

Minutes of the New Jersey Health Care Facilities Financing Authority regular Meeting held on December 16, 2021 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following *Authority Members* were in attendance:

Via telephone: David Brown, Vice Chair, Public Member(Chairing); Robin Ford, Designee of the Department of Health; Manny Paulino, Designee of the Commissioner of Banking and Insurance; Greg Lovell, Designee of the Commissioner of Human Services; Dr. Kazmir (Public Member) and Thomas Sullivan (Public Member)

The following *Authority staff members* were in attendance:

Mark Hopkins, Frank Troy, Cindy Kline and Chris Kniesler; and, via telephone, Ron Marmelstein, Bill McLaughlin, Alpa Patel, Jessica Waite, Edwin Fuentes and Taryn Rommell

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

Via telephone, Jeff Padgett and Stephanie Gibson, Attorney General's Office; Jamera Sirmans, Governor's Authorities Unit; Jim Fearon, Gluck Walrath; Caswell Samms, Chief Financial Officer and Christopher Caufield, Executive Director of Financial Operations from St. Joseph's Medical Center; Glenn Wagner, Kaufman Hall

CALL TO ORDER

Mr. Brown called the meeting to order at 10:06 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 27, 2021 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was mailed to The Star-Ledger, the Courier Post, and provided to numerous other newspapers and media outlets serving New Jersey, early enough to publish an announcement at least 48 hours in advance of this meeting.

1. APPROVAL OF MINUTES November 18, 2021 Authority Meeting

Minutes for the Authority's November 18, 2021 Meeting were distributed for review and approval prior to the meeting. Mr. Brown asked for a motion to approve the minutes. Dr. Kazmir made the motion. Mr. Lovell seconded. Mr. Brown asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown called for a vote. Mr. Brown abstained. Ms. Ford, Mr. Paulino, Mr. Lovell, Dr. Kazmir and Mr. Sullivan all voted in the affirmative and the minutes were approved.

2. CONTINGENT BOND SALE, TEFRA HEARING AND INFORMATIONAL PRESENTATION

St. Joseph's University Medical Center, Inc.

Mr. Brown announced that the following portion of the meeting was a public hearing in connection with the St. Joseph's University Medical Center, Inc. transaction. He 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.

Mr. Brown called upon Edwin Fuentes to present the details of the request for a contingent bond sale on behalf of St. Joseph's University Medical Center, Inc.

Mr. Fuentes reminded the Members that at last month's meeting, they approved the use of a negotiated sale in the form of a private placement for St. Joseph's University Medical Center. He then introduced Caswell Samms, Chief Financial Officer and Christopher Caufield, Executive Director of Financial Operations from St. Joseph's Medical Center, who were participating by telephone.

Mr. Fuentes directed the Members to the audited financial information for St. Joseph's University Medical Center ending December 31, 2020 that was provided in their meeting materials. Mr. Fuentes reported that excess revenues over expenses rose from \$9.9 million in 2019 to \$22.32 million in 2020. Their Days Cash on Hand has steadily increased from 120.72 days in 2018 to 203.23 days in 2020 while the statewide median for 2020 was 192.85 days. In addition, the Operating Margin has increased 58% since 2018 to a factor of 1.22, which is above the statewide median of 1.12. Also, their Debt Service Coverage has steadily increased over the same period from 2.74 times to 3.62 times, which is also above the statewide median of 3.04 times. Moreover, the unaudited 6 month interim financial statements ending June 30, 2021 indicate increases in net patient revenues, total operating expenses and excess revenue over expenses compared to the same period in 2020.

Mr. Fuentes concluded by noting that St. Joseph's Annual Inpatient Utilization Trends indicate a steady decrease in Inpatient Days from 177,242 days in 2018 to 163,319 days in 2020, resulting in a 7.9% drop. Inpatient Admissions and Occupancy Rate have seen similar decreases through 2020, as well as an increase in Average Length of Stay from 5.39 days in 2018 to 6.16 days in 2020.

Mr. Fuentes then turned the meeting over to Frank Troy, Director of Research, Investor Relations and Compliance to present St. Joseph's financial projections.

Mr. Troy began by telling the members that the Authority staff reviewed St. Joseph's projected financial statements and the related assumptions prepared in connection with the proposed St. Joseph's University Medical Center, Inc. Series 2022 transaction.

Mr. Troy stated that St. Joseph's Medical Center is a member of St. Joseph's Health which is currently rated BBB- with a Stable outlook by S&P Global and a corresponding Baa3 rating by

Moody's Investor Service also with a Stable outlook. Both ratings are considered "investment grade".

