Minutes of the New Jersey Health Care Facilities Financing Authority Meeting held on September 26, 2019 the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

Robin Ford, Designee of the Commissioner of Health (Chairing); Mary Ann Kralik, Designee of the Commissioner of Banking and Insurance; Greg Lovell, Designee of the Commissioner of Human Services and, via telephone, Suzette Rodriguez, Public Member

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

Mark Hopkins, Frank Troy, Ron Marmelstein, Carole Conover, Bill McLaughlin, Alpa Patel, Taryn Rommell, Ellen Lieber, Diane Johnson, Jessica Lucas, Taryn Brzdek, John Johnson, Michael Solidum and Chris Kniesler

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

George Loeser, Attorney General's Office; Lauren LaRusso, Governor's Authorities Unit (arrived at 10:11 am); John Kelly, Wilentz, Goldman & Spitzer P.A.; Eileen Urban, Senior Vice President and Chief Investment Officer and Cathy Dowdy, Senior Vice President of Finance, RWJBarnabas Health; Richard Keenan, Chief Financial Officer, Valley Health; Richard Slotkin, Sills, Cummis and Gross; Katie Meyers, Citi Bank; Maryann Kicenuik, General Counsel, Holy Name Medical Center; Joan Marron, Morgan Stanley; and, via telephone, Carl M. Alberto, Vice President Finance, St. Luke's University Health Network

## 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 23, 2019Authority 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 was unavailable, that a Chair pro tem be named. Mr. Lovell nominated Robin Ford to serve as Chair pro tem for the September 26, 2019 meeting and Ms. Kralik seconded. Mr. Hopkins called for a vote. All Members voted in the affirmative and the motion carried.

1. **APPROVAL OF MINUTES**
   **August 22, 2019 Authority Meeting**

Minutes for the Authority's August 22, 2019 regular meeting were distributed for review and approval prior to the meeting. Ms. Ford asked for a motion to approve the minutes. Mr. Lovell made the motion. Ms. Kralik seconded. Ms. Ford asked if there were any questions on the motion. There were no questions or comments. Ms. Ford then called for a vote. All Members voted in the affirmative and the minutes were approved.

2. **AUTHORITY POLICY AMENDMENTS**

Ms. Ford asked Mark Hopkins to explain the proposed policy amendments to the Members. She then informed the Members that after Mr. Hopkin's presentation the amendments would be voted upon individually.

Mr. Hopkins began by reminding the Members of the Authority's pursuit of ensuring that nonprofit hospitals and healthcare organizations continue to have access to the lower cost of capital available through tax-exempt bonds. To that end, the New Jersey Health Care Facilities Financing Authority (the "Authority") has already responded to comments from our Borrowers and bondholders by modernizing and improving some Authority policies. According to Mr. Hopkins, in the Authority's attempt to balance the inherent competing interests of borrowers and bondholders, the Authority earlier this year adjusted its required ratios, loan payment schedule, captive insurance requirements and triggering events. Last year it also reduced the time necessary to approve the issuance of bonds.

Mr. Hopkins said that, to get additional input and feedback, the Authority held its first Roundtable of hospital CFOs and bond analysts on June 4, 2019. The all-day event was attended by CFOs and other financial executives from 12 nonprofit New Jersey health care systems, representing over 50% of New Jersey nonprofit hospitals, and analysts from ten investment firms, representing over 25% of the Authority's outstanding bonds. Additionally, over the summer, the Authority met individually with several of the largest senior managing underwriters of New Jersey health care bonds.

Mr. Hopkins informed the Members that, from the Roundtable feedback, the Authority staff is prepared to recommend a second phase of changes to Authority policies. Mr. Hopkins noted that all of the policies apply only to publicly issued bonds. He then proceeded to explain the proposed policy changes to the Members.

a. **<u>Debt Service Coverage Ratio and Days Cash on Hand Requirements</u>**

Borrowers shall be required by the Authority to maintain at a minimum Debt Service Coverage Ratio (DSCR) and Days Cash on Hand as below (more may be required as the market demands, based on the advice of the underwriter and/or the financial advisor). Note that where there is a choice, the Borrower must select the option that best suits it at the time of drafting the bond documents. Should the rating category on the bonds change while the bonds are outstanding, the Debt Service Coverage Ratio and Days Cash on Hand requirements will spring into the respective requirements for such rating category, effective the next quarterly reporting period after the quarter the rating change occurs. If the bonds are enhanced the rating category will be the higher of the bond enhancer or the Borrower.

**"AA/Aa"** No Authority imposed requirement (but any market-imposed requirements must be reported and certified by the Borrower to the Authority)

**"A"** 1.10 DSCR + 60 Days Cash on Hand or 1.25 + 45 Days Cash on Hand

**"BBB/Baa"** 1.25 DSCR + 60 Days Cash on Hand or 1.50 + 45 Days Cash on Hand

**Below Investment Grade**
**or Unrated** 1.25 DSCR + 90 Days Cash on Hand or 1.50 + 75 Days Cash on Hand

**b. Investor Calls**

Borrowers are encouraged to have at least an annual investor call.

Borrowers shall be required to hold quarterly investor calls if the Borrower falls within 10 days of the Days Cash on Hand requirement or 0.10 of the Debt Service Coverage Ratio requirement for two consecutive quarters. Investor Calls shall continue quarterly until the borrower returns to 10 days above the Cash on Hand Requirement or 0.10 above the Debt Service Ratio Requirement.

Investor calls shall also be required following a 15% drop in Days Cash on Hand or a 15% drop in Debt Service Coverage Ratio from one quarter to the next or a 30% drop in Days Cash on Hand or a 30% drop in Debt Service Coverage Ratio over any four quarters. Investor calls under these circumstances will continue quarterly for four consecutive quarters (unless otherwise required by the paragraph above). Failure to hold an Investor Call will be considered to be non-compliance with the Debt Service Coverage Ratio and Days Cash on Hand requirements of the Loan Agreement and will require the Borrower to retain a consultant who shall produce a consultant's report which must be adopted by the governing body of the Borrower in the same manner as is directed pursuant to Required Ratios section of the Loan Agreement.

**c. Borrowers Prepare Quarterly Management Discussion & Analysis**

Borrowers are encouraged to prepare a reasonably descriptive quarterly management discussion and analysis and post it on EMMA along with its quarterly financial statements. If a Borrower has triggered Investor Calls, it will be required to prepare a reasonably descriptive quarterly management discussion and analysis and post it on EMMA along with its quarterly financial statements. The management discussion and analysis must include explanations of material variances from budget and/or prior year. Failure to provide a reasonably descriptive quarterly management discussion and analysis will be considered to be non-compliance with the Debt Service Coverage Ratio and Days Cash on Hand requirements of the Loan Agreement and will require the Borrower to retain a consultant who shall produce a consultant's report which must be adopted and by the governing body of the Borrower in the same manner as is directed pursuant to Required Ratios section of the Loan Agreement.

**d. Semi-Annual Construction Progress Reports**

Within 185 days of the issuance of bonds, Borrowers must begin to provide semi-annual construction reports (could be a stage analysis, examples to be provided) on EMMA or hold semi-annual investor calls regarding construction on any individual construction project in excess of $100 million for investment grade Borrowers, in excess of $50 million for below-investment grade or unrated hospital borrowers and in excess of $6 million for below-investment grade or unrated non-hospital borrowers (not to include renovations occurring within the footprint of existing buildings that do not take more than five (5) beds out of service). Such reports or calls shall continue until 95% of the Project is completed or a Certificate of Occupancy is received. Failure to provide a written construction progress report or hold an investor call on construction progress as described above will be subject to enforcement by the Authority, the Trustee or any Holder or beneficial owner of the bonds through an action for specific performance.

**e. Title Insurance**

Borrowers required to provide a mortgage must obtain title insurance from a company rated in at least the "A" category by any two or more of AM Best, Demotech, Fitch, Kroll, Moody's or S&P in an amount of at least 75% of the par amount of bonds for projects up to $20 million, and in an amount equal to at least $15 million for any project between $20 million and $75 million and at least 20% of the par amount of bonds for which more than $75 million of bonds will be issued, up to a maximum of $200 million in title insurance.

