Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on March 24, 2011 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following ***Authority Members*** *were in attendance:*
Vice-Chairman Gus Escher, Public Member; Maryann Kralik, Designee of the Commissioner of Banking and Insurance (via telephone); Eileen Stokley, Designee of the Commissioner of Human Services (via telephone); Bill Conroy, Designee of the Commissioner of Health and Senior Services (via telephone); Ulysses Lee, Public Member (via telephone); and, Suzette Rodriguez, Public Member (via telephone).

The following ***Authority staff members*** *were in attendance:*
Mark Hopkins, Lou George, Steve Fillebrown, Ron Marmelstein, Ruth Charbonneau, Suzanne Walton, Michael Ittleson, Brooke Liebowitz, Bill McLaughlin, Marji McAvoy, Taryn Jauss, Carole Conover, Jessica Waite-Lucas, Archie King, Bernie Miller, and Edwin Fuentes.

The following ***representatives from the State and/or the public*** *were in attendance:*
Clifford Rones, Deputy Attorney General; Ryan Feeney, NJ Office of Public Finance; Kay Driebe, Richard Heitner, and Kevin Lenahan, Atlantic Health System; Gary Walsh, Windels, Marx, Lane & Mittendorf, LLP; Michael Richetti, Chilton Hospital; Jill Ann Murphy, Mercadien; Joe Mato, Bank of NY Mellon; Danielle Cheng, JP Morgan; Kay Fern, Evergreen Financial; Michael Marcus, Goldman Sachs; and Douglas Placa, JNESO.

CALL TO ORDER

Vice-Chairman Gus Escher called the meeting to order at 10:10 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 27, 2010 Authority meeting. 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 the *Courier Post,* enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

1. APPROVAL OF MINUTES
<u>February 24, 2011 Authority Meeting</u>

Minutes from the Authority's February 24, 2011 meeting were presented for approval. Mr. Conroy offered a motion to approve the minutes; Ms. Rodriguez seconded. The vote was unanimous and the motion carried.

2. EXCEPTION FOR CHAPA APPROVAL
<u>Atlantic Health System</u>

Mr. Lou George noted to Members that although it is the general practice of the Authority to have all approvals in place prior to requesting approval of a contingent, Members had indicated at the 2007 retreat that they would consider contingencies, for other than marketing issues, on an *ad hoc* basis. He reported that Atlantic Health System ("AHS") is making such a request today.

Mr. George told Members that AHS is in the process of completing a merger with Newton Memorial Hospital, however not all of the approvals are in place, including their Community Health Assets Protection Act ("CHAPA") approval. Representatives from AHS have asked the Authority to move forward with their proposed financing subject to a contingency for this specific approval.

Mr. George reported that the Attorney General's office has indicated it will support the proposed merger and the Commissioner of Health has issued the Certificate of Need for the merger. At this point in the process, Newton must file an Order to Show Cause with the Superior Court for Court's approval of the merger. Mr. George noted that there will be an appeal period; however, Authority staff anticipates this will not be a contentious issue and doubts that no one will be opposed to the merger and appeal the Court's decision.

Authority staff is recommending that Members approve the request for an exemption for CHAPA approval. Mr. George clarified that if the request is approved, the contingency will be included in the Resolution on the table at the meeting. If the request is denied, the contingency will be deleted from the proposed Resolution. Mr. Mark Hopkins noted to Members that they may meet in Executive Session to discuss contractual negotiations relating to this request if deemed necessary.

Mr. Bill Conroy commented that the Department of Health and Human Services is quite comfortable with this request, as is the Office of the Attorney General. Ms. Kralik asked if AHS could estimate when the Newton merger would be approved. Mr. Hopkins replied that the goal would be for the approval to be granted by April 1, 2011. Mr. Hopkins stated that he wanted to emphasize to Members that no bonds would be sold until CHAPA approval was in place and that the resolutions on the table today stressed that point.

Mr. Escher felt that there was no need to go into Executive Session regarding this request; Members agreed unanimously that they could proceed with the TEFRA hearing at which point, Members would vote on the Series Resolution as well as an amendment to the execution of documents relating to the Newton merger.

