Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on January 22, 2015 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following ***Authority Members*** *were in attendance:*
Elisa Charters, Public Member(Chairing); Brian ONeill, Designee of the Commissioner of Health; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Dr. Munr Kazmir, Public Member; and via telephone: Greg Lovell, Designee of the Commissioner of Human Services

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Steve Fillebrown, Suzanne Walton, Ron Marmelstein, Michael Ittleson, Carole Conover, Carl MacDonald, Taryn Jauss, Frank Troy, Jessica Lucas, Debra Coons, Edwin Fuentes, Paige Piotrowski, Maria Kinney Conigliaro, Bill McLaughlin, Marji McAvoy and Chris Kniesler.

The following ***representatives from the State and/or the public*** *were in attendance:*
Cliff Rones, Attorney General's Office; Joseph Dobosh, Vice President and Chief Financial Officer and Gordon Smith, Director of Cost & Financial Strategies, Children's Specialized Hospital; Jan Blazewski and Sharon Ioannidis of Raymond James.

CALL TO ORDER

Executive Director Mark Hopkins called the meeting to order at 10:06 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 22, 2014 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 the *Courier Post,* enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

1. APPROVAL OF MINUTES

A. December 18, 2014 Authority Meeting

Minutes for the Authority's December 18, 2014 Authority meeting were distributed for review and approval prior to the meeting. Ms. Charters asked for a motion to approve the minutes. Dr. Kazmir made the motion. Ms. Kralik seconded. Ms. Charters, Mr. Lovell and Dr. Kazmir voted in the affirmative. Mr. O'Neill and Ms. Kralik abstained as they were not present at the December 2014 meeting. The minutes were not approved. The motion will be reconsidered at the February 2015 Authority meeting.

2. APPROVAL OF A PRIVATE PLACEMENT FORM OF NEGOTIATED SALE AND INFORMATIONAL PRESENTATION

A. <u>Children's Specialized Hospital</u>

Ms. Charters introduced Joseph Dobosh, Vice President and Chief Financial Officer and Gordon Smith, Director of Cost & Financial Strategies from Children's Specialized Hospital and then asked Mark Hopkins to report on the request made by Children's Specialized Hospital.

Mr. Hopkins explained that his presentation would serve as both a request to proceed with a negotiated sale in the form of a private placement, as well as an informational presentation on the proposed refunding for Children's Specialized Hospital ("Children's Specialized" or the "Hospital").

Mr. Hopkins stated that Children's Specialized Hospital is a not-for-profit 501(c) (3) corporation which is an affiliate member of the Robert Wood Johnson Health System. It is one of the largest pediatric rehabilitation hospitals in the United States. The Hospital provides a wide array of medical, developmental, educational and rehabilitative services for infants, children, adolescents and young adults. The Hospital currently operates in eleven locations with facilities in Newark, Bayonne, New Brunswick, Clifton, Hamilton, Egg Harbor Township, Fanwood, Roselle Park, Mountainside, and two facilities in Toms River.

Mr. Hopkins reported that Children's Specialized has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately $30 million, the proceeds of which will be used: (1) to refund the Series 2005A bonds issued by this Authority on behalf of Children's Specialized; (2) to fund a debt service reserve, if necessary; and (3) to pay the related costs of issuance.

According to Mr. Hopkins, the Series 2005A Bonds were issued in the amount of $37.4 million and carry yields ranging from 4.84% to 5.15% with a final maturity in 2036. The proceeds of the Series 2005A bonds were used primarily to fund the construction and equipping of the new pediatric hospital, pay capitalized interest, fund the debt service reserve account and pay the costs associated with the issuance of the bonds. Approximately $29.425 million of these bonds remain outstanding, all of which are expected to be refunded with the proceeds of the proposed bond issue.

In total, Children's Specialized has approximately $44.31 million of Authority issued debt outstanding. The Hospital's most recent Authority financings were the privately placed Series 2013A and Series 2013B transactions. The proceeds of these transactions were used to refund the Series 2005B bonds and to pay related costs of issuance.

Mr. Hopkins informed the Members that the annual audited financial statements for 2013 indicate that Children's Specialized had excess of revenues over expenses of $2.26 million compared to $1.27 million for the same period of 2012. For year-end 2013, the Hospital had over 148 days cash on hand, an operating margin of 2.06% and debt service coverage of 5.82

times. In addition, unaudited financial statements for the quarter ending Sep. 30, 2014 for the Hospital reported operating income of $1.74 million with excess revenue over expenses at $2.02 million. Per Hospital management, the financial results for 2014 will be in line with or better than 2013.

