

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on November 17, 2016, on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

(Chairing); James Foley, Designee of the Commissioner of Health; Maryann Kralik, Designee of the Commissioner of the Department of Banking and Insurance; Jessica Feehan, Designee of the Commissioner of Human Services; and, via telephone, Vice Chair Dr. Munir Kazmir, Public Member; and Suzette Rodriguez, Public Member.

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

Mark Hopkins, Ron Marmelstein, Bill McLaughlin, Carole Conover, Jessica Lucas; Marji McAvoy, Ellen Lieber, Taryn Rommell, Debra Coons, John Johnson, Neetu “Nikki” Thukral, Edwin Fuentes, Nino McDonald, and Chris Kniesler.

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

Cliff Rones, Attorney General’s Office; Jim Fearon, Gluck Walrath, LLC; Mike Albanese, TD Bank; and, via telephone, Patrick Curboy, Marsh USA

CALL TO ORDER

Executive Director Mark Hopkins 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 26, 2016 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 because the Vice Chair was participating by telephone, that a Chair pro tem should be named. Ms. Feehan nominated Jim Foley to serve as Chair pro tem for the November 17, 2016 meeting and Ms. Rodriguez seconded. All Members voted in the affirmative and the motion carried.

1. APPROVAL OF MINUTES

a. October 27, 2016 Authority Meeting

Minutes for the October 27, 2016 Authority meeting were distributed for review and approval prior to the meeting. Mr. Foley asked for a motion to approve the minutes. Dr. Kazmir made the motion. Ms. Rodriguez seconded. All Members voted in the affirmative and the minutes were approved.

2. BOND SALE REPORT

Atlantic Health System

RWJBarnabas Health

Mr. Foley called upon Bill McLaughlin to provide the Members with the details of the Atlantic Health System and RWJBarnabas Health bond sales.

Mr. McLaughlin informed the Members that, on September 20, 2016 the Authority, along with Goldman, Sachs & Co. (“Goldman Sachs”), as lead underwriter, priced the \$224,800,000 publicly issued tax-exempt Series 2016 bond financing on behalf of AHS Hospital Corporation. The bonds were rated A1/AA- by Moody’s and Standard & Poor’s, respectively.

Mr. McLaughlin said that the proceeds of the Series 2016 issuance were, or will be, used to advance refund a portion of AHS’s Series 2008A issue; advance refund a portion of AHS Hospital Corporation’s Series 2011 issue; and pay the related costs of issuance.

According to Mr. McLaughlin, the transaction was structured with serial bonds from 2017 to 2036 and a term bond maturing in 2041. The order period began with the following priority of orders: New Jersey retail; national retail; net designated; and member. At the conclusion of the order period, the transaction was over three times oversubscribed and the underwriting team had received orders from over sixty investors. This oversubscription led to the underwriting team adjusting the yields downward 2 to 5 basis points throughout the curve.

Mr. McLaughlin concluded by saying that Goldman Sachs made an offer to underwrite the bonds at the new levels and the Staff gave the verbal award. Yields on the Series 2016 bonds ranged from 0.82% on the 2017 maturity to 3.20% on the 2041 maturity. The transaction achieved net present value savings of \$33.4 million or 14.3% of the refunded bonds. The final all-in TIC for this transaction was 3.17%. This transaction closed on October 6, 2016.

Mr. McLaughlin then reported on the RWJBarnabas Health sale.

Mr. McLaughlin reported that, on October 19, 2016 this Authority along with Citigroup, as lead underwriter, priced the \$679,135,000 publicly issued tax-exempt Series 2016A bond financing on behalf of RWJBarnabas Health. The bonds were rated A1/A+ by Moody’s and Standard & Poor’s, respectively.

Mr. McLaughlin told the Members that the proceeds of the Series 2016A issuance were, or will be, used to: refund, refinance and/or restructure outstanding obligations of both Barnabas and RWJ in order to place them under a new Master Trust Indenture; fund existing renovation/expansion projects primarily at Clara Maas Medical Center and St Barnabas Medical Center; and pay the related costs of issuance.

Mr. McLaughlin said that the transaction was structured with serial bonds from 2022 to 2036 and two term bonds maturing in 2043. The order period began with the following priority of orders: New Jersey retail; national retail; net designated; and member. At the conclusion of the order

period, the underwriting team had received orders totaling over \$1.85 billion from more than 120 investors. This oversubscription led to the underwriting team adjusting the yields downward 3 to 10 basis points for the 2022 to 2027 maturities and 2 basis points on the 2033 and 2043 maturities.

Mr. McLaughlin concluded by telling the Members that Citigroup made an offer to underwrite the bonds at the new levels and the Staff gave the verbal award. Yields on the Series 2016A bonds ranged from 1.60% on the 2022 maturity to 3.68% on the 2043 maturity. The final all-in TIC for this transaction was 3.80%. This transaction closed on November 2, 2016.

