

AUTHORITY NOTES

Summer 2022

Executive Director's Message

This fall, the New Jersey Health Care Facilities Financing Authority (the "Authority") will celebrate 50 years since being created by an act of the New Jersey Legislature in 1972 with the mission to "ensure that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State." In 2000, the Authority's mission was expanded to include "provid[ing] assistance in the restructuring of the health care system of the State."



Since 1972, the Authority has done over 540 financings, providing over \$25.6 billion in financing for over 180 different New Jersey health care organizations, including hospitals, assisted living facilities, federally qualified health centers, hospices, visiting nurse organizations and blood banks. The vast majority of financings came from the proceeds of the issuance of tax-exempt bonds.

Currently, the Authority has nearly \$6.9 billion in financings outstanding for over 67% of the State's hospitals and health care systems. It is the 89th largest issuer of municipal bonds in the country

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50th Anniversary Symposium

The New Jersey Health Care Facilities Financing Authority was created by an act of the New Jersey legislature which became effective on September 1, 1972. This September the Authority is planning on celebrating its 50th anniversary with a symposium on Thursday, September 22, 2022 from 11:00 a.m. to 5:00 p.m. The symposium will be held at the Forsgate Country Club, 375 Forsgate Drive in Monroe, New Jersey. The 50th anniversary symposium will follow the regular Authority meeting which will start at 10:00 a.m.

In addition to Authority Members and staff, invitees will include: (i) one to two health care finance executives from each nonprofit hospital or health care system in New Jersey; (ii) bond analysts from some of the top purchasers of Authority bonds; (iii) representatives from some of the largest senior managing underwriters of Authority bonds; (iv) an Authority bond counsel; (v) an underwriter's counsel who has extensive experience with Authority bonds and (vi) a hospital bond counsel who has extensive experience with Authority bonds. Registration for the symposium will be from 10:45 a.m. to 11:00 a.m. The agenda is tentative as of this writing but is expected to be as follows:

Prior to lunch, Commissioner of Health Judith Persichilli will deliver a keynote address. The Authority staff then plans to deliver a presentation providing a brief overview of the Authority and its history.

Following the keynote address and brief history, the Authority's Financial Advisor will lead a presentation about the efficacy of Authority financings over the last ten years compared to contemporaneous financings by other conduit issuing authorities around the country for similarly-rated health care organizations. After a hot, plated lunch there will be two panel discussions moderated by members of the Authority's staff. The first panel is expected to consist of two or three underwriters and two or three bond analysts discussing the advantages/disadvantages of the Authority standard issuance policies in the municipal bond market, including feedback on the standard policies enacted or amended after the Authority's 2019 Hospital CFO/Bond Analyst Roundtable. Questions and comments from attendees will be welcome.

The second panel is expected to consist of two or three health care system CFOs, a bond counsel, an underwriter's counsel and a hospital counsel discussing current trends and issues in the municipal bond market, with an emphasis on health care organizations, including disclosure and environmental, social and governance issues. Questions and comments from attendees will also be welcome during the second panel discussion. The symposium is expected to adjourn between 4:30 p.m. and 5:00 p.m.

Recent Financings

St. Luke's Warren Hospital

On February 23, 2022, the Authority closed on the \$39,410,000 Series 2022A bond financing on behalf of St. Luke's Warren Hospital.

St. Luke's Warren Hospital is a subsidiary of St. Luke's University Health Network, a nonprofit corporation headquartered in Pennsylvania. The Network controls 11 acute care hospitals, an organization of physician practices, and other healthcare-related organizations. St. Luke's Warren Hospital is a 198-licensed bed, acute care nonprofit hospital facility in Philipsburg, New Jersey. Along with several of its affiliates, St. Luke's Warren Hospital was acquired by the Network on February 1, 2012. St. Luke's Warren is the largest employer in the Philipsburg area and the second largest employer in Warren County.

The bonds were a direct purchase, initially issued as federally taxable, with the ability to be converted to tax-exempt at a later date. The bonds were rated A-/A3 by Standard & Poor's and by Moody's Investor Service. The purchaser of the bonds was Truist Bank.

The proceeds of the Series 2022A bonds will be used to:

(1) Refund, redeem, retire and/or legally defease all or a portion of the Authority's outstanding Refunding Bonds, St. Luke's Warren Hospital obligated Group Issue, Series 2013 (the "Refunded Bonds") and

(2) Pay all or a portion of the costs incurred in connection with the issuance and sale of the Series 2022A Bonds. The final maturity of the bonds is August 15, 2043.



St. Joseph's University Medical Center

On February 25, 2022, the Authority closed on the \$37,880,000 privately issued tax exempt Series 2022 bond financing on behalf of St. Joseph's University Medical Center, Inc. (the "Borrower"). The bonds were rated BBB- by S&P Global, and were rated Baa3 by Moody's Investor Service.