**f. Borrowers Disclose Bios of Board Members Annually**

A Borrower will be required to include in their primary market disclosure, and in annual updates on EMMA, the names, terms and brief relevant experience of all the members of its governing body and its Chief Executive Officer. Failure to provide the information above will be subject to enforcement by the Authority, the Trustee or any Holder or beneficial owner of the bonds through an action for specific performance.

**g. One Meeting Approval Process**

Only one meeting may be required for approval of the issuance of bonds under the following conditions: (i) the Borrower contacts the Authority with a request for Bond Counsel with an adequate amount of time for appointment of bond counsel by the Attorney General's office and for bond counsel to perform any necessary due diligence and draft the necessary bond documents (we estimate this would be at least fifty (50) days prior to the Authority meeting at which the Borrower expects to request approval of a Contingent Bond Sale); (ii) TEFRA Notices and the TEFRA Hearing are timely completed in compliance with TEFRA at or before the Authority meeting at which the Borrower expects to request approval of a Contingent Bond Sale; (iii) the structure of the deal is finalized and the bond resolution is in final form ten (10) days before the Authority meeting and the bond documents are in substantially final form the day before the Authority meeting at which the Borrower expects to request approval of a Contingent Bond Sale; (iv) all necessary approvals, permits and licenses for the project to be financed are secured; (iv) there is adequate time before issuance of the bonds to conduct a thorough and compliant due diligence process; and (v) if the project involves construction, the construction contract has been duly executed by the date of the Contingent Bond Sale.

The one meeting will thus consist of a Negotiated Sale approval (if not seeking a Competitive Sale of the Bonds), an informational presentation by the Borrower (if the financing is not solely a refunding), and a Contingent Bond Sale approval.

Mr. Hopkins concluded by saying that the Authority staff is considering a third phase of policy changes, including increased flexibility for Construction Fund investments and possibly allowing a Contingent Bond Sale to be approved absent certain limited permits or approvals, provided that the necessary permits and approvals are received prior to the marketing of the bonds. Mr. Hopkins added that, for the time being, the Authority does not intend to require Borrowers to post their annual budgets.

Mr. Hopkins then offered to answer any questions the Members had.

Ms. Ford thanked Mr. Hopkins for his hard work in preparing the amendments as well as the Authority staff. She then asked the Members to vote on each proposal.

**a. Resolution amending Debt Service Coverage Ratio and Days Cash on Hand requirements**

Ms. Ford asked for a motion for the Members to approve a resolution amending the Authority's policy on loan agreement Debt Service Coverage Ratio and Days Cash on Hand Requirements. Ms. Kralik made the motion. Mr. Lovell seconded. Ms. Ford asked if the Members had any questions on the motion. Ms. Ford asked if there were any questions or comments from the public. There were no questions. All Members voted in the affirmative and the resolution was approved.

**AB RESOLUTION NO. TT-17**

**RESOLUTION AMENDING DEBT SERVICE COVERAGE RATIO AND DAYS CASH ON HAND REQUIREMENTS**

**WHEREAS**, the New Jersey Health Care Facilities Financing Authority (the "Authority") was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended

(N.J.S.A. 26:2I-1, et seq.) (the "Act"), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey (the "State"); and

**WHEREAS**, the Authority has the authority to enter into contracts with borrowers necessary or incidental to the performance of its duties and the execution of its powers and shall adopt standing rules and procedures for such contracts, pursuant to Section 5(j) of the Act; and

**WHEREAS,** the Authority regularly enters into loan agreements, lease agreements and other finance agreements with borrowers related to and as security for the issuance of the Authority's bonds, notes and leases; and,

**WHEREAS,** as a result of the changes in the health care delivery system in the State and changes in the municipal bond markets, the Authority has been reviewing its policies to ensure continued marketability and efficiency of its financings; and,

**WHEREAS**, the Authority desires to amend certain standard provisions of its loan, lease and other finance agreements to better serve its borrowers and better reflect the current municipal bond market conditions; and

**WHEREAS**, the Authority adopted a confidential resolution during an Executive Session of its meeting on April 6, 1995 "direct[ing] the Executive Director to negotiate agreements with hospital borrowers which will provide for: (1) quarterly certification of . . . a debt service coverage ratio of 1.25 times debt service and a cushion ratio of 1.25 times debt service; and (2) in the event of violation of either of these ratios, the hiring of an independent consultant acceptable to the Authority for a scope of work acceptable to the Authority."; and

**WHEREAS**, the Authority had traditionally required the Borrower to agree that neither it nor any other Member of the Obligated Group will donate, give or transfer, without adequate consideration, any of its cash or marketable securities outside of the Obligated Group unless the Authority and the Trustee are provided with an Officer's Certificate showing that such transfer shall not reduce the number of Days Cash On Hand of the Obligated Group below the lesser of (i) one hundred (100) Days Cash on Hand, or (ii) then current Standard & Poor's Financial Services LLC's "U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Ratio by Rating Level" for Days Cash on Hand for "BBB" rated hospitals (the "Cash Transfer Test"); and

**WHEREAS**, the Authority adopted AB Resolution No. SS-42 on February 28, 2019 which, inter alia, amended the Debt Service Coverage Ratio requirement; and

**WHEREAS**, the Authority adopted AB Resolution No. SS-43 on February 28, 2019 which, inter alia, replaced the Cushion Ratio Requirement and the Cash Transfer Test Requirement with a Days Cash on Hand Requirement; and

**WHEREAS**, the Authority on June 4, 2019 conducted a Roundtable of Hospital Chief Financial Officers and Bond Analysts to further review Authority policies and has subsequently discussed Authority policies with other financial professionals; and

**WHEREAS**, the Authority believes further amendments to the policies on Debt Service Coverage Ratio Requirements and Days Cash on Hand Requirements are appropriate.

**NOW THEREFORE BE IT RESOLVED**, that the Authority hereby adopts as its policy for publicly issued bonds the following Debt Service Coverage Ratio Requirements and Days Cash on Hand Requirements:

Borrowers shall be required by the Authority to maintain at a minimum (more may be required as the market demands on the advice of the underwriter and/or the financial advisor) Debt Service Coverage Ratio and Days Cash on Hand as below. Note that where there is a choice, the Borrower must select the option that best suits it at the time of drafting the bond documents.

For purposes of this policy, the rating category for the bond will be based on any one Long Term Indebtedness rating from Fitch Ratings, Moody's Investors Service or S&P Global Ratings without regard to modifiers and, if the bonds are enhanced, will be based on the higher of the bond enhancers or the Borrower.

Should the Borrower's rating category change while the bonds are outstanding, the Debt Service Coverage Ratio ("DSCR") and Days Cash on Hand requirements will spring into the respective requirements for such rating category, effective the next quarterly reporting period after the quarter the rating change occurs.

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|---|---|---|
| "AA/Aa" | | No Authority imposed requirement |
| "A" | | 1.10 DSCR + 60 Days Cash on Hand |
| | or | 1.25 DSCR + 45 Days Cash on Hand |
| "BBB/Baa" | | 1.25 DSCR + 60 Days Cash on Hand |
| | or | 1.50 DSCR + 45 Days Cash on Hand |

Below Investment Grade or Unrated

1.25 DSCR + 90 Days Cash on Hand

or 1.50 DSCR + 75 Days Cash on Hand

**BE IT FURTHER RESOLVED**, that this Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the State (the "Governor") the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

**b. Resolution requiring investor calls and quarterly management discussion and analysis following a significant drop in or approaching Debt Service Coverage Ratio and Days Cash on Hand requirements**

Ms. Ford asked for a motion for the Members to approve a resolution requiring investor calls and quarterly management discussion and analysis following a significant drop in or approaching Debt Service Coverage Ratio and Days Cash on Hand requirements. Ms. Kralik made the motion. Mr. Lovell seconded. Ms. Ford asked if the Members had any questions on the motion. Ms. Ford asked if there were any questions or comments from the public. There were no questions or comments. All Members voted in the affirmative and the resolution was approved.

