

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on July 26, 2012 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

Bill Conroy, Designee of the Commissioner of Health (Chairing); Robert Bollaro, Designee of the Commissioner of Human Services; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Dr. Munr Kazmir, Public Member; and Elisa Charters, Public Member.

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

Mark Hopkins, Steve Fillebrown, Ron Marmelstein, Suzanne Walton, Michael Ittleson, Carole Conover, Linda Hughes, Bill McLaughlin, Ellen Lieber, Marji McAvoy, Arvella King, Edwin Fuentes, Carl MacDonald, Miriam Bolger, Jessica Lucas and Christopher Kulick.

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

Cliff Rones, Deputy Attorney General; John Cascarano, Governor's Authorities Unit; Ryan Feeney, NJ Treasury Department; Dr. James J. Kostinas of David Kostinas; and Doug Placa of JNESCO.

CALL TO ORDER

Mark Hopkins called the meeting to order at 10:12 a.m. He suggested that in the absence of the Authority's Chairperson and Vice Chair, a Chair pro tem should be named. Mr. Bollaro nominated Bill Conroy to serve as Chair pro tem for the July 26, 2012 meeting and Dr. Kazmir seconded. Mr. Conroy, Mr. Bollaro, Ms. Kralik and Dr. Kazmir voted yes and the motion carried.

AB RESOLUTION NO. MM-06

NOW, THEREFORE, BE IT RESOLVED, that, in the absence of the Authority's Chairperson and Vice Chairperson, William Conroy will serve as the chair pro tem for the July 26, 2012 Authority meeting.

Mr. Conroy announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 24, 2012 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 *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

1. APPROVAL OF MINUTES

June 28, 2012 Authority Meeting

Minutes from the Authority's June 28, 2012 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Mr. Bollaro seconded. Mr. Conroy, Mr. Bollaro, Ms. Kralik and Dr. Kazmir voted yes and the motion carried.

2. BOND SALE REPORT

Kennedy Health System

Ms. Suzanne Walton informed Members that on Thursday, July 19, the Authority successfully priced a \$66 million dollar transaction on behalf of Kennedy Health System. Proceeds from the bond issue will be used to refund Kennedy's Series 1997A and Series 2001 bonds as well as finance capital improvements on the system's Washington, Cherry Hill and Stratford campuses.

A pre-pricing call was held with Lancaster Pollard, the senior book running manager, and the two other co-managers on Wednesday, July 18. Based on a consensus scale, Lancaster recommended a structure consisting of serial bonds from 2013 through 2022 with yields ranging from .75% to 3.10% and four term bonds in 2027, 2031, 2037 and 2042 with yields ranging from 3.95% to 4.15%. Given the favorable tone in the market, the senior manager suggested that the Authority simultaneously run a retail and institutional order period. The management team agreed with this approach and entered the market following a signoff call Thursday morning, July 19.

At 11:30 an update call was held wherein Lancaster recommended some changes to the structure. They indicated that most of the serial bonds were doing well; however, there was little interest in the 2019 serial maturity. They suggested bifurcating the maturity and offering a lower coupon to attract retail investors. In addition, due to strong demand from institutional investors, they reported that all of the term bonds were oversubscribed and suggested reducing the yields for those maturities from seven to 10 basis points tied to the number of times the maturity was over-subscribed. Everyone agreed to the restructuring and Lancaster went back into the market. An hour later, Lancaster made an offer to underwrite the bonds. The yields on the serial bonds would remain unchanged ranging from .75% to 3.10% and the yields on the term bonds, following the bump, would range from 3.85% to 4.05%. The Authority ultimately issued \$66,035,000 of fixed rate bonds with an all-in True Interest Cost of 4.12%. The refunding resulted in a net present value savings of over \$8.8 million dollars or 15% savings of the refunded bonds. The transaction is scheduled to close on July 30, 2012. Copies of the final pricing book were made available for the Members to review the details of the sale.

Mr. Conroy reminded Members that the presentation was for informational purposes only and no action was required.

Ms. Charters joined the meeting at 10:16 a.m.

Mr. Hopkins welcomed Elisa Charters, the new Authority Member who was confirmed by the Senate on June 28. He informed Members that Ms. Charters is a Certified Commercial Investment Member, a designation reflecting an expertise in commercial and investment real estate. She is currently a partner at Toussa International, LLC, an international wholesale distribution and sourcing company of children's apparel imported from South America. Prior to joining Toussa in 2009, Ms. Charters held several senior management positions at the Port Authority of New York and New Jersey dating back to the early 1990s. She has a bachelors and masters from the New Jersey Institute of Technology, as well as advanced degrees and certifications from Columbia University and New York University. She is active in a number of

not-for-profit organizations including the Junior League of Montclair/Newark and the Latino Leadership Alliance of New Jersey.

Mr. Conroy welcomed Ms. Charters. He told her it was great to have her and he hoped she would see over time that she would be involved with one of the best organizations in State government in New Jersey.

3. APPROVAL OF EXPENSES

Mr. Conroy referenced a summary of Authority expenses and invoices. Dr. Kazmir offered a motion to approve the bills and to authorize their payment; Mr. Bollaro seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. MM-07

WHEREAS, the members of the Authority have reviewed the memoranda dated July 19, 2012, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of \$16,640.77 and \$11,187.42 respectively, and have found such expenses to be appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the members of the Authority hereby approve all expenses as submitted, and authorize the execution of checks representing the payment thereof.

4. STAFF REPORTS

Mr. Conroy thanked staff for the Project Development Summary, Cash Flow Statement, Semi-Annual Budget Report and Legislative Advisory reports.

