

# AUTHORITY NOTES

WINTER 2023

## MESSAGE FROM THE EXECUTIVE DIRECTOR

Fifty years! The New Jersey Health Care Facilities Financing Authority (the "Authority") reached its 50 year milestone on September 1, 2022. More important than the number of years the Authority has been around is what it has accomplished during those years. It has issued over \$25.6 billion in bonds. It has financed projects for over 185 health care organizations through more than 535 financings. It has saved health care organizations hundreds of millions in financing costs when compared to taxable financings.



In addition to the savings resulting from the bonds being tax-exempt, the Authority's stance as an "active" issuer with standard covenants, ratios and continued surveillance of its borrowers has also saved its borrowers money. PFM Financial Advisors' analysis of the Authority's \$5.3 billion in publicly-issued financings over the last ten years estimates that the Authority has saved its borrowers \$159 million compared to similarly-rated, contemporaneously issued health care bonds. This is an average of 17 basis points in yield per transaction.

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## NJHCFFA 10-YEAR ISSUER SAVINGS ANALYSIS

Over the last 20 years, many conduit bond issuing authorities around the country have become more passive, relaxing or eliminating issuer standard ratios, covenants and reporting in favor of permitting borrowers to seek whatever level of ratios, covenants and reporting the market would bear from time to time. This has led to fewer active conduit bond issuing authorities with expertise in areas such as health care, education, housing and economic development.

With the continued support of the State, specialized conduit bond issuing authorities, such as the New Jersey Health Care Facilities Financing Authority ("NJHCFFA"), continue to be "active" conduit bond issuers in New Jersey. Among other things, NJHCFFA performs the following activities: (i) disbursement of all bond proceeds only after being requisitioned with evidence that the expense is a valid expense related to the project; (ii) monitoring of construction projects by our Construction Compliance Officer, a licensed architect; (iii) enforcement of standard (sometimes sliding or springing) ratios, covenants and reporting for publicly issued bonds; (iv) monitoring of our borrowers' compliance with those ratios, covenants and reporting requirements; (v) monitoring of our borrowers' compliance with disclosure requirements; (vi) investing of the proceeds of the bonds consistent with the limitations of the bond documents and tax laws; (vii) approving engagement of an independent consultant, when required, to return borrower to compliance; and (viii) on rare occasions, upon a triggering event, members of the NJHCFFA staff attend borrowers' board meetings.

NJHCFFA's governing body believes it is a best practice, and in the best interest of both our borrowers and bondholders, to remain an active conduit bond issuing authority by maintaining standard ratios, covenants and reporting requirements. More importantly, it results in savings to our borrowers in the municipal bond market by adding confidence in bonds issued by NJHCFFA. Our standard ratios, covenants and reporting, along with continuous monitoring, come with costs in borrower reporting and in fees needed to maintain sufficient NJHCFFA staff with requisite skills.

For six years, the NJHCFFA's internally performed comparisons have concluded that we saved our borrowers several basis points overall. However, in an effort to objectively measure our performance, in the summer of 2022, NJHCFFA issued a Request for Proposals to engage a financial advisor to perform an analysis of its performance in comparison to other conduit issuers of health care bonds around the country. PFM Financial Advisors ("PFM"), a market leader in financial advisory services, consulting, and financial planning, was selected to conduct this analysis.

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# RECENT FINANCINGS

## Saint Peter's University Hospital

On October 25, 2022, the New Jersey Health Care Facilities Financing Authority ("NJHCFFA") closed on the \$105,925,000 privately issued tax exempt Series 2022A bond financing on behalf of Saint Peter's University Hospital, Inc. ("Saint Peter's")

Saint Peter's is a non-profit, 478-bed acute care teaching hospital sponsored by the Roman Catholic Diocese of Metuchen. The facility treats more than 23,000 inpatients and more than 245,000 outpatients yearly. As a state-designated children's hospital, Saint Peter's also provides care and services to 9,000 pediatric inpatients and over 45,000 pediatric outpatients each year.

The bonds were directly purchased by Morgan Stanley & Co. LLC, and were rated Baa3 by Moody's Investors Service and BBB by S&P Global Ratings.

