

Minutes of the New Jersey Health Care Facilities Financing Authority Special Meeting held on December 7, 2017 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

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

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

Mark Hopkins, Ron Marmelstein, Frank Troy, Bill McLaughlin, Carole Conover, Marji McAvoy, Ellen Lieber, Jessica Lucas, Michael Solidum and Chris Kniesler

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

Cliff Rones, Attorney General's Office; Aimee Manocchio-Nason, Attorney General's Office; David Moore, Acting Director for the Office of Public Finance; John Dellocono, Senior Vice President and Chief Financial Officer, CentraState Medical Center; John Kelly, Wilentz, Goldman & Spitzer P.A; Dacia Haddad, Eckert Seamans Cherin & Mellot, LLC; and via telephone, Nicholas Kant, Governor's Authorities Unit

CALL TO ORDER

Executive Director Mark Hopkins called the meeting to order at 10:05 a.m. and announced that this was a Special Meeting of the Authority. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

Mr. Hopkins recommended that in the absence of the Chair and the fact that the Vice Chair was participating by telephone, that a Chair pro tem be named. Dr. Kazmir nominated Jim Foley to serve as Chair pro tem for the December 7, 2017 special meeting and Ms. Feehan seconded. Mr. Hopkins called for a vote. All Members voted in the affirmative and the motion carried.

1. CONTINGENT BOND SALE **CentraState Medical Center**

Mr. Foley called on Bill McLaughlin to provide the Members with the details of the contingent bond sale request on behalf of CentraState Medical Center.

Mr. McLaughlin began by introducing John Dellocono, Senior Vice President and Chief Financial Officer for CentraState Medical Center.

Mr. McLaughlin advised the Members that they were being asked to consider a contingent sale of bonds on behalf of CentraState Medical Center (the “Medical Center”), in an aggregate principal amount not to exceed \$34,300,000. The proceeds of the Series 2017A Bonds, together with other funds, will be used by the Medical Center to refund and redeem all of the Authority’s outstanding CentraState Medical Center Series 2006A Bonds and pay the related costs of issuance.

Mr. McLaughlin stated that the Medical Center, a wholly-owned subsidiary of the CentraState Healthcare System (the “System”), is a 276-bed general acute care community hospital located in Freehold, NJ. The Medical Center provides a broad range of adult, pediatric and newborn acute care services as well as numerous outpatient, ambulatory and emergency care services and enjoys a leading market position in an affluent and high growth service area with an absence of any significant nearby inpatient competition.

According to Mr. McLaughlin, the Series 2017A Bonds will be issued and sold on a direct purchase basis to Siemens Public, Inc. and the proceeds thereof will be used to currently refund, redeem and defease all of the Authority’s outstanding Series 2006A Bonds. The bonds have a final maturity date of July 1, 2037. The refunding of all of the outstanding Series 2006A Bonds through the issuance of the Series 2017A Bonds is expected to produce approximately \$5.053 million in present value savings for the Medical Center. The Series 2017A Bonds will be secured by payments made by the Medical Center under a separate Loan Agreement with the Authority, as evidenced and secured by a Promissory Note issued pursuant to the provisions of the Medical Center’s Master Trust Indenture. The Medical Center is currently rated Baa1 by Moody’s.

Mr. McLaughlin stated that, in accordance with Authority policy, CentraState’s management was required to submit financial projections. The projections covering the years 2017 through 2022 have been reviewed by staff prior to the mailing.

Mr. McLaughlin then turned the meeting over to John Kelly of Wilentz, Goldman & Spitzer P.A., Bond Counsel, to present the Bond Resolution pertaining to the transaction. Following his presentation, Mr. McLaughlin said that he, Mr. Dellocono or Mr. Kelly would answer any questions the Members had.

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer P.A., Bond Counsel, stated that the Bond Resolution authorizes the issuance of tax-exempt Series 2017A Bonds in an aggregate principal amount not in excess of \$34,300,000 and provides that the Series 2017A Bonds shall have a final maturity date of no later than July 1, 2037. The Bond Resolution provides that the Series 2017A Bonds will bear interest at a fixed rate to maturity, subject to adjustment as provided in the Trust Agreement pursuant to which the Series 2017A Bonds will be issued; provided that the true interest cost of the Series 2017A Bonds shall not exceed 4.00% per annum. The fixed interest rate for the Series 2017A Bonds will be determined prior to closing. The Series 2017A Bonds will be subject to redemption prior

to maturity as set forth therein and in the Trust Agreement, provided, that the redemption price cannot be greater than 105%, except in the case of any optional “make-whole” redemption of the Series 2017A Bonds.