Mr. Troy directed the Members to pages 1 and 2 of the projections provided in their materials. Those pages include management's assumptions which reflect a number of strategic and performance improvement initiatives. According to Mr. Troy, those initiatives include: the opening of a new primary and specialty care center in Totowa; the reduction of contract labor utilization; advantageous group purchasing arrangements; and realization of cost saving opportunities identified during a recent benchmarking analysis conducted with a nationally recognized consulting firm. Mr. Troy added that it is St. Joseph's responsibility to implement these plans during the forecast period. The Authority, however, cannot assess the likelihood of the success of management's initiatives.

Mr. Troy then explained the Balance Sheets on page 3. The Authority staff calculated the Days Cash on Hand of approximately 170 in 2022 and 2023 which is consistent with the actual days cash of 168 as of September 2021 as reported by management. The Statewide median as of March 31, 2021, the most recent data available, was 179 days. Regarding the Statements of Operations on page 4, the Authority staff calculated Operating Margins of 0.1% in 2022 and 2023. The EBITDA margins (Earnings Before Interest, Taxes, Depreciation and Amortization) during the forecast period was 5.7% which is significantly higher than the 2020 S&P Global national median for similarly-rated hospitals of 2.8% and compares favorably to the S&P 2019 pre-pandemic median of 5.1%.

Mr. Troy concluded by saying that the Authority's analysis suggests the Medical Center would have adequate cash reserves and generate sufficient funds to meet its debt service requirements during the forecast period. He then offered to answer any questions. There were no questions.

Mr. Troy then turned the meeting back to Mr. Fuentes to present the details of the contingent bond sale.

Mr. Fuentes informed the Members that St. Joseph's Medical Center signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately \$40 million, the proceeds of which will be used to: 1) reimburse the Borrower for the costs of the planning, development, constructing and/or renovation of portions of the acute care hospitals owned and operated by the Borrower and located in Paterson, New Jersey and Wayne, New Jersey, and the costs of the acquisition and installation of various items of capital equipment at one or more locations for use by the Borrower, and all other work, materials, and equipment necessary, and/or to refinance debt of the Borrower incurred to finance and/or reimburse such costs, and (ii) pay all or a portion of the costs of the issuance and sale of the Series 2022 Bonds.

According to Mr. Fuentes, St. Joseph's Medical Center has selected Morgan Stanley as the initial purchaser of the 2022 bonds and that the Attorney General's Office has assigned Gluck Walrath LLP to serve as Bond Counsel for this transaction. He then told the Members that drafts of the core bond documents have been provided to them.

Mr. Fuentes highlighted several deviations from standard Authority practices in this transaction. First, the Authority typically requires a traveling investor letter from the bond purchaser when issuing a private placement. The Authority will accept non-traveling investor letters when an initial offering document is prepared, posted on the MSRB's EMMA website, with an agreement to provide continuing disclosure as part of Rule 15c2-12. The borrower has agreed to provide the requested continuing disclosure. However, as there is no initial offering document, staff has recommended the following changes: 1) the initial purchaser will execute an investor letter in a form acceptable to the Authority, which will prevent the purchaser from selling the bonds to any non-qualified institutional buyer, require them to hold the bonds until St. Josephs' next quarterly disclosure is posted on EMMA (unless the next purchaser signs a traveling letter binding them to the same requirements as the initial purchaser), and limit the denominations to no less than \$100,000 if the initial purchaser wishes to sell the bonds before the disclosure of the annual audit; 2) the borrower agrees to post on EMMA the 2022 bond documents, its most recent audited financial statements, and its latest unaudited financial statements; 3) the Borrower provides the Authority and the initial purchaser with Rule 10b5 like assurance reference any material adverse changes to their financial position since the financials were prepared, and representing no knowledge of any events that would materially adversely impact the borrower; and 4) the bonds are rated and will continue to be rated by one of the three main rating agencies.

According to Mr. Fuentes, Morgan Stanley, the initial purchaser, has agreed to these terms, and represented its satisfaction with the bond documents in their current, substantially final form. He then introduced Jim Fearon from Gluck Walrath to present the Bond Resolution.

Mr. Fuentes added that, following Mr. Fearon's presentation, he, Mr. Samms, Mr. Caufield or Mr. Fearon, would address any questions.

BOND RESOLUTION

Mr. Fearon stated that the Bond Resolution authorizes the issuance of the tax-exempt Series 2022 Bonds in an aggregate principal amount not in excess of \$40,000,000 and provides that the Series 2022 Bonds shall have a final maturity date of no later than July 1, 2052. The Bond Resolution provides that the Series 2022 Bonds will bear interest as provided in the Trust Agreement pursuant to which the Series 2022 Bonds will be issued; provided that the true interest cost of the Series 2022 Bonds shall not exceed 5% per annum. The Series 2022 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 100%, except in the case of any optional "make-whole" redemption of the Series 2022 Bonds or as a result of the required payment of a breakage fee or similar prepayment or redemption charge.

