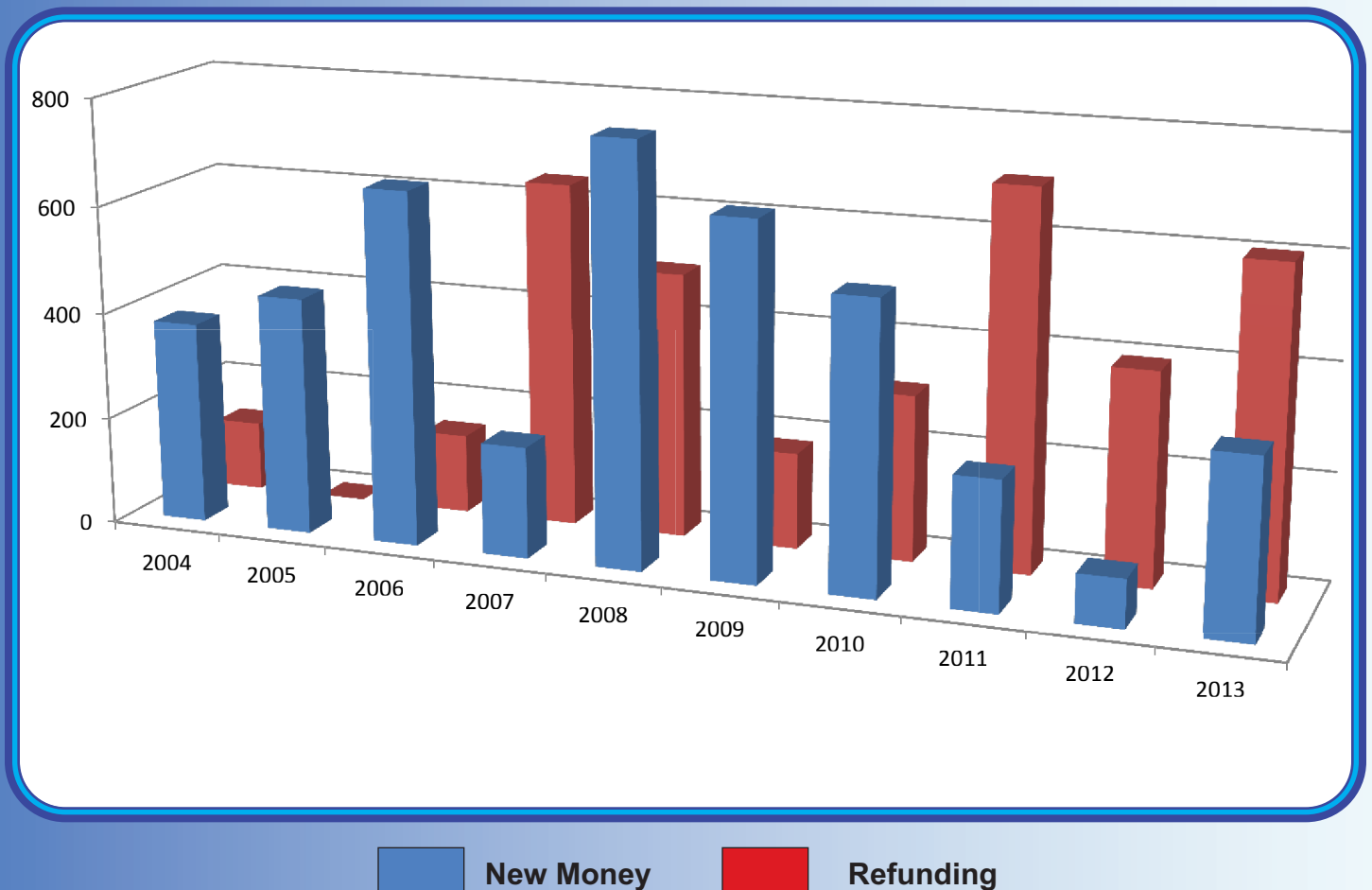


# 2013 Financings

***\$780,000,000 in Bonds***

***\$150,000,000 in Notes***

**NJHCFFA Financing over the past 10 years**



## Christian Health Care Center

Christian Health Care Center in Wyckoff offers a complete continuum of care for senior citizens and the elderly. In January of 2013, the Authority issued \$2,250,000 in Equipment Revenue Notes on behalf of Christian Health Care Center through a private placement with Bank of America Public Capital Corporation, which was secured by a first lien on the equipment being financed.