3. TEFRA HEARING AND CONTINGENT BOND SALE
<u>Atlantic Health System</u>

Mr. Escher announced that the following portion of the meeting would be considered a public hearing in connection with the proposed issuance of bonds on behalf of Atlantic Health System. This hearing is taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Mr. McLaughlin introduced Kevin Shanley, Vice President and Treasurer; Kay Driebe, Director of Accounting and Rich Heitner, Director of Business Advisory Services for Atlantic Health System. He informed Members that today staff would be requesting approval of a contingent sale of bonds on behalf of AHS. He stated that the proposed transaction will be at a maximum amount of $180,000,000 of tax-exempt bonds and will be structured as a fixed rate financing and sold on the basis of AHS' credit rating. He added that AHS is currently rated A1 by Moody's and A+ by Standard & Poor's and that these ratings are not expected to change as a result of this issuance.

Mr. McLaughlin reminded Members that certain aspects of this financing, those concerning Newton Memorial Hospital, are conditioned upon the final approval of the Superior Court of New Jersey with respect to the merger of Newton into AHS Hospital Corp. as may be required by the Community Health Care Assets Protection Act, including all applicable appeal periods. A waiver of the requirement to delay signing the Bond Purchase Agreement until after all applicable appeal periods have elapsed can be achieved by the receipt of a letter from AHS' counsel indicating why no such appeal periods are applicable.

The proceeds of this transaction are expected to be used to finance the acquisition of certain FY 2011 capital budget items for AHS and Newton Memorial Hospital; to finance the expansion of and renovation to the AHS corporate offices, Morristown Memorial Hospital and Overlook Hospital; to reimburse AHS for cost associated with such expansion and renovation; to refund the Authority's Newton Memorial Hospital issue, Series 1997 bonds; to refund the Authority's Newton Memorial Hospital issue, Series 2001 bonds; to fund the Debt Service Reserve, if necessary; and to pay the related costs of issuance.

Also, Authority Staff is requesting the approval of a second resolution on behalf of AHS. The Resolution Authorizing and Approving the Authority's Execution of Documents Relating to the Merger of Newton Memorial Hospital and AHS Hospital Corp. provides approvals for Amended and Restated Loan Agreements for both the Authority's Newton Hospital Corp. Series 1997 and Series 2001 bonds. It should be noted that if either the Series 1997 or the Series 2001 bonds are not fully refunded by the AHS Series 2011 financing, the remaining bonds would be moved from the Newton MTI to the AHS MTI. This resolution would make the terms under the loan agreements for the Newton financings consistent with those of currently outstanding AHS financings.

Further, should both the Series 1997 and the Series 2001 not be fully refunded, the Mortgage on certain Newton property will be transferred from the Newton Master Trustee to the AHS Master Trustee for use as security for all issuances outstanding under the AHS Master Trust Indentiture.

Mr. McLaughlin then turned the meeting over to Mr. Steve Fillebrown to present projections for AHS. Mr. Fillebrown noted to Members that the forecast period for these projects is the years 2011 through 2016. Mr. Fillebrown reported that these projections show the following:

- Stable operating margins ranging from 1.8% to 2.8%
- Stable profit margins from 4.2% to 5.8%
- Cash on hand rises from 165 days to over 300 days by 2016; growth is driven by operating income, interest income and depreciation
- Days in accounts payables are stable in the low 60's
- Accounts receivables constant at 45 days
- DSCR is strong in the 6 to 7 times coverage range
- Even with new borrowing, debt to capitalization does not exceed 40% and declines to under 30% over the forecast period

Mr. Fillebrown noted that the operating and profit margins may sound high given the overall state of hospital finances in NJ, but they are actually consistent with the historical performance of AHS. He further added that these projections predict solid financial performance commensurate with the hospital's strong ratings.