Mr. McLaughlin offered to answer any questions from the Members.

Mr. Foley informed the Members that this was for informational purposes only and that no action was required.

3. CAPITAL ASSET PROGRAM **Amendment to the Program Documents**

Mr. Foley called upon Jessica Lucas to provide the Members with the reason for amending the program documents.

Ms. Lucas began by reminding the Members that, at the October 5, 2016 Authority Special meeting, they approved the appointment of TD Bank, National Association as the direct pay letter of credit provider for the Capital Asset Program, Series A-D, and the Optional Redemption of \$50,000,000 of the outstanding balance of the Program. Later that month, at the October 27, 2016 Authority meeting, Members approved the appointment of TD Securities (USA) LLC, as the 2016 Remarketing Agent for Capital Asset Program, Series A-D.

Ms. Lucas then directed the Members to the Resolution provided in the meeting packets that: authorizes the execution of various documents relating to the substitute credit facility to be provided by TD Bank, National Association in support of the Capital Asset Financing Program, Series 1985 Bonds; authorizes the execution of the Twenty-Third Supplemental Trust Agreement with the Bond Trustee and a new Remarketing Agreement with TD Securities (USA) LLC; authorizing a Remarketing Circular for use in connection with the mandatory tender of the Bonds; and approving and ratifying all additional documents and actions in connection with the Capital Asset Program's substitute credit facility.

According to Ms. Lucas, the Attorney General's Office reviewed the Resolution, 2016 Letter of Credit, 2016 Reimbursement Agreement, Termination of the 1993 Bank Documents, Acknowledgement of Mandatory Tender, the Twenty-Third Supplemental Trust Agreement, 2016 Remarketing Agreement, and 2016 Remarketing Circular. Ms. Lucas said that Staff recommends the Members' consideration of the resolution.

Ms. Lucas said that she or Bond Counsel Jim Fearon of Gluck Walrath, LLP, would answer any question from the Members.

Ms. Lucas then turned the meeting over to Mr. Fearon to present the details of the resolution.

James Fearon of Gluck Walrath LLP, the Bond Counsel, stated that the resolution authorizes various actions in connection with the replacement of the credit and liquidity facilities securing the \$50 million in Series A and B Bonds that will remain outstanding following the December 1 partial optional redemption (which the Authority previously authorized at the October 5 meeting). Mr. Fearon said that the 1985 Bonds currently have a three-part security structure: a standby letter of credit to secure payment of principal on the bonds at maturity or redemption, a bank bond purchase agreement to secure payment of the principal portion of the purchase price on bonds that are tendered for purchase but not successfully remarketed, and a line of credit agreement to secure payment of the underlying hospital loans. The new structure will be a single direct-pay letter of credit to pay principal and interest and will constitute a Substitute Credit Facility, a Substitute Liquidity Facility and a Substitute Line Agreement under the Trust Agreement. This substitution will result in a mandatory tender of all Series A and B bonds, which will then be remarketed under the new credit and liquidity structure.

According to Mr. Fearon, the resolution approves the new direct-pay letter of credit, to be issued by T.D. Bank, N.A., which is the entity which the Authority previously approved at the October 5, 2016 meeting. In addition, the Resolution authorizes the execution of a Letter of Credit and Reimbursement Agreement with T.D. Bank, setting forth the payment and reimbursement terms, consistent with the term sheet that was previously presented to the Authority.

Mr. Fearon told the Members that the resolution also authorizes the execution of a Twenty-Third Supplemental Trust Agreement, which amends various provisions of the Trust Agreement to accommodate the new bank structure and the requirements of T.D. Bank's term sheet. Additionally, the resolution also authorized the execution of a new Remarketing Agreement with TD Securities (USA) LLC, the entity which the Authority previously approved at the October 27 meeting to serve as remarketing agent in connection with the mandatory tender, and thereafter. The Resolution also approves the form of a Remarketing Circular, which (together with the 1985 official statement) will be circulated in connection with the remarketing of bonds following the mandatory tender.

In conclusion, Mr. Fearon said that the Resolution authorizes the giving of various notices in connection with the foregoing, as well as the execution and delivery of such other documents and the taking of such other action as may be necessary or appropriate to effectuate the foregoing.

Mr. Foley thanked Ms. Lucas and Mr. Fearon for their reports and asked if the Members had any questions. There were no questions.

