

Minutes of the New Jersey Health Care Facilities Financing Authority regular Meeting held on July 22, 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 (Chairing) Vice Chair (Public Member); Robin Ford, Designee of the Department of Health; Manny Paulino, Designee of the Commissioner of Banking and Insurance, and Greg Lovell, Designee of the Commissioner of Human Services; and Thomas Sullivan, Public Member

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

Mark Hopkins, Cindy Kline and Chris Kniesler and, via telephone, Frank Troy, Bill McLaughlin, Alpa Patel, Taryn Rommell, Jessica Waite, Edwin Fuentes, Tracey Cameron, Michael Solidum and Bill Lohman

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

Via telephone, Victoria Nilsson and Stephanie Gibson, Attorney General's Office; Jamera Sirmans, Governor's Authorities Unit; Hak Kim, Chief Financial Officer, Christopher Tascione, AVP of Finance and Corporate Controller, Monika Finnegan, Director of Finance and Capital Budgeting from AtlantiCare Health System; John Doll, Chief Financial and Administrative Officer, Eileen Urban, Senior Vice President of Treasury and Chief Investment Officer and Cathy Dowdy - Senior Vice President of Finance, Mitch Langanhal from RWJBarnabas Health; Sam Sutton, Politico; John Kelly, Wilentz Goldman and Spitzer; Anthony Branco, PKF O'Connor Davies

## **CALL TO ORDER**

Mr. Brown 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 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 June 24, 2021 Authority Meeting**

Minutes for the Authority's June 24, 2021 Annual 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. All Members voted in the affirmative and the minutes were approved.

## **2. NEGOTIATED SALE REQUEST AND INFORMATIONAL PRESENTATION**

### **AtlantiCare Health System**

Mr. Brown asked Edwin Fuentes to present the request for a negotiated sale in the form of a public offering on behalf of AtlantiCare Health System.

Mr. Fuentes informed the Members that his presentation will serve as a negotiated sale request and an informational presentation. Joining us today on the telephone from AtlantiCare Regional Medical Center are Hak Kim, Chief Financial Officer, Christopher Tascione, AVP of Finance and Corporate Controller, and Monika Finnegan, Director of Finance and Capital Budgeting.

Mr. Fuentes advised the Members that AtlantiCare Health System, Inc. (the “System”) is an integrated health system located in Atlantic County, serving southeastern New Jersey. The System is comprised of AtlantiCare Regional Medical Center, Inc. (and, together with the System, the “Obligated Group”), AtlantiCare Health Services, Inc., AtlantiCare Physician Group, P.A. (and, together with AtlantiCare Health Services, the “Designated Affiliates”), AtlantiCare Foundation, Inc. and AtlantiCare Health Solutions, Inc. The Medical Center operates a 571 licensed bed, acute care not-for-profit hospital facility with campuses in Atlantic City and Pomona. AtlantiCare Health Services Inc. is a Federally-qualified health center under the Social Security Act that offers a sliding fee scale and provides comprehensive health services for both insured and uninsured patients based on income and family size. AtlantiCare Physician Group consists of 65 members spread across two practice locations in Pomona, New Jersey. They specialize in emergency medicine, internal medicine, general surgery, family medicine, cardiology, nutrition, gynecology, critical care, geriatric medicine and more. The AtlantiCare Foundation, established in 1977, was charged with the task of generating significant charitable support to ensure the System’s vision of building healthy communities and serving future generations residing in southeastern New Jersey.

Currently, according to Mr. Fuentes, the Medical Center has no bonds outstanding with this Authority. They are currently seeking ratings on the proposed bonds through rating agencies S&P and Fitch.

Mr. Fuentes referenced the unaudited financial information for AtlantiCare Regional Medical Center, ending December 31, 2020, which was provided in the Members’ meeting materials. Mr. Fuentes indicated that AtlantiCare’s excess revenues over expenses dropped from \$99.4 million in 2019 to \$71.02 million in 2020. The audited data from 2017 through 2019 shows that AtlantiCare’s Days Cash on Hand increased from 371.72 days to 414.94 days, which is well above the statewide median of 106.24 days. Additionally, Days in Accounts Receivable and Days in Accounts Payable have remained in line with statewide medians over the same period of time. The Debt Service Coverage has increased from 12.25 to 17.67 times, which is well above the statewide median of 3.39 times.

According to Mr. Fuentes, AtlantiCare’s Annual Inpatient Utilization Trends reveals a steady increase in Inpatient Days from 2017 through 2019, with a decrease resulting in 2020 from 124,486 days to 119,124 days. Inpatient Admissions and Occupancy Rate both saw slight

decreases in 2020, as well as an increase in Average Length of Stay from 4.23 days in 2019 to 4.75 days in 2020.