Mr. Hopkins said that, similar to the security provided for both the Series 2013A and 2013B Bonds, it is anticipated that the Children's Specialized Hospital Foundation will provide a Guaranty for the financial obligations that arise under the terms of the Loan and Trust Agreement with the Authority, including principal payments, interest payments and NJHCFFA fees. Further, other components of the security for the proposed Series 2015 bonds are expected to include a gross revenues pledge as well as a mortgage.

The Members were informed Children's Specialized has asked that the Authority permit the use of a negotiated sale based on the sale of bonds for a complex or poor credit, sale of a complex financing structure and volatile market conditions. These reasons are considered, under the Authority's policy regarding Executive Order #26, to be justifications for the use of a negotiated sale.

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.

Mr. Hopkins said that, although the Hospital's credit ratings are currently Baa3 from Moody's and BBB from Fitch, both "investment grade," a preliminary analysis conducted by their financial advisor, Raymond James, indicates that a private placement offers greater potential present value savings as well and greater structuring flexibility and lower overall transaction costs. Children's Specialized, along with its financial advisor, are now evaluating "Purchaser" proposals from the following firms: GE Public Finance, Investors Bank, Siemens Financial Services, TD Bank and Union Bank.

Mr. Hopkins told the Members that, if they approve this request to pursue a negotiated private placement, it is anticipated that staff will be requesting their approval of a contingent sale of bonds at the Authority's February Meeting.

Ms. Charters asked for a further explanation about how the Hospital plans to improve its financial performance and reduce its annual operating subsidy from the foundation. She asked why there was an increase in the capital campaign contribution in 2013. Mr. Dobosh explained that was a capital expenditure related to the foundation's commitment to building the New Brunswick hospital and not operating subsidies. Mr. Dobosh stated that the Foundation's contributions are only used to offset operating losses, not reduce debt. [Only operating subsidies are used to reduce debt.] That subsidy was reduced to $0 in 2013 and that should continue to through 2014 and into 2015

Mr. O'Neill asked if it was correct to assume that Children's Hospital would be saving money by refunding the bonds. Mr. Dobosh replied that initial estimates show there would be a $7 million net value savings as a result of this transaction.

At this time, Deputy Attorney General Cliff Rones announced that Dr. Kazmir had requested to recuse himself from the discussion and vote on this transaction. Dr. Kazmir stated that his daughter may have applied for a residency at that hospital. Mr. Rones noted for the record that Dr. Kazmir did not participate in the discussion and would not be counted as part of the quorum for the vote.

Ms. Charters asked the Members' pleasure with respect to the adoption of the Resolution supporting the issuance of revenue bonds by a private placement form of negotiated sale pursuant to Executive Order #26 on behalf of Children's Specialized Hospital. Mr. O'Neill offered a motion to adopt the resolution; Ms. Kralik seconded the motion. Ms. Charters, Mr. O'Neill, Ms. Kralik and Mr. Lovell voted to approve the resolution and the motion carried.

AB RESOLUTION NO. OO-41

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

3. APPROVAL OF A PRIVATE PLACEMENT FORM OF NEGOTIATED SALE

A. Samaritan Healthcare and Hospice

Ms. Charters asked Mark Hopkins to provide the Members with the details of the request made by Samaritan Healthcare and Hospice.

Mr. Hopkins reported that Samaritan Healthcare and Hospice ("Samaritan") has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt negotiated sale of approximately $14.6 million in the form of a private placement. The proceeds of the proposed private placement transaction will be used to construct a Hospice Inpatient Center in Voorhees NJ, adjacent to the Virtua Campus.

Mr. Hopkins informed the Members that Samaritan Healthcare and Hospice, Inc. is an independent not-for-profit organization serving patients and families in a 2200 square mile radius including Atlantic, Burlington, Camden, Gloucester, and Mercer Counties since 1980. There are no affiliates, partners, or parent organizations of Samaritan. Samaritan does not have any debt outstanding with the Authority. According to audited financial statements dated 12/31/2013, Samaritan has illustrated an operating margin of 1.26%, down from 6.93% in 2012. Profit margin in 2013 was at 6.77%, down from 10.22% in 2012. Cash and Investments, totaling $24.2 million represents 337 days cash on hand in 2013, up from 309 days in 2012.