## AB RESOLUTION NO. TT-18

**RESOLUTION REQUIRING INVESTOR CALLS AND QUARTERLY MANAGEMENT DISCUSSION AND ANALYSIS FOLLOWING A SIGNIFICANT DROP IN OR APPROACHING DEBT SERVICE COVERAGE RATIO AND DAYS CASH ON HAND REQUIREMENTS**

**WHEREAS**, the New Jersey Health Care Facilities Financing Authority (the "Authority") was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended (N.J.S.A. 26:2I-1, et seq.) (the "Act"), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey (the "State"); and

**WHEREAS**, the Authority has the authority to enter into contracts with Borrowers necessary or incidental to the performance of its duties and the execution of its powers and shall adopt standing rules and procedures for such contracts, pursuant to Section 5(j) of the Act; and

**WHEREAS,** the Authority regularly enters into loan agreements, lease agreements and other finance agreements with Borrowers related to and as security for the issuance of the Authority's bonds, notes and leases; and,

**WHEREAS,** as a result of the changes in the health care delivery system in the State and changes in the municipal bond markets, the Authority has been reviewing its policies to ensure continued marketability and efficiency of its financings; and,

**WHEREAS**, the Authority desires to amend certain standard provisions of its loan, lease and other finance agreements to better serve its Borrowers and better reflect the current municipal bond market conditions; and

**WHEREAS**, the Authority on June 4, 2019 conducted a Roundtable of Hospital Chief Financial Officers and Bond Analysts to further review Authority policies and has subsequently discussed Authority policies with other financial professionals; and

**WHEREAS**, the Bond Analysts were amenable to revising certain Authority policies but requested more communications and transparency from Borrowers; and

**WHEREAS**, the Authority is simultaneously revising certain other policies, including its Debt Service Coverage Ratio Requirements and Days Cash on Hand Requirements as appropriate; and

**WHEREAS**, the Authority believes that if a Borrower has a significant drop in Debt Service Coverage Ratio or Days Cash on Hand or comes close to a default in its Debt Service Coverage Ratio Requirement or Days Cash on Hand Requirement, the Borrower should hold quarterly investor calls and provide a quarterly management discussion and analysis with its quarterly financial statements.

**NOW THEREFORE BE IT RESOLVED**, that the Authority hereby adopts as its policy for publicly issued bonds the following:

All Borrowers are encouraged to have at least an annual investor call and to prepare a reasonably descriptive quarterly management discussion and analysis.

Borrowers shall be required to hold quarterly calls with investors (“Investor Call”), with notice thereof provided on EMMA within 45 days of posting its quarterly financial statements, if the Borrower falls within 10 days of the Days Cash on Hand requirement or within 0.10 of the Debt Service Coverage Ratio requirement for two consecutive quarters. Such calls shall continue until the Borrower returns to 10 days above the Cash on Hand Requirement or 0.10 above the Debt Service Ratio Requirement.

Borrowers shall also be required to hold an Investor Call within 45 days of posting its quarterly financial statements following a 15% drop in Days Cash on Hand or a 15% drop in Debt Service Coverage Ratio from one quarter to the next or a 30% drop in Days Cash on Hand or a 30% drop in Debt Service Coverage Ratio over any four quarters. Investor Calls triggered by this provision will only be required for four consecutive quarters following the initial Investor Call unless otherwise required by the paragraph above.

If a Borrower has triggered an Investor Call as above, it will be required to prepare a reasonably descriptive quarterly management discussion and analysis and post it on EMMA along with each of its quarterly financial statements beginning the quarter after the Investor Calls are triggered and continuing until Investor Calls are no longer required. The management discussion and analysis must include explanations of material variances from budget and/or prior year.

Failure to hold an Investor Call or to provide a reasonably descriptive quarterly management discussion and analysis will be considered to be non-compliance with the Debt Service Coverage Ratio and Days Cash on Hand requirements of the Loan Agreement and will require the Borrower to retain a consultant who shall produce a consultant's report which must be adopted by the governing body of the Borrower in the same manner as is directed pursuant to Required Ratios section of the Loan Agreement.

**BE IT FURTHER RESOLVED**, that this Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the State (the "Governor") the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

**c. Resolution requiring Semi-Annual Construction Reports for certain construction projects**

Ms. Ford asked for a motion for the Members to approve a resolution requiring Semi-Annual Construction Reports for certain construction projects. Mr. Lovell made the motion. Ms. Kralik seconded. Ms. Ford asked if the Members had any questions on the motion. Ms. Ford asked if there were any questions or comments from the public. There were no questions or comments. All Members voted in the affirmative and the resolution was approved.

## AB RESOLUTION NO. TT-19

**RESOLUTION REQUIRING SEMI-ANNUAL CONSTRUCTION REPORTS FOR CERTAIN CONSTRUCTION PROJECTS**

**WHEREAS**, the New Jersey Health Care Facilities Financing Authority (the "Authority") was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended (N.J.S.A. 26:2I-1, et seq.) (the "Act"), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey (the "State"); and

**WHEREAS**, the Authority has the authority to enter into contracts with Borrowers necessary or incidental to the performance of its duties and the execution of its powers and shall adopt standing rules and procedures for such contracts, pursuant to Section 5(j) of the Act; and

**WHEREAS,** the Authority regularly enters into loan agreements, lease agreements and other finance agreements with Borrowers related to and as security for the issuance of the Authority's bonds, notes and leases; and,

**WHEREAS,** as a result of the changes in the health care delivery system in the State and changes in the municipal bond markets, the Authority has been reviewing its policies to ensure continued marketability and efficiency of its financings; and,

**WHEREAS**, the Authority desires to amend certain standard provisions of its loan, lease and other finance agreements to better serve its Borrowers and better reflect the current municipal bond market conditions; and

**WHEREAS**, the Authority on June 4, 2019 conducted a Roundtable of Hospital Chief Financial Officers and Bond Analysts to further review Authority policies and has subsequently discussed Authority policies with other financial professionals; and

**WHEREAS**, the Bond Analysts were amenable to revising certain Authority policies but requested more communications and transparency from Borrowers; and

**WHEREAS**, the Authority is simultaneously revising certain other policies, including its Debt Service Coverage Ratio Requirements and Days Cash on Hand Requirements; and

**WHEREAS**, the Authority believes that, if a Borrower is using the proceeds of the Authority financing for significant construction projects, the Bondholders should be informed on the progress of those construction projects.

**NOW THEREFORE BE IT RESOLVED**, that the Authority hereby adopts as its policy for publicly issued bonds the following:

All Borrowers utilizing funds from Authority issued financings on significant construction projects are encouraged to provide regular updates on construction progress.

The following Borrowers shall be required to provide semi-annual written construction progress reports (could be a stage analysis, examples to be provided) on EMMA or hold semi-annual investor calls (noticed on EMMA) to discuss construction progress beginning within 185 days of the date of issuance of the Authority financing and ending when the construction project is 95% complete or a certificate of occupancy has been granted:

1. Any Borrower whose bonds have a long term credit rating in the "BBB/Baa" category or higher, without regard to any modifier, from any of Fitch Ratings, Moody's Investors Service or S& P Global Ratings for any individual construction project in excess of $100 million (not to include renovations occurring within the footprint of existing buildings that do not take more than five (5) beds out of service);

2. Any hospital Borrower whose bonds are unrated or have a long term credit rating below the "BBB/Baa" category for any construction project in excess of $50 million (not to include renovations occurring within the footprint of existing buildings that do not take more than five (5) beds out of service)

3. Any non-hospital Borrower whose bonds are unrated or have a long-term credit rating below the "BBB/Baa" category for any construction project in excess of $6 million (not to include renovations occurring within the

footprint of existing buildings that do not take more than five (5) beds out of service).

Failure to provide a written construction progress report or hold an investor call on construction progress as described above will be subject to enforcement by the Authority, the Trustee or any Holder or beneficial owner of the bonds through an action for specific performance.

**BE IT FURTHER RESOLVED**, that this Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the State (the "Governor") the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

**d. Resolution amending the Title Insurance requirements for publicly issued bonds**

Ms. Ford asked for a motion for the Members to approve a resolution amending the Title Insurance requirements for publicly issued bonds. Ms. Kralik made the motion. Mr. Lovell seconded. Ms. Ford asked if the Members had any questions on the motion. Ms. Ford asked if there were any questions or comments from the public. There were no questions or comments. All Members voted in the affirmative and the resolution was approved.