Mr. Fuentes stated that AtlantiCare has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing of approximately \$250 million, the proceeds of which will be used to: (i) refinance a taxable commercial bank loan taken by the Institution, the proceeds of which were used to repay the Institution's debt of Geisinger Health and upon dissociation from Geisinger Health necessitated the refunding, repayment, and/or defeasance of the Institution's outstanding indebtedness of Geisinger Health, (ii) reimburse the Institution or its affiliates for costs of planning, development, acquisition, construction, equipping, expansion, furnishing and renovation of various capital projects of the Institution and its affiliates (collectively, the "Project"), and (iii) pay certain costs incurred in connection with the issuance and sale of the Series 2021 Bonds.

Also, Mr. Fuentes told the Members that the Attorney General's Office has assigned Wilentz, Goldman & Spitzer P.A. to serve as Bond Counsel for this transaction. Additionally, Atlanticare has conducted a competitive process and selected Bank of America Securities as the senior managing underwriter.

Mr. Fuentes indicated that AtlantiCare has asked that the Authority permit the use of a negotiated sale based on the Sale of a complex or poor credit; volatile market conditions; and large issue size. These reasons are considered under the Authority's policy regarding Executive Order #26, to be justifications for the use of a negotiated sale. The staff recommends the consideration of the resolution, provided in the Members' meeting materials, approving the use of a negotiated sale and the forwarding a copy of the justification in support of said resolution to the State Treasurer.

Mr. Fuentes concluded by saying that Frank Troy, Director of Research, Investor Relations and Compliance, would give a review of the Borrower's managerial financial projections. Following Mr. Troy's presentation, he, the Atlanticare management team or Mr. Troy would answer the Members' questions.

Mr. Troy reported that the Authority staff reviewed the projected financial statements and related assumptions that were prepared in connection with AtlantiCare's proposed Series 2021 transaction. The Authority's staff found the projections and management's underlying assumptions to be reasonable.

Mr. Troy reminded the Members that AtlantiCare was an Authority borrower until it's affiliation with Geisinger Health in 2015. At that time, AtlantiCare was rated A+ by both Standard and Poors (S&P) and Fitch Ratings with Positive outlooks and the equivalent A1 rating by Moody's Investor Service with a Stable outlook. All three rating agencies noted AtlantiCare's strong financial metrics. The projections suggest things have not changed.

Mr. Troy turned the Members' attention to the balance sheets included in their meeting materials. According to Mr. Troy, the Authority staff calculated Days Cash on Hand in excess of 500 during the forecast period, which is well above the 2019 S&P median of 210 and the September 30, 2020 Statewide median of 192. After the proposed transaction, AtlantiCare's ratio of cash to

debt would be over 400%, which is also above the 2019 S&P U.S. median of approximately 182% and the New Jersey September 2020 median of 214%.

According to Mr. Troy, under AtlantiCare's Statement of Operations, the Authority staff calculated operating margins of 4.2% and 7.5% in 2021 and 2022, respectively. Once again, these exceed the 2019 S&P median of 2.3%. The EBITDA margins (Earnings Before Interest, Taxes, Depreciation and Amortization) during the forecast period would be 11% and 14%, also above the 2019 S&P U.S. median of 10%. Mr. Troy told the Members that he did not use 2020 margins for comparison purposes as they were skewed by the COVID-19 pandemic.

Mr. Troy summarized by stating that the Authority staff's analysis suggests AtlantiCare would have adequate cash reserves and profitability to generate sufficient funds to meet its debt service requirements during the forecast period.

Mr. Troy concluded by saying that he or members of AtlantiCare's management team would answer any questions from the Members. There were no questions.

Mr. Brown asked for a motion to approve a negotiated sale in the form of a public offering on behalf of AtlantiCare Health System. Dr. Kazmir offered 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 then called for a vote. All Members voted in the affirmative and the motion was approved.

### **AB RESOLUTION NO. VV-15**

**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)*

### **3. APPOINTMENT OF CO-MANAGERS**

#### **AtlantiCare Health System**

Mr. Brown called on Bill McLaughlin to present the appointment of co-managers request to the Members.

Mr. McLaughlin informed the Members that, in accordance with Authority policy, AtlantiCare Health System notified the Authority that they have completed a competitive bidding process and have selected Bank of America Securities to serve as their senior managing underwriter.

Mr. McLaughlin then explained that, under Authority policy, co-managing underwriter assignments are awarded on a rotational basis that will consider the firms demonstrated ability to

distribute New Jersey securities of comparable credit quality, capital sufficiency and borrower preference.

Mr. McLaughlin told the Members that, due to the expected \$250 million par amount for this public series, the Authority staff is recommending the assignment of three co-managers. The Authority supports the Borrower's recommended appointment of TD Securities as co-managing underwriter and proposes adding Bancroft Capital and Raymond James & Associates to the transaction as co-managing underwriters.

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

Mr. McLaughlin concluded by stating that the Authority staff recommends these appointments and offered to answer any questions for the Members.

Mr. Brown asked for a motion to approve the appointment of Raymond James & Associates and Bancroft Capital as co-managing underwriters for the AtlantiCare Health System transaction. Dr. Kazmir offered the motion. Mr. Paulino 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 and the motion was approved.

#### **AB RESOLUTION NO. VV-16**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the resolution appointing Bancroft Capital and Raymond James & Associates as co-managing underwriters for the AtlantiCare Health System transaction.