The Series 2017A Bonds will be secured by payments made by CentraState Medical Center under a Loan Agreement with the Authority. The obligations of the Medical Center under the Loan Agreement with the Authority will be evidenced and secured by a Promissory Note issued by the Medical Center pursuant to the provisions of a Master Trust Indenture and by amounts on deposit in certain funds held by the Bond Trustee pursuant to the Trust Agreement. The Bond Resolution also approves the form of and authorizes the execution of a Direct Bond Purchase Agreement with Siemens Public, Inc., for the purchase of the Series 2017A Bonds. The Direct Bond Purchase Agreement must be executed prior to the close of business on March 21, 2018. No disclosure document is being prepared in connection with the issuance of the Series 2017A Bonds and, as a result, the Bond Resolution also requires Siemens Public, Inc. to provide the Authority with a travelling investor letter on or prior to the date of closing.

Additionally, the Bond Resolution approves the form of and authorizes the execution and delivery of (i) the Series 2017A Bonds, (ii) the Trust Agreement for the Series 2017A Bonds, and (iii) the Loan Agreement with the Medical Center for the Series 2017A Bonds. Further, the Bond Resolution appoints TD Bank, National Association, as Bond Trustee, Bond Registrar and Paying Agent for the Series 2017A Bonds. In addition, the Bond Resolution also authorizes the Authorized Officers of the Authority to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Trust Agreement, the Loan Agreement, the Direct Bond Purchase Agreement and the Letter of Instructions relating to the refunding of the Series 2006A Bonds, the completion of the refunding, and the issuance and sale of the Series 2017A Bonds.

Mr. Foley asked if anyone had any questions on the proposal. There were no questions.

Mr. Foley asked for a motion to approve the resolution authorizing a contingent bond sale on behalf of CentraState Medical Center. Dr. Kazmir made the motion. Ms. Rodriguez seconded. Mr. Foley asked if there were any questions on the motion. There were no questions. Mr. Foley called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. RR-32

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled, **“A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, CENTRASTATE MEDICAL CENTER OBLIGATED GROUP ISSUE, SERIES 2017A.”**

(attached)

2. NEGOTIATED SALE REQUEST AND CONTINGENT BOND SALE State Contract Refunding Bonds (Hospital Asset Transformation Program.)

Mr. Foley asked Bill McLaughlin to explain the details of the negotiated sale and contingent bond sale request to the Members.

Mr. McLaughlin introduced David Moore, Acting Director for the Office of Public Finance.

Mr. McLaughlin informed the Members that the Office of the State Treasurer has requested that the Authority undertake a tax-exempt negotiated sale of refunding bonds. He added that this presentation will serve as both a request for negotiated sale and a contingent bond sale.

According to Mr. McLaughlin, the proceeds from the proposed transaction would be used: to execute a current refunding of all or a portion of the Authority’s State Contract Bonds (Hospital Asset Transformation Program – St. Mary’s Hospital, Passaic, NJ Issue) Series 2007-1 (“Series 2007-1”) (this transaction currently has \$14,275,000 outstanding); to advance refund of all or a portion of the NJHCFFA State Contract Bonds (Hospital Asset Transformation Program) Series 2008A (“Series 2008A”) (issued in support of the St. Michael’s Medical Center, this transaction currently has \$165,830,000 outstanding); and to pay related costs of issuance.

Mr. McLaughlin told the Members that the proposed transaction will be at a maximum amount of \$200,000,000 of publicly issued tax-exempt refunding bonds and will be structured as a fixed rate financing. The working group expects to receive credit ratings from both Moody’s and the Standard & Poor’s prior to mailing the preliminary official statement for this transaction.

Mr. McLaughlin then reminded the Members that the Hospital Asset Transformation Program bonds are special, limited obligations of this Authority, payable solely from

payments received by the Authority from the State Treasurer pursuant to each of the respective Contracts Implementing Funding Provisions of the New Jersey Health Care Facilities Financing Authority Law, by and between the State Treasurer and the Authority, and any amounts held under the respective Bond Resolutions. All amounts paid to the Authority under the State Contract are subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature

Mr. McLaughlin reported that the financing is expected to include the sale of bonds under volatile market conditions; the development of a complex financing structure; and a large issue size. Each of these reasons is considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale. Therefore, staff recommends the consideration of the resolution approving the use of a negotiated sale and the forwarding of a copy of the justification in support of this resolution to the State Treasurer.

Mr. McLaughlin also stated that the Members are being asked to approve a contingent sale of the Authority's State Contract Refunding Bonds (Hospital Asset Transformation Program) Series 2017 to refund the Series 2007-1 Bonds, the Series 2008A Bonds and pay related costs of issuance.

