NEWS FROM THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

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FOR IMMEDIATE RELEASE

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NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY CREATES TAXABLE MUNICIPAL BOND PRODUCT WITH REDUCED FEES AND LESS RESTRICTIVE THRESHOLD APPROVAL REQUIREMENTS

Trenton, NJ –

On September 24, 2020, the New Jersey Health Care Facilities Financing Authority ("NJHCFFA"), New Jersey's primary issuer of municipal bonds for health care organizations, approved a federally taxable municipal bond product with a reduced fee schedule and a less restrictive threshold approval process than for the federally tax-exempt bonds it has traditionally issued. According to Executive Director Mark E. Hopkins, the initiative accomplished two primary objectives: first, to ensure that the NJHCFFA "collects only the fees it needs to provide efficient, low-cost financing to health care organizations" by matching the services provided to the borrower with the actual NJHCFFA costs; and, second, to make NJHCFFA's municipal taxable bonds more competitive with corporate taxable bonds. The new policies became effective October 9, 2020.

Mr. Hopkins said, "Current low interest rates and the narrowing of the spread between tax-exempt and taxable bonds have made it advantageous for some borrowers to issue taxable bonds instead of municipal tax-exempt bonds." Although NJHCFFA may issue municipal taxable bonds, borrowers had been opting to issue corporate taxable bonds on their own, which are not exempt from federal income tax or New Jersey state income tax Interest income on federally taxable municipal bonds issued by NJHCFFA would be exempt from New Jersey state income tax.

To save borrowing costs for New Jersey health care organizations seeking to borrower through taxable municipal bonds, NJHCFFA reduced annual fees for taxable municipal bonds 42% to 45% over the first ten years the bonds are outstanding, compared to the fees for tax-exempt bonds, and 33% for any years the bonds are outstanding for any years beyond ten years.

In explaining the less restrictive threshold approval requirements for the issuance of taxable municipal bonds, Mr. Hopkins also noted that "Many of the requirements which are necessary to affect tax-exempt financings are not necessary for taxable financings." For instance, taxable municipal financing do not require calculation of the useful life of projects, the requirement to continuously monitor projects to ensure the proceeds continue to be used for tax-exempt purposes, public notice and hearings required by the Tax Equity and Fiscal Responsibility Act of 1982, periodic arbitrage calculations, reports and, if necessary, rebate. Because of the lack of these requirements on taxable municipal bonds, NJHCFFA can approve a financing before all the necessary permits, licenses and other required approvals are received. This will speed and streamline the NJHCFFA approval process for taxable municipal bonds.

In detail, the new NJHCFFA municipal taxable bond fee schedule is as follows:

- An annual fee of three (3) basis points, calculated on the declining outstanding principal amount of bonds, for each of the first ten years the municipal taxable bonds are outstanding shall be applied solely for those municipal taxable bonds that involve (i) no more than six requisitions, and (ii) exhaust all of the bond proceeds within six months of closing (including any current refunding of bonds); or

- An annual fee of three and one half (3.5) basis points, calculated on the declining outstanding principal amount of bonds, for any municipal taxable bonds for each of the first five years that the municipal taxable bonds are outstanding, shall be applied to those municipal taxable bonds that require: (i) more than six requisitions, or (ii) for which the entire proceeds will not be disbursed by the NJHCFFA within six months of closing; after the first five years, the annual fee applied will be reduced to three (3) basis points for each of the next five years; and

- After ten (10) years, the annual fee applied to municipal taxable bonds will be two (2) basis points, calculated on the declining outstanding principal amount of bonds.

- The Initial Fee and Per Series Fees for municipal taxable bonds are recommended to remain the same as for municipal tax-exempt bonds, i.e. two and one half (2.5) basis points based on the original principal amount of the bonds, plus $10,000 per series of bonds. Until December 31, 2020, initial fees will be applied to up to the first $104,400,000 in bonds (the “Initial Fee Cap”). Thereafter, the Initial Fee Cap will be adjusted in January of each year by the average of the prior year’s annual increase or decrease in the CPI-U of New York City and Philadelphia.

The new approval process for federally municipal taxable bonds issued by NJHCFFA allows for borrowers to present all approval in one meeting, if the following conditions are met:

1. The Borrower contacts the NJHCFFA with a request for a bond counsel with adequate amount of time for appointment of bond counsel by the Attorney General’s Office and for bond counsel to perform any necessary due diligence and draft the necessary documents;
2. Completion and submission of an NJHCFFA Memorandum of Understanding;
3. Submission of financial projections;
4. The structure of the deal is finalized and the bond resolution is in final form ten days prior to the NJHCFFA Meeting;

5. The bond documents are in substantially final form one day before the NJHCFFA Meeting at which the Borrower expects to request approval of a Contingent Bond Sale;
6. All necessary approvals, permits and licenses for the Project to be financed, including any Certificate of Need approval, if required, may not be required by the time of the Contingent Sale meeting, provided, however, that all necessary approvals, permits and licenses must be secured prior to the use of the proceeds of the financing for that specific aspect of the Project;
7. Upon closing of the financing, the NJHCFFA shall receive in the Loan Agreement, Trust Agreement, Certificate of an Authorized Officer of the Borrower or other bond document, a covenant that any craft or trade workers for any current or future construction project funded in whole or part by the proceeds of the NJHCFFA's taxable financing will be paid not less than prevailing wage;
8. There is adequate time before issuance of the bonds to conduct a thorough and compliant due diligence process.

Mr. Hopkins praised NJHCFFA's governing body members and staff for their foresight and willingness to adapt to the changing financial market conditions. "The actions taken last month clearly demonstrate that we are listening to our borrowers and can respond to their needs," Mr. Hopkins said. "Moreover, it shows our commitment to providing flexible low-cost financings to New Jersey health care providers." More information may be obtained by visiting the NJHCFFA website at www.njhcffa.com or calling (609) 292-8585.

The New Jersey Health Care Facilities Financing Authority is an independent governmental financing authority under the New Jersey Department of Health that was created in 1972 by the New Jersey legislature. It is the 72nd largest issuer of municipal bonds in the country and the third largest solely health care municipal bond issuer. NJHCFFA has issued over $24.5 billion in bonds and has nearly $6.6 billion bonds outstanding, including for over 70% of New Jersey hospitals and health systems.

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