According to Mr. Hopkins, Samaritan has asked that the Authority permit the use of a negotiated sale based on a: (1) Sale of a complex or poor credit; and (2) Programs or financial techniques that are new to investors. These reasons are considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale.

Also under the Authority's policies, a borrower requesting a private placement form of a negotiated sale must justify the use of a private placement by showing it is either less expensive on a present value basis to complete a private placement or that there are other circumstances that would limit the effectiveness or usefulness of a negotiated sale using a public offering. Samaritan along with their financial advisor provided justification that a private placement would (i) be most fitting for the institution's complex credit; (ii) reduce costs of issuance; and (iii) generate greater debt service savings when compared to publicly issued bonds.

Mr. Hopkin recommended that the Members consider the resolution to approve the use of a private placement form of negotiated sale and forward a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins said that Samaritan is in the process of soliciting proposals from several banks who have indicated a desire to purchase the bonds as a direct bank placement. Upon receipt and following a thorough review of the proposals, Samaritan will select a bank based on price, financial strength of the institution, diversification of credit risk and market knowledge.

Mr. Hopkins anticipates that there will be a request for a contingent bond sale at the Authority's April meeting.

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

AB RESOLUTION NO. OO-42

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

4. ADDITION TO THE QUALIFIED BANKER'S LIST

Ms. Charters called upon Suzanne Walton to propose an addition to the Authority's Qualified Bankers List.

Ms. Walton reported that the Authority received a request from FTN Financial Capital Markets to be added to the list of approved Authority bankers to serve as a Senior Manager and Co-Manager on Authority transactions.

Ms. Walton stated that FTN Financial is a division of First Tennessee Bank, whose parent company is headquartered in Memphis, Tennessee. FTN Financial provides municipal investment banking, sales, trading and underwriting services across the country with 27 offices in the United States and one in Hong Kong. FTN has continued to expand its focus on the municipal market and has established a dedicated municipal institutional sales group with offices in New York, Philadelphia and Memphis. FTN's experience lies primarily in the competitive, new issue marketplace; however, in the fourth quarter of 2012, FTN Financial established a public finance department and began competing for negotiated public finance business. The current underwriting team is comprised of 27 municipal finance professionals. As of September, 2014, FTN Financial is backed by $3.2 billion in capital.

Ms. Walton said that FTN's Statement of Qualifications indicated that the firm has only recently begun to pursue health care business; however, the primary banker who will be assigned to the Authority's account has extensive healthcare experience having served as Managing Director of Public Finance at the Dormitory Authority of the State of New York and having worked as an investment banker at several firms including M. R. Beal, Ramirez, Lebenthal and Kidder Peabody. Due to the firm's recent entry into the health care sector, they have served as a co-manager on only one health care transaction totaling $148.43 million for the Chattanooga-Hamilton County Hospital Authority.

The Authority qualifies firms to serve in the role of Senior Manager and Co-manager based on meeting certain criteria, including: experience with similar financings, analytical capabilities, sufficient capital, and demonstrated ability to distribute New Jersey securities. Based upon the information provided in FTN Financial's Statement of Qualifications, staff is recommending the appointment of FTN Financial as a co-manager on Authority transactions. Staff did not believe the firm demonstrated the experience to serve as a senior manager on New Jersey health care transactions at this time. We would encourage FTN Financial to resubmit their request to serve as a senior manager when they have more experience with negotiated health care transactions.

Ms. Charters thanked Ms. Walton for all of her efforts to continuously expand the list banks for the Authority.

Ms. Charters asked whether FTN was a Tennessee company. Ms. Walton replied that it was, but they are expanding into the Northeast. Ms. Charters then asked whether using out-of-state banks was a trend. Ms. Walton replied that she did not know if it was a trend, but that there are an increasing number of banks applying to get on the list just in case they want to get into health care financing. Mr. O'Neill asked whether FTN was aware that they were only being approved as a co-manager. Ms. Walton stated that she has had conversations with FTN and they are aware of our process. Ms. Walton said she expects that they will come back to the Authority within six months as they gain more experience in a senior role. Mr. O'Neill asked if a banker needed a certain number of transactions to attain senior manager status. Ms. Walton replied that the Authority only requires that the bankers have served as a senior manager, not necessarily in health care financing. Mr. Hopkins added that the Authority also looks at the banker's capital backing and that FTN has a high level of capitalization, but they are a relatively new firm to negotiated municipal financings. Staff believes that with a little more experience they will become a senior manager.

