Minutes of the New Jersey Health Care Facilities Financing Authority regular Meeting held on November 17, 2022 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

> Via telephone: Erica Holmes, Designee of the Department of Health (Chairing); Manny Paulino, Designee of the Commissioner of Banking and Insurance; Greg Lovell, Designee of the Commissioner of Human Services; and Bridget Devane (Public Member)

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

> Mark Hopkins, Bill McLaughlin, Alpa Patel, Taryn Rommell, Ron Marmelstein, Frank Troy, Cindy Kline and Edwin Fuentes; and, via telephone, Jessica Waite, Michael Solidum and Tracey Cameron

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

> Stephanie Gibson, Attorney General's Office; Dorian Smith, Governor's Authorities Unit; John Cavaliere, McManimon, Scotland & Baumann, LLC; and, via telephone, George Loeser, Attorney General's Office; Glenn Kaplan and Raymond DioGuardi, Paragon Senior Living, LLC; and Jackline Mbeche, Willis of New Jersey, Inc.

CALL TO ORDER

Executive Director Mark Hopkins called the meeting to order at 10:00 a.m. and announced that this was a regular Meeting of the Authority, held in accordance with the schedule adopted at the May 26, 2022 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.

Mr. Hopkins recommended that in the absence of the Chair and Vice Chair, that a Chair pro tem be named. Mr. Lovell nominated Erica Holmes to serve as Chair pro tem for the November 17, 2022 meeting and Mr. Paulino seconded. Mr. Hopkins called for a vote. All Members voted in the affirmative and the motion carried.

1. APPROVAL OF MINUTES
October 27, 2022 Authority Meeting

Minutes for the Authority's October 27, 2022 Meeting were distributed for review and approval prior to the meeting. Ms. Holmes asked for a motion to approve the minutes. Mr. Lovell made the motion. Mr. Paulino seconded. Ms. Holmes asked if there were any questions or comments on the motion. There were no questions or comments. Ms. Holmes called for a vote. All Members voted in the affirmative and the minutes were approved.

2. NEGOTIATED SALE REQUEST, INFORMATIONAL PRESENTATION, TEFRA HEARING AND CONTINGENT BOND SALE
Paragon Senior Living, LLC

Ms. Holmes called upon Edwin Fuentes to present a request for a negotiated sale in the form of a limited public offering and an informational presentation on behalf of Paragon Senior Living, LLC.

Mr. Fuentes began by announcing that this presentation will serve as a negotiated sale request and an informational presentation. He then introduced Glenn Kaplan, Managing Member/Principal and Raymond DioGuardi, CFO of Paragon Senior Living, LLC, who were joining us via telephone.

Mr. Fuentes reported that Paragon Senior Living, LLC, ("Paragon" or the "Borrower") is a limited liability company organized under the laws of the State of New Jersey. The LLC was formed in November 2014 for the purposes of acquiring a 145 unit independent and assisted living rental housing facility. The members of the LLC are KDG Paragon, LLC, a New Jersey limited liability company, and Hoyt Paragon, LLC, a New York limited liability company. The parent company of KDG Paragon, LLC is Kaplan Development Group, LLC, who has extensive experience in developing, constructing, and operating independent and assisted living communities.

Mr. Fuentes explained that in 2015, Paragon acquired the senior living facility known as Bentley Commons at Paragon Village in Morris County NJ. It was acquired as a distressed property from the New Jersey Housing and Mortgage Finance Agency (NJHMFA) through the issuance of three (3) series of bonds through NJHMFA, and one (1) series of corporate taxable bonds. As of today, approximately $13.9 million remains outstanding.

Mr. Fuentes further explained that the facility serves middle income residents through a rental only model with no entrance fees. It includes: 1) a 70 unit independent living three-story building of approximately 70,000 square feet, 2) 75 assisted living units in a three-story building of approximately 68,000 square feet, and 3) a vacant building of approximately 7,500 square feet that is planned for demolition as part of the construction of a 18 unit (32 bed), 20,000 square foot expansion to be exclusively dedicated to residents with dementia and other cognitive impairments.

According to Mr. Fuentes, Paragon has signed a Memorandum of Understanding with this Authority to undertake a financing of three series of bonds: the 2022A and 2022C series as tax-exempt bonds, and the 2022B series as federally taxable. The proceeds of the Bonds will be used for, but not limited to: (a) refunding of (i) the NJHMFA tax-exempt bonds designated as the Tax-Exempt Multifamily Conduit Revenue Bonds (Paragon Village Senior Living Campus Project) Series 2015Q-1, (ii) the NJHMFA taxable revenue bonds designated as the Taxable Multifamily Conduit Revenue Bonds (Paragon Village Senior Living Campus Project) Series 2015Q-2, (iii) the NJHMFA tax-exempt subordinate revenue bonds designated as the Tax-Exempt Subordinate Multifamily Conduit Revenue Bonds (Paragon Village Senior Living Campus Project) Series 2015Q-3, and (iv) the Taxable Mortgage Bonds (Paragon Village Senior Living Campus Project), Series 2015 issued by the Borrower (collectively, the "2015 Bonds"), the proceeds of which were originally used to acquire the facility, fund reserve accounts, capitalized interest, and pay costs of issuance of the 2015 Bonds; (b) financing of the construction and equipping of a building located on the Campus constituting an approximately 32 bed facility to be used to expand the Borrower's memory care and assisted living services; (c) funding of reserve funds; (d) funding of capitalized interest; and (e) payment of costs of issuance of the Bonds.