Mr. Fillebrown reported that the key assumptions behind these projects were the following:

1. Volume
   a. Inpatient admissions: Assumes 1% growth in 2011, 3% in 2012 and 2013, 1.5% in 2014 and less than 1% in 2015 and 2016. The increases in 2012-2014 are associated with strategic initiatives and new programs at Morristown and Overlook. Except for 2010, AHS has seen volume increases in recent years.
   b. Length of stay remains flat at 4.8 days
   c. Outpatient activity is forecast to increase by 2-3% throughout the forecast period

2. Expenses
   a. Total salary expense is projected to increase by 4.3% to 5.0% per year with no increase in FTEs
   b. Fringe benefits are constant at just under 26% of salaries
   c. Supplies and other expenses increase by between 6.8% and 10.0% per year reflecting both volume increases and inflation

3. Revenues
   a. NPSR is assumed to rise by 5.1% to 8.9% per year. This reflects volume increases, charge increases and increase in rates from third party payers; however, it assumes slight declines in Medicaid reimbursement and essentially flat reimbursement from Medicare
   b. No change in payer mix

Mr. Fillebrown concluded by noting that volume and revenue growth assumptions are fairly typical; however, salary and expense assumptions are higher than usual. Mr. Fillebrown then turned the presentation over to Gary Walsh of Windels, Marx, Lane & Mittendorf, LLP.

SERIES RESOLUTION

Mr. Walsh stated that the Series Resolution authorizes the issuance of the tax-exempt Series 2011 Bonds in an aggregate principal amount, not in excess of $180,000,000 and at a true interest cost not to exceed 8.00% per annum. The Series 2011 Bonds will have a final maturity date of no later than July 1, 2041 and be subject to redemption prior to maturity as set forth therein, provided, that the redemption price cannot be greater than 105%. The Series 2011 Bonds will be secured by payments made by AHS under its Loan Agreement with the Authority as evidenced and secured by a Note issued pursuant to the provisions of a Master Trust Indenture and amounts on deposit in certain funds held by the Trustee pursuant to the General and Series Resolutions. Additional security will include a gross receipts pledge and, as a result of the merger of Newton into the AHS Obligated Group, a mortgage on certain AHS property of Newton Memorial Hospital.

Additionally, the Series Resolution approves the form of and authorizes the execution of a Bond Purchase Contract prior to close of business on June 22, 2011. The Series Resolution also approves the form of the Series 2011 Bonds, Preliminary Official Statement, Official Statement, and Loan Agreement. Further, the Series Resolution appoints the TD Bank, National Association as Trustee, Bond Registrar and Paying Agent for the Bonds. In addition, it 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 execution and delivery of the Bond Purchase Contract and the Loan Agreement, the financing of the Project and the issuance of the Series 2011 Bonds.

Mr. Escher asked the Members' pleasure with respect to the adoption of the Series Resolution on behalf of Atlantic Health System, with a contingency for the CHAPA approval having to do with the merger between AHS and Newton Hospital. Mr. Conroy made a motion to approve the request from Atlantic Health System. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-68

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Series Resolution entitled, "A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS AHS HSOPITAL CORP. ISSUE SERIES 2011."

Mr. Walsh Gary Walsh then presented the Resolution Authorizing and Approving the Authority's Execution of Documents Relating to the Merger of Newton Memorial Hospital and AHS Hospital Corp. He stated that because Newton will be merging into AHS, this Resolution approved the forms of amended and restated loan agreements between the Authority and AHS with respect to the Newton Series 1997 and Series 2001 Bonds to change the name of the Borrower from Newton to AHS and to bring those loan agreements into conformance with the Authority's current loan agreements with AHS. Further, the Resolution authorizes the Authorized Officers to execute and deliver such other documents, including assignments of the amended and restated loan agreements to the applicable bond trustees, and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the amended and restated loan agreements.

Mr. Escher asked the Members' pleasure with respect to the resolution authorizing and approving the Authority's execution of documents relating to the proposed merger of Newton Memorial Hospital and AHS Hospital Corp. Mr. Conroy made a motion to approve the adoption of the Bond Resolution on behalf of AHS. Mr. Escher seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-69

> **NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves a RESOLUTION AUTHORIZING AND APPROVING THE AUTHORITY'S EXECUTION OF DOCUMENTS RELATING TO THE PROPOSED MERGER OF NEWTON MEMORIAL HOSPITAL AND AHS HOSPTIAL CORP.

(attached)

With respect to co-managers for this transaction, Mr. George reminded Members, that the Authority "reserves the right to select firms from its qualified list, to serve a co-managing underwriter(s) for its financings", and that these firms are selected based on demonstrated ability to distribute New Jersey securities of comparable credit quality, sufficient capital to participate in the underwriting and borrower preferences. He noted to Members that Authority staff has implemented a more formalized assignment process for the selection of co-managers involving a rotational selection whereby the first co-manager is assigned by the Authority, the second by the borrower, the third by the Authority and so on.