**AB RESOLUTION NO. TT-20**

**RESOLUTION AMENDING TITLE INSURANCE REQUIREMENTS FOR PUBLICLY ISSUED BONDS**

**WHEREAS**, the New Jersey Health Care Facilities Financing Authority (the "Authority") was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended (N.J.S.A. 26:2I-1, et seq.) (the "Act"), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey (the "State"); and

**WHEREAS**, the Authority has the authority to enter into contracts with borrowers necessary or incidental to the performance of its duties and the execution of its powers and shall adopt standing rules and procedures for such contracts, pursuant to Section 5(j) of the Act; and

**WHEREAS,** the Authority regularly enters into loan agreements, lease agreements and other finance agreements with borrowers related to and as security for the issuance of the Authority's bonds, notes and leases; and,

**WHEREAS,** as a result of the changes in the health care delivery system in the State and changes in the municipal bond markets, the Authority has been reviewing its policies to ensure continued marketability and efficiency of its financings; and,

**WHEREAS**, the Authority desires to amend certain standard provisions of its loan, lease and other finance agreements to better serve its borrowers and better reflect the current municipal bond market conditions; and

**WHEREAS**, the Authority adopted a General Health Care Facilities Registered Bond Resolution on October 29, 1992 which required, at Section 6.08(g), that "If the Applicable Series of Bonds is secured by a Mortgage, title insurance in the full face amount of the Applicable Series of Bonds, insuring the interest of the mortgagee in the Mortgaged Property and the priority of the mortgage lien created by the Mortgage, less the amount, if any, or any deposit to the Applicable Debt Service Reserve Fund at settlement for such Series of Bonds"; and

**WHEREAS**, on June 28, 2007, the Authority adopted AB Resolution HH-24, inter alia, removing the requirement for mortgage and title insurance for Authority financings that received enhancement or were sold in a private placement (if so negotiated) and for "unenhanced issues with ratings at or above the A3/A- level, the Authority will not independently require a mortgage but will require a negative pledge recorded at closing." However, it maintained the requirement for a mortgage and title insurance in the amount of the bonds less any debt service reserve fund "[f]or unenhanced issues with one or more ratings below A3/A- (or unrated)" limiting the property required to be mortgaged to: "a) the main operating facilities' footprint in the case of an issue where the proceeds are used at that facility, and b) any associated facilities that are financed with proceeds from the bonds", and

**WHEREAS**, the Authority on June 4, 2019 conducted a Roundtable of Hospital Chief Financial Officers and Bond Analysts to further review Authority policies and has subsequently discussed Authority policies with other financial professionals; and

**WHEREAS**, the Bond Analysts were amenable to requests from Borrowers for relief on the amount of title insurance necessary for Authority financings; and

**WHEREAS**, the Authority agrees that its title insurance policy should be amended to require title insurance in less than the par amount of bonds.

**NOW THEREFORE BE IT RESOLVED**, that the Authority hereby adopts as its policy for publicly issued bonds the following:

Paragraph 3 of AB Resolution No. HH-24 shall hereby be amended to state in its entirety "For unenhanced issues with long term indebtedness ratings at or below the "BBB" category from Fitch Ratings, Moody's Investors Service or S&P Global Ratings (or unrated) a mortgage will be required on: a) the main operating facilities' footprint in the case of an issue where the proceeds are used at that facility, and b) any associated facilities that are financed with proceeds from the bonds."

Paragraph 5 of AB Resolution No. HH-24 shall hereby be amended to state in its entirety "When a mortgage is provided as security, title insurance must be obtained from a company rated in at least the "A" category, without regard to modifiers, by any two or more of: AM Best, Demotech, Fitch Ratings, Kroll, Moody's Investors Service or S&P Global Ratings in an amount equal to or greater than 75% of the par amount of bonds for projects up to $20 million, and in an amount equal to at least $15 million for any project between $20 million and $75 million and at least 20% of the par amount of bonds for which more than $75 million of bonds will be issued, up to a maximum of $200 million in title insurance.

It should be noted for clarification that one of the effects of this amendment is that no mortgage is required by the Authority if the bonds are rated in the "A" category, without regard to any modifier by any one of Fitch Ratings, Moody's Investors Service or S& P Global Ratings.

All other provisions of AB Resolution No. HH-24 shall remain unchanged and in effect.

**BE IT FURTHER RESOLVED**, that this Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the State (the "Governor") the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

**e. Resolution requiring borrowers to disclose their Board Members and CEO and their relevant experience annually**

Ms. Ford asked for a motion for the Members to approve a resolution requiring borrowers to disclose Board Members and CEO and their relevant experience annually. Mr. Lovell made the motion. Ms. Kralik seconded. Ms. Ford asked if the Members had any questions on the motion. Ms. Ford asked if there were any questions or comments from the public. There were no questions or comments. All Members voted in the affirmative and the resolution was approved.

**AB RESOLUTION NO. TT-21**

**RESOLUTION REQUIRING BORROWERS TO DISCLOSE THEIR BOARD MEMBERS AND CEO AND THEIR RELEVENT EXPERIENCE ANNUALLY**

**WHEREAS**, the New Jersey Health Care Facilities Financing Authority (the "Authority") was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended (N.J.S.A. 26:2I-1, et seq.) (the "Act"), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey (the "State"); and

**WHEREAS**, the Authority has the authority to enter into contracts with borrowers necessary or incidental to the performance of its duties and the execution of its powers and shall adopt standing rules and procedures for such contracts, pursuant to Section 5(j) of the Act; and

**WHEREAS,** the Authority regularly enters into loan agreements, lease agreements and other finance agreements with borrowers related to and as security for the issuance of the Authority's bonds, notes and leases; and,

**WHEREAS,** as a result of the changes in the health care delivery system in the State and changes in the municipal bond markets, the Authority has been reviewing its policies to ensure continued marketability and efficiency of its financings; and,

**WHEREAS**, the Authority desires to amend certain standard provisions of its loan, lease and other finance agreements to better serve its borrowers and better reflect the current municipal bond market conditions; and

**WHEREAS**, the Authority on June 4, 2019 conducted a Roundtable of Hospital Chief Financial Officers and Bond Analysts to further review Authority policies and has subsequently discussed Authority policies with other financial professionals; and

**WHEREAS**, the Bond Analysts were amenable to revising certain Authority policies but requested more communications and transparency from Borrowers; and

**WHEREAS**, the Authority is simultaneously revising certain other policies, including its Debt Service Coverage Ratio Requirements and Days Cash on Hand Requirements; and

**WHEREAS**, the Authority believes that the experience of the members of the governing body of the Borrowers are material to decisions of bondholders.

**NOW THEREFORE BE IT RESOLVED**, that the Authority hereby adopts as its policy for publicly issued bonds the following:

Each Borrower will be required to include in its primary market disclosure, and as secondary market disclosure through its annual updates on EMMA, the names, terms and brief relevant experience of all members of its governing body and Chief Executive Officer.

Failure to provide the information above will be subject to enforcement by the Authority, the Trustee or any Holder or beneficial owner of the bonds through an action for specific performance.

**BE IT FURTHER RESOLVED**, that this Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the State (the "Governor") the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

**f. Resolution amending the number of meetings required for final approval of the issuance of bonds**

Ms. Ford asked for a motion for the Members to approve a resolution amending the number of meetings required for final approval of the issuance of bonds. Ms. Kralik made the motion. Mr. Lovell seconded. Ms. Ford asked if the Members had any questions on the motion. Ms. Ford asked if there were any questions or comments from the public. There were no questions or comments. All Members voted in the affirmative and the resolution was approved.

