Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on September 27, 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); Dr. Munr Kazmir, Public Member; Elisa Charters, Public Member; and via telephone: Greg Lovell, Designee of the Commissioner of Human Services and Suzette Rodriguez, 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, Marji McAvoy, Arvella King, Ellen Lieber, Jessica Lucas, Bernie Miller, Carl MacDonald, Miriam Bolger, 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; Gary Gilmore and Victor Flamini of Wiley Mission; Bob Valentine of Jersey City Medical Center; Mark Salimena of Optimal Capital Group; Jay Wenger of SGA; Manuel Mar of J.P. Morgan; Dr. James J. Kostinas of David Kostinas; and Doug Placa of JNESCO.

CALL TO ORDER

Executive Director Mark Hopkins called the meeting to order at 10:14 a.m. and 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.

Mr. Hopkins suggested that in the absence of the Authority's Chairperson and Vice Chair, a Chair pro tem should be named. Dr. Kazmir nominated Bill Conroy to serve as Chair pro tem for the September 27, 2012 meeting and Ms. Charters seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-20

> **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 September 27, 2012 Authority meeting.

1. APPROVAL OF MINUTES
<u>August 23, 2012 Authority Meeting</u>

Minutes from the Authority's August 23, 2012 meeting were presented for approval. Dr. Kazmir offered a motion to approve the minutes; Ms. Charters seconded. Mr. Conroy, Ms. Rodriguez, Dr. Kazmir and Ms. Charters voted yes; Mr. Lovell abstained and the motion carried.

2. **NEGOTIATED PRIVATE PLACEMENT REQUEST & INFORMATIONAL PRESENTATION**
   <u>Wiley Mission</u>

Mr. Mark Hopkins introduced Mr. Gary Gilmore, Chief Executive Officer, and Mr. Victor Flamini, Chief Financial Officer, from Wiley Mission.

He informed the Members that his presentation would serve as both a request for a negotiated sale and as an informational overview of the proposed transaction. Wiley signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately $14 million, the proceeds of which will be used to refund the Series 2002 bonds issued by the Authority on behalf of Wiley; to refund the New Jersey Economic Development Authority, Economic Development Bonds (Wiley Mission Project) issue; and pay the related costs of issuance.

Wiley Mission is a not-for-profit 501(c)(3) corporation that operates a continuing care retirement community located in Marlton, New Jersey and an adult daycare service located in Pennsauken, New Jersey. The continuing care retirement community provides housing, healthcare and other related services to elderly residents through the operation of a 67-bed nursing facility, a 48-bed residential health care facility and 137 independent living apartments and cottages. The adult daycare service provides medical and behavioral management services and is currently licensed for 160 clients.

During 2002, the Authority issued $13,770,000 of variable rate revenue bonds on behalf of Wiley to fund the construction of, and equipping of, a new replacement 48-bed skilled nursing facility; to fund the renovation of the E-Wing of the existing skilled nursing facility; to fund the renovation and conversion of the D-Wing of the existing skilled nursing facility for use as a “community main street” and a laundry facility; to fund the refinancing of certain commercial loans; to fund capitalized interest; and to fund the payment of the related costs of issuance. Currently, $11,070,000 of those bonds remain outstanding, all of which will be refunded with the proceeds of the private placement issue.

During 2006, the New Jersey Economic Development Authority issued $4,800,000 of fixed rate bonds via a private placement on behalf of Wiley. Proceeds from these bonds were used to acquire an adult daycare center located in Pennsauken, New Jersey.

According to the consolidated audited financial statements provided with the Memorandum of Understanding, Wiley reported losses from operations in the years 2010 and 2011. According to management, the losses are primarily attributable to census declines for both adult daycare and independent living. Both lines of business have been adversely affected by the overall national economic climate, as many seniors are opting to remain in their primary residences.

Wiley’s utilization statistics are mixed with occupancy rates for the skilled nursing unit exceeding 99% for the past three years, while occupancy rates for both residential health care and independent living are all below 90% for the same period.

Financial ratios indicate that liquidity is strong at 91 days cash on hand and a cushion ratio of 2.30 times.

Wiley has asked that the Authority permit the use of a negotiated sale based on the sale of bonds for a complex or poor credit and includes variable rate transactions. These reasons are considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale, therefore, Mr. Hopkins recommended the consideration of the resolution approving the use of a negotiated sale and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Wiley also conducted a competitive process to determine whether to proceed with a private placement or a public offering. Based upon its analysis, a private placement would: (i) reduce costs of issuance; (ii) expedite the issuance of the refunding bonds to capture the current favorable interest rate market; and (iii) generate savings of $1.5 million over the life of the loan in contrast to an issuance of publicly offered unrated bonds which carry higher interest rates and would include the termination of existing fixed rate swaps, further increasing the costs of capital.

Should the Members approve the request to pursue a negotiated private placement, it is anticipated that Staff will be requesting approval of a contingent sale of bonds at the Authority's October Board Meeting.