The proceeds of this transaction were used to:

- (1) Refund all of NJHCFFA's outstanding Series 2007 Bonds issued on behalf of Saint Peter's;
- (2) Refund all of NJHCFFA's outstanding Series 2011 Bonds issued on behalf of Saint Peter's;
- (3) Reimburse all or a portion of costs of acquisition of real property located at 7 Wirt Street, New Brunswick, NJ; and
- (4) Pay costs incidental to the issuance and sale of the Series 2022A Bonds.



*Saint Peter's Healthcare System*

The transaction was structured with fixed rate serial bonds maturing from 2023 to 2037. The yields on the Series 2022A serial bonds range from 4.25% for the 2023 maturity to 5.53% for the 2037 maturity, with a final maturity of July 1, 2037. The net present value savings from the refunding portion of the financing is \$5,680,828.09. Additionally, the Borrower saved approximately \$10 million on a net present value basis through its use of a tax-exempt financing structure compared to a taxable financing.

### **Message from the Executive Director**

*(continued from page 1)*

The Authority has created financing programs to meet the special needs of our health care organizations, including in 1979 when it created the second-in-the-nation Equipment Revenue Note Program, which provided a tax-exempt alternative to equipment leasing. In 1982 the Authority issued bonds backed by the Federal Housing Administration's mortgage insurance, providing lower interest rates as a result of the federal insurance. In 1985 the Authority issued \$100 million in bonds pursuant to its Capital Asset Loan Program. The bonds were issued before restrictive new tax laws became effective in 1986 and allowed the Authority to create a revolving pool of loan funds at low, variable interest rates backed by a letter of credit. This benefitted many smaller borrowers. Another program that benefitted smaller borrowers was the Variable Rate Composite Program, created in 1998, which allowed several health care organizations to issue bonds with standardized documents that could be marketed at the same time with one disclosure document, thereby saving costs-of-issuance expenses.

In 2009, the Authority created its Federally Qualified Health Center ("FQHC") Direct Loan Program to provide low-interest loans to FQHCs from the Authority's fund balance. In 2012, the Master Leasing Program was created for tax-exempt equipment leasing in response to a proposed change of accounting standards (which later became effective) that required the recognition of assets and liabilities from operating leases on an entity's balance sheet. The Master Leasing Program thus largely displaced the Equipment Revenue Note Program. In 2020, near the beginning of the COVID-19 pandemic, the Authority created the COVID-19 Emergency Loan Program to provide hospitals with a quick-turnaround, zero-interest, zero-fee loans to hold them over until COVID-19 relief funds could be delivered from the federal and State government.


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# NJHCFFA 10-Year Issuer Savings Analysis

(continued from page 1)

PFM conducted a hypothetical restructuring analysis of the 29 public transactions over the past ten years by NJHCFFA using generic health care yield curves from the Municipal Market Monitor on the sale date of the transaction, and a comparison of the True Interest Cost of the hypothetical restructuring to the actual deal.

The analysis concluded that of the 29 hypothetical restructurings, NJHCFFA's financings had a lower True Interest Cost for 22 of the hypothetical deals. The Net Total Debt Service "saved" was 17 basis points based on the aggregate structure of the bonds for our borrowers. The PFM analysis objectively shows that the Authority's policies have generated significant savings for borrowers.