**AB RESOLUTION NO. TT-22**

**RESOLUTION AMENDING THE NUMBER OF MEETINGS REQUIRED FOR FINAL APPROVAL OF THE ISSUANCE OF BONDS**

**WHEREAS**, the New Jersey Health Care Facilities Financing Authority (the "Authority") was duly created and now exists under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, as amended (N.J.S.A. 26:2I-1, et seq.) (the "Act"), for the purpose of ensuring that all health care institutions have access to financial resources to improve the health and welfare of the citizens of the State of New Jersey (the "State"); and

**WHEREAS,** as a result of the changes in the health care delivery system in the State and changes in the municipal bond markets, the Authority has been reviewing its policies to ensure continued marketability and efficiency of its financings; and,

**WHEREAS**, the Authority had traditionally required each Borrower to go through a three (3) meeting process to gain final approval to issue new money bonds, i.e. one meeting for consideration of a sale of bonds by Negotiated Sale (if requested), a second meeting to receive an informational presentation from the Borrower about the project to be financed, and a third meeting for final approval in the form of a Contingent Bond Sale; and

**WHEREAS**, in response to requests from Borrowers to shorten the approval process, the Authority adopted AB Resolution No. SS-18 on August 23, 2018 which, amended the Authority's practice by reducing the number of required meetings for new money bonds from three (3) to two (2); and

**WHEREAS**, the Authority on June 4, 2019 conducted a Roundtable of Hospital Chief Financial Officers and Bond Analysts to further review Authority policies and has subsequently discussed Authority policies with other financial professionals; and

**WHEREAS**, at the Roundtable several of the Authority's Borrowers expressed a desire to further accelerate the Authority's process of approving the issuance of bonds; and

**WHEREAS**, the Authority desires to be responsive to Borrowers' requests and see no negative impact from further amending its approval process.

**NOW THEREFORE BE IT RESOLVED**, that the Authority hereby amends its policy for approving the issuance of bonds as follows:

A Negotiated Sale Approval (if not seeking a competitive sale of bonds), Informational Presentation (if the financing is not solely a refunding) and Contingent Bond Sale for the issuance of Authority Bonds may be held in one meeting, at the request of the Borrower, if all of the following conditions are met:

(i) the Borrower contacts the Authority with a request for a bond counsel with adequate amount of time for appointment of bond counsel by the Attorney General's Office and for bond counsel to perform any necessary due diligence and draft the necessary bond documents (we estimate this would be at least fifty (50) days prior to the Authority meeting at which the Borrower expects to request approval of a Contingent Bond Sale);

(ii) TEFRA Notices and the TEFRA Hearing are timely completed in compliance with TEFRA at or before the

Authority meeting at which the Borrower expects to request approval of a Contingent Bond Sale;

(iii) the structure of the deal is finalized and the bond resolution is in final form tne (10) says before the Authority Meeting and the bond documents are in substantially final form the day before the Authority Meeting at which the Borrower expects to request approval of a Contingent Bond Sale;

(iv) all necessary approvals, permits and licenses for the project to be financed are secured;

(iv) there is adequate time before issuance of the bonds to conduct a thorough and compliant due diligence process; and

(vi) if the project involves construction, the construction contract has been duly executed by the date of the contingent bond sale.

**BE IT FURTHER RESOLVED**, that this Resolution shall take effect ten (10) days, exclusive of Saturdays, Sundays and public holidays, after delivery (and not including the day of delivery) to the Governor of the State (the "Governor") the minutes of the meeting of the Authority at which this Resolution is adopted or such earlier time as the Governor signs a statement of approval, all in accordance with the subsection (i) of Section 4 of the Act.

**3. NEGOTIATED PRIVATE PLACEMENT REQUEST AND INFORMATIONAL PRESENTATION**
**RWJBarnabas Health, Inc.**

Ms. Ford asked Bill McLaughlin to provide the Members with the negotiated sale request and informational presentation for the RWJBarnabas Health, Inc. transaction.

Mr. McLaughlin began by introducing Eileen Urban, Senior Vice President and Chief Investment Officer and Cathy Dowdy, Senior Vice President of Finance from RWJBarnabas. He then stated that his presentation would serve as a negotiated sale request and an informational presentation.

Mr. McLaughlin told the Members that RWJBarnabas Health ("RWJBarnabas" or the "System") is a New Jersey not-for-profit healthcare system, formed by the merger of Barnabas Health and Robert Wood Johnson University Hospital during March of 2016. The System provides inpatient, outpatient and emergency care throughout its network, which include eleven acute care hospitals, three acute care children's hospitals, a pediatric rehabilitation hospital and a behavioral health center.

According to Mr. McLaughlin, RWJBarnabas currently has approximately $1.14 billion of bonds outstanding with the Authority. He added that the System is rated "AA-" by S&P and "A1" by Moody's.

Mr. McLaughlin reported that, per the audited annual financial information for RWJBarnabas provided in the meeting materials, net patient revenues increased from $4.58 billion in 2017 to $5.09 billion in 2018, an 11.2% increase. The Days Cash on Hand remained steady at 260 days. Days in Account Receivable was reduced from 40.02 days to 36.38 days, a decrease of 9%. Debt Service Coverage Ratio was 3.43 times. Additionally, the unaudited 3-month interim financial statements ending March 31, 2019 indicate a slight increase in net patient revenues and a fairly robust increase in excess revenue over expenses compared to the same period in 2018. Finally, RWJBarnabas's Annual Inpatient Utilization Trends from 2017 to 2018 indicate very modest increases in Inpatient Days, Occupancy Rate and Average Length of Stay.

Mr. McLaughlin informed the Members that RWJBarnabas has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately $360 million. The proceeds of the financing will be used to: 1) refund all or a portion of the following outstanding bonds issued by the Authority on behalf of RWJBarnabas: RWJ Hamilton Series 2002; Barnabas Health Series 2011B; Robert Wood Johnson Series 2014B; RWJBarnabas Health Series 2017A; and RWJBarnabas Health Series 2017B; 2) finance and/or reimburse the System for the costs of planning, developing, constructing, expanding, renovating, furnishing, and/or equipping of, but not limited to: renovation of two floors at the RWJ Somerset Campus; completion of construction at Saint Barnabas Medical Center of a new wing, including the expansion of the same day surgery unit, resurfacing of the hospital's exterior, and expansion of the emergency department; renovation and expansion of the emergency room and intensive care unit at Clara Maass Medical Center; renovation and expansion of the emergency department and construction of a new floor at Robert Wood Johnson University Hospital in New Brunswick; 4) acquire and install various items of capital equipment at one or more project locations; 5) fund a debt service reserve fund, if required, and 6) and pay the related costs of issuance.

Mr. McLaughlin said that the Attorney General's Office has assigned Wilentz, Goldman & Spitzer P.A. to serve as Bond Counsel for this transaction. Further, RWJBarnabas has conducted a competitive process and selected CitiGroup Global Markets as the senior managing underwriter.

Mr. McLaughlin then stated that RWJBarnabas has asked that the Authority permit the use of a negotiated sale in the form of a public offering. The request is based on the sale of a complex or poor credit; the sale is of a complex financing structure including those transactions that involve the simultaneous sale of more than one series of bonds, with each series structured differently; the large issue size; and that it involves at least one variable rate transaction. These reasons are considered under the Authority's policy regarding Executive Order #26, to be justifications for the use of a negotiated sale. Therefore, staff recommends the consideration of the resolution, included in the meeting packets, approving the use of a negotiated sale and the forwarding a copy of the justification in support of said resolution to the State Treasurer.

Mr. McLaughlin concluded by saying that Taryn Rommell, Assistant Director of Research, Investor Relations and Compliance, would present management's financial projections. Following Ms. Rommell, he, Ms. Urban or Ms. Dowdy would address any questions or concerns of the Members.

Ms. Rommell informed the Members that the Authority staff reviewed the financial projections and related assumptions prepared in connection with RWJBarnabas' proposed bond issue. The projections are consistent with RWJBarnabas' 2017 and 2018 Audits and management's assumptions were found to be reasonable.

According to Ms. Rommell, RWJBarnabas' operating margin, as calculated by staff, averaged 3.46% during the forecast period, just above the Q1 2019 Apollo system median of 3%. RWJBarnabas' current Number of Days Cash on Hand of 261 is well above the Q1 2019 Apollo system median of 111.

Ms. Rommell concluded by stating that the Authority staff's analysis suggests RWJBarnabas would have adequate profitability to generate sufficient funds to meet its debt service requirements during the forecast period. She then offered to answer any questions from the Members.

Ms. Ford asked for a motion for the Members to approve a negotiated bond sale in the form of a public offering on behalf of RWJBarnabas Health. Mr. Lovell made the motion. Ms. Kralik seconded. Ms. Ford asked if the Members had any questions on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

**AB RESOLUTION NO. TT-23**

**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)*

## 4. APPOINTMENT OF CO-MANAGERS
**RWJBarnabas Health, Inc.**

Ms. Ford asked Bill McLaughlin to present the Authority staff's recommendations for co-managers for the RWJBarnabas transaction.