The proceeds of the Series 2013 Notes were used to refund the Authority's Series 2008 Equipment Revenue Note which financed and refinanced various components of a telephone system including hardware, software and a server; financed and refinanced computer equipment; and, paid the related costs of issuing the notes. This transaction enabled Christian Health Care Center to reduce the interest rate on its financing from 3.60% to a rate of 2.169%.



## Greystone Park Psychiatric Hospital



The long history of Greystone Park Psychiatric Hospital is finally drawing to a conclusion. The historic site that opened in 1876 was scheduled for demolition and remediation. The New Jersey Department of Human Services requested the Authority to issue bonds in two series for projects at Greystone.

In March, the Authority, through a competitive sale, issued \$50,730,000 in 2013A bonds and \$160,110,000 in 2013B bonds. The 2013A Bonds were used to complete the demolition and remediation of the site, fund the capitalized interest and pay for the cost of issuance of the bonds. The 2013B bonds were used to refund and defease all of the Series 2003 and Series 2005 Bonds. The Series 2003 Bonds financed Phase One which planned and developed the site for the new hospital, while the Series 2005 Bonds financed Phase Two of the hospital construction.

The refunding saved the Department of Human Services \$10.8 million or 6.3% of the refunded bond value.

## Marlboro Psychiatric Hospital

After many years, Marlboro Psychiatric Hospital had become outdated and in need of replacement. In March 2013, the Department of Human Services (DHS) requested that the Authority issue bonds to finance the costs of a project consisting of the demolition and remediation of the existing facilities at and related to Marlboro Psychiatric Hospital, the construction of group housing, the funding of the capitalized interest and the payment of the related costs of issuance. On April 18, 2013, the Authority issued \$73,530,000 in bonds, through a competitive sale, for the purposes requested by DHS.



## St. Luke's Warren Hospital



In 2012, the 214-bed, not-for-profit Warren Hospital in Phillipsburg became part of the St. Luke's University Health Network, headquartered in Bethlehem, PA, which was aided by the Authority through the issuance of its Series 2012 Revenue Bonds. Subsequently, under its new name of St. Luke's Warren Hospital, the hospital took a conventional taxable bank loan to purchase the Series 2012 Bonds as a temporary refinancing. In June of 2013, the Authority issued \$37,410,000 in bonds which enabled St. Luke's Warren Hospital to refinance the taxable bank loan. Refinancing with tax-exempt bonds gave the hospital a present value savings of over \$17 million.



## Palisades Medical Center

Palisades Medical Center is a 202-bed hospital located in North Bergen that serves a population of 400,000 in Hudson County and southern Bergen County. The not-for-profit medical center is affiliated with the Hackensack University Health Network and includes The Harborage, which is a 247-bed nursing home and rehabilitation center.

In July of 2013, the Authority issued \$47,555,000 in bonds on behalf of Palisades Medical Center to currently refund the Authority's outstanding Palisades Medical Center Obligated Group Issue, Series 1999 bonds; currently refund the Authority's outstanding Palisades Medical Center Obligated Group Issue Series 2002 bonds; fund capital budget items; fund a debt service reserve fund and pay related costs of issuance.

The refunding portion saved Palisades \$1.22 million over the previous financing or 3.415% of the refunded bonds.



## Meridian Hospitals Corporation



Meridian Hospitals Corporation, (Meridian), is comprised of Bayshore Community Hospital, Jersey Shore University Medical Center, Riverview Medical Center, Ocean Medical Center, Southern Ocean Medical Center and K. Hovnanian Children's Hospital. Bayshore Community Hospital was merged into Meridian Hospitals Corporation in April of 2013. To effectuate the merger, the Authority issued \$29,525,000 on bonds in May of 2013 to refund all of the NJHCFFA Series 2002 Revenue Bonds for Bayshore Community Hospital and pay the related costs of issuance.

The refunding saved Meridian \$6.05 million in debt service over the previous bonds for Bayshore or 15.9% of the refunded bonds.

## Children's Specialized Hospital

Children's Specialized Hospital, which is headquartered in Mountainside, serves over 22,000 children with specialized healthcare needs at its 12 locations throughout New Jersey. In August of 2013, the Authority issued \$15,510,000 in bonds on behalf of Children's Specialized to refund the Series 2005B variable rate bonds issued by the Authority, which were used to construct and equip its pediatric rehabilitation hospital in New Brunswick.