#### **4. CONTINGENT BOND SALE AND TERFRA HEARING AtlantiCare Health System**

Mr. Brown announced that the following portion of the meeting was a public hearing in connection with the AtlantiCare Health System transaction. He stated that this hearing is taking place in accordance with AtlantiCare Health System 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 request for a contingent bond sale on behalf of AtlantiCare Health System.

Mr. Fuentes told the Members that they were being asked to approve of a contingent sale of tax-exempt bonds on behalf of AtlantiCare Regional Medical Center. He then asked John Kelly of Wilentz Goldman and Spitzer, the Bond Counsel, to present the Bond Resolution pertaining to

this transaction. Following the bond presentation, he, Mr. Kelly or the Atlanticare management team would address any issues or questions the Members may have.

## **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 2021 Bonds in an aggregate principal amount not in excess of \$250,000,000, as set forth in the Trust Agreement pursuant to which the Series 2021 Bonds will be issued. The Series 2021 Bonds will bear interest at the rate or rates per annum set forth in the Trust Agreement, provided, that with respect to any Series 2021 Bonds issued as fixed interest rate bonds to maturity, the true interest cost of such Series 2021 Bonds shall not exceed four and one-half percent (4.50%) per annum, with respect to any Series 2021 Bonds issued as multi-modal bonds, from their date of initial issuance and delivery to, but not including, their maturity date or the earlier date, if any, of their conversion to another interest rate mode under the Trust Agreement, the true interest cost of such Series 2021 Bonds shall not exceed four and one-half percent (4.50%) per annum, and from and after the date, if any, of their conversion to another interest rate mode, such Series 2021 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 2021 Bonds exceed the Maximum Rate (as defined in the Trust Agreement). The Series 2021 Bonds will have a final maturity date of no later than July 1, 2055 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 2021 Bonds will be issued by the Authority under and pursuant to a Trust Agreement by and between the Authority and U.S. Bank Global Corporate Trust, as Bond Trustee. The Series 2021 Bonds will be secured by payments to be made by AtlantiCare Regional Medical Center, under its Loan Agreement with the Authority, as evidenced and secured by a promissory note of AtlantiCare Regional Medical Center, and amounts on deposit in certain funds held by the Bond Trustee. The promissory note will be issued under a new Master Trust Indenture by and among AtlantiCare Health System Inc., on behalf of itself and any other members of the Obligated Group, and U.S. Bank Global Corporate Trust, as Master Trustee. The promissory note 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 2021 Bonds, the Loan Agreement, the Trust Agreement, a Preliminary Official Statement and final Official Statement relating to the Series 2021 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 Global Corporate Trust, as Bond Trustee, Bond Registrar and Paying Agent for the 2021 Bonds. The Bond Resolution also approves the form of and authorizes the execution of the Bond Purchase Contract with Bank of America Securities, the senior managing Underwriter, at an underwriting discount (including counsel fees) not in excess of \$4.50 per \$1,000 principal amount of the Series 2021 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 2021 Bonds, the Loan Refinancing, and the financing of the Project.

Mr. Brown asked if the Members had any questions on the presentation. There were no questions.

Mr. Brown then asked if there were any questions from the public. There were no questions.

Mr. Brown asked for a motion to approve a contingent bond sale on behalf of AtlantiCare Health System. Mr. Lovell offered the motion. Dr. Kazmir 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 and the motion passed.

### **AB RESOLUTION NO. VV-17**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Resolution entitled “**A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, ATLANTICARE HEALTH SYSTEM OBLIGATED GROUP ISSUE, SERIES 2021.**”

*(attached)*

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 AtlantiCare Health System.

Mr. Brown asked if the representatives from AtlantiCare Health System had anything to add.

Mr. Kim thanked Bill McLaughlin, Edwin Fuentes and Frank Troy for their efforts in working on this project and thanked the Authority Members for their support of this transaction.

At this point Mr. McLaughlin pointed out that TD Securities should have been included in the vote on the co-managers of this transaction.

Mr. Hopkins suggested that Mr. Brown repeat the vote on Item # 3 and add TD Securities to the motion.

Mr. Brown asked for a motion to approve the appointment of Bancroft Capital, Raymond James & Associates and TD Securities as co-managing underwriters for the AtlantiCare Health System transaction. Mr. Sullivan offered the motion. Dr. Kazmir 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 and the motion was approved.

## AB RESOLUTION NO. VV-18

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the resolution appointing Bancroft Capital, Raymond James & Associates and TD Securities as co-managing underwriters for the AtlantiCare Health System transaction.

### 5. INFORMATIONAL PRESENTATION RWJBarnabas Health

Mr. Brown called upon Edwin Fuentes to provide an informational presentation on the RWJBarnabas transaction.

Mr. Fuentes advised the Members that his presentation serves as an informational presentation and no action is required. He then introduced John Doll, Chief Financial and Administrative Officer, Eileen Urban, Senior Vice President of Treasury and Chief Investment Officer, and Cathy Dowdy, Senior Vice President of Finance from RWJBarnabas, who were participating by telephone.

