NJHCFFA

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

AUTHORITY NOTE$

2020 Series A

Spring 2020

MESSAGE FROM THE EXECUTIVE DIRECTOR

Due to COVID-19, the Authority staff is working remotely until further notice. We will have access to email, voice mail and periodic access to U.S. mail and deliveries.

In 2019, the Authority had a successful year on many fronts. We saw a rebound in new money financings and our total financings was the 8th highest amount in my tenure. More importantly, we listened to our borrowers and analysts to determine how we could better serve our client base. And that, turned out to be very fortuitous.

After a very dynamic decade in health care and finance, it appears there is no calm in sight. Several parts of the Affordable Care Act are before various courts, with the US Supreme Court agreeing to hear arguments regarding the individual mandate. Compounding matters, due to the current COVID-19 scare, the stock market has been very chaotic, with daily fluctuations of over 1,000 points on the Dow Jones Industrial Average. In an attempt to

(continued on page 2)

Change is Becoming a Constant

As we enter the third decade of the 21st century, we also begin the second decade of the Affordable Care Act (ACA). The ACA, as with every national initiative, had a rocky start and experienced a breaking-in period. Problems existed with the website and regulations were slowly promulgated, leaving the health care industry confused and anxious. In an astonishingly short period of time, New Jersey health care executives devised strategies to comply with the new law and address the increased demand for medical services while remaining affordable, profitable and innovative. Soon, an industry that was in flux and uncertain about the future stabilized and moved forward with optimism.

Unfortunately, as Ben Franklin wrote in 1789, ***"…nothing can be said to be certain, except death and taxes."*** The shifting political winds brought a change in the majority of the House of Representatives in 2014, fueled in part by an anti-ACA sentiment within some factions of the population. That sentiment eventually contributed to a change in party at the White House.

However, despite the political rhetoric, there have been no fatal changes to the ACA. One reason is that the House majority switched back, and therefore, no new attempts to repeal the ACA have materialized. The bigger factor, however, is the nature of the American people.

Once you give people something, it is very difficult to take it back without severe political retribution. In fact, the ACA opponents shifted their mission from simply "repeal the ACA" to "repeal and replace." But, when you have a massive program like the ACA, you cannot address it in a piecemeal fashion or simply chip away at the edges. Nor, can it be completely scrapped without an alternative to replace it. When it came time to act, however, the ACA opponents did not have a replacement plan.

The Supreme Court has agreed to take up a case next session that will decide whether the elimination of the personal mandate makes the entire ACA unconstitutional. No decision is expected until after the November election.

Health care executives may be privately concerned about the future of the ACA, but there is no reason to change strategies or missions yet. Our federal government has become incapable of quick action and lacks the political courage to overhaul a program of such magnitude.

If Franklin were alive today, he would most likely observe that ***"…nothing can be said to be certain, except death, taxes and congressional dithering."***

(continued from page 1)

stabilize the markets, the Federal Reserve cut interest rates by 50 basis points on March 3 and another 50 basis points on March 15.

With our new policies and procedures, our borrowers can now receive bond approval in just one (1) Authority meeting and capitalize on favorable market conditions. Likewise, we have mandated regular communications between the borrowers and the investors. In this way, all parties are kept apprised of the project status, thereby eliminating surprises such as delays in materials delivery, workforce issues or cash-flow problems that may hold up construction. Quicker responses and improved communication are now our standard.

In our new, faster paced business climate, we have other options available to borrowers. Those borrowers who want an even quicker turnaround for financings of $60 million or less, we have the Equipment Revenue Note. This is a perfect program to purchase equipment, retrofit a facility for new equipment or install an Electronic Health Record system or upgrade.

Similarly, our Capital Asset Program ("CAP") loans also provide quick access to capital. Our CAP loans have received an "AA" - rated letter of credit from TD Bank and have historically low variable interest rates.

I believe that the Authority is well-positioned to accommodate your funding needs in this time of financial turbulence and ACA uncertainty.

We're ready when you are!

- Mark E. Hopkins

Congratulations!

Ron Marmelstein
Director of Operations, Finance and Special Projects celebrated 30 years working at the Authority on November 27, 2019

Tracey Cameron
Administrative Assistant celebrated 10 years working at the Authority on December 7, 2019

Cindy Kline
Was promoted to Executive Assistant/Office Manager on January 1, 2020.

Carole Conover
Retired from the Authority on January 1, 2020 after nearly 21 years of service.

Thank you, Carole!

Welcome!

Jessica Rinderer was hired as an Administrative Assistant in the Division of Operations, Finance & Special Projects on March 9.

Ms. Rinderer previously worked as an Administrative Assistant at In-Phase Technologies, Inc.