The Series 2022 Bonds will be secured by payments made by St. Josephs' University Medical Center under a Loan Agreement with the Authority. The obligations of St. Josephs' under the Loan Agreement with the Authority will be evidenced and secured by a Promissory Note issued by St. Josephs' under and pursuant to the provisions of its 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 Bond Purchase Contract with Morgan Stanley, for the purchase of the Series 2022 Bonds. The Bond Resolution provides that the Bond Purchase Contract must be executed prior to the close of business on March 23, 2022. It also requires that evidence be provided by the borrower that they've received any such approvals required under canon law, or a legal opinion that no such approval is required, prior to execution of the document. No initial disclosure document is being prepared in connection with the issuance of the Series 2022 Bonds. However, the initial purchaser will sign an investor letter in the form presented to you today, with all the transfer restrictions described earlier.

Additionally, the Bond Resolution approves the form of and authorizes the execution and delivery of (i) the Series 2022 Bonds, (ii) the Trust Agreement for the Series 2022 Bonds, and (iii) the Loan Agreement with St. Josephs' for the Series 2022 Bonds. Further, the Bond Resolution appoints the Bank of New York Mellon, as Bond Trustee, Bond Registrar and Paying Agent for the Series 2022 Bonds and 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 Bond Purchase Contract, and the issuance and sale of the Series 2022 Bonds.

Mr. Brown asked if any of the Members or the public had any questions on the information presented. There were no questions.

Mr. Fuentes added that no comments were received from the TEFRA notice on the Authority's website.

Glenn Wagner from Kaufman Hall commended Mr. Sams and Mr. Caufield for their financial diligence in improving St. Joseph's bond outlook from Negative to Stable.

Mr. Brown asked for a motion to adopt the resolution approving a contingent bond sale on behalf of St. Joseph's University Medical Center, Inc. Dr. Kazmir made the motion. Mr. Lovell seconded. Mr. Brown asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown called for a vote. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. VV-35

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled, "A **RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, ST. JOSEPH'S HEALTHCARE SYSTEM OBLIGATED GROUP ISSUE, SERIES 2022.**"

(attached)

Mr. Brown extended his congratulations on behalf of the Authority to St. Joseph's and asked if the representatives had anything to say.

Mr. Samms thanked Edwin Fuentes and Bill McLaughlin for keeping them informed every step of the way and the Authority Members for their support.

Mr. Brown 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 St. Joseph's Medical Center, Inc.

3. FINANCE COMMITTEE REPORT 2022 Authority Budget

Mr. Brown asked Dr. Kazmir to present the Report of the Finance Committee.

Dr. Kazmir stated that he was not yet in his office and asked Mark Hopkins to begin his presentation.

At this point, Ms. Ford asked if it was possible to hold the Executive Session before the budget vote as opposed to the end of the meeting.

Mr. Hopkins stated that he believed that it was possible, but deferred to the Deputy Attorney General for a decision.

Mr. Hopkins began his presentation pending the Deputy Attorney General's opinion.

Deputy Attorney General Jeff Padgett interrupted Mr. Hopkins to inform the Members that it was permissible to change the order of the agenda as long as there was a formal motion and vote by the board.

It was decided to continue with Mr. Hopkins' presentation and conduct an Executive Session after it was completed before any vote.

Dr. Kazmir reported that the Finance Committee met by telephone on November 10 and December 7, 2021 to discuss the Authority's proposed 2022 budget. The budget is now being presented the Members.

According to Dr. Kazmir, the proposed 2022 cash budget includes an estimated income of \$4,379,885, which is a 12.44% increase in annual revenue. Estimated expenses are budgeted at \$3,683,596, which is a decrease of 0.4%, without carry overs. Net Income is expected to be \$696,289, which does not include carry overs from 2021.

Dr. Kazmir then turned the meeting over to Executive Director Mark Hopkins to provide the details of the budget proposal.

Mr. Hopkins presented the following budget:

Operating Revenue

Annual Fees: Annual fees are expected to be \$4,202,232 for 2022, which is \$435,805, or 11.57%, more than budgeted for 2021 as a result of over \$1 billion in financings completed in 2021 offset slightly by lower outstanding balances on bonds issued prior to 2021. The Authority is projecting the issuance of \$240,000,000 for 2022 over three new money financings.