Mr. Fuentes highlighted that, tax-exempt financing is available for this transaction as a result of Paragon's agreement to qualify its facility as a residential rental project under Section 142(d) of the Internal Revenue Service Code and require that a certain number of its units be rented to low and moderate income individuals or families and the allocation of a portion of the state's volume cap.

Mr. Fuentes informed the Members that the Attorney General's Office has assigned McManimon, Scotland & Baumann, LLC to serve as Bond Counsel for this transaction. Further, Paragon has conducted a competitive process and selected Odeon Capital Group as their underwriter.

Mr. Fuentes added that Paragon has asked that the Authority permit the use of a negotiated sale based on the Sale of a complex financing structure including those transactions that involve the simultaneous sale of more than one series, with each series structured differently, and volatile market conditions. These reasons are considered under the Authority's policy regarding Executive Order #26, to be justifications for the use of a negotiated sale; therefore, staff recommends the consideration of the resolution, included in your meeting materials, approving the use of a negotiated sale in the form of a limited public offering 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, will now give a review of the Borrower's managerial financial projections. Following his presentation, should the Members have any questions or concerns, Mr. Kaplan, Mr. DioGuardi, Mr. Troy or he will address them.

Mr. Troy began by telling the Members that the Authority staff reviewed management's projected financial statements and related assumptions prepared in connection with the proposed Series 2022 transaction. Please note the projections discussed here and included in your materials relate to the refunding of Paragon's existing debt by the Series A and B Bonds and do not include the anticipated expansion project to be financed by the Series C Bonds.

Mr. Troy stated that the Authority's analysis included a review of the audited financial statements for the year ended December 31, 2021 and unaudited financial and statistical information through September 30, 2022. With respect to the Income Statement in your materials, staff calculated operating margins of 1.7% in 2023, increasing to 5.6% in 2025. The EBITDA margin (Earnings Before Interest, Taxes, Depreciation and Amortization) would approximate 25% throughout the forecast period.

Mr. Troy concluded by saying that staff found the projections and underlying assumptions to be reasonable. To summarize, staff's analysis suggests Paragon would have adequate profitability to generate sufficient funds to meet its debt service requirements and meet its liquidity covenant during the forecast period. He then offered to answer any questions. There were no questions.

Ms. Holmes asked for a motion to adopt the resolution approving a negotiated sale in the form of a limited public offering on behalf of Paragon Senior Living, LLC. Mr. Lovell made the motion. Mr. Paulino seconded. Ms. Holmes asked if there were any questions or comments on the motion. There were no questions or comments. Ms. Holmes called for a vote. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. 11-2022-A

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)

Ms. Holmes then announced that the following portion of the meeting was a public hearing in connection with the Paragon Senior Living, LLC transaction. She stated that this hearing is taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Ms. Holmes called upon Edwin Fuentes to present the details of the request for a contingent bond sale on behalf of Paragon Senior Living, LLC.

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

Mr. Fuentes informed Members that the Authority was now requesting the approval of a contingent sale of two series of tax-exempt bonds and one series of federally taxable bonds on behalf of Paragon Senior Living, LLC. John Cavaliere of McManimon, Scotland & Baumann, LLC, Bond Counsel on the transaction, will now present the Bond Resolution pertaining to the financing.

Mr. Fuentes stated that following his presentation, Mr. Cavaliere, Mr. Kaplan, Mr. DioGuardi, or he would address any issues or questions the Members might have.

BOND RESOLUTION

Mr. Cavaliere stated that the resolution before you authorizes the issuance of three series of Series 2022 Bonds in an aggregate principal amount not to exceed $35,000,000. The proceeds of the Bonds will be loaned to Paragon Senior Living LLC to finance the refunding of existing bonds, the construction and equipping of a facility to provide additional memory care and assisted living services at its campus in Mount Olive, to fund reserves for the bonds, and to pay certain costs of issuance.

The resolution provides the following parameters with respect to the Bonds:

The combined aggregate principal amount of the Series 2022A Bonds and the Series 2022B Bonds shall not exceed $21,500,000 and the aggregate principal amount of the Series 2022C Bonds shall not exceed $13,500,000.

The redemption price for any Series 2022 Bond shall not exceed 105%.

The final maturity of the A Bonds shall not be later than June 1, 2054.
The final maturity of the B Bonds shall not be later than June 1, 2034.
The final maturity of the C Bonds shall not be later than June 1, 2037.

The interest rate on the A Bonds shall not exceed 7.50%.
The interest rate on the B Bonds shall not exceed 8.50%.
The interest rate on the C Bonds shall not exceed 7.50%, subject to further review and resolution approval by the Authority.

The resolution's authorization of the C Bonds contains certain conditions that must be met before there can be any advances of C Bond proceeds. The C Bonds are draw down bonds. That means they are funded by the purchasers periodically in order to pay the costs of the construction project. Unlike the A & B Bonds, the C Bonds will not be fully funded at closing. As the construction project proceeds, the borrower will request an advance from the Trustee and the Authority. If approved, the Authority will issue a subseries of C bonds for that advance. Each subseries of bonds will bear interest at the then prevailing 10 year Municipal Market Data Index plus 350 basis points, with a floor of 6.15%. The upshot is that each advance of the C Bonds will be separately approved and be evidenced by its own subseries of Bonds with its own interest rate, depending upon the rate prevailing at the time of the advance.

