

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on October 28, 2010 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; Eileen Stokley, Designee of the Commissioner of Human Services; Bill Conroy, Designee of the Commissioner of Health and Senior Services (via telephone); and Ulysses Lee, Public Member (via telephone).

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

Mark Hopkins, Lou George, Steve Fillebrown, Ron Marmelstein, Suzanne Walton, Michael Ittleson, Bill McLaughlin, Brooke Liebowitz, Marji McAvoy, Wanda Lewis, Taryn Jauss, Tammy Romsdahl, and Edwin Fuentes.

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

Clifford Rones, Deputy Attorney General; Kay Fern, Evergreen Financial; Maryann Kicenik, Windels, Marx, Lane & Mittendorf; Ryan Feeney, NJ Office of Public Finance; Harriet Rubenstein, Health Professionals & Allied Employees; Garrick Stoldt, St. Peter's Hospital; Maura Tully, Governor's Authorities Unit; Douglas Placa and Jeanette Gabriel, Jersey Nurses Economic Security Organization ("JNESO").

CALL TO ORDER

Vice-Chairman Gus Escher called the meeting to order at 10:16 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 **September 30, 2010 Authority Meeting**

Minutes from the Authority's September 30, 2010 meeting were presented for approval. Mr. Escher offered a motion to approve the minutes; Ms. Kralik seconded. The minutes were approved unanimously.

2. BOND SALE REPORT **Hackensack University Medical Center**

Mr. Lou George reported that on October 13, the Authority successfully priced a \$121,240,000 transaction on behalf of Hackensack University Medical Center ("Medical Center"). Mr. George reminded Members that in August, the Authority priced a Series A transaction that refunded the Medical Center's Series 1997 and Series 2000 bonds. The current Series B transaction refunded the Medical Center's Series 1998 bonds. Bank America Merrill Lynch was the Senior Manager and Jefferies & Co., Leberthal, RBC Capital Markets and Ramirez served as co-managers.

The pricing consisted of serial bonds from 2012 through 2025 and three term bonds all maturing in 2028. Some of the bonds were issued on the credit of the Medical Center, which is rated Baa1 by Moody's and A- by Fitch, and some were insured by Assured Guaranty and thus rated Aa3 by Moody's. Assured Guaranty's S&P rating was not used on this transaction.

The yields on the uninsured serials ranged from 1.71% to 4.62% while the 2018, 2020, 2022, through 2024 and 2025 insured serials ranged from 3.09% to 4.25%. One of the term bonds was insured and had a coupon of 4.25% yielding 4.31%, another was uninsured and sold to retail with a coupon of 4.75% and a yield of a 4.81%, and the third was uninsured and sold to institutional investors with a coupon of 5% to yield 4.81%.

Mr. George added that this refunding generated a net present value savings of \$6.2 million, or almost 5% of the refunded bonds, and had an all-in TIC of 4.42%. The transaction closed on Tuesday, October 26, 2010.

Mr. George went on to note that The Authority also closed the Bridgeway Assisted Living transaction on October 21st. This was an index rate private placement with TD Bank with an initial rate of 2.7% through November 15, at which time the rate will be reset in accordance with the established index.

3. TEFRA HEARING AND CONTINGENT BOND SALE St. Peter's University Hospital

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 St. Peter's University Hospital. 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. Suzanne Walton introduced Mr. Garrick Stoldt, Vice President of Finance for Saint Peter's Healthcare System, Inc. Ms. Walton indicated that the Members are being asked to consider a contingent sale of bonds on behalf of St. Peter's University Hospital, Inc. (the "Hospital") and Margaret McLaughlin McCarrick Care Center, Inc. (the "Nursing Home"), (together the "Institutions" and current members of the Obligated Group) in an aggregate principal amount not to exceed \$105 million. The proceeds of the Series 2010 bonds, together with other funds, would be used to: (i) currently refund all or a portion of the Authority's outstanding Series 2000A and B Bonds and possibly refund the remaining portion of Series F Bonds; (ii) finance or reimburse capital expenditures related to the renovation and equipping of portions of the Hospital's facilities; (iii) fund a debt service reserve, and (iv) pay the related costs of issuance.

Ms Walton stated that the Series 2010 Bonds would be issued as parity indebtedness under an existing Master Trust Indenture and will be secured by a gross receipts pledge, mortgage and debt service reserve fund. The Bonds will be structured as a fixed rate public offering. They would be uninsured and issued on the credit rating of Saint Peter's. The Hospital met with the rating agencies last week and Moody's Investors Service has downgraded their rating from Baa2 to Baa3 with a negative outlook. The existing BBB- rating from S&P is currently under review and is expected to be released later today.