## NJHCFFA 10-Year Issuer Savings Analysis

### Hypothetical Restructuring Analysis

#	Series	Par (000s)	Delivery Date	Pricing Date	Rating (M/S/F)	Savings (Dissavings)	
						All-in TIC	Total Debt Service
1	Kennedy Health System	2012	\$ 66,035	7/30/2012	7/20/2012	A3/NR/NR	0.18% \$ 1,872,273
2	Barnabas Health	2012	106,685	12/12/2012	11/29/2012	Baa1/BBB+/BBB+	0.33% 6,177,897
3	Meridian Health System	2013A	29,525	5/8/2013	4/24/2013	NR/A/A	0.14% 519,895
4	St. Luke's Warren Hospital	2013	37,410	6/6/2013	5/21/2013	A3/BBB+/NR	0.30% 2,795,979
5	Palisades Medical Center	2013	42,555	7/1/2013	6/11/2013	NR/BBB-/BBB	0.27% (95,282)
6	RWJ University Hospital	2013A	110,175	9/11/2013	8/29/2013	A2/A+/NR	0.22% 578,068
8	Virtua Health	2013	140,020	12/19/2013	11/20/2013	NR/A+/A+	0.06% 941,236
9	RWJ University Hospital	2014A	55,925	9/16/2014	8/26/2014	A2/A+/NR	0.07% 997,888
11	Barnabas Health	2014	119,325	12/3/2014	11/18/2014	A3/A-/A-	0.25% (1,076,325)
12	Hunterdon Medical Center	2014A	42,735	12/23/2014	12/3/2014	NR/A-/A	0.25% (590,502)
13	University Hospital	2015A	254,975	12/22/2015	12/10/2015	A2(ins)/AA(ins)/BBB	0.01% 559,672
14	Princeton Healthcare System	2016A	190,865	1/20/2016	1/7/2016	Baa2/NR/BBB	0.20% 7,241,604
15	Inspira Health	2016A	177,765	6/30/2016	5/26/2016	A2/NR/A	0.13% 3,604,971
16	St. Joseph's Healthcare System	2016	246,845	8/24/2016	8/17/2016	Baa3/BBB-/NR	0.23% 8,845,114
17	Trinitas Regional Medical Center	2016A	13,810	10/5/2016	9/16/2016	Baa2/BBB-/NR	0.18% 207,981
18	Trinitas Regional Medical Center	2017A	82,970	4/3/2017	9/16/2016	Baa2/BBB-/NR	0.25% (579,721)
19	AHS Hospital	2016	224,800	10/6/2016	9/21/2016	A1/AA-/NR	0.17% 5,585,768
20	RWJ Barnabas Health	2016A	679,135	11/2/2016	10/20/2016	A1/A+/NR	0.25% (3,689,804)
21	Hackensack Meridian	2017A	588,790	4/20/2017	4/6/2017	NR/A+/AA-	0.11% 12,090,909
22	Inspira Health	2017A	265,000	8/17/2017	8/3/2017	A2/NR/A	0.21% 12,159,622
23	State Contract Refunding (HATP)	2017	170,475	12/28/2017	12/19/2017	Baa1/BBB+/NR	0.24% (3,254,371)
24	RWJ Barnabas Health	2019A	35,250	10/30/2019	10/24/2019	A1/AA-/NR	0.37% 582,744
25	RWJ Barnabas Health	2019B-1	69,725	10/30/2019	10/24/2019	A1/AA-/NR	0.40% 4,440,156
26	RWJ Barnabas Health	2019B-2	70,555	10/30/2019	10/24/2019	A1/AA-/NR	0.35% 3,176,878
27	RWJ Barnabas Health	2019B-3	70,550	10/30/2019	10/24/2019	A1/AA-/NR	0.35% 6,093,669
28	Valley Hospital	2019	356,410	12/11/2019	11/21/2019	NR/A+/A+	0.25% 19,500,514
29	Hunterdon Medical Center	2020A	44,460	12/15/2020	12/16/2020	NR/A-/A+	0.26% (655,826)
30	AtlanticCare Regional	2021	116,895	9/15/2021	8/31/2021	NR/AA-/AA-	0.05% 1,843,987
31	RWJ Barnabas Health	2021A	751,845	9/30/2021	9/21/2021	Aa3/AA-/NR	0.48% 73,291,399

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In addition, PFM Financial Advisors performed a 10-year issuer cost analysis, comparing issuance, ongoing fees, and services of NJHCFFA versus several other national and state conduit issuing authorities who were eligible to issue bonds on behalf of hospitals, health care systems and other health care organizations. The comparable conduit issuing authorities included in the analysis were the California Educational Facilities Authority ("CEFA"), Massachusetts Development Finance Agency ("MDFA"), Philadelphia Industrial Development Corporation ("PIDC"), and the Public Finance Agency ("PFA").