In response to a question from Mr. Conroy on whether the Medicaid conversion impacted the drop in utilization, Mr. Gilmore responded that the conversion had actually been helping. He noted that the HMOs like their program, so their nurses have been making more referrals to the adult daycare. He noted that the main issue has been the HMOs reimbursements, as the transition occurred so quickly. He also noted that the mental health services have not converted over yet.

Mr. Conroy asked the Members' pleasure with respect to the adoption of the Resolution supporting the issuance of revenue bonds by negotiated private placement pursuant to Executive Order #26 on behalf of Wiley Mission. Dr. Kazmir offered a motion to adopt the resolution; Ms. Charters seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-21

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby adopts the resolution entitled "RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY PRIVATE PLACEMENT TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26."

(attached)

3. AMENDMENT TO ESCROW AGREEMENT
<u>Jersey City Medical Center</u>

Mr. Conroy introduced Bob Valentine, Director of Financial Operations from Jersey City Medical Center.

Ms. Ellen Lieber informed Members that on May 20, 2009, Jersey City Medical Center sold property commonly known as 935 Garfield Avenue, Jersey City, New Jersey, to Metropolitan Family Health Network, Inc. As a result of that sale, an Escrow Agreement was executed instructing Jersey City Medical Center to deposit with the Bond Trustee the sum of $2,450,972.13, which was determined to be the profit from the sale. The Escrow Agreement states that this fund would be used to redeem bonds upon Final Endorsement of the Notes.

She reminded Members that based on approval given at the August meeting, Jersey City Medical Center is undertaking a project consisting of the current refunding of all of the 2001 Bonds and 2003 Bonds through the issuance of Government National Mortgage Association (GNMA) Collateralized Taxable Revenue Bonds. Jersey City is expecting to close on these bonds in late October.

Jersey City has requested an amendment to the Escrow Agreement be approved to permit the use of the proceeds from the sale of the Garfield Property to fund a mortgage reserve for the new taxable bond issue.

She asked Members to approve a resolution which delegates the ability to execute an amendment to the Escrow Agreement to an Authorized Officer of the Authority, to permit the use of the proceeds of the sale of the Garfield Property to fund a mortgage reserve for the new issue or for any other purpose approved by HUD. The Attorney General's office has reviewed the resolution and has no objection to the Authority's consideration. HUD has indicated they intend to approve the amendment once the Authority has done so.

Mr. Conroy asked the Members' pleasure with respect to the adoption of the resolution on behalf of Jersey City Medical Center. Dr. Kazmir made a motion to approve the adoption of the resolution delegating the ability to an Authorized Officer of the Authority to execute the documents in connection with the Jersey City Medical Center Escrow Agreement. Mr. Lovell seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-22

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Resolution entitled, "RESOLUTION AUTHORIZING THE AMENDMENT OF AN ESCROW DEPOSIT AGREEMENT BY AND AMONG JERSEY CITY MEDICAL CENTER, NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY, THE BANK OF NEW YORK MELLON AND THE U.S. SECRETARY OF HOUSING AND URBAN DEVELOPMENT."

(attached)

4. RECOMMENDATION OF PROGRAM ADMINISTRATOR FOR CAPITAL ASSET PROGRAM

Ms. Jessica Lucas introduced Mark Salimena, Managing Director of Optimal Capital Group.

She informed Members that the Authority conducted a Request for Proposal for the Capital Asset Program Administrator. The RFPs were distributed on July 30, 2012, after an advertisement was run in the Bond Buyer, as well as being posted on the Authority's website and the State of New Jersey's website. Additionally, all 20 of the Authority's approved financial advisors were provided the RFP. In total 23 financial advisors received the distribution.

Two responses were received by the August 16 deadline. The firms who responded were Fairmount Capital Advisors, Inc. and Optimal Capital Group, LLC.

Optimal Capital Group, LLC with nine professionals, three professionals assigned to the Authority, is able to provide the Authority with a high level of service through the use of experienced staff and other resources.

Mark Salimena, Managing Director of Optimal Capital Group, will serve as the primary day-to-day contact and advisor for the Authority. Prior to joining Optimal Capital Group in 2009, he gained extensive experience as a financial advisor, swap advisor, and investment advisor. From 1997 through 2004, while working for Fairmount Capital Advisors, Mr. Salimena was the lead contact and provided all necessary services to the Authority as Program Administrator. During that time he was able to develop an investment strategy using guaranteed investment contracts to maximize yield and also bar-belled laddered securities structure. He was able to develop with Staff an ability to value the level of reserves needed associated to such an active management style which offered lower yields to the borrowers. Based on the market and also some of the investment strategies put in place there were nine months during a low-investment period in the market that the borrowing rate for active clients, in the Capital Asset Program, was at 0.00%.

Optimal Capital has proposed a fee, on an annual basis of $12,000 and would not ask or expect to be reimbursed for travel expenses and other business expenses reasonably incurred by the firm in the performance of services.

She recommended that Optimal Capital Group, LLC be appointed program administrator for the next two years with the possibility of extending the contract for three additional one-year periods.