AHS had selected Goldman Sachs as their Senior Manager and requested J.P. Morgan and BofA Merrill Lynch as co-managers.

Based upon current market conditions and the size of this financing, staff recommends four (4) co-managers for this transaction. Using the methodology referenced earlier, staff suggests fulfilling the Hospital's request and adding two (2) additional co-managers: David Lerner Associates, Inc. and Stifel Nicolaus & Company. David Lerner Associates is headquartered in Syosset N.Y. and has branches in Teaneck and Princeton. They are a retail-oriented firm based in the Tri-State area. Stifel Nicolaus is a St. Louis, Missouri based firm that had acquired the New Jersey based firm of Ryan, Beck in 2007. At the time they responded to our RFQ they had 159 offices nationwide and 8 offices in New Jersey, including offices in Florham Park, Fort Lee, Livingston, Roseland, Roxbury and Princeton.

Mr. Escher asked for clarification on the new rotational assigning of co-managers for transaction. Mr. George explained that Authority staff was trying out this new process to further insure that the Authority's goal of making sure that qualified firms all had an equal opportunity to be assigned to transactions.

Mr. Lee made a motion to approve the appointment of J.P. Morgan, David Lerner Associations, BofA Merrill Lynch, and Stifel Nicolaus & Company as co-managers for the AHS transaction. Mr. Conroy seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-70

> **NOW, THERFORE, BE IT RESOLVED,** that the Authority hereby approves the appointment of J.P. Morgan, David Lerner Associations, BofA Merrill Lynch, and Stifel Nicolaus & Company as co-managers for the AHS transaction.

4. CAPITAL ASSET PROGRAM LOAN
<u>Chilton Hospital</u>

Ms. Suzanne Walton introduced Michael Richetti, Vice President and Chief Financial Officer. She advised Members that they received a new Apollo Report for Chilton Hospital, as well as updated information from the Hospital which included minor adjustments made by DHSS.

She reported that Forrest S. Chilton III Memorial Hospital, Inc., commonly referred to as Chilton Hospital, is a 236-licensed bed, not-for-profit acute care community hospital located in Pompton Plains, Morris County, New Jersey. The Hospital serves residents from more than 33 communities in Morris, Passaic, Sussex, Bergen and Essex counties and provides medical, surgical, intensive care, ob-gyn and pediatric services on an inpatient basis as well as outpatient and emergency services. Chilton maintains the dominant market share in its primary service area of Morris and Passaic counties. The population in those two counties is projected to increase by 3.3% by the year 2013.

Chilton is requesting a CAP loan in the amount of $6 million to provide funds to finance upgrades to their information technology system, purchase capital medical equipment, and pay related financing costs.

Ms. Walton referenced historical financial and utilization data included in the Board mailing package and highlighted key points: A combination of revenue declines and increased expenses resulted in weakened operating performance in 2009 with operating income essentially break even compared with a $1.4 million profit in 2008. The expense pressure in 2009 stemmed primarily from a $4.5 million increase in pension expense while revenue pressure was due to soft volumes and a payor mix shift away from insured to Medicaid. Management's improved productivity controls through the second half of 2009, which continued into 2010, are responsible for the improvement in fiscal 2010. Chilton's cash position has also improved during that period: Cash and investments grew from $40.8 million, or 101 days cash on hand, at fiscal year-end 2009, to $44 million, or approximately 107 days cash on hand. at December 2010 due to the strength of cash flow, better investment markets, revenue cycle improvements and savings from interest only payments on their Series 2009 Bonds until 2012.

She noted that the Hospital's inpatient and outpatient utilization trends have been positive from 2008 through 2010. Inpatient volume has declined over the past three years; however, almost three quarters of the Hospital's admissions come through the emergency department, where volumes continued to grow in 2009 and 2010. Management believes the admissions declines are driven by the weakened economy and a shift from inpatient admissions to observations stays. The Hospital's strategic plan is to focus on clinical services in cardiac, women and children, orthopedics and oncology. It has ceded physician practices in the core areas of its market, and will be establishing an all private orthopedic unit and new cardiac interventional lab in 2011.

