

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on May 26, 2016 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

Alison Gibson, Designee of the Commissioner of Health (Chairing); Jessica Feehan, 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, Ron Marmelstein, Frank Troy, Michael Ittleson, Carole Conover, Bill McLaughlin, Carl MacDonald, Jessica Lucas, Taryn Rommell, Edwin Fuentes, Bernie Miller, John Johnson and Chris Kniesler.

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

Cliff Rones, Attorney General's Office; Scott Kobler, McCarter English; Jim Foley, Department of Health; Ryan Kennedy, Chief Financial Officer and Maryann Kicenuik, Chief Counsel, Holy Name Medical Center; Kevin J. Slavin, President and Chief Executive Officer and David Alexander, Senior Vice President and Chief Financial Officer and Todd Brower, Senior Vice President and General Counsel, St. Joseph's Healthcare System; Tony Orlando, Senior Vice President for Finance and Chief Financial Officer and Jim Stanton, Director of Finance, Englewood Hospital and Medical Center; Kyle Neeld, Mercadien; Joan Marron and Victor Radina, Morgan Stanley; Kay Fern, Evergreen Financial Services; Matthew Kostinas, David Kostinas & Associates

CALL TO ORDER

Mr. Hopkins called the meeting to order at 10:02 a.m. and announced that this was the Annual Meeting of the Authority, held in accordance with the schedule adopted at the May 28, 2015 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.

Mr. Hopkins recommended that in the absence of the Chair and the fact that the Vice Chair has resigned, that a Chair pro tem be named. Dr. Kazmir nominated Alison Gibson to serve as Chair pro tem for the May 26, 2016 meeting and Ms. Feehan seconded. All Members voted in the affirmative and the motion carried.

1. APPROVAL OF MINUTES

a. April 20, 2016 Special Authority Meeting

Minutes for the Authority's April 20, 2016 Special Authority meeting were distributed for review and approval prior to the meeting. Ms. Gibson asked for a motion to approve the

minutes. Dr. Kazmir made the motion. Ms. Kralik seconded. The vote was unanimous and the minutes were approved.

b. April 28, 2016 Authority Meeting

Minutes for the Authority's April 28, 2016 Authority meeting were distributed for review and approval prior to the meeting. Ms. Gibson asked for a motion to approve the minutes. Dr. Kazmir made the motion. Ms. Feehan seconded. Ms. Gibson, Ms. Kralik, Ms. Feehan and Dr. Kazmir voted in the affirmative. Ms. Rodriguez abstained. The minutes were approved.

2. INFORMATIONAL PRESENTATIONS & NEGOTIATED SALE REQUESTS **Holy Name Medical Center and St. Joseph's Healthcare System**

Ms. Gibson called on Executive Director Mark Hopkins to present the details of the Holy Name Medical Center transaction to the Members.

Mr. Hopkins advised the Members that his presentation would serve as a negotiated sale request in the form of a private placement and an informational presentation. He then introduced Ryan Kennedy, Chief Financial Officer and Maryann Kicenuik, Chief Counsel of Holy Name Medical Center.

Mr. Hopkins informed the Members that Holy Name Medical Center ("Holy Name") has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately \$55 million. The proceeds of the financing will be used to refund the Series 2006 Revenue Bonds issued by the Authority and pay the related costs of issuance.

According to Mr. Hopkins, Holy Name is a not-for-profit medical center located in Teaneck, New Jersey. It provides a full range of comprehensive services primarily to residents of northeast New Jersey.

Mr. Hopkins reported that the outstanding Authority issued obligations of Holy Name include Series 2006 Revenue Bonds, Series 2010 Revenue and Refunding Bonds, and a Variable Rate Composite Program issue in 2006 on behalf of FitnessFirst Oradell Center, LLC. The total outstanding Authority debt issued on behalf of Holy Name is approximately \$103.440 million.