This refunding enabled CSH to replace their variable interest rate bond with a favorable fixed interest rate.



## RWJ - Hamilton



In August of 2013, the Authority issued \$27,038,036 in bonds on behalf of Robert Wood Johnson University Hospital at Hamilton, the proceeds of which were used to currently refund all of its Series 2005A Revenue and Refunding Bonds; advance refund a portion of the Series 2005B Revenue Bonds; fund the termination payment for a Forward Delivery Purchase Agreement; fund a debt service reserve fund; and, pay the related costs of issuance.

The refunding saved Robert Wood Johnson University Hospital at Hamilton nearly \$3.2 million or 12.06% of the refunded bonds.

*...more than bricks and mortar!*

## University Hospital

On August 22, 2012, Governor Christie signed into law the New Jersey Medical and Health Sciences Education Restructuring Act ("Restructuring Act"). The Restructuring Act divided the University of Medicine and Dentistry of New Jersey ("UMDNJ") among Rutgers, The State University of New Jersey, Rowan University, and a newly created, stand-alone University Hospital. The Restructuring Act required the 281-bed University Hospital to become a separate, non-profit legal entity and operate as an instrumentality of the State, independent of UMDNJ, effective July 1, 2013.



On July 1, 2013, the Authority issued \$150 million of Revenue Bond Anticipation Notes on behalf of University Hospital, in the form of a private placement. The proceeds of the Notes were used to refund the portion of the debt of UMDNJ attributable to University Hospital; to finance certain capital projects at the hospital; to finance other items in the hospital's initial operating budget; and to pay the costs of issuing the notes.

The notes were broken into two series: \$147,510,000 Series 2013A tax-exempt notes and \$2,490,000 in Series 2013B taxable notes.

## Shore Medical Center

Shore Medical Center, formerly known as Shore Memorial Hospital, is a 198-bed hospital in Somers Point. In September of 2013, the Authority issued \$16,890,000 in bonds on behalf of Shore Medical Center, the proceeds of which, together with other available moneys, were used to refund and redeem all of the Authority's outstanding Series 2003 Bonds and pay the related costs of issuance.



The refunding saved Shore Medical Center \$1.7 million in Net Present Value or 8.78% of the refunded bonds.



## RWJ University Hospital

Robert Wood Johnson University Hospital in New Brunswick is a 600-bed academic medical center that provides state-of-the-art care across a full range of health care services. On September 12, 2013, the Authority issued \$180,175,000 in bonds on behalf of the Robert Wood Johnson University Hospital to fund a series of construction projects at the New Brunswick campus including: the construction and equipping of a 725-car parking garage with 60,000 sq. ft. of office space on two floors and a power generating station for the campus. Also funded was the construction/renovation of the expansion of the South Building Patient Floor which created space for 80 private adult care beds, with shell space for 40 additional beds and four new operating rooms.

The bonds were comprised of two series: a Fixed Rate Series approximating \$110 million and a \$70 million variable rate series. This tax-exempt financing saved Robert Wood Johnson University Hospital an estimated \$35 million on a present value basis compared to a traditional taxable financing.



## Virtua Health, Inc.



Virtua Health, Inc. consists of four hospitals located in Berlin, Marlton, Mt. Holly and Voorhees. In December 2013, the Authority issued \$140,020,000 in bonds on behalf of Virtua, the proceeds of which were used to currently refund the remaining portion of the Authority's Series 1998 bonds; refund a portion of the Authority's Series 2009A bonds; and, to pay the related costs of issuance.

This refunding saved Virtua \$16.23 million or 10.23% compared to the bonds that were refunded.

*...more than bricks and mortar!*

## The NJHCFFA Master Leasing Program

### Barnabas Health Care System

The Authority created the Master Leasing Program in 2011 with Barnabas Health. Barnabas received Authority approval to enter into leases totaling up to \$70 million.

In 2013 the Authority issued additional schedules under existing PNC Bank Master Leasing Agreements totaling \$6,380,207.35, as follows:

February 28, 2013, an \$825,916.04 lease for a Phillips Allura Xper FD 20 (see photo) and related equipment at Newark Beth Israel Medical Center.



August 15, 2013, a \$2,582,123.72 lease for computer equipment for Barnabas Health corporate offices, a \$1,269,997.15 lease for medical equipment at Clara Maass Medical Center a \$1,702,170.44 lease for computer and medical equipment at Newark Beth Israel Medical Center.