Mr. McLaughlin informed the Members that, in accordance with Authority policy, RWJBarnabas Health has notified the Authority that they have completed a competitive process and selected Citigroup Global Markets, Inc. to serve as their senior managing underwriter.

Mr. McLaughlin reminded the Members that, under current policy, co-managing underwriter assignments are awarded on a rotational basis that considers the firm's demonstrated ability to distribute New Jersey securities of comparable credit quality, capital sufficiency and borrower preference.

Mr. McLaughlin stated that, due to the expected $175 million par amount for the fixed rate public series, staff is recommending the assignment of four co-managers. The Authority staff supports the Borrower's recommended appointment of TD Securities LLC and Drexel Hamilton, LLC as co-managing underwriters and proposes adding Piper Jaffray & Co. and PNC Capital Markets, Inc. to the transaction as co-managing underwriters.

According to Mr. McLaughlin, each firm has been qualified by this 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 offered to answer any questions the Members had.

Ms. Ford asked for a motion for the Members to approve the appointment of Drexel Hamilton, LLC, Piper Jaffray & Co., PNC Capital Markets, Inc. and TD Securities LLC, to the transaction as co-managing underwriters. Mr. Lovell made the motion. Ms. Kralik seconded. Ms. Ford asked if the Members had any questions on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

**AB RESOLUTION NO. TT-24**

**NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the appointment of Drexel Hamilton, LLC, Piper Jaffray & Co., PNC Capital Markets, Inc. and TD Securities LLC, to the transaction as co-managing underwriters.

## 5. TEFRA HEARING AND CONTINGENT BOND SALE
## RWJBarnabas Health, Inc.

Ms. Ford announced that the following portion of the meeting was a public hearing in connection with the RWJBarnabas Health transaction. She stated that 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. Ford called upon Bill McLaughlin to present the details of the request for a contingent bond sale on behalf of RWJBarnabas Health.

Mr. McLaughlin informed the Members that they are being asked to approve a contingent sale of two series of tax-exempt bonds on behalf of RWJBarnabas Health. He explained that that, with the exception of the policy governing the required number of meetings for a bond sale approval, the resolutions presented today pertaining to Authority policy changes would not affect the bond documents for the RWJ Barnabas Series 2019 transaction. John Kelly of Wilentz Goldman and Spitzer, the Bond Counsel, will now present the Bond Resolution pertaining to this transaction.

Mr. McLaughlin stated that after Mr. Kelly's presentation that he, Mr. Kelly, Ms. Dowdy or Ms. Urban would answer questions from the Members.

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer, P.A., the Bond Counsel, stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2019 Bonds in one or more series and/or one or more sub-series within a series, and in an aggregate principal amount not in excess of $400,000,000, as set forth in the Trust Agreement pursuant to which the Series 2019 Bonds will be issued. The Series 2019 Bonds will bear interest at the rate or rates per annum set forth in the Trust Agreement, provided, that with respect to any Series 2019 Bonds issued as fixed interest rate bonds to maturity, the true interest cost of such Series 2019 Bonds shall not exceed four and one-half percent (4.50%) per annum, with respect to any Series 2019 Bonds issued as variable interest rate bonds, from their date of initial issuance and delivery to, but not including, the immediately succeeding Reset Date (as defined in the Trust Agreement), the true interest cost of such Series 2019 Bonds shall not exceed four and one-half percent (4.50%) per annum, and thereafter, such Series 2019 Bonds shall bear interest at the rate as shall be determined in accordance with the Trust Agreement, provided, however, that in no event shall the interest rate on such Series 2019 Bonds exceed the Maximum Rate (as defined in the Trust Agreement). The Series 2019 Bonds will have a final maturity date of no later than July 1, 2059 and be subject to redemption prior to maturity as set forth in the Trust Agreement, provided, that the redemption price cannot be greater than 105%. The Series 2019 Bonds will be issued for the purposes of: (i) currently refunding, redeeming and/or legally defeasing all or a portion of the following outstanding bonds issued by the Authority: (a) Revenue and Refunding Bonds, Barnabas Health Issue, Series 2011B, (b) Revenue Bonds, Robert Wood Johnson University Hospital Issue, Series 2014B, (c) Variable Rate Revenue

Bonds, RWJ Health Care Corp. at Hamilton Obligated Group Issue, Series 2002, and (d) Refunding Bonds, RWJBarnabas Health Obligated Group Issue, Series 2017A and Series 2017B (collectively, the "Refunded Bonds"), (ii) financing and/or reimbursing the Borrower for the costs of planning, development, acquisition, construction, equipping, expansion, furnishing and renovation of all or a portion of the various capital projects of the Borrower and its affiliates described on Exhibit A of this Resolution, as determined in a Certificate of an Authorized Officer of the Authority executed prior to or simultaneously with the execution of the Bond Purchase Contract for the Series 2019 Bonds (the "Project"), and (iii) pay certain costs incurred in connection with the issuance and sale of the Series 2019 Bonds.

The Series 2019 Bonds will be issued by the Authority under and pursuant to a Trust Agreement by and between the Authority and U.S. Bank National Association, as Bond Trustee. The Series 2019 Bonds will be secured by payments to be made by RWJBarnabas, under its Loan Agreement with the Authority, as evidenced and secured by one or more promissory notes of RWJBarnabas, and amounts on deposit in certain funds held by the Bond Trustee. The promissory notes will be issued under the existing Master Trust Indenture by and among RWJBarnabas Health, Inc., on behalf of itself and the other members of the Obligated Group, and The Bank of New York Mellon, as Master Trustee. The promissory notes will be secured by a gross revenue pledge of the Obligated Group under the MTI.

Additionally, the Bond Resolution approves the form of, and authorizes the execution of, the Series 2019 Bonds, the Loan Agreement, the Trust Agreement, a Preliminary Official Statement and final Official Statement relating to the Series 2019 Bonds, with the caveat that no posting, mailing or other distribution of the Preliminary Official Statement shall occur until such time as the Underwriters have informed the Authority that the Underwriters and their counsel have satisfactorily completed their "due diligence" investigation of the Borrower and the information relating to the Borrower set forth in the Preliminary Official Statement. Further, the Bond Resolution appoints U.S. Bank National Association, as Bond Trustee, Bond Registrar and Paying Agent for the 2019 Bonds. The Bond Resolution also approves the form of and authorizes the execution of the Bond Purchase Contract with Citigroup Global Markets, Inc., the senior managing Underwriter, at an underwriting discount (including counsel fees) not in excess of $6.50 per $1,000 principal amount of the Series 2019 Bonds. In addition, the Bond Resolution also authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the issuance of the Series 2019 Bonds, the refunding, redemption and defeasance of the Refunded Bonds, and the financing of the Project.

Ms. Ford asked for a motion for the Members to approve a contingent bond sale on behalf of RWJBarnabas Health. Mr. Lovell made the motion. Ms. Kralik seconded. Ms. Ford asked if the Members had any questions on the motion. Ms. Ford asked if there were any questions or comments from the public. There were no questions or comments. All Members voted in the affirmative and the resolution was approved.

**AB RESOLUTION NO. TT-25**

**A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE AND REFUNDING BONDS, RWJBARNABAS HEALTH OBLIGATED GROUP ISSUE, SERIES 2019**

*attached*

Ms. Ford congratulated RWJBarnabas and asked if the representatives wished to say anything.

Ms. Dowdy thanked the Authority Members and said that she appreciated the effort the Authority staff put forth to get the approval in such a short time frame.

Ms. Ford 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 RWJBarnabas Health.

**6. INFORMATIONAL PRESENTATION**
**Valley Health System**

Ms. Ford called upon Bill McLaughlin to give an informational presentation for the Valley Health System transaction. Ms. Ford noted that the presentation was for information only and no action by the Members was required.

Mr. McLaughlin began by introducing Richard Keenan, Chief Financial Officer from Valley Health System. He then explained that his presentation would serve as the information presentation for Valley Health Systems proposed tax-exempt financing with the Authority, and no action is required.