Mr. Fuentes began by telling the Members that RWJBarnabas Health 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. RWJBarnabas Health provides inpatient, outpatient and emergency care through its network, which includes eleven acute care hospitals, three acute care children's hospitals, a pediatric rehabilitation hospital and a behavioral health center.

Currently, RWJBarnabas Health has approximately \$1.14 billion of bonds outstanding with this Authority. They are currently rated AA- by S&P and A1 by Moody's.

Mr. Fuentes 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 selected CitiGroup Global Markets as the senior managing underwriter.

Mr. Fuentes reported that the audited annual financial information provided in the meeting materials for RWJBarnabas ending December 31, 2020, shows that excess revenues over expenses increased from \$661.6 million in 2019 to \$895.7 million in 2020, resulting in an increase of 35.4%. Moreover, from the period 2017 through 2019, Days Cash on Hand increased from 260.67 days to 313.03 days, well above the statewide median of 106.24. During the same time period the Borrower maintained a Debt Service Coverage Ratio of 10.34 times, above the statewide median of 3.39. Additionally, the Debt to Capitalization has increased from 35.79 times in 2017 to 39.87 in 2019, slightly higher than statewide medians.

Mr. Fuentes added that RWJBarnabas's Annual Inpatient Utilization Trends indicate very modest increases in Inpatient Days, Inpatient Admissions and Occupancy Rate from 2017 through 2019, with decreases in the year 2020. From the previous year, 2020 saw Inpatient

Days drop from 907.2 thousand to 893.9 thousand days, Inpatient Admissions from 186.2 thousand to 170.6 thousand, and the Occupancy rate from 53.6% to 52.8%.

According to Mr. Fuentes, RWJBarnabas has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt financing to fund approximately \$872.1 million in projects, the proceeds of which will be used to: (1) finance and/or reimburse RWJBarnabas for the costs of planning, development, acquisition, construction, equipping, expansion, furnishing and renovation of one or more of the following capital projects: a) construction of a new 515,000 square foot, eleven story addition to the Rutgers Cancer Institute of New Jersey Pavilion (the "CINJ Pavilion"), b) purchase of land and building consisting of a three story, 64,964 square foot cancer center located near RWJUH Somerset, c) purchase of land in New Brunswick, NJ, on which the CINJ Pavilion will be constructed, d) construction of a new 32,000 square foot, five story infill addition at the South Building at RWJ University Hospital in New Brunswick, e) construction of a new 55,840 square foot, two story addition expanding the emergency department at Jersey City Medical Center, f) construction of a 21,861 square foot addition and 2,570 square foot infill addition, and approximately 39,260 square foot renovations at Newark Beth Israel Medical Center, (2) acquire and install various items of capital equipment at one or more project locations; (3) fund a debt service reserve fund for the tax-exempt obligations, if necessary, (4) fund a capitalized interest account for the tax-exempt obligations, if necessary, and (5) pay all or a portion of the costs of the issuance and sale of the tax-exempt obligations.

In regards to the Rutgers Cancer Institute of New Jersey expansion, Mr. Fuentes reported that Robert Wood Johnson University Hospital has entered into a Development Services Agreement with Cancer Pavilion Redevelopment Associates LLC, a wholly owned subsidiary of New Brunswick Development Corporation, a New Jersey nonprofit and 501(c)(3) corporation known as DEVCO that was created and organized to further the development or redevelopment within the City of New Brunswick. The developer is a disregarded entity for federal tax purposes. A deviation from typical Authority projects, the developer, as opposed to the borrower, will enter into the construction contract with the general contractor, with a portion of bond proceeds being allocated for financing the aforementioned project.

Mr. Fuentes then introduced John Doll, Chief Financial and Administrative Officer from RWJBarnabas Health, to describe the projects being financed by the proposed transaction. Mr. Fuentes concluded by saying that he, Mr. Doll, Ms. Urban, or Ms. Dowdy would answer any questions from the Members.

Mr. Doll began by saying that he would focus on the Cancer Pavilion. Mr. Doll stated that the Cancer Institute of New Jersey ("CINJ") is 1 of only 51 comprehensive cancer and research facilities approved in the United States. As such, CINJ is among the leaders in cancer research and on the cutting edge of cancer treatment. Currently, Mr. Doll said, CINJ has outgrown its footprint. The new plan will allow for future growth, enable a continuation of their partnership with Rutgers University and fulfill their goal of being a leading cancer research and academic facility. Mr. Doll told the Members that RWJBarnabas Health is excited about this project as it is a continuation of their investment in the community as well in their partnership with Rutgers. He concluded by expressing his appreciation for the Authority's support in their efforts.

Mr. Brown reminded the Members that this was for informational purposes. No action was required by the Members.

## **6. APPOINTMENT OF CO-MANAGERS RWJBarnabas Health**

Mr. Brown called upon Bill McLaughlin to present the appointment of co-managers request to the Members.