# NJHCFFA 50th Anniversary Symposium

On September 22, 2022, the New Jersey Health Care Facilities Financing Authority (the "Authority") celebrated its 50th anniversary with a symposium at the Forsgate Country Club in Monroe. The Authority was created by an act of the New Jersey legislature which became effective on September 1, 1972 to "ensure that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State . . . ."

In addition to the Authority's governing body and staff, the symposium was attended by health care finance executives from New Jersey nonprofit health care systems, bond analysts from the Authority's largest bond purchasers, the largest underwriters of Authority bonds and attorneys who frequently serve as bond counsel, underwriter's counsel and borrower's counsel on Authority bonds.

Prior to lunch, Executive Director Mark Hopkins gave a brief history of the Authority and a timeline of its accomplishments. PFM Financial Advisors then delivered a report on their review of the efficacy of Authority financings over the last ten years compared to contemporaneous financings by other conduit issuing authorities around the country for similarly-rated health care organizations. PFM estimated that Authority borrowers saved 17 basis points on average. (See the article titled: NJHCFFA 10-Year Issuer Savings Analysis on pages 1, 3, and 7 in this newsletter.) After lunch the Commissioner of Health, Judith M. Persichilli delivered the Symposium's keynote address.



*2022 Symposium Attendees*



*Commissioner of Health Judith M. Persichilli  
Delivering the Keynote Address*



*From Left to Right: Ellen Cannarsa, Municipal Credit Analyst from  
The Vanguard Group, Joan Marron, Managing Director at Morgan  
Stanley, Christopher McCann, Executive Director at JPMorgan and  
Katherine Meyers, Managing Director at Citi*

# NJHCFFA STAFF NOTES

Congratulations to Robin Piotrowski who was promoted to Senior Human Resources Manager & Ethics Liaison Officer. Ms. Piotrowski has worked with the Authority since 2001. She has been tasked with duties that range from managing the entire human resources operation for the Authority, to reviewing, monitoring, and overseeing the State Ethics outside activity approvals for Authority staff and its board members.

Congratulations to Ms. Piotrowski, who is appreciated for her commitment, dedication, and hard work to the Authority and its staff.



Robin Piotrowski

## **NJHCFFA 50th Anniversary Symposium**

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Following the keynote address, two panel discussions were held. The first panel was moderated by the Authority's Director of Project Management, Bill McLaughlin, and the panelists were Municipal Credit Analyst Ellen Cannarsa from The Vanguard Group and Underwriters Joan Marron, Christopher McCann and Katherine Meyers from Morgan Stanley, JPMorgan and Citi, respectively.

The panelists discussed current underwriting issues facing health care borrowers in the municipal bond markets and the advantages/disadvantages of the Authority standard issuance policies.

The second panel was moderated by the Authority's Director of Research, Investor Relations and Compliance, Frank Troy, and the panelists were frequent bond counsel John Kelly of Wilentz, Goldman & Spitzer, frequent underwriter's counsel Charles Toto of Hawkins, Delafield & Wood and frequent hospital/borrower's counsel Scott Kobler of McCarter & English.

The panelists addressed current legal trends and issues in the municipal bond market for health care organizations.



(From Left to Right): Joan Marron, Managing Director at Morgan Stanley, Christopher McCann, Executive Director at JPMorgan and Katherine Meyers, Managing Director at Citi



(From Left to Right): John Kelly, Esq. of Wilentz, Goldman & Spitzer, Scott Kobler, Esq. of McCarter & English, Charles Toto, Esq. of Hawkins, Delafield & Wood and Authority Director of Research, Investor Relations and Compliance, Frank Troy

## Message from the Executive Director

*(continued from page 2)*

The Authority has been on the leading edge of borrower disclosure and surveillance. It created the APOLLO System™ monitoring 26 financial and operational indicators of its hospital borrowers. The system was subsequently adopted by the Department of Health for monitoring all New Jersey hospitals. In the last 15 years, the Authority has worked with the Department of Health to create a monthly early warning system of five financial indicators for hospitals and a quarterly financial early warning system for FQHCs. It has also created a quarterly financial early warning system for long-term care facilities for the Department of Human Services. In 2004, Authority staff participated with the Muni Council to create the first centralized post-office for municipal bond disclosure in the country, DisclosureUSA, which has since been replaced by the Municipal Security Rulemaking Board's Electronic Municipal Market Access website (also known as EMMA).