Mr. McLaughlin told the Members that Valley Health System, Inc. has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately $400 million. The proceeds of the financing will be used to: 1) fund the construction of a 372-bed, approximately 910,000 square foot replacement hospital to be located in Paramus, NJ, 2) fund a Debt Service Reserve, if necessary, 3) fund capitalized interest, if necessary, and 4) pay the related costs of issuance.

According to Mr. McLaughlin, the Valley Hospital Inc., a subordinate corporation of Valley Health System Inc., is a 431-bed, not-for-profit acute care hospital located in Ridgewood NJ. It serves more than 440,000 people in 32 towns in Bergen County and adjoining communities. It has over 1,100 physicians, 3,700 employees, and 3,000 volunteers. Services provided by Valley include cardiology services, with a full range of diagnostic and interventional cardiac services, including cardiac surgery, coronary angioplasty, electrophysiology studies and structural heart procedures. It also has a neonatal intensive care unit, an embryology laboratory, a comprehensive breast center, and a pediatric special care unit. Currently, Valley Health has no outstanding debt with the Authority. They will be seeking a credit rating for this transaction.

Mr. McLaughlin said that, according to the annual audited financial information for Valley Hospital provided in the meeting packets, the excess revenues over expenses have steadily increased from 2016 to 2018, resulting in an overall increase of 74% over the three years. The majority of this increase stems from a steady increase in Net Patient Revenues and Income from Operations over the time period.
In addition, the Days Cash on Hand rose from 343.82 days in 2017 to 357.14 days in 2018, which is materially stronger than the 2018 Statewide Median of 97.44 days. The hospital's Operating Margin has also steadily increased in the past three years, from 11.94 in 2016 to 15.47 in 2018, resulting in an increase about 30%.

Moreover, the combined, unaudited financial statements for the first quarter of 2019 indicates that Valley Hospital's annual inpatient utilization trends as positive compared to the same period in 2018. Inpatient admissions increased from 9.1 thousand to about 9.7 thousand, as did Inpatient Days from approximately 28.1 thousand to 30.2 thousand. Average Length of Stay slightly increased by 0.02 days.

Mr. McLaughlin stated that Valley has requested and received the approval of the Attorney General's office to have John Kelly from Wilentz, Goldman and Spitzer serve as bond counsel on the financing. It is expected that the Authority staff will be requesting the Members' approval of a contingent bond sale next month at the October Authority Meeting. Valley Health wishes to close this transaction before the end of 2019.

Mr. McLaughlin concluded by saying that Frank Troy, Director of Research, Investor Relations and Compliance would present a review of the Borrower's managerial financial projections. Following which, Richard Keenan, CFO at Valley, would give a short presentation regarding the project. Mr. McLaughlin said that following both presentations, he, Mr. Keenan or Mr. Troy would be happy to answer the Members' questions.

Mr. Troy began by stating that the Authority staff reviewed the financial projections and related assumptions prepared in connection with Valley Hospital's proposed hospital replacement project. Mr. Troy stated that the staff found the projections to be consistent with Valley's 2017 and 2018 actual results and found management's underlying assumptions to be reasonable.

Mr. Troy highlighted several items in the data. He first directed the Members to page 1 of Valley Hospital's operating margins. Mr. Troy stated that the Authority staff calculated an approximate 10% margin after project stabilization, which is above the Q1 2019 Apollo system median of 3%. EBITDA margin (Earnings Before Interest, Taxes, Depreciation and Amortization) averages a robust 23% after stabilization, well above the most recent Standard & Poor's U.S. median of 10%. Mr. Troy then turned to page two of the report where the actual and projected balance sheets were presented. Mr. Troy pointed out that Valley Hospitals' current Number of Days Cash on Hand of 360 is well above the Q1 2019 Apollo system median of 111. Finally, referring to the Statements of Cash Flows on page 3, Mr. Troy indicated that, except for two years during the construction period, Valley Hospital was a net generator of cash.

Mr. Troy concluded by stating that that the Authority staff's analysis suggests Valley Hospital would have adequate profitability to generate sufficient funds to meet its debt service requirements during the forecast period.
Mr. Keenan began with a very brief history of the project that began in 2006 with Valley Hospital seeking the approval from the Village of Ridgewood to replace one of its 1950s era buildings. After years of delays and rejections by the planning board, Valley decided to purchase property in Paramus and construct a new hospital.

Mr. Keenan presented a short video of a virtual drive around a computer-generated rendering of the proposed hospital. The virtual tour depicted the Emergency Department walk-in entrance, the Inpatient Pavilion, the Luckow Pavilion, the Lawn, the Women's and Children's Pavilion, the Parking Garage entry and the Main Entrance.

Mr. Keenan concluded by saying that this is an $800 million project, not including the land costs. Valley Hospital is putting up $400 million of the total cost.

Mr. Hopkins asked when the hospital would be completed. Mr. Keenan said that they expect to begin site work on the foundation in November of this year. From that point, it is projected to be a four-year build, with an anticipated opening at the end of 2023.

Mr. Lovell asked what was going to happen with the existing site. Mr. Keegan replied that the STAT labs and diagnostic labs would remain at the location as well as certain diagnostic imaging. He stated that there is a long list of other considerations for the space, including hospice care, long-term acute care and rehabilitation services.

Ms. Kralik asked how far the new hospital would be from the old one. Mr. Keenan answered that the facilities will be about 2 miles apart.

Ms. Ford asked about an $18 million dollar increase in the salary and benefits line item of their financial statement. Mr. Keenan explained that it was not really a significant increase and that it was based on the anticipated increase in the volume of patents at the hospital.

Ms. Ford thanked Mr. Keenan for his presentation.

## 7. Financial Printing Contract Extension

Ms. Ford called upon Ellen Lieber to provide the Members with the details of the financial printing contract extension.

Ms. Lieber reminded the Members that the three-year contract with McElwee & Quinn for the printing of preliminary and final official statements and other related documents for the Authority revenue bonds, expired on October 31, 2018. The contract allows for two additional one-year extensions with all original terms remaining in effect for the extended period. At the October 25, 2018 Board meeting, the Members, upon staff's recommendation, approved the first of the two one-year extensions. According to Ms. Lieber, the Authority staff continues to be pleased with the quality and timeliness of their work and therefore, is asking the Members consideration in extending the agreement for the second one-year extension for the period November 1, 2019 through October 31, 2020.

Ms. Lieber concluded by saying that she or Ron Marmelstein would answer any questions.

Ms. Ford asked if all of the contract prices stayed in place during the extension. Ms. Lieber confirmed they do.

Ms. Ford asked for a motion for the Members to approve the second one-year extension of the Financial Printing Contract with McElwee & Quinn as provided for in the contract. Ms. Kralik made the motion. Mr. Lovell seconded. Ms. Ford asked if the Members had any questions on the motion. There were no questions. All Members voted in the affirmative and the resolution was approved.

**AB RESOLUTION NO. TT-26**

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the second one-year extension allowed under the contract with McElwee & Quinn for printing services for the period of November 1, 2019 through October 31, 2020.

## 8. APPROVAL OF EXPENSES

Ms. Ford referenced a summary of Authority expenses and invoices provided to the Members. Mr. Lovell made the motion to approve the expenses. Ms. Kralik seconded. Ms. Ford asked if there were any questions on the motion. There were no questions. Ms. Ford then called for a vote. All Members voted in the affirmative and the resolution was approved to approve the bills and to authorize their payment.

**AB RESOLUTION NO. TT-**27

**WHEREAS,** the Members of the Authority have reviewed the memoranda dated September 18, 2019 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $44,210.00 and $6,545.66 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. Ford thanked staff for the Project Development Summary, Cash Reconciliation Report and Legislative Update.

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

Mr. Hopkins reported the following:

1. Finance Committee members, Dr. Kazmir and Ms. Rodriguez, are reminded that there is a Finance Committee meeting on Tuesday, October 8th at 10:00 a.m. to consider the proposed 2020 Authority budget. Immediately following that meeting, the Evaluation Committee, also consisting of Dr. Kazmir and Rodriguez, will meet to discuss the proposals from auditing firms seeking to perform the Authority's audits for the next three to five years.