To date the total leases issued under the Authority's Master Leasing Program with Barnabas is \$31,288,009 leaving \$38,711,991 available for future leases.

### 2013 Financing Statistics

<b>Bonding for New Money =</b>	<b>\$327,427,000</b>
<b>Bonding for Refunding =</b>	<b>\$603,315,000</b>
<b>Savings from Refunded Bonds =</b>	<b>\$167,102,675</b>
<b>Estimated Savings Compared to taxable Financing =</b>	<b>\$136,023,511</b>
<b>Master Lease Program =</b>	<b>\$ 6,380,207</b>
<b>Number of Health Care Organizations Receiving Financing =</b>	<b>9</b>

# Financing Programs

The Authority currently offers six 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 options include 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.

## FQHC Loan Program

The Federally Qualified Healthcare Center ("FQHC") Loan Program is designed to help start-up FQHCs cover the costs needed to get up and running at a lower rate than available by conventional bank borrowing.

## 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 over a 10-year period aggregated up to that dollar amount. The System must 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 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  
Chris Kniesler, Communications Specialist  
Lorraine Donahue, Office Management Assistant

## Division of Project Management

Suzanne K. Walton, Director of Project Management  
William McLaughlin, Sr. Project & Special Financing Programs Manager  
Carl MacDonald, Project Manager  
Tracey D. Cameron, Administrative Assistant

## Division of Operations and Finance

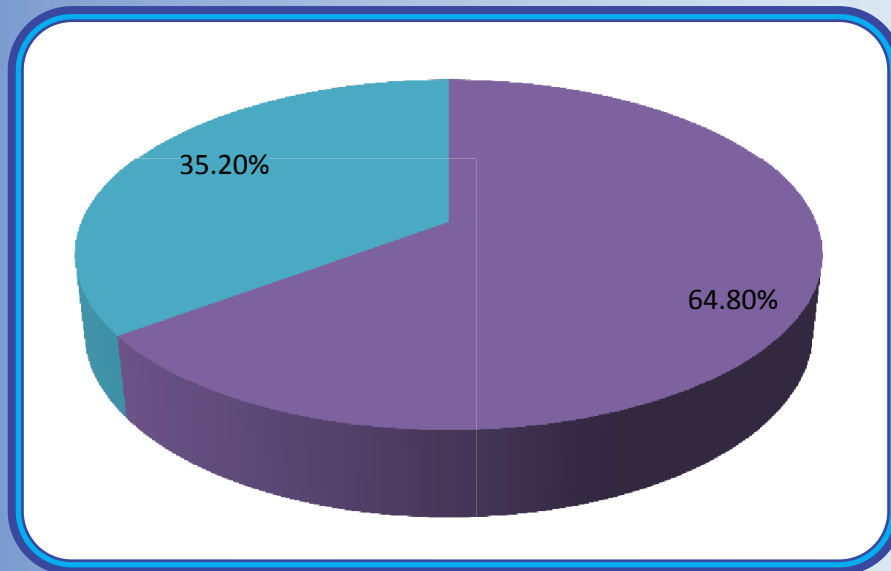
Ronald S. Marmelstein, Director of Operations and Finance  
Michael B. Ittleson, Controller & Assistant Information Technology Specialist  
Bernard J. Miller, Jr., Construction Compliance Officer  
Marjorie P. McAvoy, Senior Account Administrator  
Jessica Lucas, Account Administrator  
Edwin Fuentes, Account Administrator  
Ellen Lieber, Accountant  
Diane Johnson, Senior Assistant Account Administrator  
Neetu Thukral, Assistant Account Administrator  
Debra Coons, Assistant Account Administrator  
Taryn Brzdek, Administrative Assistant

## Division of Research, Investor Relations and Compliance

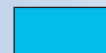
Stephen M. Fillebrown, Deputy Executive Director & Director of Research,  
Investor Relations and Compliance  
Frank Troy, CPA, Assistant Director of Research, Investor Relations  
and Compliance  
Taryn Jauss, Compliance Manager  
Emmerson E. Sullens, Network Administrator  
Paige Piotrowski, Database Administrator



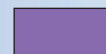
## 2013 New Money vs. Refunding



**New Money \$327,621,184**



**Refunding \$603,120,816**



**(Master Lease funding not included)**



# NJHCFFA

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

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