Mr. Foley then asked for a motion to adopt the resolution approving the amendment of the program documents for the CAP program. Ms. Feehan made the motion. Ms. Kralik seconded. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. QQ-45

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the Resolution entitled, “RESOLUTION RELATING TO THE AUTHORITY’S 1985 HOSPITAL CAPITAL ASSET FINANCING PROGRAM, AUTHORIZING THE EXECUTION OF VARIOUS DOCUMENTS RELATING TO THE SUBSTITUTE CREDIT FACILITY TO BE PROVIDED BY TD BANK, N.A. IN SUPPORT OF THE 1985 BONDS, AUTHORIZING THE EXECUTION OF A SUPPLEMENTAL TRUST AGREEMENT WITH THE BOND TRUSTEE AND A NEW REMARKETING AGREEMENT WITH TD SECURITIES (USA) LLC, AUTHORIZING A REMARKETING CIRCULAR FOR USE IN CONNECTION WITH THE MANDATORY TENDER OF THE AUTHORITY’S 1985 BONDS, AND APPROVING AND RATIFYING ALL ADDITIONAL DOCUMENTS AND ACTIONS IN CONNECTION WITH THE FOREGOING.

(attached)

4. DIRECTORS AND OFFICERS LIABILITY INSURANCE POLICY RENEWAL

Mr. Foley called on Controller Marji McAvoy to brief the Members on the renewal of the Directors and Officers Liability Insurance policy.

Ms. McAvoy introduced Patrick Curbooy, Marsh USA who participated by telephone.

Ms. McAvoy reported that the Authority’s \$20 million Directors & Officers Liability/Employment Practices Liability policy, which is provided through National Union Fire Insurance Company of Pittsburgh, PA (AIG) expires on December 18, 2016. The expiring policy is a one-year policy with a premium of \$81,010 plus a NJ surcharge of \$567, for a total of \$81,577. The deductible on the expiring policy is \$175,000.

Ms. McAvoy stated that the D&O/EPL policy provides protection to past, present and future members of the Authority board, committee members, officers and staff. It is a claims made policy and provides coverage for a claim which is first made against the policy period and reported in writing to the insurer.

Ms. McAvoy told the Members that the Authority's broker, Marsh USA, approached the three A-rated insurance carriers with regards to a new policy:

1. AIG provided three options, including our current coverage:
 - a. \$20M limit with \$175K deductible for \$81,415 plus \$489 NJ Surcharge.
 - b. \$15M limit with \$175K deductible for \$66,722 plus \$400 NJ Surcharge.
 - c. \$10M limit with \$175K deductible for \$48,009 plus \$288 NJ Surcharge.
2. Chubb provided one option:
 - a. \$10M limit with \$175K deductible for \$70,104 plus \$421 NJ Surcharge.
 - b. Chubb declined to provide a \$15M or \$20M option, but did provide a quote on \$5M excess coverage for \$27,526, including the .6% NJ surcharge.
3. Hartford declined to quote due to the class of business.

Ms. McAvoy said that the Authority has chosen to maintain the \$20 million limit of liability policy for many years. Since policies with \$15 million or \$10 million limits would require the purchase of a \$10 million or \$5 million excess liability policy from another carrier, those options have been eliminated.

According to Ms. McAvoy, AIG is one of the very few carriers that can provide such a large limit and they advised Marsh USA that this option may not be available next year. The net increase in premium for the AIG policy with a \$20 million limit is \$327, or .4% over the expiring policy. Ms. McAvoy informed the Members that after careful review of the option, Staff recommends staying with AIG with the \$20M limit policy for this year.

Mr. Foley thanked Ms. McAvoy for his report and asked if the Members had any questions. There were no questions. He then asked for a motion to accept Staff's recommendation and renew the policy with AIG.

Dr. Kazmir made a motion and Ms. Feehan seconded. All Members voted in the affirmative and the motion carried.

AB RESOLUTION NO. QQ-46

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the renewal of the Directors and Officers Liability Insurance policy with AIG.

5. APPROVAL OF EXPENSES

Mr. Foley 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. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. QQ-47

WHEREAS, the Members of the Authority have reviewed the memoranda dated November 7, 2016 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$2,134.00 and \$1,218.83 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.

6. STAFF REPORTS

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

Mr. Foley asked Executive Director Hopkins to present his Executive Director's report.

Mr. Hopkins then presented the following items to Members:

Mr. Hopkins apologized to Members about the 2017 Budget originally scheduled for a vote at this meeting. He explained that some errors were discovered in the annual fees and there were two requests for changes made by the Governor's Authority Unit and that the corrections were being made.

Mr. Hopkins then suggested several dates for a second Finance Committee meeting: November 30; December 7; or December 15, prior to the Authority meeting. He also mentioned that public notice has already been given for a Finance Committee meeting on December 6. He asked the Finance Committee Members to let Carole Conover know when they are available.

1. There will be an Audit Committee meeting on Thursday, December 15th after the Authority meeting. Audit Committee members include Alison Gibson, Maryann Kralik and Ryan Feeney.