Mr. McLaughlin informed the Members that RWJBarnabas Health notified the Authority that they have completed a competitive bidding process and selected Citigroup Global Markets Inc. to serve as their senior managing underwriter. He reminded the Members that the Authority's policy requires co-managing underwriter assignments to be awarded on a rotational basis that will consider the firms demonstrated ability to distribute New Jersey securities of comparable credit quality, capital sufficiency and borrower preference.

Given the expected \$750 million par amount for this public series, Mr. McLaughlin said that the Authority staff recommends the assignment of five co-managers. The Authority supports the Borrower's recommended appointment of Bank of America Securities and TD Securities as co-managing underwriters and proposes adding Academy Securities and RBC Capital Markets and Siebert, Cisneros Shank & Co. to the transaction as co-managing underwriters.

Mr. McLaughlin concluded by stating that each firm has been qualified by the Authority to serve in the role of co-managing underwriter. Additionally, they have demonstrated the ability to distribute New Jersey securities and have sufficient capital to participate in the transaction.

Mr. McLaughlin concluded by stating that the Authority staff recommends these appointments and offered to answer any questions for the Members.

Mr. Hopkins informed Mr. Brown that he should add Bank of America Securities, TD Securities to the motion. Mr. Brown asked for a motion to approve the appointment of Academy Securities, Bank of America Securities, RBC Capital Markets, Siebert, Cisneros Shank & Co. and TD Securities as co-managing underwriters for the AtlantiCare Health System transaction. Mr. Lovell offered the motion. Mr. Paulino 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. Mr. Brown, Ms. Ford, Mr. Paulino and Mr. Lovell, voted in the affirmative. Dr. Kazmir abstained and Mr. Sullivan had dropped off the line and no vote was recorded for him. The motion was approved.

## AB RESOLUTION NO. VV-19

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the resolution appointing Academy Securities, Bank of America Securities, RBC Capital Markets, Siebert, Cisneros Shank & Co. and TD Securities as co-managing underwriters for the AtlantiCare Health System transaction.

### 7. THE 2020 AUDIT COMMITTEE REPORT

#### Approval of the 2020 Audit

Mr. Brown asked Robin Ford to present the report of the Audit Committee.

Ms. Ford reported that, on July 13, representatives from PKF O'Connor Davies presented the Audit Committee with the final draft of the Authority's 2020 Audit. Following their presentation, the Committee voted to recommend that the Authority approve the audit. Today we are recommending the Authority's approval of the 2020 Audit, as well as its submission to the Governor, members of the Legislature, the Secretary of State, and the Comptroller of the Treasury, as is required by the Authority's enabling legislation. In addition, the Audit Committee recommended the approval of the 2020 audited Financial Statements.

Ms. Ford then highlighted some key aspects of the 2020 audit. PKF O'Connor Davies' audit of the Authority's financials found:

- The 2020 audit was conducted remotely this year due to the pandemic. By establishing a portal, there were no problems in receiving and sending data.
- The Audit is issued with an unmodified opinion.
- The only outstanding item is the signed management representation letter.
- A notable change from previous audits is that the OPEB liability was less than the budgeted amount and therefore there is a line item OPEB under Assets.
- Revenues were comparable to the budget estimates.
- Salaries decreased.
- The trustee held funds revealed no issues and remained basically unchanged.
- The Authority's accounting policies and the practices, and the methods followed in applying them, are appropriate as disclosed in the basic financial statements.
- The Authority's internal controls and internal communications are not audited. Tests of these items revealed no deficiencies or weaknesses.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- There were no difficulties in conducting the audit.
- There are no corrections or misstatements.

- They have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- The financial statements properly classify all funds and activities.
- Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities. There were no unusual expenditures.
- The Authority will have to comply with the new GASB lease reporting requirements by FY 2022.

Ms. Ford concluded her report by commending the Authority Staff, and specifically, Controller Alpa Patel, Accountant Ellen Lieber, Director Ron Marmelstein and the rest of the Division of Operations, Finance and Special Projects for another year of outstanding work.

Ms. Ford then opened the floor for any questions the Members may have for the engagement partner from the auditor, staff or the Audit Committee. There were no questions.

Mr. Lovell complemented Ron Marmelstein and his staff for another phenomenal job.

Mr. Brown offered his congratulations for a job well done by Mark and his staff for their excellent stewardship of public funds. He also applauded the efforts of Robin Ford and the Audit Committee.

Ms. Ford told the Members that the Committee voted unanimously in favor of recommending the approval of the audit and the audited financial statements and therefore was making a motion to authorize the approval of the 2020 Audit and directing that it be submitted to the Governor, members of the Legislature, the Secretary of State, and the Comptroller of the Treasury, as is required by the Authority's enabling legislation.

Mr. Brown said the Ms. Ford had made a motion to approve the Authority's 2020 Audit. He asked for a second. Mr. Lovell 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. Mr. Brown, Ms. Ford, Mr. Lovell, Mr. Paulino and Dr. Kazmir voted in the affirmative. Mr. Sullivan had dropped off the line and no vote was recorded for him. The motion passed.

### **AB RESOLUTION NO. VV-20**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the resolution to authorize the approval of the 2020 Audit and submit it to the Governor, members of the Legislature, the Secretary of State, and the Comptroller of the Treasury, as is required by the Authority's enabling legislation.

