Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on November 19, 2020 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

The following ***Authority Members*** were in attendance:

Via telephone, Dr. Kazmir, (Chairing) Vice Chair (Public Member); Robin Ford, Designee of the Department of Health; Greg Lovell, Designee of the Commissioner of Human Services; Manny Paulino, Designee of the Commissioner of Banking and Insurance; Suzette Rodriguez (Public Member); and David Brown (Public Member)

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

Mark Hopkins, Chris Kniesler, Cindy Kline, and Ellen Lieber and via telephone, Frank Troy, Bill McLaughlin, Ron Marmelstein, Alpa Patel, Taryn Rommell, Jessica Waite, Edwin Fuentes, Tracey Cameron and Michael Solidum

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

Via telephone, George Loeser Attorney General's Office; Lauren Governor's Authorities Unit; John Kelly, Wilentz Goldman and Spitzer; Herbert White, Chief Financial Officer and Tom Percello, Corporate Director of Finance, Hunterdon Medical Center; and Judy Morgan, Albert Zalewski, Willis of NJ; Tamara Cunningham, RWJBarnabas Health;

CALL TO ORDER

Dr. Kazmir called the meeting to order at 10:08 a.m. and announced that this was the regular meeting of the Authority, held in accordance with the schedule adopted at the May 28, 2020 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was mailed to *The Star-Ledger*, the *Courier Post*, and provided to numerous other newspapers and media outlets serving New Jersey, early enough to publish an announcement at least 48 hours in advance of this meeting.

Dr. Kazmir began by welcoming Mr. David G. Brown II as the new Public Member of the Authority.

1. APPROVAL OF MINUTES
October 22, 2020 Authority Meeting

Minutes for the Authority's October 22, 2020 regular meeting were distributed for review and approval prior to the meeting. Dr. Kazmir asked for a motion to approve the minutes. Ms. Ford made the motion. Mr. Lovell seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir, Ms. Ford, Mr. Paulino, Mr. Lovell and Ms. Rodriguez vote in the affirmative. Mr. Brown abstained. The motion passed.

2. NEGOTIATED SALE REQUEST AND INFORMATIONAL PRESENTATION
Hunterdon Medical Center

Dr. Kazmir asked Edwin Fuentes to present the negotiated sale request and informational presentation for the Hunterdon Medical Center transaction.

Mr. Fuentes began by saying that, Herbert White, Chief Financial Officer and Tom Percello of Hunterdon Medical Center was participating by telephone. He then advised the Members that his presentation will serve as a request to proceed with the use of two negotiated bond sales. The Series 2020A bonds will be a negotiated public offering, while the Series 2020B bonds will be a negotiated direct purchase of bonds. In addition, Mr. Fuentes said that presentation will also serve as an Informational Presentation for the proposed financing for Hunterdon Medical Center.

Mr. Fuentes told the Members that Hunterdon Medical Center is a not-for-profit, 178-bed teaching hospital that is located in Flemington Township, New Jersey. It is the only acute care hospital located in Hunterdon County. The Hunterdon Medical Center provides healthcare and hospital services, medical research, and training for physicians and other health care professionals in Hunterdon County and surrounding areas. Hunterdon Medical Center is an affiliated member of the Hunterdon Healthcare System, Inc. The System is also the controlling entity for Hunterdon Medical Center Foundation, Inc.; Hunterdon Regional Community Health, Inc. and Mid-Jersey Health Corporation, a for-profit entity. Hunterdon Medical Center has issued debt through the Authority in 1990, 1994, 2006, 2009, and 2014 totaling $167,841,116, of which approximately $61,610,404 remains outstanding. Hunterdon Medical Center currently maintains a rating of A+ with Fitch Ratings, and expects to receive a similar rating for the new bonds.

According to Mr. Fuentes, the annual financial information for the Hunterdon Medical Center, that was included in the meeting packet, indicates that excess revenue over expenses increased from $13.84 million in 2018 to $19.11 million in 2019, resulting in a 38% increase. Days Cash on Hand increased from 123 days to 149, above the statewide median of 106 days. Operating Margin improved from 1.04 to 2.95, just below the statewide median of 3.29. The Debt Service Coverage ratio increased from 7.05 in 2018 to 8.75 in 2019, above the statewide median of 3.39. Days in Accounts Receivable and Days in Accounts Payable have seen moderate improvements for the same period.

In addition, Mr. Fuentes said that the unaudited 3-month interim financial statements ending March 31, 2020 indicate a significant drop in Income from Operations compared to the same period in 2019. This is likely due to the beginning of the COVID-19 pandemic in the state of New Jersey earlier this year.