Chilton's financial ratios reflect adequate liquidity, a moderate debt load, including the proposed $6 million CAP loan, and debt service coverage of 4.45 times based on 2010 unaudited numbers. Standard and Poor's and Moody's recently performed a ratings update on Chilton's Series 2009 Bond Issue and affirmed their respective BBB+/Baa1 ratings with stable outlooks.

JPMorgan Chase Bank, provider of the credit and liquidity support for the CAP Program, performed an independent credit analysis and approved the loan subject to the Hospital providing a Note under their existing Master Trust Indenture, which will be secured by a pledge of gross revenues and a mortgage on the Hospital facility.

Mr. Escher asked Ms. Walton what were the terms for the CAP loan. Ms. Walton replied that the terms are seven (7) years.

Mr. Lee offered a motion to approve the a Capital Asset Program loan in the amount of $6,000,000 on behalf of Chilton Hospital; Ms. Kralik seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-71

> **NOW, THEREFORE, BE IT RESOLVED**, that Authority Members hereby approve a Capital Asset Program loan in the amount of $6,000,000 on behalf of Chilton Hospital.

(attached)

4. NEGOTIATED PRIVATE PLACEMENT
<u>Saint Barnabas Health Care System</u>

Saint Barnabas Health Care System ("St. Barnabas") has signed a Memorandum of Understanding with the Authority to undertake a tax-exempt lease financing of approximately $30 million. This is a new form of financing being structured through the Authority. It is intended that this program will provide a lower cost and a timelier financing vehicle for our borrowers as compared to taxable loans and leasing programs. Upon authorization from the Authority members, the Authority will enter into a Master Lease Agreement with St. Barnabas in an amount not to exceed an agreed upon maximum. As various vendors approach St. Barnabas, they will have the opportunity to participate in the leasing program; hence additional leases under the Master Agreement may be entered into throughout the year. Currently, St. Barnabas has three firms interested in the leasing program – they are Siemens, Phillips Capital and GE Capital.

Saint Barnabas Health Care System is a New Jersey not for profit organization which has many affiliated organizations. Its major facilities include seven (7) hospitals – Clara Maass, Community, Kimball, Monmouth, Newark Beth Israel, and Saint Barnabas Medical Centers along with Saint Barnabas Behavioral Health Center. The system generates revenues of over $2.4 billion annually and has approximately 18,000 employees.

The most recent issuance by the Authority on behalf of Saint Barnabas occurred in 2006, when the Authority issued Series A, current interest bonds, in the amount of $72,120,000 and Series B, capital appreciation bonds, in the amount of $124,999,653. As of December 31, 2009 these were outstanding in the amount of $63,070,000 and $145,571,000 respectively. The Authority also issued bonds on behalf St. Barnabas or its affiliates in 2001, 1998, 1997 and 1996, all of which remain outstanding.

According to the consolidated unaudited financial statements provided with the Memorandum of Understanding, St. Barnabas generated an excess of revenues over expenses of approximately $106 million for 2010, and an audited amount of $47.1 million for 2009

St. Barnabas has asked that the Authority permit the use of a negotiated sale based on programs or financial techniques that are new to investors. This reason is considered under the Authority's policy regarding Executive Order #26, to be a justification for the use of a negotiated sale; therefore, Authority staff is recommending the consideration of the resolution approving the use of a negotiated private placement, and the forwarding of a copy of the justification in support of said resolution to the State Treasurer.

Mr. Hopkins concluded by noting that St. Barnabas is in the process of conducting an RFP with respect to recommending a bond counsel appointment.

Mr. Escher asked what credit would be used to secure financing. Mr. Hopkins replied that the note would be secured by leased equipment with a promise to pay.

Mr. Escher asked the Members' pleasure with respect to a resolution permitting the pursuit of a negotiated private placement on behalf of Saint Barnabas Health Care System. Mr. Conroy made a motion to approve resolution; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-72

NOW, THEREFORE, BE IT RESOLVED, that Authority Members hereby approve a resolution permitting the pursuit of a negotiated private placement on behalf of Saint Barnabas Health Care System.