## **8. 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. Ms. Ford 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. Mr. Brown, Ms. Ford, Mr. Lovell, Mr. Paulino and Dr. Kazmir voted in the affirmative. Mr. Sullivan had dropped off the line and no vote was recorded for him. The resolution was approved to approve the bills and to authorize their payment.

#### **AB RESOLUTION NO. VV-21**

**WHEREAS**, the Members of the Authority have reviewed the memoranda dated July 15, 2021 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of \$15,580.00 and \$4,348.91 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**

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 then reported the following:

1. Sam Sutton wrote an article in Politico about the Authority changing its Debt Service Coverage Ratio and eliminating the Days Cash on Hand requirement for A-rated borrowers at the request of RWJBarnabas Health.
2. The Village Drive Healthcare Urban Renewal project financed by the Authority to construct a low and moderate income assisted living facility in Millville continues to experience minor delays. Originally slated to open in November of 2019, the project has been stymied by contractor delays and disputes, followed by the pandemic, and currently some material delays. Delayed HVAC units for the elevator shafts were received last week and scheduled to be installed this week. Plumbing inspections are ongoing and final electrical and HVAC inspections are pending installation of the elevator HVAC units. The fire alarm system is operational but the detectors in the elevator shafts have yet to be installed. IT closets are overheating which the HVAC contractor plans to remedy by installing venting with sensors. The As-Built Survey was delivered to the Building Department on July 13th in hopes that once reviewed the Soil Conservation District can inspect the exterior. These are the last few remaining items to complete before a Temporary Certificate of Occupancy can be issued, which hopefully will be received in the next few weeks.
3. Coronavirus News

- a. As of July 20, 2021, there has been an increase to 369 people hospitalized with COVID-19 in New Jersey, which is still down significantly from the peak of 8,270 on April 14, 2020. Most likely due to the more transmissible delta variant, the rate of transmission in New Jersey has increased to 1.4. Since the first case on March 4, 2020, 899,464 New Jersey residents have tested positive for COVID-19 with another 131,136 probable. 26,562 have died of confirmed or probable COVID-19. Nationally, according to the New York Times, as of July 20, 2021 there have been 34,159,723 cases and 608,717 deaths from COVID-19 and 25,917 people were hospitalized on that date. In New Jersey 10,281,293 vaccines have been administered, providing 65% of the entire population with at least one dose of the vaccine. 5,036,404 are fully vaccinated or 57% of the entire population, including 69% of those 18 and over and 83% of those 65 and over. In the United States 186.5 million people have received at least one dose of the vaccines, including 161.6 million, or 48.7%, who have been fully vaccinated.
- b. As of a June 28th, report of the 4.4 million New Jerseyans fully immunized only 3,500 people (less than 0.08%) had tested positive for COVID-19, with only 84 of those hospitalized and only 31 had died. However, there are increasing concerns that the more highly transmissible delta variant may impact children who are too young to be vaccinated. The impact on young children can be minimized by maximizing vaccinations for those 12 years or older, the younger of whom are lagging older New Jerseyans in getting vaccinated.
- c. On July 9th, Commission Persichilli warned about the quickly spreading delta variant of COVID-19, which has become the dominant strain in the United States but was not yet dominant in New Jersey. She urged more people to get vaccinations but has not yet called for vaccinated people to wear masks, as has the World Health Organization.
- d. New Jersey has started using the Docket app that gives people the ability to show proof they have been vaccinated against COVID-19. It is a free app that is also being used by Utah.
- e. An Israeli study indicates the Pfizer vaccine may be only 64% effective against infection by the delta variant of COVID-19, but 93% effective against serious illness. Another study published yesterday in the New England Journal of Medicine, based on real-world data, found that two doses of the Pfizer vaccine was 88% effective against the delta variant of COVID-19 and 93.7% effective against the alpha variant. Two doses of the AstraZeneca vaccine was 67% effective against the delta variant and 74.5% effective against the alpha variant.
- f. The Johnson & Johnson COVID-19 vaccine has been effective against the delta variant of COVID-19 according to a study of eight individuals who received the vaccine and generated strong immune response.

- g. The Johnson & Johnson COVID-19 vaccine has been linked to a rare and potentially dangerous neurological reaction, an autoimmune disorder called Guillain-Barre, which causes muscle weakness and occasionally paralysis. The risk was low, normally 10 out of every million people experience the condition in the U.S. but those vaccinated with the Johnson & Johnson vaccine showed three to five times the likelihood of developing the disease, with 100 people out of the 13 million people who received the Johnson & Johnson vaccine reporting developing Guillain-Barre. As a result, the FDA has added a warning to the Johnson & Johnson vaccine. There is no indication that the Moderna and Pfizer vaccines lead to any increase in Guillain-Barre.

