

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on April 23, 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, Vice-Chair (Chairing); Brian O'Neill, Designee of the Commissioner of Health; Greg Lovell, Designee of the Commissioner of Human Services; Maryann Kralik, Designee of the Department of Banking and Insurance; Dr. Munr Kazmir, Public Member; and, via telephone, Suzette Rodriguez, Public Member.

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

Mark Hopkins, Steve Fillebrown, Suzanne Walton, Ron Marmelstein, Michael Ittleson, Carole Conover, Bill McLaughlin, Carl MacDonald, Taryn Jauss, Frank Troy, Ellen Lieber, Debra Coons, Marji McAvoy, Edwin Fuentes and Chris Kniesler.

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

Cliff Rones, Attorney General's Office; Tyler Yingling, Governor's Authority Unit; John Draikiwicz, Gibbons, P.C.; and, Vijar Kohli, VM Global.

CALL TO ORDER

Vice Chair Elisa Charters called the meeting to order at 10:04 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. March 26, 2015 Authority Meeting

Minutes for the Authority's March 26, 2015 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. Mr. Lovell seconded. Ms. Charters, Mr. O'Neill, Ms. Kralik, Mr. Lovell and Dr. Kazmir vote to approve the minutes; Ms. Rodriguez abstained and the minutes were approved.

2. TEFRA HEARING

A. Barnabas Health

Ms. Charters announced that the following portion of the meeting was a public hearing in connection with the Barnabas Health Master Lease Program transaction. This hearing is taking

place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Ms. Charters asked Suzanne Walton to present the details of the Barnabas Health Master Lease Program.

Ms. Walton stated that in November of 2011, the Members approved a Master Lease Agreement and forms of Sublease Agreements and other ancillary documents on behalf of Barnabas Health in an amount not to exceed \$70 million. Under the Master Leasing Program, the Authority will lease equipment from a lessor and sublease the same equipment to Barnabas Health or one of its affiliates at tax-exempt rates. A public hearing was held at the November 2011 Authority Meeting pursuant to the requirements of Section 147(f) of the Internal Revenue Code of 1986 relating to the various pieces of equipment.

According to Ms. Walton, it was announced at the November 2011 meeting that the Authority would, under one or more Master Lease and Sublease Agreements, provide a tax-exempt funding vehicle to Barnabas Health. The proceeds of this transaction were to: (i) finance the costs of leasing and subleasing health care equipment to Barnabas Health or one of its affiliates at various project locations as set forth in the Notice of Public Hearing, including, but not limited to, radiology, cardiology, pediatrics, obstetrics, nuclear medicine, oncology and general medicine purposes and for computer related equipment; and, (ii) to finance legal, accounting, consulting and other administrative costs related to the leasing program. After the public hearing, the Minutes from the Meeting were sent to the Governor who approved the tax-exempt leasing program that was described in the public hearing.

Ms. Walton informed the Members that, under the tax code, the approval of the Governor after a public hearing is valid with respect to the issuance of tax-exempt leases that are “issued” within three years of the date of the hearing and approval. Barnabas Health has requested that the Authority issue approximately \$8,500,000 to finance the costs of leasing and subleasing health care equipment to Barnabas Health or one of its affiliates at various project locations including Saint Barnabas Medical Center, Jersey City Medical Center, Community Medical Center, Monmouth Medical Center, Monmouth Medical Center – Southern Campus and Clara Maass Medical Center. Since the previous TEFRA approval is no longer valid, it is necessary for the Authority to conduct a new public hearing for this equipment and provide the results of such hearing to the Governor for his approval of the issuance of the tax-exempt lease under the Master Leasing program. There are no changes to the Master Lease Agreement, the Sublease Agreement or any of the ancillary documents.

Ms. Walton said that, since there are no changes to the documents or the leasing program, it is not necessary for the Authority to take any action other than the holding of a public hearing to comply with the provisions of the Code in order to permit the lease in this instance to be issued on a tax-exempt basis. To date, including the new lease transactions, Barnabas Health has entered into leases totaling approximately \$40 million leaving \$30 million available for new leases.

Ms. Charters asked if there were any comments or questions from the Authority Members or the public regarding the TEFRA hearing for Barnabas Health. There were no questions or comments.

B. Samaritan Healthcare and Hospice

Ms. Charters announced that the following portion of the meeting was a public hearing in connection with the Samaritan Healthcare and Hospice transaction. This hearing is taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Ms. Charters then asked Carl MacDonald to present the details of the Samaritan Hospice and Healthcare transaction.