Mr. Hopkins said that the unaudited financial statements from year-end 2015 indicate that Holy Name had an excess of revenues over expenses of \$27.24 million compared to excess of revenues over expenses of \$20.43 million at year-end 2014. Holy Name has 361 licensed beds and employs approximately 1,754 people. In addition, Holy Name Medical Center is currently rated Baa2 by Moody's and BBB by Standard & Poor's. Based on audited numbers for year-end 2014, Holy Name had 118.82 days cash on hand, an operating margin of 6.71% and debt service coverage of 4.19 times.

According to Mr. Hopkins, Holy Name has asked that the Authority to permit the use of a negotiated sale based on the volatile market conditions. Staff also notes that Holy Name could be considered a complex or poor credit. These are reasons considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale.

Mr. Hopkins also stated that, 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. Holy Name's staff conducted an analysis to determine whether to proceed with a private placement or a public offering. Based upon its analysis, staff will be recommending to the Board today that Holy Name should finance through a private placement because it would: (i) expedite the issuance of the refunding bonds; (ii) avoid the requirement for a debt service reserve (lowering the amount borrowed); and (iii) provide for a lower borrowing cost and more flexible terms.

Mr. Hopkins then recommended the consideration of the resolution approving the use of a negotiated sale in the form of a private placement and the forwarding a copy of the justification in support of said resolution to the State Treasurer.

The Attorney General's Office has assigned Wilentz, Goldman & Spitzer, P.A. to serve as Bond Counsel on this transaction.

Mr. Hopkins anticipates that Staff will be requesting the Members' approval of a contingent sale of bonds at the Authority's June Board Meeting. He then said that he, Mr. Kennedy or Ms. Kicenuik would answer any questions the Members had.

There were no questions.

Ms. Gibson asked for a motion to approve the negotiated sale request on behalf of Holy Name Medical Center. Dr. Kazmir made the motion. Ms. Kralik seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-01

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "**RESOLUTION OF INTENT TO ISSUE REFUNDING AND REVENUE BONDS BY A NEGOTIATED SALE IN THE FORM OF A PRIVATE PLACEMENT AND/OR A PUBLIC OFFERING TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26.**"

(attached)

Ms. Gibson called on Executive Director Mark Hopkins to present the details of the St. Joseph's Healthcare System transaction to the Members.

Mr. Hopkins advised the Members that his presentation would serve as a negotiated sale request, and an informational presentation. He then introduced David Alexander, Kevin Slavin and Todd Brower of St. Joseph's Healthcare System.

Mr. Hopkins informed the Members that St. Joseph's Healthcare System ("St. Joseph's") has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately \$260 million. The proceeds of the transaction will be used to: advance refund the Authority's Series 2008 Revenue Bonds; reimburse St. Joseph's for approximately \$40 million in prior capital projects, including \$22.5 million in expenses related to the construction of a new building and \$17.5 million in equipment; provide approximately \$10 million in new money to be used for technology expenses; fund a debt service reserve account, if required; and, pay the related costs of issuance.

According to Mr. Hopkins, St. Joseph's Healthcare System, a NJ not-for-profit healthcare system headquartered in Paterson NJ, that encompasses St. Joseph's Regional Medical Center, St. Joseph's Children's Hospital, St. Joseph's Wayne Hospital, St. Vincent's Nursing Home and Visiting Health Services of NJ. St. Joseph's currently has one bond transaction outstanding with the Authority, The St Joseph's Healthcare System Series 2008 issue, of which currently \$222.945 million is outstanding.

Mr. Hopkins reported that the unaudited financial statements from year-end 2015 indicate that St. Joseph's had an excess of revenues over expenses of \$22.529 million compared to excess of revenues over expenses of \$40.750 million at year-end 2014. St Joseph's has 830 licensed beds and employs over 5,000 people. In addition, St. Joseph's is currently rated Baa3 by Moody's and BBB- by Standard & Poor's. Based on audited numbers for year-end 2014, St Joseph's had 114.08 days cash on hand, an operating margin of 5.52% and debt service coverage of 4.06 times.