#### 4. New Jersey Hospital News

- a. Atlantic Health System has announced a clinical affiliation with NYU Langone Health for heart transplants at Morristown Medical Center and liver transplants at Overlook Medical Center. Transplant surgeries will take place at renowned NYU Langone Transplant Institute in New York City with pre and post op care at Morristown and Overlook.
- b. AtlantiCare is planning a \$75 million expansion at its mainland hospital in Pomona. Adding two floors to the hospital and will include a 35,000 square foot addition with 50 private medical/surgical patient rooms and a new intensive care unit with 14 private rooms. It will also involve the renovation of 23,000 square feet of the Meadows Pavilion.
- c. Hackensack Meridian CEO Robert Garrett discussed the accomplishments of the system since its formation from the merger of Hackensack University Health Network and Meridian Health five years ago. Accomplishments include growing the system to 12 general acute care hospitals, plus several children's hospitals, merging with behavioral health care provider Carrier Clinic, and opening the only private medical school in New Jersey, The Hackensack Meridian School of Medicine. Mr. Garrett was recently named to Crain's New York Business Notable in Health Care 2021 List.
- d. In the middle of last month, Holy Name Medical Center became the first hospital in New Jersey to institute what it is calling the Hospital at Home program. It is a government-approved trial program that allows Holy Name to send some patients that normally would have required a hospital stay home for treatment. Patients come to the hospital first, usually to the emergency room, and get evaluated by a physician. If they have certain identified conditions and meet certain strict criteria, they may return home with a hospital-provided tablet for telehealth monitoring by the hospital. A hospital official will visit to inspect their home for safety and suitability for the program. In addition to telehealth visits, patients will receive two in-house visits from a registered nurse.

- e. Inspira Health CEO Amy Mansue unveiled the system's new mission, vision and values statement to go along with its new strategic plan. Ms. Mansue joined Inspira as CEO last fall.
- f. Two articles have been provided on the Rutgers Cancer Institute of New Jersey pavilion being built across from the Robert Wood Johnson University Hospital in New Brunswick. The new facility will be a 12 story, 510,000 square foot building named the Jack & Sheryl Morris Cancer Center. It is expected to cost \$750 million, of which the Authority will be financing a large portion. The Cancer Center is being built through a partnership with RWJBarnabas Health and under a development agreement with New Brunswick Development Corp. It is expected to be completed in 2024. With the addition of the new facility, it is believed New Brunswick will become a destination for cutting edge cancer treatment and research.
- g. Virtua Health has announced it will be making multi-year "transformational renovations" to two of its hospitals: Virtua Our Lady of Lourdes Hospital in Camden and Virtua Memorial Hospital in Mount Holly. Virtua had previously intended to build a new hospital in Westampton to replace the Mount Holly hospital but has since determined, due to the acquisition of Our Lady of Lourdes Hospital in Camden and Lourdes Medical Center in Willingboro from Trinity Health in July of 2019, it no longer needed the new hospital. Virtua Our Lady of Lourdes will be renovated to all private rooms, have parking expanded, get a new lobby and have a new tower added. Virtua Memorial, which will be renamed Virtua Mount Holly, will get 10 new operating rooms, new labs and new medical suites.
- h. Kevin Mahoney, the CEO of the University of Pennsylvania Health System, which owns Penn Medicine Princeton Medical Center, spoke at the Milken Institute's Future of Health Summit. Mr. Mahoney urged hospital CEOs to become more in touch with their communities and to pressure policymakers to improve health equity, partially by increasing Medicaid payments. He also believes more focus should be in community health and safety-net ambulatory services than on safety-net hospitals.
- i. The State's fiscal year 2022 budget included \$450 million to be shared by the State's three "Level 1" trauma center hospitals: Cooper University Hospital in Camden, Robert Wood Johnson University Hospital in New Brunswick and University Hospital in Newark. All three hospitals were instrumental during the COVID-19 pandemic and the money is to help them prepare for the next emergency.
- j. Numerous hospitals and health systems around the country are requiring workers to get vaccinated for COVID-19, including Hackensack Meridian Health, RWJBarnabas Health, Trinity Health (which owns St. Francis Medical Center in Trenton), University Hospital, the University of Pennsylvania Health System

(which owns Penn Medicine Princeton Medical Center) and Virtua Health in New Jersey.

## 5. Rating Agency News and Comments

- a. S&P Global Ratings revised its outlook to “Positive” from “Stable” and affirmed its “BBB+” rating on bonds issued by the Camden County Improvement Authority on behalf of Cooper Health System.
- b. On June 23, 2021, S&P Global Ratings also revised its sector view on not-for-profit health care from “Negative” to “Stable” based on the recovery from the pandemic.