Mr. Hopkins then presented his Executive Director's report noting the following items to Members:

1. On June 28, the legislature passed the "New Jersey Medical and Health Sciences Education Restructuring Act" which (i) reorganizes the Newark portions of the University of Medicine and Dentistry of New Jersey ("UMDNJ") and the Robert Wood Johnson Medical School and the Cancer Institute of New Jersey in New Brunswick under Rutgers University; (ii) consolidates UMDNJ's School of Osteopathic Medicine in Stratford under Rowan University; (iii) creates a hybrid entity with Rowan University out of the schools on the Camden campus of Rutgers; and (iv) creates a separate State instrumentality to own University Hospital. The bill awaits the Governor's signature. If signed, the transition will take place primarily in the next State fiscal year.

2. CHEMED, a division of Lakewood Resource and Referral Center, the FQHC that the Authority provided a small loan to, requested the Authority's consent to refinance debt it already had outstanding. Bank of America has agreed to lend CHEMED \$5 million at a synthetic fixed rate of 3.98% and provide an additional line of credit for \$1 million. These loans will replace \$5 million in private loans at 10% on which interest accrued. As permitted under a delegation in the loan documents, Mr. Hopkins consented to the refinancing on behalf of the Authority.

3. The Authority has issued a Request for Proposals for an Administrator for the Capital Asset Program. The Capital Asset Program utilizes proceeds of bonds issued before the tax law changes of 1986 to fund a revolving pool of loans to health care organizations at, currently very low, variable rates. The Administrator acts as a financial advisor for the Capital Asset Program and calculates the interest rate charged to borrowers under the program. The RFP was advertised in the Bond Buyer, the Authority's website and the State's website. Staff expects to have a recommendation for the Authority Members at the September meeting.

4. Hospital News

a. On July 13, the sale of Christ Hospital to Hudson Hospital Opco was finalized. Hudson Hospital Opco is controlled by the same principals who own Bayonne Medical Center and Hackensack University Medical Center.

b. Paul D. Storiato has resigned as Chief Financial Officer of Robert Wood Johnson University Hospital in New Brunswick.

c. The previously announced partnership between Robert Wood Johnson University Hospital and Somerset Medical Center is progressing, with at least some of the plans to be announced in several weeks.

d. Hackensack University Health Network has signed an affiliation agreement with Palisades Medical Center. The agreement provides for Hackensack University Medical Center's clinical resources to support Palisades' existing programs.

e. Moody's Investors Service has affirmed its "B1" rating on Deborah Heart & Lung Center, but changed its outlook to negative from stable.

f. Capital Health System announced on July 10 that it was laying off 175 workers as a restructuring measure.

g. Morristown Medical Center was recognized as a top hospital in the nation for cardiac and gynecological services by U.S. News & World Report.

h. HealthGrades 2012 placed University Hospital in the top 10 percent of all hospitals in the country for neurosurgery and awarded it a five-star rating for treating heart failure.

i. Consumer Reports ranked St. Francis Hospital in Trenton among the top ten safest hospitals in New Jersey.

j. Several hospitals and health care systems are in various stages of creating accountable care organizations (“ACOs”), which is one of the key quality and cost-containment provisions of the Patient Protection and Affordable Care Act, which was upheld by the Supreme Court on June 28. Members were provided with recent articles regarding the ACOs being formed by Barnabas Health, Hunterdon Medical Center and Robert Wood Johnson Health System.

k. An ex-JPMorgan banker has admitted to rigging bids related to bonds issued on behalf of a New Jersey hospital. The article does not identify the hospital. The Authority will research which transaction this involved. This sounds similar to the conviction of bankers in bid-rigging of Guaranteed Investment Contracts referred to in the Rolling Stone article by Matt Taibbi, which was distributed to the Authority Members at last month’s meeting.

l. Along the same lines of bankers behaving badly, Barclay’s Bank has paid over \$450 million in penalties to U.S. and U.K. authorities for allegedly manipulating the London Interbank Offering Rate, known as LIBOR, which is the index upon which many variable bond interest rates are based, as well as variable rate mortgages and many other lendings. Also implicated or under scrutiny in the scandal are CitiGroup, Deutsche Bank, HSBC, JPMorgan Chase, the Royal Bank of Scotland and UBS.

m. Authority Members were also provided with articles on the anticipated effect the Supreme Court’s recent upholding of the Patient Protection and Affordable Care Act will have on New Jersey hospitals.

5. Authority News

a. Mr. Hopkins introduced Carl MacDonald, the Authority’s new Project Manager. He started on July 9 and has a bachelor’s degree and an MBA, both from Seton Hall University. Most recently he was Financial Advisor at H.D. Vest Investment Services. From 2007 through 2011, he worked as an Associate in Public Finance at TD Securities. He also worked nearly four years at Commerce Insurance Services as an Account Executive.

b. Tammy Romsdahl, the Authority’s Administrative Assistant for Project Management and Research, Investor Relations and Compliance, tendered her resignation last Friday after giving birth to her third child.

c. Jessica Lucas is celebrating her fifth anniversary at the Authority this month. Jessica started as an Administrative Assistant and has quickly worked her way up to the position of Account Administrator.

d. Taryn Jauss, the Authority’s Compliance Manager, gave birth to her first child on July 6, 2012: a healthy baby girl named Mikayla Lynn, weighing in at 8 pounds 4 ounces and measuring 20½ inches.

This concluded the Executive Director’s report.

As there was no further business to be addressed, following a motion by Dr. Kazmir and a second by Mr. Bollaro, the Members voted unanimously to adjourn the meeting at 10:26 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
JULY 26, 2012.

Carole A. Conover, Assistant Secretary