(attached)

5. AUDIT COMMITTEE REPORT

Mr. Bill Conroy, chair of the audit committee, presented the Audit Committee report to Members. He reported that Warren Boudy, Managing Director and Jill Ann Murphy, Director at Mercadien, presented the Authority's 2010 Audit to the Audit Committee on March 8th, after which the Committee voted to approve the audit. Mr. Conroy told Members that today the Audit Committee would be seeking Members' approval of the 2010 Audit, as well as approving its submission to the Governor, members of the Legislature, the Secretary of State, and the Comptroller of the Treasury by March 31st, as is required by the Authority's enabling legislation.

Mr. Conroy reported that the auditors found:

i. No problems with the Authority's internal controls.
ii. No unusual Authority transactions
iii. No alternative treatments
iv. No audit adjustments
v. No fraudulent or illegal acts,
vi. No uncorrected statements
vii. No significant issues discussed with management, and
viii. No difficulties dealing with management.

Mr. Conroy noted that Mr. Boudy and Ms. Murphy both commended the Authority's high regard for internal controls, which is a result of knowledgeable Authority staff supported by firm Authority policies and procedures. Because of these strong internal controls, Mercadien felt no need to prepare a Letter to Management with this audit since there were no areas of concern that required identification for improvement.

Mr. Conroy commended the Authority's Division of Operations and Finance for another year of outstanding work.

Mr. Conroy made a motion for the Members to approve the 2010 Audit, and submit it according to the Authority's enabling legislation. Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-73

NOW, THEREFORE, BE IT RESOLVED, that Authority Members hereby approve a resolution to authorize the 2010 Audit's approval and submission to the Governor, members of the Legislature, the Secretary of State, and the Comptroller of the Treasury by March 31st, as is required by the Authority's enabling legislation.

6. PUBLIC OFFICIALS (ERRORS & OMISSIONS) POLICY

Mr. Michael Ittleson reminded Members that at the Authority's November 2010 meeting, staff asked Members consideration in obtaining a Public Officials Policy, also known as an Errors & Omissions, or E & O policy. The Authority's broker had suggested this additional policy since during the renewal in 2010 of the Authority's commercial package policy, two insurers would not quote on the commercial policy since the Authority did not have an E & O policy. The broker thought having an E & O policy may help to obtain a more competitive premium for the commercial package policy since more insurers would be inclined to quote. The broker also gave some examples as to when an E & O policy would be needed. Authority staff felt the likelihood of these examples occurring was minimal. This matter was tabled until the December meeting in order to research another E & O option suggested by the broker at the meeting. At the December meeting, Members requested staff and the broker to ask the insurers during the renewal of the commercial package policy what cost savings there might be if the Authority had an E & O policy.

Mr. Ittleson reported that the renewal of the Authority's commercial package policy now has been completed. According to the broker, if the Authority had an E & O policy, the Authority would have saved about 5%, or a little over $1,000.00, off of the commercial package policy premium. He explained that because an E & O policy would cost over $9,000.00, the $1,000.00 in premium savings on the commercial package is not sufficient to warrant the purchasing of an E & O policy and therefore, staff is no longer recommending an E & O policy for the member's consideration.

Members agreed with staff's recommendation. No further action was taken.

7. SALE OF PRIUS

Mr. Hopkins reported to Members that during the Fall of 2005, Members authorized the purchase of four 2005 Toyota Priuses to replace three leased Ford Tauruses and one Mercury Sable. In 2007, the Authority purchased two additional Priuses (replacing two other leased Tauruses). This gave the Authority a total of six Priuses. When one of the 2005 Priuses was totaled in an accident in October of 2007, the Authority Members authorized the purchase of a replacement 2008 Prius from the proceeds of the insurance. The purchase price, pursuant to State contract, for each vehicle was: $19,583 for each 2005 Prius, $20,823 for each 2007 Prius and $20,349 for the 2008 Prius.

Since that time, the Authority has sold two of the 2005 Toyota Priuses: one with 54,000 miles in August 2009 for $10,500, and the second with 72,000 miles in June 2010 for $8,400.

Mr. Hopkins noted that at the time of purchase, the Priuses were expected to provide a significant cost savings over leasing cars or purchasing other non-hybrid cars. This has proven true so far, based on the purchase price and the costs of gas, maintenance and insurance of the two Priuses we have sold so far, as offset by the sale price each. The cost per mile for the 2005 Priuses the Authority sold in 2009 and 2010 was 43 cents and 35 cents, respectively (not including the $4,000 rebate the Authority received for each car from the Clean Cities program). The cost per mile if the Authority had instead purchased other similarly sized vehicles under the State contract would have been 46 cents per mile for the Dodge Stratus and 49 cents per mile for the Chevrolet Impala. The costs if the Authority had continued leasing Ford Tauruses and Mercury Sables would have been 63 cents and 66 per mile, respectively.