Initial Fees/Per Series Fees/Per Series Fees: The three anticipated financings in 2022 are estimated to be in the amount of \$240,000,000. Of those, initial and per series fees for two projects totaling \$90,000,000 have already been received, we expect to receive initial and per series fees of \$36,450 in 2022 on one new \$150,000,000 financing, which would be an increase of \$350, or 0.97%, more than budgeted for 2021.

Capital Asset and Master Lease Fees: Capital Asset Program and Master Lease fees are expected to remain unchanged at \$500 and \$0 respectively.

Other Operating Revenue: The proposed 2022 budget of other operating revenue of \$126,812 is \$48,247, or 61.41% higher than the 2021 budget of \$78,565. This revenue is from contracts with the Department of Health to provide architectural services, CN review and financial analysis of hospitals, serve as monitor for Christ Hospital, and a contract with the Department of Human Services to provide financial analysis of long-term care facilities. The increase is largely due to the fact that the Authority did not budget for the services as hospital monitor. Also, the contract with the Department of Health for architectural services expired on June 30, 2021 and income from the renewal was not budgeted in 2021 to be conservative. The contract was renewed and is included in the revenue budget for 2022.

Residential Rental Property – Section 142(d) Revenue: The 2022 budget of \$10,920 remains unchanged from the 2021 budget. The Authority charges a fee of \$420 per each low and moderate income housing unit located in each project financed by the Authority under Section 142(d) of the Internal Revenue Code to compensate the Authority for monitoring the project's compliance. The Authority currently monitors three (3) projects: Avalon at Hillsborough, Avalon at Bridgewater and The Orchards at Bartley. IRS regulations require audits to be conducted for a certain period of time and there are at least eight (8) audits remaining. The Avalon at Hillsborough prepaid their audit fees in 2011 when they refinanced their bonds through year 2022 and income therefrom is not included in the budget. Village Drive Healthcare Urban Renewal has been excluded from the 2022 revenue projection due to a delay in construction. In order for the "Qualified Project Period" to begin, Village Drive Health Care Urban Renewal would need to reach 10% occupancy by December 31, 2021, which is unlikely due to the delay.

Non-Operating Revenue – Interest Revenue: Interest revenue is projected to be \$2,971 in the 2022 budget which is \$22, or 0.75% higher than the 2021 budget of \$2,949. The 2022 interest projection is based on an assumed 0.04% interest rate on the Authority's funds in the New Jersey Cash Management Fund and an average \$7,427,575 balance; while the 2021 budget was based on 0.05% interest and a balance of \$5,898,996.

Personnel Services

Staff Salaries: The 2022 budget for staff salaries is \$1,711,836, which is \$85,086, or 5.23% higher than the 2021 budget of \$1,626,750. This includes a promotion increase of \$3,570 for an Account Administrator being promoted to Senior Account Administrator. It does not include a non-salary temporary \$3,225 in extra pay for the Human Resources Manager for extra duties of monitoring and reporting on COVID vaccines and testing and enforcing COVID protocols. Merit salary increases will total less than 5.0% because salary increases will be limited to between 4.0% and 5.0% based on performance appraisal scores. The average is expected to be about 4.75%.

Additional Pay for Monitoring Staff COVID Vaccines, Testing Plus Enforcing COVID Protocols: The Human Resources Manager will be paid an additional \$3,225 for monitoring staff COVID vaccines and testing as well as enforcing COVID protocols.

Temporary Help: The 2022 budget for Temporary Help is \$9,800. This remains unchanged from the 2021 budget amount.

Fringe Benefits: Fringe benefits budgeted for 2022 are \$987,105 which is \$119,891, or 13.82%, more than the \$867,214 budgeted for 2021. This is primarily due to increases of (i) \$31,389 in pension liability; (ii) \$5,772 in COVID testing expenses (for which the Authority expects to be reimbursed from a FEMA grant); (iii) \$7,720 in estimated payroll taxes due to increased salaries; and (iv) \$79,752 in eligible retiree vacation and sick pay if they retire in 2022. These were partially offset by small decreases in health benefits premiums, dental benefits premiums, self-insured eye care and workers comp insurance.

Post-Retirement Health Benefit Trust: Since 2007, the Authority has been required to have an actuary calculate the amount needed to fully fund the Post-Retirement Health Benefit Trust every other year. The last calculation was done in 2020. Recent changes require the actuary to calculate an amount for the then-current year and the following year, nevertheless maintaining the requirement that the actuary need only be retained every other year. For 2022, staff is conservatively budgeting \$200,000. This is \$120,000 or 150% higher than the \$80,000 budgeted in 2021.