Mr. MacDonald reminded the Members that Samaritan Healthcare and Hospice, Inc. requested and received approval to undertake a tax-exempt public offering of approximately \$10 million. The proceeds of the issuance are to be used to construct a Hospice Inpatient Center in Voorhees, New Jersey adjacent to the Virtua Campus. It was originally the intention to request approval of a Contingent Sale of Bonds at this meeting; therefore, notice was published for a TEFRA hearing. However, Samaritan, along with their Counsel, decided to postpone the Contingent Sale. As a result, the Samaritan is not seeking the approval of a Contingent Bond Sale this month.

Mr. MacDonald stated that, since the TEFRA notice for a public hearing has been advertised, Samaritan requested that the Authority still hold a public hearing for this transaction and allow for public comment. The holding of a public hearing does not bind the Authority to approve the transaction. Approval will occur at the discretion of the Members at a subsequent meeting when the final documents are presented. The public hearing held today will satisfy the federal tax law provisions with regard to this transaction when and if approved by the Authority and the Governor at such later date.

Mr. MacDonald asked the Members to conduct a public hearing and seek public comment with regard to a tax-exempt bond financing on behalf of Samaritan Healthcare and Hospice, Inc. as required by law. The Authority, subsequent to the hearing will consider a loan to Samaritan Healthcare & Hospice, Inc. to be used to: (1) construct and equip an approximately 30,000 square foot inpatient hospice facility; (2) pay capitalized interest on the Bonds; and (3) pay certain costs incidental to the issuance and sale of the Bonds. The maximum size of the Bond Issue will not exceed \$10 million.

Ms. Charters asked if there were any comments or questions from the Authority Members or the public regarding the TEFRA hearing for Samaritan Healthcare and Hospice. There were no questions or comments.

Ms. Charters then closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended regarding the proposed financings on behalf of Barnabas Health and Samaritan Healthcare and Hospice.

Ms. Charters reminded the Members that these were informational presentations and no action was required.

3. APPROVAL DOCUMENT IMAGING CONTRACT

Ms. Charters asked Ellen Lieber to provide the Members with the Staff's recommendation for document imaging services.

Ms. Lieber stated that the contract for document image processing services for the archiving of Trustee Bank Statements and Construction Requisitions on CDs expired in September 2013. She explained that, due to the staffing issues in the State's Division of Revenue and Enterprise Services, Records Management Services and their misunderstanding the Authority's Request for Proposal (RFP) process, the Authority was unable to issue the RFP until March of this year. Staff sent Requests for Proposals to seven (7) firms. A mandatory bidders' conference was held with four (4) firms attending. The Authority subsequently received proposals from three (3) firms.

Ms. Lieber advised the Members that the RFP and the contract were designated as a Set-Aside Contract for small business under the NJ Set-Aside Act. Staff determined that one (1) of the three (3) firms was non-compliant while the other two (2) firms were compliant. Based on the analysis of the pricing and sample billing information received from the two (2) compliant firms, Integrated Data Solutions Inc. was the lowest responsible bidder.

Ms. Lieber said Staff recommended awarding the contract for document image processing services to Integrated Data Solutions, Inc. The contract period will be for three (3) years and the Authority would reserve the right to extend the terms of the contract for a maximum of two (2) additional one-year periods.

Ms. Charters thanked Ms. Lieber for her report and commended the Authority's commitment to diversifying its business by including small businesses among our vendors.

Ms. Charters then asked the Members preference on the recommendation. Dr. Kazmir made the motion to approve the contract. Mr. Lovell seconded the motion. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. OO-53

WHEREAS, the Members of the Authority have reviewed the memorandum dated April 15, 2015 regarding the contract for document imaging services;

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby approve the contract with Integrated Data Solutions for the Authority's document imaging.

4. 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; Ms. Rodriguez seconded the motion. The vote was unanimous, and the motion carried.

AB RESOLUTION NO. OO-54

WHEREAS, the Members of the Authority have reviewed the memoranda dated April 15, 2015 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$8,500.00 and \$7,611.06 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.

5. STAFF REPORTS

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

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

Mr. Hopkins presented the following items to Members:

1. Mr. Hopkins reminded Authority Members and Senior Staff that they are required to file Financial Disclosure Statements with the State Ethics Commission by no later than May 15, 2015. Filings must be made electronically through the State Ethics Commission website. Late filers will be subject to a fine of up to \$50 per day. Authority Members

are required to file the somewhat less onerous disclosure for Public Officers (not Public Employees). Mr. Hopkins said that, if the Members have any questions about the process, to call him or Robin Piotrowski, the Authority's Ethics Liaison Officer.