The conditions in the resolution for the initial advance of C bonds are as follows: (i) all site plan and zoning approvals for the construction project shall have been obtained; (ii) a certificate of need shall have been issued by the State Department of Health with respect to the construction project; (iii) the borrower shall have entered into a construction contract; (iv) the borrower shall have provided the Authority with updated financial projections incorporating the construction project, which will be presented to the Authority Members and approved at a public meeting; (v) the borrower shall have provided the Authority with an updated investor letter from an authorized representative of the holders of the C Bonds; (vi) no Event of Default shall have occurred and be continuing under terms of the Loan Agreement; and (vii) the borrower shall have provided such other certificates and opinions as may be reasonably required by an Authorized Officer of the Authority to the Authority.

The borrower has represented that it has chosen this structure for the C Bonds to save the significant costs associated with the issuance of additional bonds to finance the construction project. The underwriter and bondholder representative have used this structure in numerous other transactions and they have found that it is a very economical way of funding future construction projects while maintaining the project's eligibility for tax-exempt financing.

The resolution authorizes the execution and delivery of a bond purchase contract relating to the Series 2022 Bonds with the underwriter, Odeon Capital Group LLC, substantially in the form presented to this meeting

The resolution approves the distribution of a limited offering memorandum in connection with the sale of the Bonds and authorizes the execution and delivery of a Loan Agreement with the borrower, and a Trust Indenture with U.S. Bank Trust Company, National Association, as trustee, all in substantially the forms presented at this meeting.

The resolution authorizes certain designated officers of the Authority to execute the Bonds, the Indenture, the Loan Agreement, the Bond Purchase Contract, and all other documents necessary or proper for the purposes of carrying out the resolution and the issuance of the Bonds.

Finally, the resolution provides for a volume cap allocation required for the A and C Bonds, which are expected to be issued on a tax-exempt basis. The B Bonds are expected to be issued on a taxable basis.

Mr. Cavaliere asked if anyone had any questions, he'd be happy to address them. There were no questions.

Ms. Holmes asked if any of the Members or the public had any questions or comments on the information presented. There were no questions or comments.

Ms. Holmes asked for a motion to adopt the resolution approving a contingent bond sale on behalf of Paragon Senior Living, LLC. Mr. Paulino made the motion. Mr. Lovell seconded. Ms. Holmes asked if there were any questions or comments on the motion. There were no questions or comments. Ms. Holmes called for a vote. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. 11-2022-B

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, PARAGON SENIOR LIVING, LLC ISSUE, SERIES 2022.**"

(attached)

Ms. Holmes extended her congratulations on behalf of the Authority to Paragon and asked if the representatives had anything to say.

Mr. Kaplan said he appreciated the Authority's help and thanks the staff for having good faith in them.

Ms. Holmes 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 Paragon Senior Living, LLC

3. APPROVAL OF A FORM OF LOAN AGREEMENT FOR THE FAMILY PLANNING SERVICES FACILITIES UPGRADE FORGIVABLE LOAN PROGRAM

Ms. Holmes asked Mark Hopkins to explain the details of the form of loan agreement for the Family Planning Services Facilities Upgrade Forgivable Loan Program.

Mr. Hopkins began by reminding Members that they approved a Family Planning Facilities Upgrade Forgivable Loan Program (the "Program") at the September 29, 2022 Special Meeting. Members also approved a form of application for the Program and a Memorandum of Agreement with the Department of Health (the "Department") to administer the Program. The funds for the Program are coming from a Grant-in-Aid line item of $10,000,000 to the Department and the Authority in the State Fiscal Year 2023 Appropriations Act (P.L. 2022, c. 49) for the purpose of providing funds for "Family Planning Facilities Upgrades."

Mr. Hopkins informed Members that Authority Staff has prepared a form of Loan Agreement for the Program, a draft of which was provided to the Authority Members with their meeting packets last Wednesday. A revised form of Loan Agreement incorporating the Attorney General's office comments was provided yesterday in blackline and clean formats. As proposed, the loans will (i) have no application, initial or annual fees; (ii) be at an interest rate of 0%; and (iii) be secured solely by a promise to pay from each borrower and any proceeds of the loan or the products thereof.

Mr. Hopkins added, additional provisions of the Loan Agreement include that the loans will be automatically forgiven, on the condition that the borrower provides sufficient evidence that it has used the funds for eligible projects and continues to provide reproductive health services in New Jersey to facilitate family choice for at least one year after the date the Loan Agreement was executed. The Authority will follow similar procedures that it uses for disbursing bond proceeds for the disbursal of the loan proceeds, e.g. it will require requisitions from loan recipients with invoices or receipts, which will be reviewed and approved by an Account Administrator, an Assistant Account Administrator and, in the case of construction expenses, the Authority's Construction Compliance Officer.

Mr. Hopkins explained that loan recipients will be recommended by a loan committee ("Loan Committee") consisting of two Authority employees and two subject matter experts from the Department. Loan applications are due November 28, 2022, however, applications may continue to be accepted until the available funds are exhausted. At the Authority's December 15, 2022 meeting, the Loan Committee is expected to make recommendations to award loans to loan recipients along with the recommended amount each loan recipient is eligible to borrow. Additional recommendations for loans may be presented at subsequent meetings, if sufficient funds remain available. If approved, each loan recipient will enter into a Loan Agreement.

Mr. Hopkins stated that the Office of the Attorney General has reviewed the form of Loan Agreement and has no objections to the Authority Members' consideration of the revised form of Loan Agreement distributed to the Authority Members yesterday.

Mr. Hopkins concluded with, staff is asking the Authority Members to approve the Loan Agreement in substantially the form attached to this memorandum with such changes as may be recommended or advised by the Attorney General's office and approved by an Authorized Officer. He then offered to answer any questions the Members may have.

Mr. Lovell asked if the agreement was for any new applicants or new constructions, or could it be used for a family planning center that has had upgrades within the past few months. He asked if there was a timeframe.