## 6. New Jersey Health Care News

- a. The Lown Institute released its Hospital Index, which measures how much community benefit hospitals contribute. New Jersey had three hospitals in the top 50 U.S. hospitals “investing the most in community health and caring for patients with the greatest need.” University Hospital in Newark ranked 10th; CarePoint Health – Christ Hospital ranked 14th; and Hoboken University Medical Center ranked 15th. It also found that 72% of private nonprofit hospitals spent less on charity care and community investment than they received in tax breaks.
- b. 24/7 Wall Street Media did an analysis of Census Bureau data to determine how much each state spent per capita on health in 2018. New Jersey spent \$2,142 per capita. The lowest was South Dakota, which spent \$1,046 and the highest was New York at \$3,698.
- c. According to analysis by Hospital Pricing Specialists, the average percent of hospital charges that are actually paid is 39.4%. The state where the highest percent of bills are paid is Maryland at 81% and the lowest is Florida at 18.2%. New Jersey is the second lowest at 19.2%.
- d. On June 30th, Governor Murphy signed legislation that permits hospitals to build housing for the homeless as part of dealing with social determinants of health. Several hospitals and health systems have already started building housing under limited pilot programs, including one through our sister agency, the New Jersey Housing and Mortgage Financing Agency. The affordable housing often includes a health care office or visits from health care providers and sometimes includes access to healthy foods. A large portion of repeated and unnecessary hospital emergency room visits comes from individuals who are housing insecure because they are difficult to reach for follow-up care and preventative care.
- e. Another sister agency, the New Jersey Educational Facilities Authority is partnering with Princeton University to expand opportunities for colleges and

universities to invest with a diverse set of asset managers, including those owned by people of color, women, veterans and members of the LGBTQ+ community.

## 7. National Health Care News

- a. According to Kaufman Hall, the number of hospital mergers and acquisitions are down from pre-pandemic highs but the deal sizes are increasing. The organization also noted that activity is focusing more on regional partnerships.
- b. Hospital mergers are likely to come under more scrutiny as a result of an executive order issued this month by President Biden instructing the Federal Trade Commission, under its jurisdiction to review mergers for anti-trust violations, “to review and revise their merger guidelines to insure patients are not harmed by such mergers.” The order further noted: “Hospital consolidation has left many areas, especially rural communities, without good options for convenient and affordable healthcare service. Thanks to unchecked mergers, the ten largest healthcare systems now control a quarter of the market. Research shows that hospitals in consolidated markets charge far higher prices than hospitals in markets with several competitors.” The hospital lobby pushed back on the executive order with the American Hospital Association responding that hospital mergers are already subject to an “enormous amount of rigorous scrutiny” and more focus should be placed on the health care insurance industry.
- c. Medical Care Research and Review published a study on June 19th finding that nonprofit and system-affiliated hospitals are more likely to publish their pricing information online in a consumer-friendly format than for-profit or independent hospitals. The Centers for Medicare and Medicaid Services (“CMS”) started requiring hospitals to post their prices online effective January 1, 2021.
- d. On July 1, 2021, CMS issued its first interim final regulation (which is subject to comment) in a series of regulations aimed at limiting patients from receiving surprise medical bills. The first regulations will take effect January 1, 2022 and will (i) ban surprise billing for emergency services and high out-of-network cost-sharing for emergency and nonemergency services; (ii) ban surprise billing for ancillary services such as anesthesiology; (iii) establishes time within which interim insurance payments are made or claims denied; (iv) requires balance billing protections unless waived by the patient and disclosure of balance billing practices; and (v) a complaint process, among others requirements.
- e. Trilliant Health, a health system analytics company, has issued a report indicating that future demand for health care services will be relatively flat to declining. This is contradictory to commonly held beliefs the demand for health care services will rise with an aging population and numerous chronic conditions. As a result, the company predicts the increase of providers will drive health care prices down. It also predicted telehealth services, which boomed during the pandemic, is

beginning to taper off and might not experience the growth predicted by many due to the narrow patient base that used it during the pandemic.

#### 8. Bond and Tax Legislation and Regulatory News

- a. The slow transition from LIBOR to an alternate rate may increase disruption risks for banks and some structured finance issuers in 2022 due to the multiple potential alternate reference rates under consideration. January 1, 2022 is the regulatory deadline for use of USD LIBOR in new contracts. The USD LIBOR cessation date has been delayed to June 30, 2023 to allow for existing contract stakeholders more time to transition.
- b. Broker-dealer groups have expressed their support for the Municipal Security Rulemaking Board's proposal to amend Rule G-10 and Rule G-48 to stop requiring that dealers provide municipal securities disclosures to sophisticated customers and those not invested in municipal securities. Under the proposed changes, dealers could satisfy Rule G-10's requirements by making disclosures only to customers who had executed a municipal securities transaction during the past year or held municipal securities at that time and could satisfy Rule G-48 by notifying sophisticated municipal market professionals and all other customers with a statement on the dealer's website.

#### 9. Authority News

- a. Compliance Manager Neetu "Nikki" Thukral, celebrated her tenth anniversary at the Authority on July 5th.
- b. Former Authority Vice Chair Elisa Charters has been named to the board of trustees of the New Jersey Institute of Technology, her alma mater.

As there was no further business, Mr. Brown asked for a motion to adjourn. Dr. Kazmir made the motion and Ms. Ford seconded. Mr. Brown, Ms. Ford, Mr. Lovell, Mr. Paulino and Dr. Kazmir voted in the affirmative. Mr. Sullivan had dropped off the line and no vote was recorded for him. The meeting was adjourned at 11:11 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 JULY 22, 2021.

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Cindy Kline, Assistant Secretary