2. Hospital & Other News

- a. On November 10th, Hackensack Meridian Health and JFK Health announced that they have entered into a letter of intent to merge. The merger includes intent to keep the JFK brand. The parties are in the process of negotiating a definitive agreement for the merger which will be followed by regulatory applications. Regulatory approvals will be needed before the merger is finalized. There is also an article provided today on how Hackensack Meridian is succeeding with two CEOs.
- b. St. Joseph's Regional Medical Center has informed us that it has named a new CFO. Dennis Roemer will be taking over the CFO position from David Alexander. Mr. Roemer was most recently CFO at Lancaster General Health. He was also previously CFO at Georgia Health Sciences University and MCG Health System and Cooper Health System. An article is also included on the Authority's recent \$243 million financing for St. Joseph's.
- c. CarePoint and RWJBarnabas are at odds over RWJBarnabas' plans to open a satellite emergency department in Bayonne and CarePoint's plans to open nine satellite emergency departments in Bergen, Hudson and Passaic counties.
- d. Virtua is planning a \$35 million cancer center in Moorestown and a \$22 million family health center in Camden.
- e. Inspira discussed its plans for growth, including a new hospital in Harrison Township.
- f. Three new clinics for targeting complex conditions are being funded by a \$1.9 million grant from The Nicholson Foundation and launched through a collaboration among Robert Wood Johnson Partners, Rutgers Robert Wood Johnson Medical School, Rutgers Biomedical and Health Sciences, RWJBarnabas Health System, RWJ University Hospital and Children's Specialized Hospital.
- g. In ratings actions:
 - i. Fitch affirmed its "BBB" rating of \$304.6 million of bonds issued by the Authority on behalf of Princeton HealthCare System with an outlook of stable; and (ii) Fitch upgraded \$42.7 million of bonds issued by the Authority on behalf of Hunterdon Healthcare System from "A" to "A+" with an outlook of stable.
- h. Leapfrog Group has issued its Fall 2016 Hospital Safety Grades. New Jersey fared well with over one-third of its hospitals receiving "A" grades. Two articles

and a complete list of the Leapfrog Group's grades for all New Jersey hospitals are being provided today.

- i. In New Jersey Health Care news, articles are included on: (i) gains in value-based healthcare in New Jersey; (ii) an event that highlighted telemedicine and its potential cost savings; (iii) a new proposal approved by Assembly committee to protect patients from surprise out-of-network hospital and doctor bills and opposition thereto; (iv) Horizon Blue Cross Blue Shield's claim that its relatively low 5.4% to 6.2% increase in Omnia plan premiums on the ACA exchange is proof that tiered-network health plans work to save money; and (v) reactions from the New Jersey health care community to the election of Donald Trump.
- j. In national health care news, the following articles are provided: (i) President-Elect Trump's threat to repeal the Affordable Care Act is expected to put pressure on hospital bonds; (ii) nationally about 200 fewer hospitals will earn Medicare bonuses under the value-based purchasing program than last year; (iii) S&P is forecasting that the gains the nonprofit health care sector has seen in recent years have probably peaked; and (iv) a study published in Health Affairs showing the importance of strong community networks to the success of long-term improvements in population health.
- k. In national regulatory news, the following articles are included: (i) the 7th Circuit Court of Appeals has overturned a district court ruling which prevented the FTC from delaying the proposed merger of Advocate Health Care and NorthShore University Health System due to anti-trust concerns (this follows similar action by the Third Circuit Court of Appeals overturning a District Court decision refusing the FTC an injunction to delay the Penn State Hershey Medical Center and Pinnacle Health System merger); and (ii) President-Elect Trump's tax proposals may endanger the future issuance of tax-exempt bonds.
- l. In municipal bond market news, since the election, yields on 10 year AAA General Obligation municipal bonds have increased 48 basis points and yields on 30 year AAA General Obligation municipal bonds have increased 47 basis points.

3. Authority News

- a. Mr. Hopkins informed the Members that Robin Piotrowski was celebrating her 15th anniversary at the Authority this month.
- b. Mr. Hopkins also acknowledged that Ellen Lieber celebrated her 5th anniversary at the Authority in October.
- c. Mr. Hopkins announced that Account Administrator Edwin Fuentes is being promoted to the position of Project Manager effective November 28, 2016.

Edwin has been at the Authority for over eight years. We are currently advertising for a new Account Administrator.

As there was no further business, following a motion by Ms. Feehan and a second by Ms. Kralik, the Members voted unanimously to adjourn the meeting at 10: 26 a.m.

I HEREBY CERTIFY THAT THE FOREGOING
IS A TRUE COPY OF MINUTES OF THE NEW
JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY MEETING HELD
NOVEMBER 17, 2016.

Carole A. Conover, Assistant Secretary