Mr. Fuentes stated that there were moderate increases in the Hunterdon Medical Center's audited Inpatient Utilization Trends from 2018 to 2019; a 4.5% increase in inpatient days, a 2.4% decrease in inpatient admissions, a 4.6% increase in occupancy rate and a 7% increase in average length of stay. The 3-month interim financials show a 4% decrease in both inpatient days and inpatient admissions for the same period in 2019. All other utilization trends remain relatively consistent.

Mr. Fuentes told the Members that, in accordance with Authority policy, Hunterdon Medical Center's management was required to submit managerial financial projections. The projections covering the years 2020 through 2022 were included in the meeting packet and were reviewed by staff prior to the mailing.

Mr. Fuentes reported that Hunterdon Medical Center has signed a Memorandum of Understanding with the Authority to undertake a negotiated sale of approximately $45,500,000 in federally taxable, publicly offered bonds (the "Series 2020A Bonds"), as well as a privately placed negotiated sale of approximately $30,000,000 in bonds (the "Series 2020B Bonds) which will initially be federally taxable and subsequently converted to tax-exempt. This convertible structure of bonds is known in the industry as "Cinderella Bonds". The proceeds of the Series 2020A Bonds will be used to: (i) reimburse the Borrower for all or a portion of the costs of the development, acquisition and construction of various capital improvements and equipment previously paid by the Borrower from its own funds, including, without limitation, the expansion of and renovations to various healthcare related facilities at the Hunterdon Medical Center campus, information technology upgrades and replacements, and laboratory and cafeteria renovations and improvements (the "Project"), and (ii) pay all or a portion of the costs incurred in connection with the issuance and sale of the Series 2020A Bonds. Proceeds of the Series 2020B Bonds, along with other available funds, will be used to: (i) refund, redeem, retire and/or legally defease the outstanding 5% coupon maturities of the Authority's Hunterdon Medical Center Obligated Group Issue, Series 2014A Bonds, and (ii) pay all or a portion of the costs incurred in connection with the issuance and sale of the Series 2020B Bonds.

Mr. Fuentes said that the Attorney General's Office has assigned Wilentz, Goldman & Spitzer P.A. to serve as Bond Counsel for this transaction. Further, Hunterdon Medical Center has conducted competitive processes for both the public offering and the private placement and has selected Morgan Stanley as the Series 2020A underwriter, and selected TD Bank N.A. as the purchaser of the Series 2020B bonds.

Mr. Fuentes explained that Hunterdon Medical Center has asked that the Authority permit the use of negotiated sales based on: (1) sale of a complex financing structure including those transactions that involve the simultaneous sale of more than one series with each series structured differently, (2) volatile market conditions, and (3) programs or financial techniques that are new to investors. These reasons are considered under the Authority's policy regarding Executive Order #26, to be justifications for the use of negotiated sales. Also, under the Authority's policies, a Borrower requesting a private placement form of a negotiated sale must justify the use of a private placement by showing it is either less expensive on a present value basis to complete a private placement or that there are other circumstances that would limit the effectiveness or usefulness of a negotiated sale using a public offering. Hunterdon has provided justification that a private placement would be more effective due to (i) tax-exempt advance refundings no longer being permitted due to the tax reform in 2017; (ii) a public market for the "Cinderella" structure of bonds does not presently exist; and (iii) Hunterdon has received advantageous terms by conducting a competitive Request For Proposals for the direct purchaser of the bonds.

Mr. Fuentes concluded by recommending the Members' consideration of the resolution that included in the Members' meeting materials to approve the use of negotiated sales in the forms of a public offering and a private placement and forwarding a copy of the justification in support of said resolution to the State Treasurer.

Mr. Fuentes then offered to answer any questions from the Members. There were no questions.

Dr. Kazmir asked for a motion to adopt the resolution to approve the use of a negotiated sale in the form public offering for one series of bonds and a negotiated sale in the form of a private placement for a second series of bonds on behalf of Hunterdon Medical Center. Mr. Lovell made the motion. Ms. Rodriguez seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir then called for a vote on the motion. All members voted in the affirmative and the motion passed.

AB RESOLUTION NO. UU-17

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled **"RESOLUTION OF INTENT TO ISSUE REVENUE BONDS BY NEGOTIATED TRANSACTION PURSUANT TO EXECUTIVE ORDER NO. 26**

(attached)

3. CONTINGENT BOND SALE
<u>Hunterdon Medical Center</u>

Dr. Kazmir called upon Edwin Fuentes to present the details of the request for a contingent bond sale on behalf of Hunterdon Medical Center.