Mr. Hopkins then told the Members that, subsequent to the Board package mailing last week, a suit was filed in US District Court against St. Joseph's Healthcare System on behalf of a class of pension participants, seeking an order directing the Hospital to make a contribution to the Hospital's pension plan as necessary to remedy the level of underfunding. The suit claims that St. Joseph's declaration of religious exemption to the Employee Retirement Income Security Act ("ERISA") is erroneous and the Hospital's pension plan is therefore subject to the funding and reporting requirements of ERISA. The St. Joseph's plan is alleged to be underfunded. It is too early in the proceedings to evaluate the case against St. Joseph's and because this action does not bind the Authority to issue bonds, I suggest we move ahead with consideration of the negotiated sale request and seek more information on the suit prior to consideration of the contingent bond sale for St. Joseph's.

Mr. Hopkins said that St Joseph's has asked that the Authority permit the use of a negotiated sale based on the sale of a complex or poor credit, volatile market conditions, as well as large issue size. These are reasons considered, under the Authority's policy regarding Executive Order #26,

to be a justification for the use of a negotiated sale. Mr. Hopkins then recommended the consideration of the resolution, included in the meeting materials, approving the use of a negotiated sale and the forwarding a copy of the justification in support of said resolution to the State Treasurer.

The Attorney General's Office has assigned Gluck Walrath, LLP to serve as Bond Counsel on this transaction.

Mr. Hopkins anticipates that Staff will be requesting the Members approval of a contingent sale of bonds at the Authority's June Board Meeting. Mr. Hopkins then said that he, Mr. Alexander, Mr. Slavin or Mr. Brower would answer any questions the Members had. There were no questions

Ms. Gibson asked for a motion to approve the negotiated sale request on behalf of St. Joseph's Healthcare System. Dr. Kazmir made the motion. Ms. Feehan seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-02

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "**RESOLUTION OF INTENT TO ISSUE REVENUE NOTES BY A NEGOTIATED SALE IN THE FORM OF A PUBLIC OFFERING PURSUANT TO EXECUTIVE ORDER NO. 26.**"

(attached)

Ms. Gibson then asked Mr. McLaughlin to present the request for co-managers for the St. Joseph's transaction.

Mr. McLaughlin reported that St. Joseph's Healthcare System has notified the Authority that they have completed a competitive process and selected Morgan Stanley & Co. to serve as their Senior Managing Underwriter. In addition, the Hospital has requested that the Authority consider the appointment of the firms of Wells Fargo Securities and Bank of America Merrill Lynch as Co-managing underwriters on the forthcoming public transaction.

Mr. McLaughlin said that, given the expected \$257 million par amount for the public series, Staff is recommending the assignment of four Co-managers. Staff supports the Borrower's recommended appointment of Wells Fargo Securities and the Bank of America Merrill Lynch as Co-managers and proposes adding the firms of TD Securities and Stern Brothers & Co. to the transaction as Co-managers.

According to Mr. McLaughlin, each firm has been qualified by the Authority to serve in the role of co-managing underwriter, has demonstrated the ability to distribute New Jersey securities and has sufficient capital to participate in the transaction. Mr. McLaughlin then told the Members

that Staff is requesting the Members approval to name Wells Fargo Securities, the Bank of America Merrill Lynch, TD Securities and Stern Brothers & Co. as Co-managers on the St. Joseph's Healthcare System Series 2016 transaction.

Ms. Gibson asked for a motion to approve the appointment of Wells Fargo Securities, Bank of America Merrill Lynch, TD Securities and Stern Brothers & Co. as Co-managers for the St. Joseph Healthcare System transaction. Dr. Kazmir made the motion. Ms. Kralik seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-03

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the appointment of Wells Fargo Securities, Bank of America Merrill Lynch, TD Securities and Stern Brothers & Co. as Co-managers for the St. Joseph Healthcare System transaction.

(attached)

3. INFORMATIONAL PRESENTATION & NEGOTIATED PRIVATE PLACEMENT Englewood Hospital and Medical Center Master Lease

Ms. Gibson asked Executive Director Mark Hopkins to inform the Members of the details of the negotiated sale request on behalf of Englewood Hospital and Medical Center under the Authority's Master Lease Program.