Ms. Charters asked the Members' pleasure with respect to the adoption of the Resolution appointing FTN Financial Capital Markets to the Authority's list of qualified bankers as a Co-manager. Dr. Kazmir made the motion and Mr. O'Neill seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. OO-43

WHEREAS, the Members of the Authority have reviewed the memorandum dated January 14, 2015 regarding the addition of FTN Financial Capital Markets to the Authority's list of qualified bankers.

NOW, THEREFORE, BE IT RESOLVED, that the Authority add FTN Financial Capital Markets to the Authority's qualified bankers list as a Co-manager.

5. DEBT MANAGEMENT PLAN FOR 2015

Ms. Charters called upon Suzanne Walton to present the Authority's Debt Management Plan for 2015.

Ms. Walton reported that under Executive Order No. 26 (Whitman), the Authority is required to prepare an annual debt management plan and submit it to the State Treasurer by the 31st of January each year. The Authority's plan for 2015 reflects financings which were completed during 2014 and identifies four bond financings that are anticipated for 2015, along with a description of each project, the anticipated date of sale and issue size, security, ratings and a proposed method of sale.

In addition, the Debt Management Plan anticipates the Authority entering into additional leases with Barnabas Health, under their existing Master Leasing Program, up to the remaining balance of $35 million in the coming year. To date, Barnabas Health is the only hospital system that has taken advantage of the Master Leasing Program.

Finally, the proposed plan excludes Capital Asset Program (CAP) loans, since these transactions do not involve the issuance of new debt.

As in prior years, the total volume of debt for 2015 is subject to change, depending upon market conditions and borrowers' preferences.

Ms. Walton requested the Members' approval of the proposed plan and the authorization to submit it to the Treasurer.

Ms. Charters asked the Members' pleasure with respect to the adoption of the Resolution approving the Authority's Debt Management Plan and forwarding said Plan to the State Treasurer. Dr. Kazmir made a motion to adopt the proposed 2015 Debt Management Plan and submit it to the Treasurer in accordance with the requirements of Executive Order No. 26. Mr. O'Neill seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. OO-44

> **WHEREAS,** the Members of the Authority have reviewed the memorandum dated January 14, 2015 regarding the 2015 Debt Management Plan.
>
> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves a motion to adopt the proposed 2015 Debt Management Plan and submit it to the Treasurer in accordance with the requirements of Executive Order No. 26.

6. SAFE DEPOSIT LEASE AGREEMENT

Ms. Charters asked Michael Ittleson to present the details of the new safe deposit box lease agreement with TD Bank.

Mr. Ittleson reported that the Authority maintains an off-site safe deposit box at TD Bank as part of the Authority's disaster recovery and business continuity plan. The box is primarily used to store the daily tape backups of data and information on the Authority's computer servers. If there were ever an event where the Authority's offices were uninhabitable and/or the computers were damaged, the tapes would enable the Authority to get back up and running at a new location.

Mr. Ittleson informed the Members that he, Mr. Sullens and Lorraine Donahue are on the current contract. Ms. Donahue has retired and, therefore a change is required. He asked that the

Members authorize Ms. Donahue's replacement, Maria Kinney to have access to the box as well as Taryn Brzdek. According to Mr. Ittleson, these employees were chosen because: he and Mr. Sullens have direct access to the servers; and, Ms. Kinney and Ms. Brzdek are the Authority's messenger and backup messenger, respectively.

Ms. Charters asked the Members' pleasure with respect to the adoption of the Resolution approving the new lease agreement for the safe deposit box. Dr. Kazmir made the motion. Mr. O'Neill seconded. The vote was unanimous, and the motion carried.

AB RESOLUTION NO. OO-45

WHEREAS, the Members of the Authority have reviewed the memorandum dated January 14, 2015 regarding the new lease for the Authority's safe deposit box;

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby approve the new safe deposit box lease with TD Bank as proposed.

7. APPROVAL OF EXPENSES

Ms. Charters referenced a summary of Authority expenses and invoices provided to the Members. Dr. Kazmir offered a motion to approve the bills and to authorize their payment; Mr. O'Neill seconded the motion. The vote was unanimous, and the motion carried.