Mr. Fuentes began by telling the Members that they are being asked to approve a contingent sale of bonds on behalf of Hunterdon Medical Center, to be issued in two series. Series 2020A Bonds will be issued as federally taxable bonds and the Series 2020B Bonds will initially be issued as federally taxable with the ability to convert to federally tax-exempt at a later date, commonly known as "Cinderella Bonds".

Mr. Fuentes then introduced John Kelly of Wilentz Goldman and Spitzer, Bond Counsel, participating by telephone, present the Bond Resolution pertaining to this transaction. Following his presentation, Mr. Fuentes said that he, Mr. Kelly, Mr. White or Mr. Percello would address any issues or questions the Members may have.

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer, P.A., Bond Counsel, stated that the Bond Resolution authorizes the issuance of the Series 2020A Bonds in an aggregate principal amount not in excess of $45,500,000, and the Series 2020B Bonds in an aggregate principal amount not in excess of $35,000,000. The Bond Resolution provides that the Series 2020A Bonds shall have a final maturity date of no later than July 1, 2052, and the Series 2020B Bonds shall have a final maturity date of no later than July 1, 2051. The Bond Resolution specifies that the true interest cost of the Series 2020A Bonds shall not exceed 5.0% per annum. With respect to the Series 2020B Bonds, the Bond Resolution provides that, from their date of issuance to the first interest reset date, the Series 2020B Bonds shall bear interest at the Direct Purchase Rate, as set forth in the Trust Agreement; provided that such Direct Purchase Rate shall not exceed four percent (4.00%) per annum, and thereafter the Series 2020B Bonds shall bear interest at the rate determined in accordance with the provisions of the Trust Agreement, provided that in no event shall the interest rate on such Series 2020 Bonds exceed the maximum rate permitted by law. Each Series of the Series 2020 Bonds will be subject to redemption prior to maturity as set forth therein and the redemption price cannot be greater than 105% provided, however that any Series 2020 Bond subject to optional redemption pursuant to a “make-whole” provision, or involving a breakage fee or a similar prepayment or redemption charge, may exceed one hundred and five percent (105%) of the principal amount of such Series 2020 Bond as provided in the Trust Agreement for each Series. Each Series of the Series 2020 Bonds will be issued under a separate Trust Agreement between the Authority and U.S. Bank National Association, as Bond Trustee, Bond Registrar and Paying Agent for each Series. Each Series of the Series 2020 Bonds will be secured by payments made by the Borrower under a separate Loan Agreement with the Authority for such Series. The obligations of the Borrower under each Loan Agreement with the Authority will be evidenced and secured by a separate note issued by the Obligated Group (of which the Medical Center is currently the only Member) pursuant to the provisions of a Master Trust Indenture and by amounts on deposit in certain funds held by the Bond Trustee pursuant to the Trust Agreement for each Series. As provided in the Master Trust Indenture, each promissory note will be secured by a gross receipts pledge of the Obligated Group.

With respect to the Series 2020A Bonds, the Bond Resolution approves the form of and authorizes the execution of the Bond Purchase Contract with Morgan Stanley & Co. LLC, the Underwriter, at an underwriting discount (including counsel fees) not in excess of $6.75 per $1,000 principal amount of the Series 2020A Bonds. The Bond Resolution also approves the form of and authorizes the execution of a Direct Bond Purchase Agreement with T.D. Bank, N.A. for the purchase of the Series 2020B Bonds. Both the 2020A Bond Purchase Agreement and the 2020B Direct Bond Purchase Agreement must be executed prior to the 5:00 p.m. on February 24, 2021. The Bond Resolution also requires TD Bank, as the purchaser of the Series 2020B Bonds, to provide the Authority with a travelling investor letter for the Series 2020B Bonds on or prior to the date of closing.

Additionally, the Bond Resolution approves the form of and authorizes the execution and delivery of the Trust Agreement and Loan Agreement for each Series of the Series 2020 Bonds, the 2020A Preliminary Official Statement and Official Statement, and also 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 Trust Agreements, the Loan Agreements, the Series 2020A Bond Purchase Agreement, the Series 2020B Direct Bond Purchase Agreement, a Calculation Agent Agreement relating to the Series 2020B Bonds, a letter of instructions to the Trustee for the Series 2014A Bonds, and the issuance and sale of the Series 2020 Bonds.