Mr. Hopkins began by introducing Tony Orlando, Senior Vice President for Finance and Chief Financial Officer for Englewood Hospital and Medical Center ("Englewood"), and Jim Stanton, Director of Finance.

Mr. Hopkins said that Englewood has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt master lease financing of approximately \$27 million. The proceeds of the financing will be used to fund the acquisition of an EPIC electronic health record system, including software, licensing, hardware and implementation. Englewood will access the EPIC system through a separate agreement with EPIC, as well as its affiliation with Hackensack University Health Network ("Hackensack"). The implementation is expected to be completed by late 2017.

According to Mr. Hopkins, under the Authority's Master Leasing program, a hospital enters into a purchase contract with a vendor to acquire certain pieces of equipment. In order to finance the cost of the equipment, the hospital enters into an arrangement to lease the equipment from a Lessor. The leasing arrangement, in order to procure a lower rate of leasing, will be in the form of the Master Lease whereby the Lessor, TD Equipment Finance, will lease the equipment to the Authority (the "Lessee") and the Authority will sublease the equipment to the hospital pursuant to a schedule appended to the Master Lease. The purpose of the Authority as the "Lessee" is to

assure that the interest portion of the lease financing will immediately vest in the hospital, subject to the rights of the Lessor in having a valid security interest in the financed equipment, until final payment is made by the hospital under the Master Lease. The Authority's obligation under the Master Lease is solely to pass through the lease payments received from the hospital to the Lessor. The hospital has all of the obligations regarding maintenance of the equipment, lease payments, actions upon default, etc. as are normally imposed upon a lessee of equipment. The Authority has no such obligations and is to be fully indemnified by the Sublessee.

Mr. Hopkins told the Members that Englewood Hospital and Medical Center, Inc. a not-for-profit organization, was founded in 1888. It is a 531-licensed bed, major teaching, acute care hospital, established and operated for the delivery and promotion of healthcare. The Medical Center has approximately 900 voluntary and employed physicians.

Mr. Hopkins reported that, according to FY2015 audited financial statements and the Authority's Apollo Report, Englewood generated an excess of revenues over expenses of \$12.21 million and \$13.559 million for the years ending 2015 and 2014, respectively. The decrease was attributable to a rise in expenses due to increased salaries, wages, and supplies. The hospital experienced an increase in Total Operating Revenues of \$52.279 million from FY2014 to FY2015. Unaudited numbers for the first quarter of 2016 reflect an excess of revenues over expenses of \$1.743 million.

Mr. Hopkins said that since FY2013, inpatient admissions have increased from 23,860 to 25,525 in 2015; and occupancy rates have increased from 41.21% in 2013 to 43.64% in 2015. According to Financial Projections provided by Englewood, admissions are projected to increase 3.1% for FY2016. In addition, financial ratios designed to measure the Hospital's liquidity; operating performance and capital structure have improved over the last three years. Englewood has seen a consistent increase in days cash on hand from 36.01 in 2013 to 44.38 in 2015. Based on audited numbers at year-end 2015, Englewood has an operating margin of 2.49% and debt service coverage of 2.51 times.

Englewood has utilized the services of this Authority in the past, and currently has outstanding Capital Asset Loans through the Authority totaling \$7.533 million as of May 1, 2016. Englewood has done a taxable financing outside the Authority using FHA Section 241 and Section 242 insured mortgage loans totaling \$132.23 million outstanding as of December 31, 2015.

Mr. Hopkins reported that Englewood has asked that the Authority permit the use of a negotiated sale in the form of a private placement based on a sale of a complex or poor credit; sale of a complex financing structure; and programs or financial techniques that are new to investors. These are reasons considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale.

Mr. Hopkins also reported that, 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. Englewood has provided justification that a private placement would be most fitting since the Lessor is accepting the equipment as the only security on the lease. Mr. Hopkins then recommended the consideration of the resolution approving the use of a private placement form of negotiated sale and forwarding a copy of the justification in support of said resolution to the State Treasurer.