Mr. McLaughlin advised the Members that, following the receipt of proposals, the Treasurer's Office and the Authority selected Goldman, Sachs & Co. as the Senior Managing Underwriter for the bonds. Academy Securities, Bank of America Merrill Lynch, Loop Capital and PNC were selected as co-managing underwriters. The Bank of New York Mellon, N.A. was selected to serve as Bond Trustee. Further, the Attorney General's Office selected Eckert Seamans Cherin & Mellot, LLC to serve as bond counsel for the transaction

Mr. McLaughlin said that Dacia Haddad of Eckert Seamans Cherin & Mellot, LLC, the Bond Counsel would present the Bond Resolution pertaining to this transaction. He concluded by saying that following Ms. Haddad's presentation, he, Ms. Haddad or Mr. Moore or would address any questions or concerns the Members may have.

BOND RESOLUTION

Dacia A. Haddad of Eckert Seamans Cherin & Mellot, LLC, the Bond Counsel, stated that the Bond Resolution authorizes the issuance of tax-exempt Series 20017 Bonds in an aggregate principal amount not in excess of \$200,000,000. The Series 2017 Bonds will bear true interest cost at a fixed rate to maturity not to exceed 6.00%. The Series 2017 Bonds will mature no later than October 1, 2038 and may be subject to redemption prior to maturity if set forth therein, provided, that the redemption price will be no greater than 105%. The Series 2017 Bonds will be secured by payments made by the State Treasurer under the Contract Implementing Funding Provisions of the New Jersey Health Care Facilities Financing Authority Law, between the Authority and Treasurer of the State of New Jersey.

The Bond Resolution approves the form of and authorizes the execution of a Bond Purchase Contract with Goldman, Sachs & Co. LLC, on its own behalf and as Representative of the other underwriters for the Series 2017 Bonds prior to the close of business on March 13, 2018. The Bond Resolution also approves the form of the Series 2017 Bonds, Preliminary Official Statement, Official Statement, two Escrow Agreements, a Continuing Disclosure Agreement and a Letter of Instructions. The Series Resolution appoints The Bank of New York Mellon, N.A., as Trustee, Bond Registrar and Paying Agent for the Series 2017 Bonds. In addition, it authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or advisable in connection with issuance, sale and delivery of, and security for the Series 2017 Bonds

Mr. Foley asked if anyone had any questions on the proposal. There were no questions.

Mr. Foley asked for a motion to approve the resolution authorizing the use of a negotiated sale in the form of a public offering for the State Contract Refunding Bonds (Hospital Asset Transformation Program.) Dr. Kazmir made the motion. Ms. Kralik seconded. Mr. Foley asked if there were any questions on the motion. There were no questions. Mr. Foley called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. RR-33

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)

Mr. Foley asked for a motion to approve the resolution authorizing a contingent bond sale for the State Contract Refunding Bonds (Hospital Asset Transformation Program.) Dr. Kazmir made the motion. Ms. Rodriguez seconded. Mr. Foley asked if there were any questions on the motion. There were no questions. Mr. Foley called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. RR-34

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the Bond Resolution entitled, “**NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY STATE CONTRACT REFUNDING BOND RESOLUTION (HOSPITAL ASSET TRANSFORMATION PROGRAM) SERIES 2017.**”

(attached)

3. AUTHORITY EXPENDITURE: DIRECTOR’S AND OFFICERS LIABILITY AND EMPLOYMENT LIABILITY INSURANCE

Mr. Foley called upon Controller Marji McAvoy to explain the premium payment request to the Members.

Ms. McAvoy reminded the Members that they voted to accept the renewal of our Directors and Officers Liability insurance as proposed by our broker, Marsh USA, Inc. The former coverage expires and the new coverage commences December 18, 2017.

According to Ms. McAvoy, any expenses over \$2,500 would normally be approved at the regularly scheduled December Authority meeting on December 14. The invoice is being submitted earlier to obtain the authorized Board Members’ signatures in order to execute the payment of the premium so that Marsh will receive that payment prior to the expiration of the current policy.

Mr. Foley asked if anyone had any questions on the proposal. There were no questions.

Mr. Foley asked for a motion to approve the resolution authorizing the payment of the Directors and Officers Liability and Employer Liability Insurance premium. Dr. Kazmir made the motion. Ms. Feehan seconded. Mr. Foley asked if there were any questions on the motion. There were no questions. Mr. Foley called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. RR-35

WHEREAS, the members of the Authority have reviewed the memorandum dated November 29, 2017, summarizing an expense incurred by the Authority in connection with the Directors and Officers Liability and Employer Liability Insurance in the amount of \$70,923.00, and have found such expense to be appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the members of the Authority hereby approve this expense as submitted, and authorize the execution of a check representing the payment thereof.

Hearing no further business, following a motion by Dr. Kazmir and a second by Ms. Rodriguez the Members voted unanimously to adjourn the meeting at 10:21 a.m.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY SPECIAL MEETING HELD DECEMBER 7, 2017.

Ron Marmelstein, Assistant Secretary