Ms. Walton indicated that based on the most recent numbers run prepared by Goldman Sachs, the Senior Underwriter, in today's interest rate environment, the current refunding of the Series 2000A Bonds yields net present value savings of approximately \$3,465,000 or 9.4% savings of the refunded bonds. The current refunding of the Series F Bonds, however, is more sensitive to changes in the market and will continue to be monitored for savings up until pricing of the Bonds at which time the Borrower will decide whether to proceed with the refunding of the Series F Bonds. The Series 2000B Bonds which carry a variable rate of interest are being refunded to reduce interest rate and bank risk. In addition, the Hospital plans to defease the Series 2000C Taxable Bonds with cash.

Ms. Walton stated that in accordance with Authority policy, management was required to submit financial projections covering the years 2010 through 2011. She also wanted to call the Members attention to a change in the Series Resolution that was included in the Board mailing package. Subsequent to the mailing, the Borrower, after consultation with their underwriter, requested that we extend the date for the signing of the Purchase Contract until March 23, 2011.

Ms. Walton then indicated that her portion of the presentation was concluded and would be turning the presentation over to bond counsel to outline the Series Resolution.

SERIES RESOLUTION

Maryann Kicenuik, Esq., of Windels Marx Lane & Mittendorf began her presentation by informing the Members that a change would be made to the Series Resolution with respect to authorized denominations for the Bonds. The language in the Resolution will be revised to state that the Series 2010 Bonds shall be issued in denominations of (i) \$5,000 or integral multiples thereof, or (ii) \$100,000 or integral multiples thereof if requested by the Underwriters and approved by the Executive Director of the Authority.

Ms. Kicenuik further stated that the Series Resolution authorizes the issuance of the Series 2010 Bonds in an aggregate principal amount, exclusive of original issue discount, not in excess of \$105,000,000. The Series 2010 Bonds shall bear interest at a true interest cost not to exceed 7.00% and will have a final maturity no later than July 1, 2036. The Bonds will be secured by certain funds and accounts established pursuant to the Series Resolution and loan repayments to be made by the Institutions pursuant to the loan agreement. In addition, the Series Resolution approves the form of and authorizes the execution of a Bond Purchase Contract for the Series 2010 Bonds prior to close of business on March 23, 2011. The Bond Resolution also approves the form of the Bonds, Preliminary Official Statement, Official Statement, Loan Agreement, and Letter of Instructions.

In addition, the Bond Resolution confirms the appointment of Wells Fargo Bank, National Association as Trustee, Bond Registrar and Paying Agent for the Holders of the Series 2010 Bonds.

Mr. Escher asked the Members' pleasure with respect to the adoption of the Bond Resolution on behalf of St. Peter's University Hospital. Ms. Stokley made a motion to approve the adoption of the Bond Resolution on behalf of St. Peter's University Hospital. Mr. Escher seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-40

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 AND REFUNDING BONDS, SAINT PETER’S UNIVERSITY HOSPITAL, OBLIGATED GROUP ISSUE SERIES 2010, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$105,000,000.”

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.

St. Peter’s University Hospital had selected Goldman Sachs as their Senior Manager and requested Bank of America Merrill Lynch and M&T Securities as co-managers.

Based upon current market conditions and the size and type of transaction, staff recommends fulfilling the Hospital’s request and adding one (1) additional co-manager to the transaction: Sterne Agee Leach. Sterne Agee Leach has 48 offices in 23 states and currently maintains fixed income offices in Bernardsville and Eatontown as well as a correspondent office in Wall Township.

Mr. Kralik made a motion to approve the appointment of Goldman Sachs as Senior Manager, and Bank of America Merrill Lynch, M&T Securities, and Sterne Agee Leach as co-managers to the Saint Peter’s University Hospital transaction. Ms. Stokley seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-41

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the appointment of Goldman Sachs as Senior Manager, and Bank of America Merrill Lynch, M&T Securities, and Sterne Agee Leach as co-managers to the Saint Peter’s University Hospital transaction.