Mr. Hopkins stated that it would be going back from the approval of when the public law established the appropriation, which would go back to July 1, 2022. He referred to Ms. Holmes, as she is one of the Loan Committee Members.

Ms. Holmes agreed with Mr. Hopkins, stating that if it was a project that had already begun, and it was continuing, they would take a look at it to consider for the loan.

Ms. Holmes asked for a motion to approve the Form of Loan Agreement for the Family Planning Services Facilities Upgrade Forgivable Loan Program. Mr. Paulino made the motion. Ms. Devane seconded. Ms. Holmes asked if there were any questions or comments on the motion. There were no questions or comments. Ms. Holmes called for a vote. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. 11-2022-C

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the Form of Loan Agreement for the Family Planning Services Facilities Upgrade Forgivable Loan Program presented at this meeting.

4. DIRECTORS AND OFFICERS LIABILITY AND EMPLOYEE PRACTICES LIABILITY INSURANCE RENEWAL AIG, AXA-XL and RSUI

Ms. Holmes called upon Alpa Patel, the Authority's Controller, to present the request to renew the Directors and Officers and Employee Practices Liability Insurance policies.

Ms. Patel announced that Members from Willis of New Jersey, Inc., the Authority's insurance brokers, were participating by telephone.

Ms. Patel told the Members that the Directors and Officers Liability ("D&O") and Employee Practices Liability ("EPL") policies provide protection to past, present and future members of the

Authority board, committee members, officers and staff. It is a claims made policy and provides coverage for a claim which is first made against the policy period and reported in writing to the insurer.

Ms. Patel reported that, the Authority currently has $5 million in D&O coverage and $5 million in EPL coverage provided through National Union Fire Insurance Company of Pittsburgh, PA ("AIG") at premiums of $35,810 and $11,960 respectively, plus a New Jersey surcharge of $287. The Authority has a $250,000 deductible under these policies. The Authority also currently has two excess policies of $5 million each for D&O. One excess policy is with AXA-XL at a premium of $15,525 and a New Jersey surcharge of $250. The other excess policy is with RSUI at a premium of $13,500 and a New Jersey surcharge of $150.

According to Ms. Patel, this year, AIG will provide $5M D&O coverage and $5M in EPL coverage at premiums of $38,090 and $12,620 respectively, (an increase of $2,280, or 6.30%, and $660, or 5.50%, respectively) plus a New Jersey surcharge of $287. The Authority's deductible under these policies remains at $250,000. The Authority will also have two excess D&O policies at $5M each. The excess policy with AXA-XL will have a premium of $16,460 (an increase of $935, or 6.00%) and a New Jersey surcharge of $250. The second excess policy with RSUI will have a premium of $14,300 (an increase of $800, or 5.90%) and a New Jersey surcharge of $150.

Ms. Patel said that the Authority Staff recommends continuing with the primary D&O coverage of $5 million and EPL coverage of $5 million from AIG with a deductible of $250,000. The Authority staff also recommends keeping two $5 million excess layers of D&O coverage, from AXA-XL and RSUI, for total D&O coverage of $15 million. This would result in premiums totaling $81,470 plus $687 in surcharges, taxes and fees, compared to the 2022 premium of $76,795 plus $687 in surcharges, taxes and fees, an increase of $4,675 or 6.03%, which is significantly below the $96,950 we budgeted for 2022.

Ms. Patel then offered to answer any of the Members' questions. There were no questions.

Ms. Holmes asked for a motion to approve the awarding of the Directors and Officers Liability Insurance policy and the Employee Practices Liability Insurance policy to AIG, with one excess layer of coverage to AXA-XL, and one additional excess layer of coverage to RSUI. Mr. Lovell made the motion. Mr. Paulino seconded. Ms. Holmes asked if there were any questions or comments on the motion. There were no questions or comments. Ms. Holmes called for a vote. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. 11-2022-D

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the awarding of the Directors and Officers Liability Insurance policy and Employee Practices Liability Insurance policies to AIG and one excess layer of coverage to AXA-XL and one additional excess layer of coverage to RSUI.

5. **FINANCE COMMITTEE REPORT**
2023 Authority Budget

Ms. Holmes reported that the Finance Committee met by telephone on November 2, 2022 to discuss the Authority's proposed 2023 budget. The budget is now being presented to the Members.

According to Ms. Holmes, the proposed 2023 cash budget includes an estimated income of $4,326,292, which is a 1.22% lower than the 2022 budget. Estimated expenses are budgeted at $4,054,709, which is an increase of 3.37% over the 2022 budget, without carry overs. Net Income is expected to be $271,583, which does not include carry overs from 2022.

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

Mr. Hopkins presented the following budget:

Revenue Variances from 2022 to 2023

Annual Fees: Annual fees are expected to be $3,698,267 for 2023, which is $503,965, or 11.99%, less than budgeted for 2022 as a result of bond issues being redeemed prior to maturity and lower outstanding balances on bonds issued prior to 2022. We are projecting the issuance of $125,000,000 for 2023 over two new money financings

Initial Fees/Per Series Fees/Per Series Fees: The two anticipated financings in 2023 are estimated to be in the amount of $125,000,000. Of those, initial and per series fees for one project totaling $16,250 have already been received, we expect to receive initial and per series fees of $35,000 in 2023 on one new $100,000,000 financing, which would be a decrease of $1,450, or 3.98%, less than budgeted for 2022.

Interest Revenue: Increases $373,378 or 12,567.42% for a total of $376,349 in 2023 from $2,971 in 2022 due to significantly higher interest rates and a larger investment balance in the New Jersey Cash Management Fund.