The proceeds of this transaction will be used to:

(1) Reimburse the Borrower for the costs of (i) the acquisition of land and a medical office building thereon located at 234 Hamburg Turnpike, Wayne, New Jersey, and four condominium units within a medical office building located at 220 Hamburg Turnpike, Wayne, New Jersey, (ii) the planning, development, construction and/or renovation of facilities owned by the Borrower and operated by the Borrower and its subsidiaries and affiliates in or in the vicinity of the Borrower's acute care hospitals located in Paterson, New Jersey and Wayne, New Jersey, (iii) the acquisition and installation of various items of capital equipment at one or more locations, and vehicles, for use by the Borrower and its subsidiaries and affiliates, and (iv) all other work, materials, equipment, and appurtenances necessary for or related thereto, and/or to refinance debt of the Borrower incurred to finance and/or reimburse such costs, and



(2) Pay all or a portion of the costs of the issuance and sale of the Bonds. The transaction was structured with fixed rate serial bonds maturing from 2023 to 2042, and fixed rate term bonds maturing in 2047 and 2052. Yields on the Series 2022 serial bonds ranged from 1.83% for the 2023 maturity to 3.6% for the 2042 maturity. Yields for the fixed rate term bonds are as follows: yield to call of 3.71% for the term bond maturing on

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July 1, 2047; yield to call of 3.76% for the term bond maturing on July 1, 2052.

The estimated present value savings from issuing tax-exempt bonds compared to taxable bonds was \$3,016,572. The final maturity is July 1, 2052.

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and the 4th largest issuer of solely health care bonds according to The Bond Buyer's Municipal Marketplace Directory – Spring 2022 (commonly referred to as the Red Book). It is estimated that the Authority has saved health care organizations tens of millions of dollars through the issuance of tax-exempt bonds over the last 50 years.

The Authority has a history of being an "active" conduit issuer of municipal bonds. This means the Authority has standard ratios and covenant requirements for its publicly issued bonds and actively monitors its borrower's finances and their compliance with the standard ratios and covenants. The Authority's governing body believes this provides a benefit to its borrowers by increasing the confidence in Authority bonds among investors in the municipal bond market.

There has been significant analogous evidence that the Authority's policies save its borrowers two to three basis points in the municipal bond market. This analogous evidence will be tested more fully this fall with the engagement of a financial advisor to assess the efficacy of Authority bonds against contemporaneously-issued, similarly-rated health care bonds issued by other conduit financing authorities around the country.

The Authority's added value as an active conduit bond issuer is made possible by its one part-time and 20 full-time employees, which include a former municipal bond lawyer, a certified public accountant with a Master's in Business Administration (who was a hospital controller and the Chief Financial Officer of a multi-site senior living provider), a former investment banker with a Master's degree in Finance and a registered architect with more than 20 years' experience in health care. A few other employees hold Master's degrees and the majority of the employees hold at least a Bachelor's degree. Also, on average, Authority employees have over 12 years' experience at the Authority.

The Authority strives to update its policies on a regular basis in response to borrower preferences as balanced by concerns in the municipal bond markets while keeping an eye on creating the best pricing opportunities to save its borrowers financing costs. At its 50th Anniversary Symposium on September 22, 2022, more fully described elsewhere in this newsletter, the Authority plans to continue to seek input from borrowers, underwriters, bond purchasers and legal professionals.

The Authority hopes to bring continued savings to its borrowers for the next 50 years with the dedication of our staff, and our relationships with health care professionals, bond market participants and counsel. The Authority believes its financings are essential to providing New Jerseyans with state-of-the-art,

Employee Milestones



On July 30, Sr. Account Administrator Jessica Waite celebrated her 15th anniversary at the Authority.



On September 10, Assistant Account Administrator Taryn Brzdek will celebrate her 10th anniversary at the Authority.



Dir. of Research, Investor Relations & Compliance Frank Troy became a grandfather this year! Brielle Marie Troy was born on May 4 and Amelia Joyce Troy was born on June 13.

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cost-effective health care and research facilities. Forging close relationships with the Authority's partners allows it to better anticipate the needs of the facilities it works with.

We at the Authority are excited to see what the next 50 years brings!



The Authority welcomes a new Public Member to its governing body: Bridget Devane, MSW received the advice and consent of the Senate on June 20, 2022. She was nominated by Governor Murphy to fill the term of former Authority Member Suzette Rodriguez. That term is currently set to expire on April 30, 2025. Ms. Devane's first meeting as an Authority Member was on July 28, 2022.

Ms. Devane is the Public Policy Director for the Health Professionals and Allied Employees (HPAE), New Jersey's largest health care union representing registered nurses and health care professionals in acute-care, long term care, psychiatric, blood bank and medical laboratory facilities.

Since 2004, her work at HPAE has focused primarily on improving working conditions for healthcare professionals across New Jersey, while advocating for patient safety measures to ensure better patient outcomes. She oversees a department of staff who monitor the ongoing consolidation of healthcare providers, assess the financial state of healthcare operations in facilities across the state, and advocate for legislative and regulatory reforms to set standards for quality patient care and improve access to health care services.

Prior to her work at HPAE Ms. Devane worked at New Jersey Citizen Action, a statewide consumer advocacy organization, working with patients and advocates to protect the financial interests of health care consumers. She received her Bachelors of Social Work from Ramapo College of New Jersey and a Masters of Social Work from Hunter College.



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