Mr. Hopkins reminded Members that when they authorized the purchase of the 2007 Priuses, they indicated that they wanted the Authority to reduce the number of Authority-owned cars over time from six cars to two cars (six cars had been assigned to staff members for commuting and traveling to and from meetings, one to each member of senior staff, one to the Construction Manager and one to the Project Manager). The guidance from Members was to eventually retain only one assigned car, the Construction Manager's, and one pool car, to be kept at the Authority for staff use for attendance at meetings and deliveries. The four other assigned cars were to be eliminated over time. However, since employees who had been assigned cars considered them as part of their compensation packages, Members and staff determined at that time to sell Authority cars as the employees who were assigned them retired. It was agreed, however, that if not all Authority employees assigned cars retired within four years of the purchase of the 2007 Toyota Priuses, the remaining assigned cars would be sold off at that time. The 2007 Priuses arrived in April of 2007. Thus, according to the schedule recommended by the Authority Members, now is the time to sell two Priuses in April.

Staff would like to recommend to Members that the Authority sell only one Toyota Prius in April, and retain the other as an additional pool car. Mr. Hopkins recommended that the car for sale should be the last 2005 Toyota Prius, which he noted was red with approximately 68,000 miles on it.

Mr. Hopkins said that part of the reasoning of the Authority Members in 2007 for reducing Authority-owned cars was that, unlike in the past when Authority staff had to attend numerous meetings for each financing in different parts of the State, the current practice is that most meetings are conducted telephonically, with the exception usually for kick-off meetings and closings. He acknowledged that while it is still true that staff have to attend far fewer working group meetings than previously, staff are now attending many more borrower board meetings and finance committee meetings as a result of monitoring requirements created due to the State backing of the bonds issued by the Authority pursuant to the Hospital Asset Transformation Program. Currently, this requires Authority staff to attend most monthly board and finance committee meetings of St. Mary's Hospital, St. Michael's Hospital and Solaris Healthcare System. Authority staff also increasingly assists the Department of Health and Senior Services in monitoring board and finance committee meetings of hospitals who receive Stabilization Grants and those who are at a certain level of the Early Warning System. In addition, federally qualified health centers are being included in an early warning system, which may require monitoring. Finally, Authority staff has been monitoring meetings of the Hoboken Municipal Hospital Authority at the request of the Local Finance Board of the Department of Community Affairs.

Mr. Hopkins expects the need for staff to attend hospital board and finance committee meetings to continue to grow. Therefore, Authority staff is requesting that Members approve keeping a total of three cars: Two pool cars, and one assigned car for the Construction Manager.

Mr. Hopkins concluded that, on the recommendation of the Division of Purchase and Property, Authority staff is requesting approval to auction the vehicle on GovDeals.com. He noted that the cost to sell the car on GovDeals.com is expected to be 7.5% of the sale price.

Ms. Kralik asked if the Authorities Unit had any questions or concerns regarding keeping one of the cars for use as a fleet car. Mr. Hopkins replied that he had already met with the Authorities Unit regarding the request. He stated that the Authorities Unit expressed no concern at that time.

Mr. Escher asked the Members' pleasure with respect to a resolution authorizing the Authority to sell one of the Authority-owned Toyota Priuses this year rather than two, keeping one for use as an additional fleet car. Mr. Conroy made a motion to approve the resolution; Mr. Escher seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-74

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a resolution authorizing and approving the Authority's sale of one Toyota Prius; and approving the retention of three cars: Two pool cars, and one car assigned to the Construction Manager.

Mr. Escher then asked the Members' pleasure with respect to a resolution authorizing the Authority to sell the Authority-owned red 2005 Toyota Prius on GovDeals.com.