The Attorney General's office has appointed Gluck Walrath as bond counsel for the transaction.

Mr. Hopkins told the Members that Englewood has met with TD Equipment Finance, who has provided a funding commitment and term sheet. Upon execution, the Working Group will finalize leasing documents. Mr. Hopkins anticipates returning next month to seek the Members' authorization to enter into a Master Leasing Agreement with Englewood Hospital and Medical Center. Mr. Hopkins concluded by saying that he, Mr. Orlando and Mr. Stanton would answer any question the Members had. There were no questions

Ms. Gibson asked for a motion to approve the negotiated sale request on behalf of Englewood Hospital and Medical Center under the Authority's Master Lease Program. Dr. Kazmir made the motion. Ms. Kralik seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-04

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled **RESOLUTION OF INTENT TO ISSUE REVENUE NOTES BY A NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26**

(attached)

4. NEGOTIATED SALE REQUEST **Equipment Revenue Note Program**

Ms. Gibson informed Members that the Authority's Equipment Revenue Note Program offers borrowers a quick turnaround for financings no greater than \$15 million, the proceeds of which may only be used to acquire equipment or retrofit a facility for equipment. One of the factors contributing to the quick turnaround is that the Authority annually approves the private placement method of sale for all projects fitting the program's specific criteria.

Ms. Gibson asked for a motion to approve this annual resolution to approve the pursuit of a negotiated sale of bonds through private placement for transactions issued through the Authority's Equipment Revenue Note Program through May 31, 2017. Dr. Kazmir made the motion. Ms. Feehan seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-05

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled “RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26.”

(attached)

5. AUDIT COMMITTEE REPORT

As Chair of the Authority’s Audit Committee, Ms. Gibson gave a report to the Members on the findings in the 2015 Audit.

Ms. Gibson reported that, on May 10, representatives from Mercadien, LLC presented the Audit Committee with the Authority’s 2015 Audit. Following their presentation, the Committee voted to approve the audit. Today the Committee is recommending the Authority’s approval of the 2015 Audit, as well as its submission to the Governor, members of the Legislature, the Secretary of State, and the Comptroller of the Treasury, as is required by the Authority’s enabling legislation.

Ms. Gibson highlighted a few key aspects of the 2015 audit:

First, that the Authority received an unmodified audit opinion, which is the highest level of audit opinion that can be received.

Further, Mercadien’s audit of the Authority’s financials found:

- No significant or unusual Authority transactions, no disagreements with management on the scope of the audit or application of accounting principles and no difficulties dealing with management.
- There was one audit adjustment made to the original trial balance presented to the auditors due to the delay in receiving the Authority’s pension liability from the Division of Pensions and Benefits.
- There were no unrecorded audit adjustments.
- In regards to all major accounting estimates, all of management’s estimation processes appeared appropriate.

Ms. Gibson said that it was an extremely impressive audit and commended the Authority Staff, and specifically, Controller Michael Ittleson, Ellen Leiber, Marji McAvoy and the rest of the Division of Operations, Finance and Special Projects for another year of outstanding work.

Ms. Gibson then asked if the Members had any questions for Kyle Neeld, the auditor. There were no questions

Ms. Gibson asked for a motion to approve the Authority's 2015 Audit and submit it according to the Authority's enabling legislation. Dr. Kazmir made the motion. Ms. Feehan seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-06

NOW, THEREFORE, BE IT RESOLVED, that Authority Members hereby approve a resolution to authorize the 2015 Audit's approval and submission to the Governor, Members of the Legislature, the Secretary of State, and the Comptroller of the Treasury, as is required by the Authority's enabling legislation.

6. RESOLUTION OF APPRECIATION

Elisa A. Charters

Ms. Gibson announced that Vice Chair Elisa Charter has resigned as a Member of the Authority. She then asked Mark Hopkins to read the Resolution of Appreciation into the record.