Recent Financings

RWJBarnabas Health

On October 30, 2019, the New Jersey Health Care Facilities Financing Authority issued $230,080,000 of tax-exempt bonds on behalf of RWJBarnabas Health. The proceeds of the Series 2019A and Series 2019B bonds will be used to: (i) currently refund, redeem and/or legally defease all or a portion of the following outstanding bonds: (a) Revenue and Refunding Bonds, Barnabas Health Issue, Series 2011B, (b) Revenue Bonds, Robert Wood Johnson University Hospital Issue, Series 2014B, (c) Variable Rate Revenue Bonds, RWJ Health Care Corp. at Hamilton Obligated Group Issue, Series 2002, and (d) Refunding Bonds, RWJ Barnabas Health Obligated Group Issue, Series 2017B; (ii) finance and/or reimburse the Borrower for the costs of planning, development, acquisition, construction, equipping, expansion, furnishing and renovation of all or a portion of the various capital projects of the Borrower and its affiliates; and (iii) pay certain costs incurred in connection with the issuance and sale of the Series 2019 Bonds. The bonds were priced on October 24, 2019, with Citigroup as the Senior Managing Underwriter.

The transaction was structured with two series of bonds. The Series 2019A is structured as fixed rate serial bonds maturing from 2020 to 2029. The Series 2019B is structured as three variable rate term bonds initially sold in the fixed rate mode maturing in 2042, 2043 and 2045. Each of the term bonds has a mandatory purchase date prior to maturity at which time bonds may be reissued or retired.

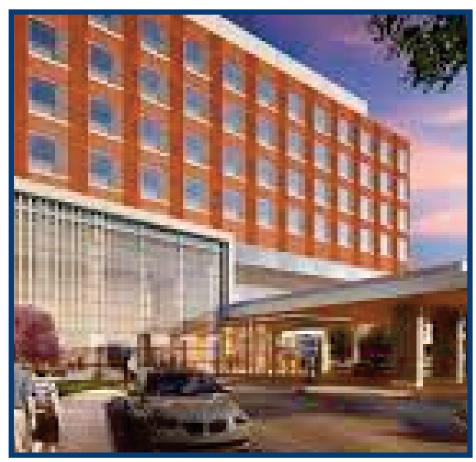
The All-in-True Interest Cost for the bond issue was 1.63% with a weighted average maturity 18.89 years.

Valley Health System

On December 11, 2019, the Authority closed on $356,410,000 of publicly issued tax-exempt bonds on behalf of Valley Health System. The proceeds of the Series 2019 bonds will be used to: partially fund the construction of a 372-bed, approximately 910,000 square foot replacement hospital to be located in Paramus, NJ and pay certain costs incurred in connection with the issuance and sale of the Series 2019 Bonds.

The negotiated public offering was conducted by Morgan Stanley as senior managing underwriter. The transaction was structured with fixed-rate serial bonds maturing from 2020 to 2039 and fixed-rate term bonds maturing in 2044 and 2049.

Yields on the Series 2019 serial bonds ranged from 1.12% for the 2020 maturity to 2.56% for the 2039 maturity. Yields for the fixed rate term bonds are as follows: for the term bond maturing on July 1, 2044, a yield to call of 2.71%; and for the term bond maturing on July 1, 2049, a yield to call of 3.15%.


Artist's rendering of the future Valley Hospital

The all-in-true Interest Cost for the bond issue was 2.93%.

Had the bonds been issued as taxable bonds it is estimated the interest rate would have approximated 3.80%.

Valley Health System had an estimated savings of $29,578,127 by using tax-exempt bonds.

The bonds were rated "A" by Standard & Poor's and "A+" by Fitch Ratings.

(continued on back page)

(continued from page 3)

Recent Financings

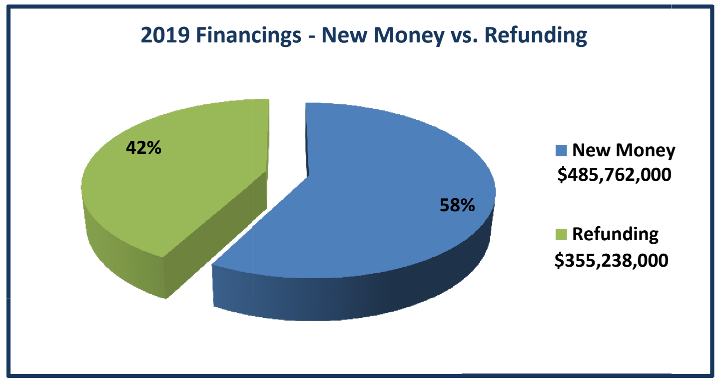
Shore Memorial Hospital

On December 18, 2019, the Authority closed on $49,075,000 of tax-exempt bonds on behalf of Shore Memorial Hospital. The bond sale was privately placed

with BB&T Community Holdings Co. The proceeds of this transaction were used to: currently refund and redeem all of the Authority issued outstanding Series 2009, Series 2010, Series 2011 and Series 2013 bonds; and pay the related costs of issuance.

The Shore Memorial Hospital, Series 2019 bonds had an all-in-true interest cost of 2.781434% compared to a taxable rate of 3.37%. The present value savings was 2.047378% or $1,012,624. The present value of a 1 basis point change was $37,429. The estimated savings of the tax-exempt bonds compared to taxable bonds was $2,208,311.

New Money Bonds make a Comeback!



New Jersey Health Care Facilities Financing Authority

Mailing Address:	P.O. Box 366 Trenton, NJ 08625-0366
Delivery Address:	22 South Clinton Avenue Trenton, NJ 08609-1212
Telephone:	609.292.8585
Fax:	609.633.7778
Web:	www.njhcffa.com