For reference, the actuarially calculated amount necessary to fully fund the Post-Retirement Health Benefit Trust in 2018 was \$28,112 and in 2019 it was \$79,348. The required contribution was \$0 in both 2020 and 2021, largely due to a change in actuarial valuation methodology.

The actuarial calculation will be made next year for 2022. Once the calculation is provided to staff by the actuary Authority Members will be informed the actual amount needed to be deposited in the Trust for retiree health benefits for 2022.

Office Expenses

Office Rent & Electric: The Authority's lease was renegotiated this year. On September 24, 2021, the lease was scheduled to automatically renew for an additional five years at \$23.00 per square foot (up from the previous \$21.25 per square foot) for the then-existing 13,485 square feet of leased space. Instead the Authority reduced its leased space by 1,744 square feet to 11,741 square feet and negotiated an amended lease rate of \$22.50 per square foot for five years, with an automatic renewal (unless cancelled) at \$23.50 per square feet for an additional five years. This resulted in the lease expenses being reduced by \$28,742 or 9.81%. Electric and Escalation Charges are budgeted to remain the same as 2021 at \$8,925 and \$84,000, respectively, for a total office occupancy cost of \$357,098, down 7.45% from the 2021 budget of \$385,840.

Insurance: Insurance premiums are budgeted to decrease from the 2021 budgeted amount of \$116,849 by \$4,345, or 3.72%, to \$112,504. The Directors & Officers Liability Insurance, Employment Practice Liability and Excess Liability policy premiums fees and taxes totaled \$77,482 for 2021. Conservatively estimating an approximately 25% premium increase in 2022 (the 2021 premium increase was just under 15%) we are budgeting a total of \$96,950 for these polices in the 2022 budget. The Authority's Commercial Property Insurance remains budgeted to increase 10%, from the \$12,685 in 2021 to \$13,954 in 2022. The Commercial Auto Insurance continues to be expected to decrease \$4,464, from \$6,064 budgeted in 2021 to \$1,600 in 2022 as a result of reducing the number of Authority-owned cars from two to one.

Office Equipment Rental/Equipment Maintenance/Hardware/Hardware Maintenance: This line item is budgeted at \$85,569 for 2022, a decrease \$264, or 0.31%, from \$85,833. The change is based on year to year changes in equipment replacement schedules, including for 2022: server upgrades, server room consolidation hardware, seven replacement notebook computers and a cloud backup appliance. The Authority will again be carrying over \$4,000 from the 2019, 2020 and 2021 budgets for the wireless microphone system for the board room, bringing this line item to \$89,569 with carryovers in 2022.

Electronic Data Processing Expense/Software/Software Maintenance/Contract Services: This line item has decreased \$101,405 or 63.91%, from \$158,675 to \$57,270. However, The Authority is again carrying over \$100,000 from the 2019, 2020 and 2021 budgets for a consultant to create a trustee-held fund accounting function in our existing Microsoft Dynamics software and possibly purchase additional software modules therefor and to train employees on its use. Therefore this total budget line item is \$157,270 for 2022, including the \$100,000 carryover from 2019, 2020 and 2021.

Dues & Subscriptions: This line item increases \$418 or 2.45% from \$17,046 in 2021 to \$17,464 in 2022 as a result of varying multi-year subscription renewals coming due in 2022.

Telephone: The 2022 Telephone expense budget of \$11,100 is \$1,500 or 15.63% higher than the 2021 budget of \$9,600. The increase in the budget is due to the expected increase in usage of the conference calling system, assuming continuation of the Covid-19 pandemic.

Printing: The 2022 budget of \$17,935 for Printing is \$250, or 1.41% higher than the 2021 budget of \$17,685. The increase is due to marketing materials to recognize the Authority's 50th anniversary.

Governor's Authorities Unit Fees: Governor's Authorities Unit Fees are budgeted to decrease \$1,223, or 5.28%, from \$23,149 to \$21,926 as the actual bill for 2022 was received from the Governor's Authorities Unit earlier this month and the fees remained unchanged from the amount charged in 2021.

Meetings, Seminars & Educational Courses: The increase of \$9,900, or 53.57%, from \$18,480 in 2021 to \$28,380 in 2022 is largely due to a plan to celebrate the Authority's 50th Anniversary by having an Authority Member's and Stakeholders Education/Retreat, conditions permitting, costing an expected \$10,000.

Postage Increases: Postage is expected to be \$9,957, an increase of \$1,146, or 13.01% from \$8,811 in 2021, largely due to expected increased mailings to recognize the Authority's 50th Anniversary and increasing mailing and delivery costs.