Ms. Gibson asked for a motion to approve the resolution. Dr. Kazmir made the motion. Ms. Kralik seconded. All Members voted in the affirmative and the resolution passed.

AB RESOLUTION NO. QQ-07

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION OF APPRECIATION FOR ELISA A. CHARTERS" as Public Member and Vice Chair of the Authority and thanks her for her service.

(attached)

7. OLD/NEW BUSINESS

a. Election of Officers

Ms. Gibson announced that the May meeting serves as the Authority's Annual Meeting and therefore, the Members were required to elect officers and approve meeting dates for the upcoming year. Ms. Gibson offered the following slate of Authority officers for the coming year.

Officers of the Authority

Vice Chair	Dr. Munr Kazmir
Secretary	Suzette Rodriguez
Assistant Secretaries	Carole Conover Ron Marmelstein (vacant)
Treasurer	Suzette Rodriguez
Assistant Treasurer	(vacant)

Authority Finance Committee

Chairman	Suzette Rodriguez
Members	Dr. Munr Kazmir Suzette Rodriguez (vacant)
Alternate Member	(vacant)

Authority Evaluation Committee

Chairman	Suzette Rodriguez
Members	Suzette Rodriguez Dr. Munr Kazmir (vacant)

Ms. Gibson also nominated the ex-officio Members from the Department of Health and Department of Banking and Insurance – or their designees – and a representative from Treasury to serve on the Audit Committee.

According to the Authority's enabling legislation, Cathleen D. Bennett, as Acting Commissioner of Health, will remain as Chair.

Ms. Gibson asked for a motion to approve the slate of Officers as presented. Ms. Feehan made the motion. Ms. Kralik seconded. The vote was unanimous and the motion carried.

Ms. Gibson noted that the term of the Authority's elected officers will begin immediately following the Governor's ten-day veto period, barring any veto notification from the Governor's Office.

AB RESOLUTION NO. QQ-08

WHEREAS, with respect to the Authority's elected official positions, one of the three Assistant Secretary roles and the role of Assistant Treasurer will remain vacant and may be filled at a later date with the appointment of new Authority Members,

NOW, THEREFORE, BE IT RESOLVED, that the following individuals are hereby elected to serve in the official positions noted until May 25, 2017, or until the next election of officers:

Vice Chair – Dr. Munr Kazmir

Secretary – Suzette Rodriguez

Assistant Secretaries –Carole Conover and Ron Marmelstein

Treasurer – Suzette Rodriguez

BE IT FURTHER RESOLVED, that the Authority's Finance Committee will be chaired by Suzette Rodriguez with Dr. Munr Kazmir serving as Committee member.

BE IT FURTHER RESOLVED, that the Authority's Evaluation Committee will be chaired by Suzette Rodriguez with Dr. Munr Kazmir as Committee member.

BE IT FURTHER RESOLVED, that the Authority's Audit Committee consists of the ex-officio Members from the Department of Health and Department of Banking and Insurance – or their designees – and a representative from Treasury.

b. 2016/2017 Calendar

Ms. Gibson referenced a proposed list of dates on which to conduct meetings of the Authority and its Finance Committee for the coming year. Dr. Kazmir offered a motion to adopt the schedule; Ms. Feehan seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. QQ-09

NOW THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the following schedule of dates on which to conduct meetings of the Finance Committee and the Authority; and,

BE IT FURTHER RESOLVED, that, as provided by the provisions of the Open Public Meetings Act and the Authority's By-laws, the Assistant Secretary is authorized to provide notice of these meeting dates to the Authority's designated newspapers, to post notice in the Authority offices and on the Authority's website, and provide notice to the Secretary of State:

FINANCE 10:00 a.m.	AUTHORITY* 10:00 a.m.
2016	2016
Tuesday, June 7	Thursday, June 23
Tuesday, July 12	Thursday, July 28
Tuesday, August 9	Thursday, August 25
Tuesday, September 6	Thursday, September 22
Tuesday, October 11	Thursday, October 27
Wednesday, November 9	Thursday, November 17
Tuesday, December 6	Thursday, December 15
2017	2017
Tuesday, January 10	Thursday, January 26
Tuesday, February 7	Thursday, February 23
Tuesday, March 7	Thursday, March 23
Tuesday, April 11	Thursday, April 27
Tuesday, May 9	Thursday, May 25**

*A Finance Committee meeting has also been scheduled immediately following every Authority meeting.