Other Operating Revenue: Increases $58,284 or 45.96% for a total of $185,096 from contracts with the Department of Health to provide architectural services, CN review and financial analysis of hospitals and to serve as monitor for Christ Hospital. The increase is due to the 2023 addition of an MOA with the Department of Health for overseeing the Family Planning Facilities Forgivable Loan Program. The contract with the Department of Human Services for providing financial analysis of long-term care facilities will continue in 2023.

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

142(d) Inspection Fees: Increase $20,160, or 184.62% to $31,080 as a result of the addition of Village Drive Healthcare Urban Renewal's low-income housing assisted living facility qualifying in 2023.

Expense Variances from 2022 to 2023

Staff Salaries: The 2023 proposed budget for salaries is $1,811,896 which is $102,560, or 6.00% more than the $1,709,336 in the 2022 budget. Removed from the 2023 budget are the temporary extra pay of $5,725 to the Executive Director and Human Resources Manager for extra duties of monitoring and reporting on COVID vaccines and testing and enforcing COVID protocols. Merit salary increases are expected to average 6.0% and be between 4.0% and 8.0% based on scores of performance appraisals to be completed by early December. Exact individual salary increases will be presented during Executive Session at the Authority meeting on December 15th.

Temporary Help: Due to an employee on long-term leave, the Authority amended the temporary help budget for 2022 to increase it from $9,800 to $29,800. To be conservative we are budgeting for a continuation of the long-term leave into 2023 by adding $18,220 to the Temporary Help budget to bring it to a total of $48,020 estimating a need of 1,372 hours at $35 per hour.

Fringe Benefits: Fringe benefits budgeted for 2023 are $1,082,490 which is $95,386, or 9.66%, more than the $987,104 budgeted for 2022. This is primarily due to increases of health care premiums, eligible retiree vacation and sick pay if eligible employees retire in 2023 and an increase in estimated payroll taxes due to increased salaries. These were partially offset by a small decrease in self-insured eye care and no longer incurring costs of COVID testing.

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 2023, staff is budgeting $200,000. This is the same as was budgeted for 2022.

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.

For 2022 the actuarial calculation will be made shortly before the end of this year. In the beginning of 2023 the actuary will make another calculation for 2023. Once the calculation is provided to staff by the actuary, Authority Members will be informed of the actual amount needed to be deposited in the Trust for retiree health benefits for each 2022 and 2023, but we expect it to be considerably more than in recent years.

Office Rent & Electric: The Authority's lease was renegotiated last 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 foot for an additional five years. The lease payment remains unchanged this year at $264,173. Escalation charges are expected to remain unchanged at $84,000. Electric is budgeted to increase 34.45% from $8,925 to $12,000. Thus, the total office occupancy cost for 2023 is budgeted at $360,173, up $3,075 or 0.86% from $357,098 in 2022.

<u>Insurance:</u> Insurance premiums are budgeted to decrease from the 2022 budgeted amount of $112,504 by $913, or 0.81%, to $111,591. The actual Director & Officer's Liability Insurance, Employment Practice Liability and Excess Liability policy premiums fees and taxes totaled $82,158 for 2022. Conservatively estimating an approximately 15% premium increase in 2023, we are budgeting a total of $94,482 for these polices. The Authority's Commercial Property Insurance remains budgeted to increase 10%, from the $13,954 in 2022 to $15,349 in 2023. The Commercial Auto Insurance is expected to increase 10% from $1,600 to $1,760 in 2023.

<u>Office Equipment Rental/Equipment Maintenance/Hardware/Hardware Maintenance:</u> This line item is budgeted at $82,011 for 2023, a decrease $3,558, or 8.44%, from $89,569. The change is based on year to year changes in equipment replacement schedules, including for 2023: server upgrades, server room consolidation hardware, seven replacement notebook computers and upgrades to the uninterrupted power supply in the server room. We will again be carrying over $4,000 from the 2019, 2020 and 2021 budgets for video conference equipment, instead of the previously budgeted wireless microphone system, for the board room, bringing this line item to $86,011 with carryovers in 2023.

<u>Electronic Data Processing Expense/Software/Software Maintenance/Contract Services:</u> This line item has decreased $83,347 or 53.00%, from $157,270. This is due to no longer carrying over $100,000 from the 2019, 2020 and 2021 budgets for a consultant to create a trustee-held fund accounting system within our upgraded Microsoft Dynamics software as the project is near completion and expected to be paid in 2022. However, we are budgeting $10,175 additional for follow up work and training on the newly installed accounting system, anticipating 55 hours of work at the contract price for additional optional work of $185 per hour. The 2023 budget also includes a cloud backup/data recovery service subscription, an email security gateway, email archiving and a Microsoft 365 Premium subscription.

<u>Dues & Subscriptions:</u> This line item is budgeted at $8,360, $9,104 or 52.13% less than 2022 primarily due to savings from terminating the Authority's subscription to TM3 and MMD municipal market data services subscriptions, which is offset slightly by increases in NAHEFFA dues and some other dues and subscriptions as well as varying multi-year subscription renewals coming due in 2023.

<u>Office Equipment/Furniture</u>: Replacement of old office chairs with new ones is expected to increase this line item by $2,000, or 66.67%, from $3,000 to $5,000 in 2023.

<u>Printing</u>: Printing expenses are budgeted at $18,050, a $115, or 0.64%, increase from $17,935 in 2022, primarily due to expected additional cost of printing the annual report for 2022 as it was the Authority's 50th Anniversary.

<u>Governor's Authorities Unit Fees</u>: Governor's Authorities Unit Fees are budgeted to increase $1,316, or 6.00%, from $21,926 to $23,242.