Special Projects Carryover \$100,000 of the \$125,000 Budgeted in 2021/Bankruptcy Fees & Costs Continues at \$0/Special Tax Counsel Continues at \$0/New Financing Products Carryover \$15,000 from 2021

The Authority carried over \$125,000 from the 2020 Special Projects budget into 2021. None of the \$125,000 was used. Staff proposes that the Authority carryover \$100,000 of the \$125,000 from the 2021 budget into 2022. Staff proposes to use these funds to engage a financial advisor to evaluate each Authority financing in 2022 and to assess the efficacy of the Authority's tax-exempt financings compared to taxable financings and financings of other similar conduit financings around the country.

With no expected need for Bankruptcy Counsel or Special Tax Counsel in 2022 both of those items are budgeted at \$0, the same as 2021.

It should be noted that the \$15,000 of the New Financing Products line item was carried over from 2020 to 2021 and staff would like to continue to carry it over into 2022. In 2020 that line item was partially used for the COVID-19 Emergency Loan Program. Staff would like to keep the \$15,000 in place in case there is a need for a similar program in 2022.

Actuarial Services: Actuarial Services were not needed in 2021 because they are only required every two years. Therefore an actuary must be engaged for 2022. In 2020 we budgeted \$35,000 for actuarial services. Staff has estimated that the cost of those services will increase 5% to \$36,750 for the 2022 budget.

Payroll Service: Payroll Services are budgeted for 2022 at \$9,812, a \$100 or 1.03% increase from \$9,712 in 2021 due to an anticipated inflation in ADP charges.

Advertising: Due to the need for additional construction signs resulting from the Authority's financing of more construction projects in 2021. For 2022 Advertising is budgeted at \$9,215, an increase of \$1,753, or 23.49%, from \$7,462 budgeted in 2021.

Auditor's Fees: Pursuant to the Authority's multi-year contract with the auditor, the audit fees are scheduled to increase \$1,000, or 2.38%, from \$42,000 in 2021 to \$43,000 in 2022.

Archival Expense is expected to remain unchanged at \$3,000.

Investment Services remain unchanged at \$1,000.

Office Equipment/Furniture is expected to remain unchanged at \$3,000.

Office Supplies are expected to remain unchanged at \$9,650.

Repairs & Renovations are expected to remain unchanged at \$4,000.

Services of Attorney General's Office are expected to remain unchanged at \$125,000.

Vehicle Expenses remain unchanged at \$8,000.

Mr. Hopkins turned the meeting back over to Dr. Kazmir.

At this point, Mr. Brown asked for a motion to suspend the rules and enter into Executive Session. Dr. Kazmir made the motion. Mr. Lovell seconded. All Members voted in the affirmative and the motion as approved.

AB RESOLUTION NO. VV-36

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution to suspend the rules to meet in Executive Session.

4. EXECUTIVE SESSION

Mr. Brown asked for a motion to go into Executive Session to discuss personnel matters. Mr. Brown announced that the results of the discussion would be made public when the need for confidentiality no longer existed.

Mr. Sullivan offered the motion. Dr. Kazmir seconded the motion. Mr. Brown asked if the Members had any questions on the motion. There were no questions. Mr. Brown called for a vote. All Members voted in the affirmative and the resolution was approved.

The Members entered into Executive Session at 10:54 a.m.

AB RESOLUTION NO. VV-37

NOW, THEREFORE, BE IT RESOLVED, that, as permitted by the Open Public Meetings Act and the Authority's By-laws, the Authority meet in Executive Session to discuss personnel matters;

BE IT FURTHER RESOLVED, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

The Members returned to Public Session at 11:33 a.m.

Mr. Brown requested a roll call to make certain all Members were back on the telephone. All Members were present.

Mr. Brown then asked Dr. Kazmir to resume the Finance Committee Report.

Dr. Kazmir applauded the staff's due diligence to keep costs to a minimum as well as the staff's ability to produce accurate budgets year after year. He also acknowledged the staff's efforts in what has been a very difficult year. He then thanked everyone who contributed in creating the 2022 budget.

Dr. Kazmir asked if the Members had any questions on the budget. There were no questions.

Dr. Kazmir concluded by making the motion to approve the Authority's 2022 budget.

Mr. Brown also thanked Alps Patel, Mark Hopkins and all of the staff who developed the budget. He also thanked Robin Ford her research.

Mr. Brown added that the budget vote would include merit salary increases for the Authority staff, one promotion increase and temporary extra pay for enacting COVID related protocols, as well as a merit salary increase for the Executive Director as discussed in Executive Session. He then asked Mark Hopkins to summarize those items.