AB RESOLUTION NO. OO-46

WHEREAS, the Members of the Authority have reviewed the memoranda dated January 14, 2015 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $28,620.00 and $35,037.86 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.

8. STAFF REPORTS

Ms. Charters thanked Staff for the Project Development Summary, Cash Flow Statement, Year-End Budget Report and Legislative Advisory reports.

Ms. Charters asked Executive Director Hopkins to present his Executive Director's report,

Mr. Hopkins wished everyone a Happy New Year and welcomed Brian O'Neill back from sick leave.

Mr. Hopkins presented the following items to Members:

1. In June of 2007 the Authority adopted Resolution No. HH-28 which lowered certain Authority fees but created an automatic annual adjustment to the amount of bonds that would be subject to the Authority's initial fees and annual fees (the "fee cap"). The resolution called for the adjustment of the fee cap commensurate with the change in the average of the Consumer Price Index for all Urban Consumers ("CPI-U") in the New York and Philadelphia regions, rounded to the nearest million. For the twelve month period ending December 31, 2014 the CPI-U in the New York region increased 1.3226% and in the Philadelphia region increased 1.3076%, for an average increase of 1.3151%. Based on this increase and the fact we round to the nearest million, the Authority will now collect its initial fee and annual fee on bond amounts up to the cap of $96,000,000 in bonds, up from $95,000,000 in 2014.

2. The Authority provided over $434 million in financing in 2014 to six (6) separate borrowers. The financings included $98,750,000 in new money bonds and $335,355,000 in refunding bonds. There were no financings through the Capital Asset Program or the Master Lease Program in 2014. The average all-in true interest cost on the $434 million in bonds issued in 2014 was 3.73%. Compared to taxable rates, the issuance of the $98.75 million in new money tax-exempt bonds saved Authority borrowers over $5.6 million on a present value basis, over the first 10 years of the bonds. If those bonds remain outstanding longer, there will be additional savings. The $335.36 million in refunding bonds saved Authority borrowers over $28 million on a present value basis compared to the bonds that were refunded. Existing loans under the Capital Asset Program averaged an interest rate of 1.54% for calendar year 2014.

   The $98.75 million of new money bonds were issued to finance projects at the following health care organizations: AtlantiCare Regional Medical Center, CentraState Healthcare System and Hunterdon Medical Center. The $335.36 million in refunding bonds were issued to refund outstanding bonds for Barnabas Health, CentraState Healthcare System, Deborah Heart & Lung Center, Hunterdon Medical Center and Robert Wood Johnson University Hospital. According to the unaudited year-end numbers, the Authority's 2014 expenses (excluding expenses for the Navigant study of Newark) came in at $3,103,715, which was 14.3% under budget and 3.8% below 2013 expenses. The Authority's income came in at $4,227,530 which was 5.5% over budget and 0.9% below 2013 income. The

Authority's receipts over disbursements came in at $1,173,816 (again exclusive of Navigant expenses), which is $744,367 over budget and $85,339 more than 2013. Mr. Hopkins asked if the members had any questions regarding the 2014 financial data.

3. Authority Members should have received two disclosure forms to be filled out by Friday, January 30th. The "Personal and Business Relationships Disclosure Form" is required pursuant to NJ Statute 52:34-10.11 for anyone, including Authority Members and Staff, involved in the procurement process. The "Annual Outside Activity Questionnaire" is required pursuant to the State's Uniform Code of Ethics. Mr. Hopkins encouraged Members to consult with Robin Piotrowski, the Authority's Human Resources Manager and Ethics Liaison Officer, if they had any questions.

4. Hospital & Other News

   a. Deborah Zastocki, President of Chilton Medical Center, will be retiring on April 2nd after 11 years leading Chilton. Atlantic Health System, which merged with Chilton in 2014, will begin a national search for Ms. Zastocki's successor.

   b. Meridian Health announced that Kenneth Sable, M.D. will be the new President of Jersey Shore University Medical Center. Dr. Sable was most recently Executive Vice President and Chief Operating Officer at St. Peter's Healthcare System in New Brunswick.

   c. Robert Wood Johnson University Hospital has named Michael Antoniades as Executive Vice President and Chief Operating Officer of both its New Brunswick and Somerset campuses. Mr. Antoniades has been an operations executive at Robert Wood Johnson since 2011. Prior to that he was Vice President of Operations at University Medical Center at Princeton from 2007 to 2010.