Meetings, Seminars & Educational Courses: This line item is budgeted at $24,630 for 2023, $3,750 or 13.21% less than the $28,380 budgeted for 2022. The decrease is due to no planned Authority Education/Retreat for 2023 as the Authority held its 50th Anniversary Symposium in 2022, which was budgeted at $10,000. That $10,000 reduction is partially offset by additional employees seeking tuition reimbursement.

Office Supplies: Slightly fewer office supplies are expected to be needed but that will be offset by inflation to increase the budget for this line item $80 or 0.83% to $9,730 in 2023 from $9,650 in 2022.

Postage Increases: Postage is expected to be $10,893 in 2023, an increase of $936, or 9.40% from $9,957 in 2022, largely due to higher cost of postage and deliveries as well as mailing a heavier annual report associated with the Authority's 50th Anniversary and increasing mailing and delivery costs.

Vehicle Expense: The budget for Vehicle Expense is increased by $1,000, or 12.5%, to $9,000 in 2023 from $8,000 in 2022 due to inflation in parts and labor.

Special Projects: The Authority used $60,000 of the $100,000 carried over from 2021 to engage a financial advisor to assess the efficacy of the Authority's tax-exempt financings compared to financings of other similar conduit financings around the country over the last 10 years. We propose to carry over the remaining $40,000 in 2023 and add $160,000, for a total of $200,000 to continue the engagement of the financial advisor to act as a municipal advisor on bonds issued publicly by the Authority and assess the efficacy of each financing against similarly-rated conduit health care financings around the country as well as to periodically seek advice on interest rate trends, new financing products and provide the Authority with current municipal market data.

New Financing Products: $15,000 of the New Financing Products line item was carried over from 2020 and 2021 to 2022. Staff sees no need to carry this over into 2023 and will therefore reduce this line item to $0 for 2023.

Actuarial Services: The Authority must engage an actuary every two years to calculate the amount needed to be deposited into the post-retirement health benefits trust to fully fund the trust. Actuarial Services were budgeted at $36,750 for 2022. Under new guidance, actuaries now calculate a full valuation in the current year (2022) and an interim valuation in the following year (2023). Therefore, the Authority is budgeting $10,000 for the actuary in 2023, a decrease of $26,750 or 72.79% from 2022.

Payroll Service: Payroll Services are budgeted for 2023 at $8,385, a $1,427 or 14.54% decrease from $9,812 in 2022 due to Aflac offering administration of Authority's flexible spending account at no extra cost, which is offset slightly by an anticipated inflation in ADP charges.

Auditor's Fees: Pursuant to the Authority's multi-year contract with the auditor, the fees are scheduled to increase $1,000, or 2.33%, from $43,000 in 2022 to $44,000 in 2023.

No Expense Variances from 2022 to 2023

Advertising is expected to remain unchanged at $9,215.

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

Investment Services are expected to remain unchanged at $1,000.

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

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

Telephone Expenses are expected remain unchanged at $11,100.

Mr. Hopkins also pointed out to Members to refer to Alpa's detailed budget presentation that was provided in the board packet.

Ms. Homes asked the Members if they had any questions on the proposed 2023 budget. There were no questions.

Ms. Holmes asked for a motion to approve the Authority's 2023 budget. Mr. Paulino made the motion. Mr. Lovell seconded. Ms. Holmes asked if there were any questions or comments on the motion. There were no questions or comments. Ms. Holmes called for a vote. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. 11-2022-E

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the resolution approving the Authority's 2023 budget.

6. AUTHORITY EXPENSES

Ms. Holmes referenced a summary of Authority expenses and invoices provided to the Members. Mr. Paulino made the motion to approve the expenses. Mr. Lovell seconded. Ms. Holmes asked if there were any questions or comments on the motion. There were no questions or comments. Ms. Holmes 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. 11-2022-F

> ***WHEREAS,*** the Members of the Authority have reviewed the memoranda dated November 9, 2022 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amount of $10,925.00 and $62,583.00, 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.

7. STAFF REPORTS

Ms. Holmes thanked staff for the Project Development Summary, Cash Reconciliation Report, and Third Quarter Budget Report.

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

Mr. Hopkins reported the following:

1. Mr. Hopkins began by reminding all Authority Members that in accordance with Executive Order #41 (Codey 2005) they must complete online ethics training from the State Ethics Commission by December 2, 2022. The training is offered at www.nj.gov/ethics/training. Go to the link "Online Training Modules" and choose "Special State Officer Training Module." There is an additional briefing on Cannabis that each of you will need to complete by December 2, 2022 also. Once you have completed each you will need to enter your name and select NJHCFFA from the pull down menu of agencies. You will receive an e-mail confirming your completion of each of the training modules. Please forward those emails to me so that I may report it to the Governor's Authorities Unit.

2. Mr. Hopkins stated that the Authority will be holding an Audit Committee meeting Tuesday, December 6, 2022 at 10:00 a.m. to discuss the upcoming audit of the Authority's financial statements for the year ending December 31, 2022 with the auditors PKF O'Connor Davies, as required pursuant to Executive Order #122 (McGreevey 2004).