Mr. Hopkins briefly addressed the one (1) promotion and the temporary pay increases for the additional COVID-19 activities. He then explained that the merit increases were designed to keep pace with the regional CPI increases as well as make the salaries compatible with similar positions in in other state authorities and the Mercer County area. Mr. Hopkins stated that the cap for any Authority staff salary increase was 5.0% and the average individual increase would be around 4.75%. He noted that since 2008 through 2021, total Authority salaries have decreased 10.45%, largely due to reducing staff from 26 70 21. During the same period, the average CPI-U

of New York City and Philadelphia increased 22.07%. He said that even the average Authority salary trailed the regional CPI at only 10.1% from 2008 to 2021.

Mr. Brown then acknowledged the previous motion by Dr. Kazmir and asked for a second. Mr. Lovell seconded. Mr. Brown asked if there were any question on the motion. There were no questions. Mr. Brown called for a vote. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. VV-38

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution approving the Authority's 2022 budget with the merit salary increases, promotion and COVIDX extra pay discussed in Executive Session.

5. ANNUAL ACCEPTANCE OF RESOLUTION OF NJHCFFA INCUMBENCY CERTIFICATE

Mr. Brown called upon Jessica Waite to explain the resolution authorizing annual incumbency certificates to the Members.

Ms. Waite explained to the members that, in the Authority bond documents, an "Authorized Officer" shall mean the Chairman, Vice-Chairman, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer or Executive Director or Deputy Executive Director and, when used with reference to any act or document, also means any other person authorized by the by-laws or any resolution of the Authority to perform such act or execute such document"

Ms. Waite stated that the Authority is responsible for the expenditure of the costs of projects pursuant to the requisition policies approved by Authority. The Authority also recognizes the need for prompt and timely decisions made by Authority personnel to facilitate investment purchases and to provide direction to Bond Trustees of revenues, in accordance with bond indentures.

According to Ms. Waite, in December each year, the Authority Members reapprove a resolution delegating the staff members identified in Exhibit A, as Authorized Officers of the Authority, responsible for the day-to-day activities related to the requests of disbursement requisitions, investments, allocation of revenues, and to take such other action as may be necessary or appropriate in order to effectuate the actions contemplated by this resolution.

Ms. Waite concluded by asking Members to approve the delegation of those individuals as delineated in the meeting materials.

Ms. Waite offered to answer the Members' questions. There were no questions.

Mr. Brown asked for a motion to approve the resolution authorizing annual incumbency certificates. Dr. Kazmir made the motion. Mr. Lovell seconded. Mr. Brown asked if there were

any questions on the motion. There were no questions or comments. Mr. Brown then called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. VV-39

WHEREAS, the Authority hereby approves a resolution entitled, **“RESOLUTION OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY AUTHORIZING THE ADOPTION OF ANNUAL INCUMBENCY CERTIFICATES PROVIDED TO THE APPROVED TRUSTEE BANKS.”**

6. MEMORANDUM OF AGREEMENT WITH THE DEPARTMENT OF HUMAN SERVICES

Provide Quarterly Financial Database Maintenance and Data Analysis

Mr. Brown asked Frank Troy to explain the Memorandum of Agreement with the Department of Human Services for financial database management and analysis to the Members.

Mr. Troy began by explaining to the members that, since 2014, the Division of Research, Investor Relations & Compliance has been assisting the Department of Human Services, Division of Aging Services with a financial early warning system (or EWS) for long-term care facilities under a Memorandum of Agreement (the Agreement). This early warning system is similar to the ones created for acute care hospitals and federally qualified health centers.

Mr. Troy said that, under the Agreement, the Authority staff reviews and analyzes data from over 350 skilled nursing facilities on a quarterly basis. The Authority staff also calculates State-wide medians for thirteen financial and operational metrics and prepares a list of those facilities that may be experiencing financial distress based on screens developed with Aging Services. Staff also responds to ad hoc requests as needed and provides Aging Services with national benchmarks. The Authority currently receives \$6,600 per quarter for these services. The Authority is pleased the Department of Human Services has asked for another extension which would have an expiration date of June 30, 2023.

Mr. Troy concluded by telling the Members that the proposed amendment in their meeting materials was reviewed and recommended by the Authority staff and the Attorney General Office has reviewed the amendment and has no objection to its approval.

Mr. Troy said that he or Mr. Hopkins would answer and questions.