2. Mr. Hopkins directed the Authority Members to the blank slate of officers and suggested meeting dates provided in their meeting packets. The Authority Members will be asked to elect officers and vote on meeting dates at the annual meeting next month.
3. Mr. Hopkins reported that on April 6th, St. Michael's Medical Center issued a report it commissioned contesting some of the findings of the Navigant Consulting report on healthcare services in the greater Newark. The St. Michael's report, prepared by anti-trust attorney David Ettinger, argued that the recommendations in Navigant report would create a monopoly on hospital services in Newark. Mr. Ettinger warned that it could cause hospital costs to increase and argued that the forecasts of patient volume could be flawed. Several articles on the report are provided today.
4. Hospital & Other News
 - a. Hackensack University Health Network has announced several changes and initiatives over the last month:
 - i. CEO Robert Garrett, who has been CEO of both Hackensack University Medical Center and its parent, Hackensack University Health Network, will be stepping down as CEO of the Medical Center to focus on the Health Network;
 - ii. The Health Network has created the position of Chief Population Health Officer which will be filled by Mark Sparta, formerly the acting CEO of HackensackUMC at Pascack Valley and before that Vice President of Clinical Services and Senior Operations Officer at Hackensack University Medical Center;
 - iii. After having a partnership for the past two years, Palisades Medical Center and the Health Network have entered into a definitive agreement to bring Palisades in as a full member of the Health Network; final approval is required from regulatory bodies;
 - iv. Englewood Hospital and Medical Center and the Health Network have agreed to clinical and academic affiliations but not a merger; and,
 - v. The Health Network has entered into a physician-management agreement with Summit Health Management, which is the parent of Summit Health Group. Summit will manage physicians employed by the Health Network. Hackensack has about 500 employed physicians and Summit Medical Group has about 550. The agreement has Summit managing a small group of the doctors initially, which is expected to grow over time.

- b. Raritan Bay Medical Center has entered into a definitive agreement with Meridian Health. The acquisition will be subject to regulatory review.
- c. Valley Hospital and the Cleveland Clinic have announced a cardiac care affiliation. The Cleveland Clinic has been ranked first in the nation for heart care by the U.S. News & World Report for 20 years.
- d. Fitch has upgraded \$358 million in bonds issued by the Authority on behalf of Meridian Health to “A+” from “A.” The rating outlook remains stable. Fitch cited Meridian’s consistent strong financial performance over the last three years, its growing cash on hand and excellent debt service coverage as some of the reasons for the upgrade.
- e. The CN and CHAPA application for the sale of St. Michael’s Medical Center to Prime Healthcare Services have not yet been declared complete.
- f. Additional articles are being provided today on:
 - i. A finding that the Affordable Care Act has not caused a sharp increase in new patients, despite some predictions that doctors would become overloaded;
 - ii. The increase in health systems creating insurance plans;
 - iii. The increasing trend of hospital mergers;
 - iv. How New Jersey hospitals compare in preventing medication errors;
 - v. National and state ratings from Medicare for hospital patient satisfaction;
 - vi. A finding that health care is the fourth largest industry in New Jersey, providing more than \$30 billion to the State’s GDP in 2012;
 - vii. An op-ed on whether bigger hospitals are better; and,
 - viii. A bi-partisan letter from 122 Congress members urging the House leadership to reject proposed changes to tax-exempt bonds.

5. Authority News

- a. On behalf of the Authority, Mr. Hopkins congratulated Authority Member Suzette Rodriguez on the birth of her daughter Aria Jade on April 2nd.

- b. Mr. Hopkins noted that it is Administrative Professionals' week. Mr. Hopkins, the Authority Members and staff acknowledged all the hard work of the Authorities Administrative Professionals: Taryn Brzdek, the Administrative Assistant for the Division of Operations and Finance; Tracey Cameron, the Administrative Assistant for the Divisions of Project Management and Research, Investor Relations and Compliance; Maria Kinney, the Office Management Assistant, all working under the supervision of Carole Conover, the Authority's Executive Assistant and the Office Manager. Mr. Hopkins thanked them for the extraordinary things they do to make our work easier and our days brighter.
- c. Mr. Hopkins welcomed Nino McDonald as the new Database Analyst. Nino was previously a Health Information Management Analyst at Cooper University Hospital. Prior to that, he worked as a Report Writer Analyst at NRI Group and an Applications Analyst at the Devereux Foundation. Nino has a Bachelor of Science in Business Administration from Syracuse University.
- d. The Authority today sadly recognizes the retirement of two long-time employees effective May 1st:
 - i. Gene Sullens has overseen the Authority's information network for over 15 years. Despite the increased demands placed on the Authority's information system from our growth and technology needs, Gene has handled them with apparent ease. It is a credit to him that our network has remained secure and available to the staff with virtually no hiccups.
 - ii. After over 28 years at the Authority, Director of Project Management Suzanne Walton is retiring. Suzanne has been an extraordinarily organized, hard-working and knowledgeable presence at the Authority. She has done a wonderful job in several positions at the Authority. Suzanne leaves a lasting, fond impression on all of us. She will truly be missed.