3. COVID/Flu/Respiratory Syncytial Virus/Monkeypox

    a. Because it did not provide 60-days-notice of ending the Public Health Emergency currently set to expire on January 11, 2023, it appears the U.S. Department of Health and Human Services will be extending its declaration of the Public Health Emergency due to COVID for the 12th time for 90 days through mid-April 2023. The continuation of the Public Health Emergency allows for continued enhanced health care funding, including extended Medicaid coverage, and certain treatment options such as telehealth.

b. Pfizer/BioNTech and Moderna both announced that their new bivalent COVID boosters create significantly higher antibody levels to protect against the Omicron subvariants BA.4 and BA.5, compared to their original vaccine formulations.

b. The Department of Health announced last Monday that New Jersey experienced its first monkeypox-related fatality, noting that monkeypox was a contributing factor as the patient had underlying medical conditions.

d. Respiratory syncytial virus, or RSV, increased as much as 35% this fall in New Jersey. It causes cold-like symptoms and is infecting newborns and young children. It has caused an increase in patients in pediatric wards around the State and across the country. The good news is that a vaccine may be close. Pfizer has experienced positive results from a large international study of a vaccine given to expectant mothers. The vaccine was 82% effective at preventing severe RSV during a babies' first 90 days of life and 69% effective for children at 6 months. GSK has also had success in early trials.

4. New Jersey Hospital News

   a. The fall hospital safety scores were released by The Leapfrog Group yesterday. New Jersey ranked sixth best this fall compared to 12th best last spring. Thirty-three New Jersey hospitals earned an "A," 20 hospitals earned a "B," 14 hospitals earned a "C," three earned a "D" and none failed. Individual hospital scores are in the article provided yesterday.

   b. Thirteen New Jersey hospitals ranked among the 100 best for certain areas of specialty care according to a report from Healthgrades. The hospitals are named in the article provided along with the specialties they were recognized for.

   c. A column by L.A. Parker in the Trentonian discusses the comments received at the public hearing for Capital Health's proposed acquisition and eventual closure of St. Francis Medical Center in Trenton. Several local residents and elected officials expressed their opinion that St. Francis should stay open but the columnist concluded that their arguments were unlikely to keep the aging hospital open.

   d. Hackensack University Medical Center's Helene Theurer Pavilion is scheduled to open in December. It is one of the largest medical construction projects in the U.S. at 530,000 square feet, costing approximately $714 million. It has been dubbed the first "smart surgical tower" in New Jersey with 24 technologically enhanced operating rooms, 72 prep and recovery bays, 50 high-acuity critical care beds and 175 private patient rooms.

   e. Virtua Health and Rowan University have unveiled their plans, under a partnership in development since 2020, to form a new college of medicine and health. It will combine Rowan's School of Osteopathic Medicine, Rowan's School of Nursing and Health Professions and Virtua's Our Lady of Lourdes School of Nursing. It will also add a new school of translational biomedical engineering and sciences. It will be called the Virtua Health College of Medicine and Life Sciences. The School of Osteopathic Medicine had formerly been part of the University of Medicine and Dentistry of New Jersey (UMDNJ) and the former Kennedy Health System's three hospitals were its primary teaching hospitals. It became part of Rowan University when the schools of UMDNJ were restructured and divided between Rutgers University and Rowan University. When Kennedy Health System was acquired by Thomas Jefferson University, its three hospitals became teaching affiliates of Jefferson's Sidney Kimmel Medical College. Rowan also operates the Cooper Medical School of Rowan University with Cooper University Medical Center as its primary teaching hospital.

f. Virtua Health has also opened a telehealth primary care practice. It is Virtua's 25th primary care practice. Visits take place securely through an online tool called MyChart.

g. RWJBarnabas Health's Institute for Prevention and Recovery is one of 67 national community partners taking part in a new project funded by the National Institutes of Health to end opioid addiction. The project will create new research centers to support communities most affected by the opioid crisis.

h. RWJBarnabas Health's Newark Beth Israel Medical Center has named Amy Doran as Chief Operating Officer and Denise Shepherd as Chief Nursing Officer. Ms. Doran joined Newark Beth Israel as a student nurse in 1989. She became Assistant Vice President of Emergency Services in 2003, Assistant Vice President of Patient Care Services in 2009 and Chief Nursing Officer in 2017.

i. Don Alcuino is the new Chief Financial Officer at Carewell Health, formerly East Orange General Hospital. Mr. Alcuino succeeds Ronald Napiorski who retired from Carewell Health after years of being CFO of Carewell and its predecessor.

j. Phillip W. Heath is the new President and Chief Executive Officer of Samaritan Hospice and Robert Curatola is the new Chief Financial Officer.

5. Ratings Agency Actions and Commentaries

None

6. New Jersey Health Care News

a. Commissioner of Health Judith Persichilli was one of four people inducted into the Rutgers Hall of Distinguished Alumni on November 3rd. She earned a Bachelor's in Nursing from Rutgers in 1976.

b. Late last month the New Jersey Hospital Association released its report of community benefits delivered by hospitals in 2020, the first year of the COVID pandemic. The report states that hospitals delivered $3.4 billion in community benefit including $2 billion in unpaid costs of care delivered to charity care and uninsured patients.

c. New Jersey Business Magazine ran an article this month on how hospitals, municipalities and nonprofit organizations around New Jersey are working to improve social determinants of health, a combination of factors such as availability of safe housing, healthy food, education, recreation, transportation, violence and pollution that the National Institutes of Health estimate impacts 84% of health outcomes.

d. NJBiz reports on how more people in New Jersey are receiving medical care at home through both telehealth and home visits by medical professionals. Consulting firm McKinsey estimated that 25% of the total cost of Medicare health services could shift from traditional health care facilities to the home without a reduction in quality or access.

e. An NJ.com article explores why New Jersey is experiencing a shortage of obstetrician-gynecologists. Doctors who have attended medical school or done their residencies in New Jersey who would otherwise like to stay in New Jersey to practice have decided to practice in other states. Relatively low salaries, medical malpractice insurance rates at around $100,000 per year and low insurance and Medicaid reimbursement rates as well as the high cost of living in New Jersey are some of the reasons the doctors cited for practicing elsewhere. The lack of OB/Gyns was the reason Cape May Regional Medical Center said that it was stopping deliveries at the hospital, requiring many Cape May County residents to travel to hospitals 20 to 30 miles away to deliver.

f. On November 1st, Horizon Blue Cross Blue Shield of New Jersey received approval from Commissioner of Banking and Insurance Marlene Caride to reorganize from a nonprofit health services corporation to a nonprofit mutual holding company. The reorganization will allow Horizon to reduce its tax burden and broaden its business portfolio to better position itself to compete with for-profit insurers.