4. READOPTION OF PREVAILING WAGE REGULATION

Mr. Hopkins reported to Members that on August 23, 2004, Chapter 127 of Public Law of 2004 was signed into law. The law provides that workers employed in construction projects receiving the assistance of several State and county governmental entities, including the Authority, shall be paid the prevailing wage. The Authority’s enabling legislation was amended by the law to add Sections 5.3, 5.4, 5.5 and 5.6 governing prevailing wage. Section 5.5 requires that “the Authority shall . . . adopt rules and regulations . . . requiring that not less than the prevailing wage be paid to workers employed in the construction or rehabilitation of facilities undertaken in connection with loans . . . or other financial assistance provided, authorized or administered by the Authority.”

After following the notice, hearing and comment procedures for implementing new regulations, the Authority's prevailing wage regulations went into effect on November 21, 2005. Under the administrative code, regulations automatically expire after five years unless they are readopted. Therefore, the Authority's prevailing wage regulation will expire on November 21, 2010 unless the Authority readopts the regulation.

Mr. Hopkins stated that because the prevailing wage law that instigated the adoption of the Authority's prevailing wage legislation is still in effect, staff recommends the re-adoption of the Authority's prevailing wage regulations.

Mr. Lee made a motion to approve the re-adoption of the Authority's prevailing wage regulations. Mr. Escher seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-42

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby re-adopts the Prevailing Wage Regulations, as published in the New Jersey Register

5. AMENDMENT OF CONTRACT WITH NAVIGANT CONSULTING FOR REVIEW OF HEALTH CARE SERVICES IN HUDSON COUNTY

Mr. Hopkins reminded Members that at the January 2010 Authority Meeting, Authority Members approved the distribution of a Request for Proposals (the "RFP") for a consultant to evaluate health care services in Hudson County. After the consultant initially selected refused to perform the services, the Authority Members approved the selection of Navigant Consulting, Inc. ("Navigant") to serve as the consultant at the March 2010 Authority meeting. Navigant's response to the RFP quoted its professional fees for the work described in the RFP at \$432,675 plus expenses. The Authority's staff thereafter entered into an agreement (the "Original Agreement") with Navigant to perform a study and prepare a report as described in the RFP.

Mr. Hopkins reported that prior to the issuance of Navigant's final report, the Hoboken Municipal Hospital Authority ("HMHA") issued a request for proposals seeking proposals from parties interested in acquiring Hoboken University Medical Center ("HUMC") and continuing to operate it as an acute-care hospital. HMHA has received a number of responses to its request for proposals, and is in the process of evaluating those proposals.

In coordination with the Department of Health and Senior Services, the Authority has determined that, under the circumstances, it would like to expand the scope of the Original Agreement to provide that Navigant also evaluate the terms of the winning proposal chosen by HMHA, in particular the effects of such proposal on the health care system in Hudson County, and that such evaluation be reflected in the final report to be provided by Navigant.

Staff therefore requests the Members' approval of the contract with Navigant, with such changes considered advisable by the Attorney General's office, and to authorize the Executive Director to execute the contract.

Staff also requests the Authority Members' approval to amend the 2010 budget to include an additional amount of not to exceed \$85,000 for professional fees under the amendment to the contract and an additional amount of not to exceed \$2,500 in expenses. Mr. Hopkins noted that any fees and expenses not paid by the December Authority meeting will be carried over into the 2011 budget.

Mr. Escher asked if members of the public had any questions or comments on the amendment to the Navigant report. Ms. Jeanette Gabriel, of JNESO, which represents the nurses at HUMC, expressed concerns about the further delay in the report. She noted that HUMC, along with the other hospitals participating in the report, had committed \$200,000 to the study out of their charity care dollars. Ms. Gabriel further noted that the nurses she represented had taken a 10% pay cut in order to assist HUMC with its budget and therefore had a stake in the outcome of the report. Ms. Gabriel asked for clarification on the delays. She noted that the report was originally due to be released on June 1, 2010. When the report was not released on that date, the reason given was that Navigant was waiting for Second Quarter numbers, which were due to be released on June 30, 2010. Ms. Gabriel asked for an explanation why the report was not issued at the end of June, and was still not released by July 28, 2010, when HUMC issued its RFP triggering the proposed amendment to the contract.

Mr. Hopkins noted to Ms. Gabriel that HUMC to date had only paid a small portion \$200,000 which was set aside to cover the project. He added that this \$200,000 had been set aside as part of the \$7 million stabilization grants to each HUMC, Christ Hospital, and Jersey City Medical Center from the Department of Health. He further clarified that the data for which Navigant had been waiting was not Second Quarter results, but rather discharge data from the State of New York concerning the number of New Jersey residents seeking treatment at New York hospitals. By the time the data was received, HUMC had announced its intent to issue the RFP.