2. Hospital & Other News

    a. On September 19, RWJBarnabas Health and St. Luke's University Health Network announced they had entered into a three-year renewable clinical affiliation agreement. St. Luke's is based in Bethlehem, Pennsylvania with several hospitals, mostly in northeastern Pennsylvania but also St. Luke's Warren Hospital in Phillipsburg, New Jersey. The agreement focuses on providing patients primarily in northwest New Jersey access to high-quality clinical services, expertise and resources and may include clinical trials, medical education and research in the future.

    b. Yesterday, St. Joseph's Health, with hospitals in Paterson and Wayne agreed to a clinical and strategic partnership with Hackensack Meridian Health intended to deepen both organizations' commitment to deliver high-quality and cost-effective care throughout Bergen and Passaic counties. St. Joseph's Health will remain an independent organization governed by a separate board, which will continue to be sponsored by the Sisters of Charity of Saint Elizabeth.

c. On September 12, Hackensack Meridian Health broke ground on its 530,000 square foot patient pavilion at Hackensack University Medical Center on Second Street in Hackensack. The new pavilion will have 24 operating rooms, a 50-bed intensive care unit, 150 medical/surgical beds and a 50-bed orthopedic institute.

d. Hackensack University Medical Center has been selected as one a several medical centers to participate in a trial for a gene therapy for Parkinson's disease.

e. Hackensack Meridian Health found success in reducing readmissions at Jersey Shore University Medical Center by implementing a clinical communications platform from Vocera Communications. The tool, which reduced readmission rates for stroke patients by 50%, allows nurse practitioners to record personalized discharge instructions and teach-back sessions at the patient's bedside. Additional educational resources can also be provided for patients through a mobile app.

f. Atlantic Health System has been designated by the National Cancer Institute as a National Community Oncology Research Program to help develop and implement cancer prevention, screening, care delivery and treatment studies. Atlantic Health will be the lead affiliate and work with other leading health care systems in New Jersey, including CentraState Healthcare System, Holy Name Medical Center, Hunterdon Healthcare, St. Joseph's Health and Saint Peter's Healthcare System.

g. Former Commissioner of Health and current CEO of University Hospital, Dr. Shereef Elnahal has joined the board of the New Jersey Health Care Quality Institute.

h. Village Drive Healthcare is nearing completion of its 154-bed assisted living facility in Millville, New Jersey. The facility was financed in part by bonds issued by the Authority.

i. Bayada Home Health Care and the Visiting Nurse Association Health Group have agreed to merge. The two nonprofit organizations are headquartered in New Jersey but combined they have operations around the country and employ tens of thousands of health care providers and aids. Bayada also has a presence in several foreign countries. It is expected the merger will be finalized in November of this year.

j. Authority staff has been informed that Steven Rusinko has left the CFO position at Hunterdon Medical Center. A successor has yet to be named.

3. In Ratings Actions:

   a. Moody's Investors Service has affirmed the "A2" rating on approximately $429 million of bonds issued by the Authority on behalf of Inspira Health Network. Moody's has also revised its outlook on the bonds from "Stable" to "Positive."

4. In State Health Care News:

   a. New Jersey has been selected as one of only seven states to develop a value-based model for Medicaid to create care delivery and payment models to address racial disparities in maternal and newborn health. The award was made by University of Chicago's Advancing Health Equity: Leading Care, Payment and Systems Transformation Program, which was founded and funded by the Robert Wood Johnson Foundation and is being conducted in partnership with the Institute for Medical Innovations and the Center for Health Care Strategies. A coalition of the New Jersey Department of Human Services Division of Medical Assistance and Health Services, Horizon Blue Cross and Blue Shield of New Jersey and RWJBarnabas Health were the recipients of the award.

   b. On August 23, Governor Murphy signed legislation designed to make the application process for Medicaid and NJ FamilyCare simpler and more accessible as well as to improve the eligibility determination system for the programs.

   c. Michael Azarian, Managing Director of the Healthcare Studio at the architectural firm the Kimmerle Group, penned an op-ed in ROI-NJ about the evolving designs of facilities providing health care services.

5. In National Health Care News:

   a. Moody's Investor Services found nonprofit hospital median operating revenue growth reached 5.5% in fiscal year 2018 compared to a 5.4% increase in the expense growth rate. It is the first time in three years that the revenue growth exceeded the expense growth. The report also noted the median nonprofit hospital operating margin was 1.8% and median days cash on hand was 200.9 days.

   b. Fitch Ratings reported nonprofit hospital operating margins improved in 2018 after falling the previous two years.

c. The Centers for Medicare and Medicaid Services (CMS) is requiring hospitals to post payer-negotiated rates for hundreds of their most frequent procedures and services next year but hospitals are struggling to figure out how they will be able to meet the requirement.

d. The Healthy Marketplace Index report by the Health Care Cost Institute found 72% of health care marketplaces were "highly concentrated" compared to 67% in 2012. Highly concentrated markets are thought to be linked to higher costs.

e. Hospitals appear to be treating Medicare patients in the emergency department or in observation areas to avoid readmissions and the financial penalties associated with them, according to a study by Dr. Rishi K. Wadhera of Beth Israel Deaconess Medical Center and Harvard Medical School. Comparing Medicare data from before CMS instituted the penalty for excessive readmissions within 30 days of discharge to data afterwards, the study found that while readmissions were down 0.023% for the Medicare population overall revisits to the hospital emergency room were up 0.023% and observation visits were up 0.022%.

f. The American Hospital Association produced a study it commissioned from Charles River Associates that made the case that hospital mergers and acquisitions reduced costs and boosted care quality. Several economists disputed the findings of the study, pointing to several academic studies by economists that showed prices increased after hospital mergers and acquisitions.

g. CMS released proposed rules that require many types of insurers to provide electronic health data in a standard format by 2020. The rule will promote interoperability between providers and insurers.

h. After health care groups including the American Hospital Association called for major changes to its Quality Star Ratings methodology, CMS plans to finalize an update of its quality measurement methodology for its Overall Hospital Quality Star Ratings in 2021. In the meantime, CMS said it will "refresh" the Star Ratings on its Hospital Compare website in 2020.

i. A study by the Kaiser Family Foundation found that health care costs for families with employer coverage have risen twice as fast as wages and three times as fast as the rate of inflation over the past decade. In 2018, a family of four spent an average of $7,726 ($4,706 on premiums and $3,020 on cost sharing) compared to $4,617 in 2008 ($2,838 on premiums and $1,779 in cost sharing).

6. In National Municipal Bond Tax and Regulatory News:

    a. On September 18, the Federal Open Market Committee voted to cut the fed funds target rate another 25 basis points this year to between 1.75% and 2.00%.

    b. An August 21 article in The Bond Buyer discusses the reduction in security packages securing municipal bonds and an increase in the purchase of risky investments, partially resulting from low interest rates and lack of supply in the municipal bond market.

    c. The California legislature has passed a bill that would require its government issuers and agencies to provide financial documents to the State Controller's Office in Extensible Business Reporting Language ("XBRL"), a more readily searchable format than PDF. XBRL has been required for private businesses for SEC's EDGAR disclosure website for 10 years but is just starting to gain traction in municipal finance markets

    d. Senator John Kennedy (R-LA) penned an opinion piece in the September 17 edition of The Bond Buyer arguing members of the Municipal Securities Rulemaking Board ("MSRB") should consist of fewer investment bankers and other municipal bond market insiders. He has filed legislation entitled the MSRB Reform Act, co-sponsored by Senator Elizabeth Warren (D-MA).

    e. On September 23, The Bond Buyer published a commentary by Len Weiser-Varon, a Mintz Levin municipal bond attorney, emphasizing the importance of correctly perfecting a security interest in the trust estate securing municipal bonds, particularly deposit accounts, under the Uniform Commercial Code.

7. Authority News

    a. Mr. Hopkins took the opportunity to thank the Authority Members for their support of the Round Table. He also expressed his gratitude to the Governor's Office and Lauren LaRusso for their assistance as well as the Attorney General's Office. Finally, he thanked the Authority staff for helping to make the event a success. Mr. Hopkins said that much was learned from the Round Table and that he received valuable feedback.

As there was no further business, following a motion by Ms. Kralik and a second by Mr. Lovell, the Members voted unanimously to adjourn the meeting at 11:08 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 ON SEPTEMBER 26, 2019.

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Carole A. Conover, Assistant Secretary