*Listening to the municipal bond analysts and nonprofit hospital financial executives at the Authority's 2019 Roundtable of CFOs and Bond Analysts are (From Left to Right) the Authority's Director of Operations, Finance and Special Projects Ron Marmelstein, Director of Research, Investor Relations and Compliance Frank Troy, Executive Director Mark Hopkins and Director of Project Management Bill McLaughlin.*

In 2000, the Authority's mission expanded beyond providing health care organizations with "access to financial resources" to include "provid[ing] assistance in the restructuring of the health care system of the State." The Authority's financial monitoring systems are one way it fulfills this mission. It has also assisted the State with two blue-ribbon commissions: Governor Whitman's 1999 Advisory Commission on Hospitals and Governor Corzine's 2008 Commission on Rationalizing New Jersey's Health Care Resources. In 2000, the Authority was statutorily empowered to issue bonds backed by a contract with the State for stranded debt through the Hospital Asset Transformation Program when a hospital, determined to be no longer needed, closed. Three sets of bonds were issued under the program: 2007 for Saint Mary's Hospital in Passaic, 2008 for Saint Michael's Medical Center in Newark and 2009 for JFK Health System in Edison for Muhlenberg Regional Medical Center.

The Authority has also overseen three consultant reports on the provision of health care in regions of New Jersey: the Assessment of Consolidation/Regionalization of Hudson County Hospital Services in 2011, the Report Evaluating the Health Care Services in the Greater Newark Area in 2015, and the Needs Assessment of Hospital Services in Bayonne, Salem & Trenton in 2020.

The Authority administered an \$11.4 million federal grant from the American Recovery and Reinvestment Act of 2009 to help create health information exchanges in New Jersey. This year, the Authority is administering a State Fiscal Year 2023 \$10 million grant-in-aid from the State through the Family Planning Facilities Upgrades Forgivable Loan Program.



*Governor Jon S. Corzine (Center) addressing a March 30, 2007 meeting of his New Jersey Commission on Rationalizing Health Care Resources with then Commissioner of Health and Senior Services Fred M. Jacobs, M.D., J.D. (seated on the left) and Commission Chair Uwe E. Reinhardt, Ph.D. (seated on the right).*

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## **NJHCFFA 10-Year Issuer Savings Analysis**

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PFM conducted comparison of the following services that are provided by NJHCFFA: (i) Deal Due Diligence and Document Review; (ii) Tax-Exempt Process Management; (iii) Post Issuance Compliance Monitoring; (iv) Financial Monitoring; (v) Quarterly Financial Reporting; (vi) Department of Health Meetings; (vii) Certificate of Need Evaluation; (viii) FQHC and Long-Term Care Monitoring; and (ix) Board/Committee Meeting Attendance. The comparison revealed that NJHCFFA provides services that are not offered by the other national and state conduit issuing authorities. In addition, the PFM analysis determined that NJHCFFA's issuance fees were the lowest of the sample group, but, its annual fees were the highest. However, the saving generated by the additional conditions, monitoring and services by NJHCFFA far exceeded the additional issuance and annual costs. The full PFM 10-year analysis of NJHCFFA financings can be found at NJHCFFA's website at [www.njhcffa.com](http://www.njhcffa.com).

NJHCFFA's dedicated staff, its relationships with health care professionals, underwriters, bond purchasers, bond counsel firms, trustees and other bond market participants have contributed to successful outcomes for hospitals and health care systems in New Jersey. NJHCFFA is excited to bring continued savings through its financings to provide New Jerseyans with state-of-the-art-cost-effective health care and research facilities.

## **Message From the Executive Director**

*(continued from page 6)*

The Authority currently stands as the 89th largest issuer of municipal bonds in the country, according to The Bond Buyer's Municipal Marketplace (often referred to as The Red Book). It is the 4th largest issuer in the State of New Jersey and the 4th largest issuer of solely health care bonds. The Authority holds periodic retreats, symposiums, and roundtables to educate its staff and governing body as well as to review Authority policies with borrowers, bond purchasers, and municipal finance professionals.