** Annual Meeting

Ms. Gibson noted for the record that, unless advertised to the contrary, all meetings are open to the public and shall be held in the Authority's office on the fourth floor of Building #4, Station Plaza, South Clinton Avenue, Trenton, New Jersey. She added that the Authority's staff will perform the required public announcement and notification of the meeting dates once the Governor's ten-day veto period has passed.

8. APPROVAL OF EXPENSES

Ms. Gibson 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. Feehan seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. QQ-10

WHEREAS, the Members of the Authority have reviewed the memoranda dated May 18, 2016 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$49,260.00 and \$24,901.46 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.

9. STAFF REPORTS

Ms. Gibson thanked Staff for the Project Development Summary, Cash Flow Statement and Legislative Advisory reports.

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

Mr. Hopkins presented the following items to Members:

1. On Monday, the Senate Judiciary Committee approved Governor Christie's nominations of Acting Health Commissioner Cathleen Bennett and Acting Banking and Insurance Commissioner Richard Badolato. The nominations now move to the full Senate for final approval.
2. Hospital & Other News
 - a. On May 1, 2016, St. Michael's Medical Center officially became part of Prime Healthcare Services. Robert Iannaccone will be the hospital's new CEO. Accountants are working diligently to determine the exact final purchase price, after applying several adjustments required by the Asset Purchase Agreement, but it is estimated to be over \$61 million. The Authority has engaged in negotiations with the Unsecured Creditors

Committee to determine the amount the Authority will receive from the sale and we are awaiting their response to our last offer of settlement.

- b. Concerned Residents of Ridgewood have filed a suit against Valley Hospital and the Ridgewood Village Planning Board to block the master plan approved by the Planning Board that would permit Valley to build a new hospital on its current site.
- c. RWJBarnabas Health has named Darrell Terry, Sr. as the new CEO of Newark Beth Israel Medical Center. Mr. Terry has been serving as interim CEO since former CEO John Brennan left for an opportunity out of state in February. Mr. Terry has been with the RWJBarnabas system for 18 years and has 30 years of experience in hospital administration.
- d. Atlantic Health System has named Trish O’Keefe as President of Morristown Medical Center, replacing David Shulkin who left last July to become Under Secretary for Health at the United States Department of Veterans Affairs. Ms. O’Keefe has served as interim President since Mr. Shulkin’s departure. She started as a nurse at the hospital in 1981 and became Chief Nursing Officer in 1996 and Chief Experience Officer in 2012.
- e. Moody’s has assigned an “A2” rating to the approximately \$187,155,000 of bonds being issued by the Authority on behalf of Inspira Health Network. Fitch has assigned an “A” rating to the bonds. Both rating agencies stated the rating outlook was stable.
- f. Thirty (30) New Jersey municipalities have filed property tax appeals against nonprofit hospitals within their borders. Nonprofit hospitals have long been considered exempt from property taxes, but a June 2015 tax court decision found that Morristown Medical Center was obligated to pay property taxes. Legislators have been looking for a universal resolution to this issue through legislation but none has been signed into law to date.
- g. Eighteen New Jersey hospitals will benefit from an additional \$33 million in Medicare reimbursements. Senators Menendez and Booker and New Jersey’s Congressional delegation urged the Center for Medicare and Medicaid Services to continue to recognize a “rural floor” requiring the Medicare payments to hospitals to be no less than those in rural areas of the country. New Jersey is considered to be all urban areas.
- h. Facing a budget shortfall in State Fiscal Year 2017, Governor Christie has proposed cutting Charity Care payments to hospitals by \$25 million. The federal government matches the New Jersey contribution to Charity Care, so the effect of the cut will total \$50 million if adopted in the budget.