Ms. Gabriel asked for assurance that the study would be delivered 45 days after the bid is finalized by Hoboken. She also requested that some parts of the initial study be disclosed immediately before the amended piece of the contract is concluded.

Mr. Hopkins expressed reluctance to release an unfinished report, citing that do so could prejudice decisions made regarding HUMC. Mr. Escher stated the Authority was sensitive to the needs of all the entities involved and were committed to treating these entities fairly. Mr. Hopkins and Mr. Escher both noted that, while they could not formally commit that the study would be released within 45 days since unforeseen circumstances could again arise, they both agreed that 45 days was indeed a reasonable period of time in order for the study to be completed and were confident that the 45 day commitment would be met.

Ms. Harriet Rubenstein, staff member of the Health Professionals and Allied Employees, which represents workers at several hospitals in Hudson County, told Members she seconded the concern about the further delay in releasing the report. She noted that her members were also concerned about the delay. Ms. Rubenstein was also concerned that the Department of Health would be reviewing the HUMC sale during a time period in which the report was still delayed. She noted that the report should be made available before a decision on the sale is made by the Department of Health. Mr. Conroy said that, hypothetically, the Department of Health would wait until the receipt of the report before making a final decision regarding the sale of HUMC.

Mr. Douglas Placa, also of JNESO, asked what, if any, input the Authority has in choosing the winner bidder. Mr. Hopkins noted that Mr. Stephen Fillebrown sits as a representative of the Department of Community Affairs on the HUMC board as a non-voting member. Mr. Fillebrown added that he sits on the board merely as an observer and that the decision on the winning proposal would be made by the HUMC board. Mr. Hopkins further clarified that the Authority does review financial information for certificates of need for transfers of ownership for hospitals, but that is the extent of Authority involvement.

Mr. Escher made a motion to approve the amendment of contract with Navigant Consulting for review of health care services in Hudson County. Mr. Conroy seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-43

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the amendment of contract with Navigant Consulting for review of health care services in Hudson County.

Mr. Conroy made a motion to approve the amendment of the Authority budget to include an additional amount not to exceed \$85,000 for professional fees under the amendment to the contract and an additional amount not to exceed \$2,500 in expenses. Mr. Escher seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-44

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the amendment of the Authority budget to include an additional amount not to exceed \$85,000 for professional fees under the amendment to the contract and an additional amount not to exceed \$2,500 in expenses.

6. 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; Ms. Kralik seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. KK-45

WHEREAS, the Authority has reviewed memoranda dated October 21, 2010, 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, \$23,062.31 and \$5,303.97 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.

7. STAFF REPORTS

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

Mr. Hopkins then presented his Director's report. The Authority's 2011 budget has been reviewed by the Finance Committee and is currently under review by the Governor's Authority's Unit. Any changes requested by the Authority's Unit will be presented to the Finance Committee, which will then provide the Members with a recommendation at the next Authority meeting.

Mr. Hopkins noted the following hospital news:

- a. Ron Johnson has been named the new President and CEO of Shore Memorial Hospital. Ron, who was previously COO at the hospital, replaces Albert Gutierrez who has moved on to become CEO of a hospital in Indiana.
- b. Southern Ocean County Hospital, which recently became part of the Meridian System, has changed its name to Southern Ocean Medical Center.
- c. St. Peter's University Hospital yesterday announced plans to establish a medical school campus in central New Jersey in affiliation with Drexel University College of Medicine.
- d. Hackensack University Medical Center unveiled its John Theurer Cancer Center on Sunday. The \$130 million, 155,000 square foot facility was partially financed by the Authority and is expected to open in January 2011.
- e. Virtua Health System has named Ninfa Saunders as its new President and COO. Current President and CEO Rich Miller will remain as CEO and focus on strategic issues for expanding Virtua.
- f. Newton Memorial Hospital has announced its agreement to become part of Atlantic Health System. Currently Atlantic Health System consists of Morristown Memorial Hospital and Overlook Hospital.

Mr. Hopkins went on to note that the Authority's 2009 Annual Report was now available to Members.

This concluded the Executive Director's report.

As there was no further business to be addressed, following a motion by Mr. Conroy and a second by Ms. Stokley, the Members voted unanimously to adjourn the meeting at 11:05 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 OCTOBER 28, 2010.

Stephen M. Fillebrown
Assistant Secretary