Mr. Conroy made a motion to approve the resolution; Mr. Escher seconded. Before voting, Mr. Escher asked if Gov.Deals.com would be less expensive than auctioning the car on eBay. Mr. Hopkins was not sure if it would be less expensive since the Authority had never used the service before nor would staff know the final amount of the listing fee until the end of the auction, but he noted the request to use GovDeals.com came from the Division of Purchase & Property and the Governor's Authorities Unit. The motion was put to vote: The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-75

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a resolution authorizing and approving the Authority's sale of one red 2005 Toyota Prius on GovDeals.com. and approve the expenditure of 7.5% of the sale price as the cost of advertising on GovDeals.com.

8. **APPROVAL OF EXPENSES**

Vice Chairman Escher referenced a summary of Authority expenses and invoices. Ms. Stokley offered a motion to approve the bills and to authorize their payment; Mr. Conroy seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. KK-76

WHEREAS, the Authority has reviewed memoranda dated February 17, 2011, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of $544,468.86, $34,415.37and $209,049.57 respectively, and has found such expenses to be appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves all expenses as submitted and authorizes the execution of checks representing the payment thereof.

9. STAFF REPORTS

Mr. Escher thanked staff for the Project Development Summary, Cash Flow Statement, and Legislative Advisory reports.

Mr. Hopkins reported the following to Members:

- The Authority received no comments on the proposed readoption of its Prevailing Wage Regulations. The readoption notice was published in the New Jersey Register on January 3, 2011 and the comment period expired March 4, 2011. The Authority will therefore be submitting its notice of final adoption of the regulation shortly.
- On Monday, the Department of Health and Senior Services, with the help of Ruth Charbonneau and Steve Fillebrown, announced the State Fiscal Year 2011 Stabilization Grants. Ten hospitals are sharing in $30 million in grant funds as follows: Christ Hospital - $7 million; East Orange Hospital - $3.1 million; Hoboken Municipal Hospital Authority - $4.1 million, Jersey City Medical Center - $3.1 million; Kimball Medical Center – $1.2 million; Our Lady of Lourdes - $1.2 million; Raritan Bay Medical Center - $4 million; St. Mary's Hospital $3.3 million, St. Clare's Hospital - $1.8 million; and Trinitas Regional Medical Center – $1.2 million.
- The federal Health Information Technology grants funds have begun to be distributed, with approximately $500,000 going to the engagement of a consultant to assist the State Health Information coordinator with design of the State health information technology network, which will link the regional Health Information Exchanges. Each of the four subrecipient Health Information Exchanges has or is about to sign the agreement enabling them to start receiving the grant funds as they incur eligible expenses. Lori Jefferson, Steve Fillebrown, Ruth Charbonneau and the Division of Operations are to be congratulated for getting this project up and running.
- Hospital News:
  - Alan Dzija is the interim CFO of Kennedy Health System, filling in for Joe Lario, who recently is retired.
  - This month Inside Jersey Magazine and Castle/Connelly have announced their rankings of hospitals in New Jersey. The article has been provided to you today.
  - The Hoboken Municipal Hospital Authority is still working on finalizing an asset purchase agreement with HUMC Holdco for the sale of Hoboken University Medical Center. HUMC Holdco is a for-profit entity formed by the same principals who bought Bayonne Medical Center in 2008.
- Staff News
  - Jessica Waite-Lucas has been promoted from Assistant Account Administrator to Account Administrator effective March 28th. The Authority has requested permission from the Authorities Unit to advertise the position of Assistant Account Administrator to replace Jessica.
  - Ruth Charbonneau, who started with the Authority on February 28 as the Director of the Division of Legal, Regulatory, Grants and Special Projects, will also be taking over the role of Ethics Liaison Officer for the Authority. Staff and Authority Members should consult with Ruth if they have any questions about potential conflicts or other ethical matters related to their position at the Authority.

- Tammy Romsdahl, the Administrative Assistant for the Divisions of Project Management and Research, Investor Relations and Compliance, has taken a medical leave of absence which is expected to last approximately five months. We are currently interviewing for a temporary replacement.
- The Authority is currently also conducting interviews for the position of Database Administrator vacated when Priscilla Copper retired in February.

This concluded the Executive Director's report.

As there was no further business to be addressed, following a motion by Ms. Stokley and a second by Mr. Conroy, the Members voted unanimously to adjourn the meeting at 11:23 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 MARCH 24, 2011.

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Carole A. Conover, Assistant Secretary