Mr. Brown asked for a motion to adopt the resolution approving the Memorandum of Agreement with the Department of Health for financial database management and analysis. Dr. Kazmir made the motion. Ms. Ford seconded. Mr. Brown asked if there were any questions on the

motion. There were no questions or comments. Mr. Brown then called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. VV-39

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled “**MEMORANDUM OF AGREEMENT BETWEEN THE DEPARTMENT OF HUMAN SERVICES DIVISION OF AGING SERVICES AND THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY FOR QUARTERLY FINANCIAL DATABASE MAINTENANCE AND DATA ANALYSIS.**”

(attached)

7. AUTHORITY EXPENSES

Mr. Brown referenced a summary of Authority expenses and invoices provided to the Members. Dr. Kazmir made the motion to approve the expenses. Mr. Sullivan seconded. Mr. Brown asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown then called for a vote. All Members voted in the affirmative. The resolution was approved to approve the bills and to authorize their payment.

AB RESOLUTION NO. VV-40

WHEREAS, the Members of the Authority have reviewed the memoranda dated December 8, 2021 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amount of \$23,540.00 and \$54,396.00, 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.

8. STAFF REPORTS

Mr. Brown thanked staff for the Project Development Summary, Cash Reconciliation Report and Legislative Update.

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

Mr. Hopkins stated that, in the interest of time, he would only present 4 of his items and email his report to the Members.

Mr. Hopkins reported the following:

1. Mr. Hopkins thanked to the Authority Members for completing both the online ethics training from the State Ethics Commission in accordance with Executive Order #41 (Codey 2005) by November 22nd and for completing the Cannabis training as required by December 8th.
2. After receiving a Temporary Certificate of Occupancy late last month, Village Drive Healthcare Urban Renewal is still awaiting a permanent Certificate of Occupancy and its final approval from the Department of Health. The primary remaining issue, backup batteries for emergency lighting, is on their way. Once received, the batteries can be installed in one day. After installation, a final inspection can be scheduled. The Village Drive developers believe they will have the permanent certificate of occupancy by the end of the month. The Department of Health will then take the remaining steps in their review of the Village Drive license application. Over the past two weeks, Authority staff has discussed the 25 month delay in opening the facility with the borrower, the bond trustee and the attorney for the bondholders. In light of the fact the borrowers were not in compliance with the September 30, 2021 Days Cash on Hand requirement and are unlikely to be in compliance with the Days Cash on Hand requirement for December 31, 2021, we are all cognizant of the potential for a default, if the liquidity covenant failure is not cured or waived. Further discussions will be held next month with those parties, prior to the liquidity reporting date of February 15, 2022, on how to proceed if there is a default. At the Authority's request, the borrower has updated its 2021 budget and its 2022 financial projections on the EMMA website and provided notice of the new company it has selected to operate the facility. Authority staff also recently learned that the borrower signed a lease with a pharmacy company to lease an area of the facility that was originally identified in the project description for adult day care. We have asked the borrower to select bond counsel to ensure the lease to the pharmacy company complies with State law and tax-exemption requirements.
3. Coronavirus News
 - a. Hospitalizations from COVID-19 in New Jersey on December 14th were 1,730 compared to 792 on November 16th, which is a significant increase but still far below the peak of 8,270 on April 14, 2020. The rate of transmission in New Jersey has increased to 1.29 from last month's reported 1.11. Since the first case on March 4, 2020, 1,138,494 New Jersey residents have tested positive for COVID-19 with another 177,614 probable. 28,643 people have died of confirmed

or probable COVID-19. Nationally, according to the New York Times, as of November 16, 2021 there have been 50,201,298 cases and 798,945 deaths from COVID-19 and an average of 67,274 people were hospitalized over the previous 14 days. In New Jersey 14,240,606 vaccines have been administered, providing 81% of the entire population with at least one dose of the vaccine. 6,137,930 are fully vaccinated or 69% of the entire population, including 80% of those 12 and over and 90% of those 65 and over. In the United States, about 239.6 million people have received at least one dose of the vaccines, including 202.5 million, or 61%, who have been fully vaccinated. Mr. Hopkins noted that the initial evidence shows the Omicron variant spreads more easily, is more resistant to vaccines, but may be less severe. Booster shots of the vaccine are important to maintaining a high level of protection against the Omicron variant.

4. Authority News

- a. Mr. Hopkins thanked Authority Members, the representatives from the Attorney General's office and the Governor's Authorities Unit as well as to the Authority staff for all their support and assistance through this very difficult year. He wished everyone and their families a very happy holiday and said that he looks forward to working with everyone next year.

Mr. Brown added his best wishes to everyone for a safe and happy holiday season.

9. ADJOURN

As there was no further business, Mr. Brown asked for a motion to adjourn. Dr. Kazmir made the motion and Mr. Lovell seconded. All Members voted in the affirmative. The meeting was adjourned at 11:54 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 DECEMBER 16, 2021.

Cindy Kline, Assistant Secretary