Ms. Walton said that Mr. Hopkins has been a great executive director and thanked the Authority Members for their support through the years. She said that she was happy to have gotten to know the Members better in her position as Director of Project Management and that this Board was the best with which she had worked.

Ms. Charters thanked Suzanne for all of her work and commented that her contributions and leadership were impactful.

- 6. Mr. Hopkins then asked Steve Fillebrown to report on the recent National Association of Health and Educational Facilities Finance Authorities (NAHEFFA) Spring Conference.

Mr. Fillebrown reported that:

- The national elections were a major topic of conversation and it was pointed out that:
 - Focus should be on congressional primary elections, not the general as that is where most of Congress is elected;
 - Action on most policy initiatives will depend upon Obama's polls over the next 18 months; and,
 - The Republican primary is a marathon, not a sprint and that what we see today will probably not be the result.
- The discussions on Financing Options tended to be for situations not applicable for the Authority (e.g. small rural hospitals, CCRCs) but equipment leasing and FHA programs were discussed.
- In the Legislative Update, it was stated that nothing significant will be passed before presidential election, however:
 - Positions are being staked out and “churning” of these positions makes it important to keep up education efforts
 - Issuers must watch for “back door” attempts to reduce the attractiveness of municipal bonds buried in unrelated bills
- Advocacy techniques were discussed, particularly:
 - Showcasing the actual projects
 - Emphasizing economic impact of projects
 - Working at the grass roots level or in coalitions
 - Distinguishing health/education bonds from other private activity bonds
- During the MSRB update, it was stated that:
 - Most of the activity has been on rules affecting municipal advisors and implementing provisions of Dodd-Frank;
 - The supervision/compliance obligations rules which are effective this week;
 - The core standards of conduct;
 - Developing the qualification exam;
 - The continued work on disclosure system – EMMA;
 - How to customize your own page; and,
 - Easier searching techniques.
- The IRS presentation discussed dealing with tax issues related to tax-exempt bonds:

- Easiest is remedial action (e.g. redeem bonds) but not always possible (e.g. call protection);
 - VCAP next best, but if you received an examination notice, it is not available; and,
 - You get a better deal the faster you catch it.
- IRS Examination:
 - Most matters resolved through the closing agreement;
 - About 1% of the cases get to the level of taxing bondholders.
- The presentation on the current economy/market included:
 - The belief that high demand/low supply and weak economy will keep rates low through 2015
 - The economy is still considered weak
 - Due to the slow recovery, the labor force participation still low
 - The demographics are more challenging (fewer HS grads, the percentage of age 65 and older is growing)
 - The housing market is getting better but still fragile
- Also NAHEFFA Corporation meeting
 - Aside from regular business, the biggest issue was what to charge borrowers for taxable bonds
 - Missouri – for top 10% (in terms of bonds outstanding), waive fees for taxable bonds
 - Illinois - discounted fee on a one-time basis for an issue
 - There is some concern from other authorities about precedent/trends – countered with that it may be better to keep borrowers in the portfolio for future tax-exempt issuance

Mr. Hopkins asked Mr. Fillebrown to go into more detail about what Illinois was doing regarding the issuance taxable bonds. Mr. Fillebrown replied that Illinois was offering a discount in order to entice taxable bond issues. The Illinois authority was also told by underwriters that having the authority name on the bonds might reduce the top interest rate on taxable bonds by up to 5 basis points. Mr. Ronen interjected that, even if the bonds were subject to federal tax, they would still be exempt from state tax.

Ms. Charters asked Staff to continue to look into new options for the Authority to issue bonds. She then asked for a regular update on new types of bonding – the pros and cons as well as the recommendation from Staff.

- Mr. Fillebrown stated that copies of most of the conference presentations were available at the NAHEFFA website: www.naheffa.com

7. Mr. Hopkins announced that Bill McLaughlin has agreed to fill the role of Suzanne Walton and serve in the newly created position of Assistant Director for Project Management under Steve Fillebrown.

Ms. Charters offered her congratulations and expressed her confidence in Mr. McLaughlin's abilities.

As there was no further business, following a motion by Dr. Kazmir and a second by Mr. Lovell, the Members voted unanimously to adjourn the meeting at 10: 35 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
APRIL 23, 2015.

Carole A. Conover, Assistant Secretary