7. National Health Care News

a. New Jersey ranked the 26th most expensive state for health care costs in 2020, according to a Forbes Advisor review of 11 key metrics from Kaiser Family Foundation data. The average health care cost was over $10,000 per person. The most expensive states were South Dakota, Louisiana, West Virginia, Florida and Wyoming. The least expensive states were Michigan, Washington, Nevada, Hawaii and New Mexico.

b. The Kaiser Family Foundation found that half of hospitals spend 1.4% or less of their operating expenses on charity care. On average charity care spending by hospitals was 2.6% of operating expenses.

c. Research published by Crowe Revenue Cycle Analysts found many hospitals are facing their toughest financial year in decades due to rising costs, payer denials and takebacks. Payer denials increased from 10.2% in 2021 to 11% in 2022. Takebacks also increased.

d. A Becker's Hospital Review article provided gives insight into the recent increases in costs of hospital contract labor. It includes: (i) a 500% increase in demand for contract labor from 2019 to the fall of 2021; (ii) average annual hospital spending for contract labor increasing to $4.6 million in 2020 from $2.2 million in 2011; and (iii) average hourly wages for contract nurses increased 106% from 2019 to 2022.

e. The Chairman of the Senate Select Committee on Intelligence has released a white paper detailing a series of potential regulatory requirements for health systems aimed at improving cybersecurity. Ransomware attacks, health care data theft and health care data releases have plagued the industry in recent years and threatened the nation's health care system and patients' health and privacy. The Senator seeks feedback on his proposals.

f. The U.S. House Committee on Energy and Commerce is calling on the Government Accountability Office to investigate how well hospitals are complying with the price transparency rules that went into effect at the beginning of this year. There have been numerous reports that a relatively large percentage of hospitals have not been fully compliant with the price transparency rules.

g. Nonprofit newsroom ProPublica examines how effective the Federal Trade Commission's ("FTC") aggressive enforcement against what it considers to be anti-competitive hospital mergers has been. The crackdown was a result of an Executive Order issued by President Biden 15 months ago, which had the stated aim of promoting competition. Four hospital mergers were blocked in recent months, including Hackensack Meridian Health's merger with Englewood Health and RWJBarnabas Health's merger with Saint Peter's Health System. However, another 54 mergers were allowed to proceed during that time. ProPublica also noted that the FTC is somewhat hamstrung in challenging mergers by the antitrust guidelines, which are focused on mergers in the same geographic region, not on those where a hospital or system acquires a hospital or system in another geographic region. Many of the recent mergers are these "cross-market" mergers. The FTC also does not have sufficient funds or staff to fully battle all mergers. From 1998 through 2021 there were 1,887 hospital mergers, which resulted in a reduction of hospitals from about 8,000 to 6,093 in the U.S. The FTC historically moved to block about 1% of those mergers. Studies have shown that fewer hospitals result in higher health care prices.

h. The FTC announced on November 10th that it will expand its interpretation of the 1914 Federal Trade Commission Act that could allow the agency to increase its intervention and legal challenges against what it considers anticompetitive corporate behavior.

i. According to analysis by the Kaiser Family Foundation, health insurance premiums remained relatively flat in 2022. Average annual family premiums for employer-sponsored health insurance averaged $22,463, up only 1% over 2021. This was surprising because during the same period inflation rose about 8% and wages rose about 6.7%. Health insurance premiums are, however, expected to spike in 2023.

j. A study by the University of Pennsylvania's Perelman School of Medicine found that automated texts from primary care providers to recently discharged patients decreased the odds that a patient would be readmitted to the hospital by 55%.

8. Bond and Tax Legislation and Regulatory News

   a. The Municipal Securities Rulemaking Board ("MSRB") is seeking comments on a proposed change to professional qualifications Rule G-3 that would add an exemption for municipal advisors forced to requalify their registration with a municipal advisor firm after a two year lapse in their Series 50 exams.

   b. The MSRB is also seeking comments to a proposed change to Rule G-32 governing primary offering disclosure which would streamline the data submission process for underwriters, including uniform submission deadlines but allowing more time and flexibility.

   c. Climate risk, which has largely been the subject of risk disclosure for municipal bonds, may also spur more issuance of municipal bonds as a result of issuers seeking to build infrastructure resilient to threats from climate change. A discussion of the subject was held at a November 3rd conference entitled "The Future of Municipal Finance: Climate Adaption" hosted by the University of Chicago's Center for Municipal Finance.

9. Authority News

   Mr. Hopkins thanked all the staff and Members for another wonderful year, and wished everyone a Happy Thanksgiving.

Ms. Holmes thanked Mr. Hopkins for his report and also wished everyone a nice holiday.

As there was no further business, Ms. Holmes asked for a motion to adjourn. Mr. Lovell made the motion and Mr. Paulino seconded. All Members voted in the affirmative. The meeting was adjourned at 11:12 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 NOVEMBER 17, 2022.

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Cindy Kline, Assistant Secretary