

Minutes of the New Jersey Health Care Facilities Financing Authority Special Meeting held on July 14, 2016 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

*The following Authority Members were in attendance:*

Dr. Munr Kazmir, Public Member (Chairing); and, via telephone, Alison Gibson, Designee of the Commissioner of Health; Jessica Feehan, Designee of the Commissioner of Human Services; Suzette Rodriguez, Public Member

*The following Authority staff members were in attendance:*

Mark Hopkins, Ron Marmelstein, Frank Troy, Carole Conover, Bill McLaughlin, Carl MacDonald, Marji McAvoy, Taryn Rommell, Jessica Lucas and Chris Kniesler

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

William Hanna, Attorney General's Office; Jim Fearon, Gluck Walrath, LLC; Kevin Slavin, Chief Executive Officer, David Alexander, Senior Vice President and Chief Financial Officer and Todd Brower, General Counsel, St. Joseph's Healthcare System; Victor Radina, Morgan Stanley; and, via telephone, Chris Howard, Governor's Authorities Unit

## **CALL TO ORDER**

Dr. Kazmir called the meeting to order at 10:02 a.m. and announced that this was a Special Meeting of the Authority. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

Dr. Kazmir asked for a roll call to determine attendance.

### **1. CONTINGENT BOND SALE** **St. Joseph's Healthcare System**

Dr. Kazmir called on Carl MacDonald to provide the Members with the details of the St. Joseph's Healthcare System transaction.

Mr. MacDonald informed the Members that he is requesting the Members' approval of a contingent sale of bonds on behalf of the St. Joseph's Healthcare System (St. Joseph's). He then introduced David Alexander, Senior Vice President and Chief Financial Officer and Kevin Slavin, Chief Executive Officer of St. Joseph's.

Mr. MacDonald reported that the principal operating unit of St. Joseph's is St. Joseph's Hospital and Medical Center (the Hospital), which operates St. Joseph's Regional Medical Center and St. Joseph's Children's Hospital in Paterson, St. Joseph's Wayne Hospital in Wayne, and St. Vincent's Nursing Home in Cedar Grove. In total, St. Joseph's has 880 licensed beds. St. Joseph's currently has one bond transaction outstanding with the Authority, the St Joseph's Healthcare System Series 2008 issue, of which currently \$222.945 million is outstanding.

Mr. MacDonald stated that the proposed transaction will be a maximum amount of \$300,000,000 of publicly issued tax-exempt bonds. It will be structured as a fixed-rate financing and will be sold on the basis of St. Joseph's credit rating. He said that St. Joseph's ratings were expected to be affirmed at "Baa3" by Moody's Investors Services and "BBB-" by Standard and Poor's. In addition, the Hospital will be the borrower and the sole member of the obligated group under the Master Trust Indenture.

According to Mr. MacDonald, the proceeds of the transaction will be used to: advance refund all of the NJHCFFA issued St Joseph's Healthcare System Series 2008 bonds; renovate, construct and equip various projects on the St Joseph's campus; fund a debt service reserve fund, if required; and, to pay the related costs of issuance.

Mr. MacDonald then introduced James Fearon of Gluck Walrath LLP., the bond counsel, to present the Series Resolution pertaining to this transaction. Mr. MacDonald told the Members that, after Mr. Fearon's presentation, Mr. Alexander, Mr. Slavin or he would address any issues or questions the Members may have.

Executive Director Mark Hopkins took the opportunity to recognize Todd Brewer, General Counsel of St. Joseph's, who was also in attendance.

#### SERIES RESOLUTION

James Fearon of Gluck Walrath, LLP, the Bond Counsel, stated that the Series Resolution authorizes the issuance of the tax-exempt Series 2016 Bonds in an aggregate principal amount not in excess of \$300,000,000 which will bear interest at a fixed rate to maturity at a true interest cost not to exceed 6.00% per annum. The Series 2016 Bonds will have a final maturity date of no later than July 1, 2048 and be subject to redemption prior to maturity as set forth therein, provided, that the redemption price cannot be greater than 105%. The Series 2016 Bonds will be issued for the purposes of: construction renovation and equipping certain portions of the Hospital; advance refund the Authority's St Joseph's Healthcare System Series 2008 Bonds; funding a debt service reserve fund, if required; and, paying the related costs of issuance of the Series 2016 Bonds. The Series 2016 Bonds will be issued under the Authority's General Bond Resolution and this Series Resolution, and will be secured by payments to be made by the Hospital, under its Loan Agreement with the Authority, as evidenced and secured by a Promissory Note, and amounts on deposit in certain funds held by the Bond Trustee. The Promissory Note will be issued under a Master Trust Indenture (MTI) by and among the Obligated Group and US Bank, National Association, as Master Trustee. The Promissory Note will be secured by a gross receipts pledge of the Obligated Group under the MTI. A mortgage on the Hospital's principal acute care hospitals in Paterson and Wayne will be given to the Master Trustee to secure all MTI obligations including the Promissory Note.

Additionally, the Series Resolution approves the form of, and authorizes the execution of, the Series 2016 Bonds, the Loan Agreement, and a Preliminary Official Statement and final Official Statement relating to the Series 2016 Bonds. Further, the Series Resolution appoints Wells Fargo Bank National Association as Trustee, Bond Registrar and Paying Agent for the 2016 Bonds. The Series Resolution also authorizes the execution of the Bond Purchase Contract with

Morgan Stanley, the senior managing Underwriter, at an underwriting discount (including counsel fees) not in excess of \$7.50 per \$1,000 principal amount of the Series 2016 Bonds. In addition, the Series 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 2016 Bonds, and the refunding and redemption of the refunded bonds.

Dr. Kazmir asked if the Members had any questions. Dr. Kazmir referenced the fact that St. Joseph's reported 3560 newborns annually. He then asked what percentage of the costs for the newborns was covered by insurance. Mr. Alexander replied that the majority of the deliveries were covered under Medicaid. Mr. Hopkins interjected that St. Joseph's was one of the top-three Charity Care hospitals in the state. Mr. Slavin then said that only about 5% of the newborns were Charity Care cases and approximately 70% were Medicaid.

Dr. Kazmir asked for a motion to approve the contingent bond sale on behalf of St. Joseph's Healthcare System. Ms. Rodriguez made the motion. Ms. Feehan seconded. All Members voted in the affirmative and the resolution passed.

#### **AB RESOLUTION NO. QQ-18**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Resolution entitled, "NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, ST. JOSEPH'S HEALTHCARE SYSTEM OBLIGATED GROUP ISSUE, SERIES 2016."

(attached)

Dr. Kazmir congratulated St. Joseph's Healthcare System and asked if anyone from the organization had anything to say. Mr. Slavin thanked the Authority staff for their efforts and the very quick turnaround on their request. He said that this financing was very important to St. Joseph's and their future plans.

Hearing no further business, following a motion by Ms. Gibson and a second by Ms. Feehan, all of the Members voted unanimously to adjourn the meeting at 10:11 a.m.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY SPECIAL MEETING HELD JULY 14, 2016.

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Carole A. Conover, Assistant Secretary