In response to a question from Mr. Conroy on the actual responsibilities of the program administrator and if the services were on an ad hoc basis, Ms. Lucas noted that rates reset every month, so there is almost guaranteed contact at least once a month.

Dr. Kazmir moved to appoint Optimal Capital Group to serve as administrator for the Authority's Capital Asset Loan Program, Series A-D; Ms. Charters seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. MM-23

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby appoints Optimal Capital Group, LLC to serve as administrator for the Authority's Capital Asset Loan Program, Series A-D, for the next two years with the possibility of extending the contract for three additional one-year extensions.

5. 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; Ms. Rodriguez seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. MM-24

> **WHEREAS,** the members of the Authority have reviewed the memoranda dated September 20, 2012, summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $32,080.75 and $486.21 respectively, and have found such expenses to be appropriate;
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> **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.

6. STAFF REPORTS

Mr. Conroy thanked staff for the Project Development Summary, Cash Flow Statement and Legislative Advisory reports.

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

1. The Authority's Finance Committee will meet at the Authority on Tuesday, October 9 at 10:00 a.m. to review a proposed draft budget for 2013.

2. Hospital News
   a. Recent Credit Rating Actions:
      i. Fitch raised Barnabas Health from "BBB" to "BBB+" with a ratings outlook of "Stable."
      ii. Fitch has also affirmed Hackensack University Medical Center's rating at "A-" with a ratings outlook of "Stable."
      iii. Moody's has placed St. Peter's University Hospital's rating of "Baa3" on review for a possible downgrade.
      iv. Standard & Poor's has affirmed the "BBB-" rating for St. Joseph's Healthcare System with an outlook that remains negative.

   b. St. Peter's is beginning the renovations to its emergency department which were financed through the Authority. The renovations will increase the number of ambulance bays, create a new walk-in area, provide for "fast-track" rooms for adult and pediatric patients and increase the size of the emergency department from 18,000 square feet to 29,000 square feet. This is the first phase of a five-phase improvement project at St. Peter's.

c. St. Peter's also received the Women's Choice award from the organization "WomenCertified," recognizing it as one of the top 100 hospitals for women's health.

d. Monmouth Medical Center celebrates its 125th anniversary this month.

e. Barnabas Health has submitted an application requesting that the Department of Health issue a "call" for a certificate of need for a new cardiac surgery program in Ocean County. It is hoping that it can open a cardiac surgery program at Community Medical Center in Toms River. Barnabas contends that the nearest cardiac programs at Deborah Heart and Lung Center in Pemberton and Jersey Shore Medical Center in Neptune, are too far considering the increasing senior population in Ocean County. Deborah's CEO has publicly stated that it believes travel times from the area to Deborah and Jersey Shore are sufficiently short.

f. Children's Specialized Hospital is opening a new outpatient pediatric center in Egg Harbor Township. This is the first expansion into Atlantic County for Children's Specialized Hospital, which is the largest pediatric rehabilitation system serving more than 19,000 children with special needs last year.

g. Three articles were distributed to Members on the creation of Accountable Care Organizations and health insurance related entities recently announced as a result of federal health care reforms.

h. The State of New Jersey is promoting its ability to host captive insurance companies. Until recently, the most popular places to incorporate captive insurance companies were Bermuda, the Cayman Islands and Vermont. Last year New Jersey passed a law enabling the creation of captive insurers to attract the business and jobs that go with it. Several Authority borrowers have captive insurance companies, with one being in Vermont and the rest off-shore.

i. Concerns have been raised about the effect the automatic 2% Medicare cut would have on New Jersey health care jobs. The automatic cuts are to take effect in January 2013 if the federal government does not come to an agreement on the federal deficit before then. A projection of one consulting firm estimates that New Jersey will lose more than 14,000 jobs next year and nearly 22,000 jobs by 2021 if the cuts take effect.

j. Articles were also provided to Authority Members on (1) the municipal bond bid rigging cases, (2) new recommendations on disclosure for hospitals benefiting from municipal bonds, (3) an MSRB toolkit for state and municipal bond issuing entities, (4) the threat to tax-exempt bonds from tax reform or deficit reduction and (5) new federal legislation narrowing the definition of municipal advisor. Municipal advisors recently became subject to new regulations promulgated by the SEC.

3. Authority News

a. Mr. Hopkins announce that Taryn Brzdek, who had been temporarily employed as an Administrative Assistant and Office Assistant/Receptionist, has now been hired by the Authority as its Office Assistant/Receptionist filling the shoes of Tracey Cameron, who was recently promoted to Administrative Assistant. Taryn has associates degrees in General Business and Office Systems Technology from Mercer County Community College and served as Office Manager at School-Age Fun and Enrichment in Robbinsville and Front Desk Manager at RWJ Center for Health and Wellness in Hamilton.

This concluded the Executive Director's report.

As there was no further business to be addressed, following a motion by Mr. Lovell and a second by Dr. Kazmir, the Members voted unanimously to adjourn the meeting at 10:38 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 SEPTEMBER 27, 2012.

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Carole A. Conover, Assistant Secretary