   d. Moody's has upgraded $124.6 million in bonds issued by the Authority on behalf of Trinitas Regional Medical Center to Baa2 from Baa3. The outlook has been revised from positive to stable on the higher rating. Trinitas' favorable financial performance, the fact it is a safety net provider, its historic credit strength and improved performance were reasons cited for the upgrade.

   e. Standard & Poor's has raised the rating on debt issued on behalf of St. Luke's University Health Network to "A-" from "BBB+." The debt includes approximately $37.4 million issued by the Authority for St. Luke's Warren Hospital in Phillipsburg, NJ.

   f. Hackensack University Health Network and Seton Hall University have announced plans to establish a private medical school on the former site of the Roche headquarters in Nutley and Clifton. The school is expected to start admitting students for the 2017 fall semester pending accreditation. There are currently four medical schools in New Jersey, all public. Two are affiliated with

Rutgers University and two are affiliated with Rowan University. Hackensack, which recently announced plans to merge with Meridian Health, hopes that the new school will help New Jersey retain doctors.

g. Barnabas Health has purchased property owned by Jersey City adjacent to Jersey City Medical Center, which was recently acquired by the Barnabas system. Barnabas plans to use the site for expansion of Jersey City Medical Center services including medical offices, mixed-use development and parking.

h. Virtua is considering construction of a new acute care hospital on property it purchased a year ago in Westhampton. The new hospital, if built, would house 330 beds, medical offices and other outpatient and support services, is expected to take seven years to complete and cost $700 to $800 million. The location is about one mile from Virtua Memorial Hospital in Mount Holly.

i. AtlantiCare has opened its third outpatient surgery center in Little Egg Harbor. It also has outpatient surgery centers in Egg Harbor Township and Cape May Court House. With more and more procedures able to be done on a same-day, outpatient basis, hospitals have expanded into owning outpatient surgery centers.

j. Valley Hospital and Mount Sinai Health System announced in December that they were forming a strategic alliance. The alliance was characterized by Valley as a strong academic affiliation and not a merger.

k. Capital Health and Inspira Health Network this year joined four other New Jersey health care organizations in Medicare's Accountable Care Organization program. ACOs are set up to better coordinate care of patients and ultimately have been shown to save Medicare money.

l. The Town of Morristown is attempting to challenge the property tax exemption of Morristown Medical Center based on its for-profit doctors' practices and steep prices. Loss of property tax exemption could create a financial drain on Morristown Medical Center and set a troubling precedent for hospitals around the state. The case may be decided by the tax court in the next few months.

m. The CN and CHAPA application for the sale of St. Michael's Medical Center to Prime Healthcare Services have not yet been declared complete.

n. Additional articles are being provided today on: improvements in hospital care New Jersey; penalties for hospital acquired conditions at New Jersey hospitals; discussions and speculation on continuation of tax-exemption for bonds; new IRS regulations on hospital collection practices; rating agencies dim outlook on the not-for-profit hospital sector but bright outlook for for-profit health care organizations; the low volume of municipal bonds issued for hospitals even as other municipal bond issuance was up; issues and predictions for health care in

2015; MSRB's call to have the SEC do a comprehensive review of the disclosure rules under Rule 15c2-12; and President Obama's expected February proposal to raise the cap for bank qualified bonds which was done temporarily in 2009 and 2010 under ARRA and proved helpful to many of the Authority's borrowers.

5. Authority News

a. Sadly, Paige Piotrowski, the Authority's Database Administrator, has tendered her resignation effective tomorrow. Paige, who joined us just about two years ago, will be going to work as a Financial Analyst at Reckitt Benckiser, which is the parent company behind brands such as French's Mustard, Lysol, Calgon, Air Wick, Woolite and Mucinex. Paige did a great job here at the Authority and we wish her all the best in her new job. We have posted and advertised for her replacement.

b. We are happy to welcome Maria Kinney to the Authority as our Office Management Assistant. Maria has worked for the last two years as a clerk typist at the New Jersey Department of Transportation. Prior to that she worked over 13 years as a Customer Service Representative and/or Call Center Representative at organizations such as Capital Health System, ICT Group, Cenlar FSB Mortgage Company, MediMedia USA and the Educational Testing Service.

As there was no further business, following a motion by Dr. Kazmir and a second by Mr. O'Neill, the Members voted unanimously to adjourn the meeting at 10: 43 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 JANUARY 22, 2015.

____

Carole A. Conover, Assistant Secretary