These accomplishments were only made possible by the support of numerous administrations, the vision of the Authority's governing body over the years and an exceptional staff of 20 full-time, highly qualified and experienced professionals. The average Authority employee has worked at the Authority over 12 years. Director of Operations, Finance and Special Projects Ron Marmelstein has over 33 years' experience at the Authority and a Bachelor's degree in accounting. Bill McLaughlin, the Director of Project Management, has been at the Authority for over 22 years, previously worked in investment banking and holds a Master's degree in finance. Frank Troy, the Director of Research, Investor Relations and Compliance, has worked for the Authority for over eight years, previously worked as a controller in a hospital and a CFO at a senior living multi-site system and is a C.P.A. and holds an M.B.A. The Authority employs numerous highly qualified staff members. In all, 12 have Bachelor's degrees, including a registered architect and an M.B.A. candidate. Five have advanced degrees, including two M.B.A.s and a J.D. Some other employees have Associate's degrees or professional certifications in their fields. All employees have learned on the job, bringing an eager mind and a good work ethic.

The Authority is simply a great place to work, doing meaningful things with quality people for the benefit of all New Jerseyans. As a result, it is a hard place to leave. Nevertheless, I have made the difficult decision to retire at the end of April, after 18 years and nine months at the Authority.

Thank you all who have made this the opportunity of a lifetime. It has been an honor and a pleasure to work with all of you.

# IN MEMORIAM

On January 4, 2023, our friend, Authority Accountant Ellen Lieber, lost her battle with cancer. She had worked at the Authority since October 2011. Ellen lit up the office with her infectious smile, joyful attitude, and engaging banter. She leaves behind her daughter Sara and son Jacob to cherish her memory. Ellen will be missed by all who had the pleasure of knowing her.

Several Authority staff have shared their sincere words of expression:

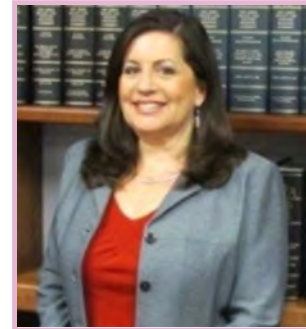
"I will miss her positive personality." ~ Robin

"I admired her strength and resilience." ~Alpa

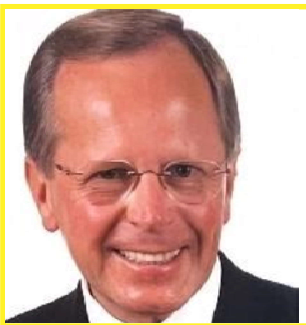
"She was a friend as well as a co-worker, always willing to help. She will be truly missed." ~ Diane

"She was my work mom and the special memories of her will always bring a smile. She will forever be in my heart." ~Taryn B.

"Ellen was a strong, intelligent, funny, and wonderful human being. She was loved, and will be sorely missed." ~Edwin



Ellen Lieber



Michael T. Kornett

On December 23, 2022, former Authority Executive Director Michael T. Kornett passed away. Mr. Kornett served as the Authority's Executive Director from November 2002 to March 2004. He went on to become the CEO of the Medical Society of New Jersey. Prior to joining the Authority, he was Chief Executive Officer of Oxford Health Plans, Passaic General Hospital and JFK Medical Center. He is survived by his wife Bernadette and four children, Craig, Lauren, David and Jeff, as well as six grandchildren.



## NJHCFFA MEMBERS

### Ex-Officio Members

**Judith M. Persichilli, Chair**

Commissioner of Health

**Sarah Adelman**

Commissioner of Human Services

**Marlene Caride**

Commissioner of Banking & Insurance

### Public Members

**David G. Brown II**

**Munr Kazmir, M.D.**

**Thomas J. Sullivan, Jr.**

**Bridget Devane, MSW**

## SENIOR STAFF

**Mark E. Hopkins**

Executive Director

**Frank Troy**

Director, Division of Research, Investor Relations & Compliance

**Ron Marmelstein**

Director, Division of Operations, Finance & Special Projects

**William McLaughlin**

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