- i. Mr. Hopkins referenced some of the articles of importance in the Members' packets instead of summarizing them, including: (i) the ongoing disputes over Horizon's Omnia tiered health insurance plan; (ii) other New Jersey and national hospital news; (iii) Affordable Care Act effects on New Jersey; and (iv) tax reform proposals that could eliminate or reduce the benefits of tax-exempt bonds. He also highlighted a three-part series in NJBiz on hospital operating margins, property tax concerns, tiered networks and emergency room visit trends and reimbursements. He also mentioned several articles on hospital mergers, including the effect the Affordable Care Act is having on them and, specifically a Pennsylvania hospital system merger that was blocked by the Federal Trade Commission, which has been overruled by a federal court.

3. Authority News

- a. Mr. Hopkins welcomed Jim Foley who is the new Executive Director of Healthcare Financing at the Department of Health. Mr. Hopkins said that his former role was as CFO of Shore Memorial Hospital.
- b. Mr. Hopkins announced that Taryn Rommell was promoted from the position of Compliance Manager to the position of Assistant Director of the Division of Research, Investor Relations and Compliance effective May 30, 2016, and Marji McAvoy will be promoted from Senior Account Administrator to Controller effective July 1, 2016.
- c. Mr. Hopkins told the Members that Dr. Kazmir was honored on Tuesday night by the Chabad Center of Somerset, Hunterdon and Union Counties. He said it was a lovely evening with many dignitaries speaking of the wonderful work Dr. Kazmir does in his community, in New Jersey, around the country and around the world. He congratulated Dr. Kazmir on this well-deserved honor.
- d. Mr. Hopkins mentioned that Jim Petrino, Director of the Office of Public Finance has accepted a position with the Delaware River Joint Toll Bridge Authority. The Authority worked with Mr. Petrino on several transactions for the state, including Marlboro Hospital, Greystone Hospital and University Hospital.

Mr. Hopkins asked Frank Troy to provide the Members with a summary of the NAHEFFA Spring Conference.

Mr. Troy informed the Members that the conference was held April 6th & 7th in Scottsdale Arizona. Representatives from twenty-three (23) authorities from around the country attended.

Mr. Troy reported that the Washington Update focused on taxes with emphasis on the treatment of municipal bonds. He said that the panelists believe that there is no chance of federal tax

legislation this year. In addition, it is felt that major tax reform may not happen even if one party is in control. However, it was noted that both political parties have made proposals in the past to eliminate or reduce the attractiveness of municipal bonds to investors.

According to Mr. Troy, with a new president taking office and possibly a democratic congress next year, there is fear of a major tax bill. As a result, NAHEFFA is preparing to significantly increase advocacy efforts by hiring an additional lobbying firm.

Mr. Troy said that the Capital Markets Update panel included a senior credit officer from Moody's, which rates 435 (about 40%) of approximately 1,200 not-for-profit hospitals and health care systems. Moody's had a total of 319 ratings actions in 2015 with 85% (270) being affirmations. The 50 upgrades & downgrades were about evenly split. Their median rating is A2, which is upper medium investment grade and their sector outlook is stable up from negative. Moody's sees stable volumes and greater insurance coverage due to the Affordable Care Act and the resultant higher cash flow.

Mr. Troy also spoke about the panel discussion on mergers. Unlike New Jersey, the speakers did not see the size of health care systems as critical to success in this age of population health management with the shift from volume to value and risk-sharing arrangements. They see the ability to partner as vital as well as the ability to collect, process, analyze and share data. By using "Big Data," the providers, insurers and government payers have a much better means to track population health and pinpoint costs. Expect significant investment in IT and systems.

Mr. Troy concluded by saying that state authorities are looking at their current policies anticipating continued industry consolidation with fewer, but much larger deals going forward.

As there was no further business, following a motion by Dr. Kazmir and a second by Ms. Kralik, the Members voted unanimously to adjourn the meeting at 10: 51 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
MAY 26, 2016.

Carole A. Conover, Assistant Secretary