Dr. Kazmir asked for a motion to adopt the resolution approving a contingent bond sale on behalf of Hunterdon Medical Center. Ms. Ford made the motion. Mr. Lovell seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir then called for a vote on the motion. All members voted in the affirmative and the motion passed.

AB RESOLUTION NO. UU-18

NOW, THERFORE, BE IT RESOLVED, that the Authority hereby approves the Resolution entitled **"A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE AND REFUNDING BONDS, HUNTERDON MEDICAL CENTER OBLIGATED GROUP ISSUE, SERIES 2020."**

(attached)

4. FINANCIAL PRINTING AND DISTRIBUTION CONTRACT
McElwee & Quinn, LLC

Dr. Kazmir called upon Ellen Lieber to provide the Members with the Authority staff's recommendation for the Authority's Financial Printing and Distribution contract.

Ms. Lieber told the Members that the current contract for the printing of Preliminary and Final Official Statements and other related documents for the Authority's revenue bonds expired on October 31, 2020. The Authority staff sent Requests for Proposals to 6 firms, posted it to the Authority website, the State of New Jersey Business Opportunity website and advertised it in The Star Ledger and Courier Post.

Ms. Lieber reported that the Authority received proposals from 2 firms. The Authority staff determined that 1of the firms was non-compliant because the state disclosure and compliance forms that were required upon submission, were not included.

Ms. Lieber said that, based on the analysis of the pricing and sample billing information received from the compliant firm along with excellent references, McElwee & Quinn, LLC was the lowest responsible bidder. Ms. Liber then stated that the Authority staff recommends that the contract for the electronic distribution of Preliminary Official Statements and printing of Final Official Statements and other related documents be awarded to McElwee & Quinn, LLC. Ms. Lieber added that they are our current printer and the staff has been very pleased with the quality and timeliness of their work. The contract period will start December 7, 2020 and run through December 6, 2023. The Authority also reserves the right to extend the original terms of the contract for a maximum of 2 additional one-year periods.

Ms. Lieber offered to answer any question from the Members.

Dr. Kazmir asked for a motion to adopt the resolution awarding the Authority's Financial Printing and Distribution contract to McElwee & Quinn, LLC. Mr. Lovell made the motion. Mr. Brown seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir then called for a vote on the motion. All members voted in the affirmative and the motion passed.

AB RESOLUTION NO. UU-19

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the awarding of the Authority's financial printing contract to McElwee and Quinn, LLC. The contract shall be for three years with the option of two one-year extensions.

5. UPDATE ON PROJECT STATUS AND BONDHOLDER FORBEARANCE
Village Drive Urban Renewal, LLC

Dr. Kazmir called upon Taryn Rommell to provide the Members with an update on the project status and bondholder forbearance of the Village Drive Urban Renewal, LLC assisted living facility.

Ms. Rommell reminded the Members that, at the Authority's October 22, 2020 meeting, she informed them that Village Drive Urban Renewal, LLC had failed to meet the September 30, 2020 Certificate of Occupancy date set forth in the second Forbearance Agreement dated June 6, 2020. Due to this failure, on October 5, 2020, the Authority provided the Trustee with a Notice of Default. The Trustee held a conference call with the Borrower and the Bondholders on November 5, 2020 and indicated to the Authority a third Forbearance Agreement will be forthcoming within the next few weeks.

Ms. Rommell offered to answer any questions that the Members had.

Dr. Kazmir reminded the Members that this report was for information only and that no action was required at this time.

6. FINANCE COMMITTEE REPORT
Proposed 2021 Authority Budget

Dr. Kazmir asked Suzette Rodriguez, Chair of the Finance Committee, to present the proposed 2021 Authority Budget.

Ms. Rodriguez told the Members that the Finance Committee met by telephone on November 5, 2020 to discuss the Authority's proposed 2021 budget.

Ms. Rodriguez then provided a brief overview of the proposed 2021 cash budget. According to Ms. Rodriguez the 2021 Authority budget includes an estimated income of $3,895,461, which is a 5.2% decrease in annual revenue. It also anticipates the estimated expenses to be $3,469,556, which is a decrease of 13.18%, without carry overs. Finally, the net income is expected to be $425,905, which does not include carry overs from 2020.

Ms. Rodriguez then turned the meeting over to Mark Hopkins for a more detailed presentation of the 2021 Budget.

Mr. Hopkins reported that:

- Revenues are projected to decrease from $4,112,954 to $3,895,461 or (-5.29%)
- Expenses are projected to decrease from $3,996,420 to $3,469,556 or (-13.18%)
- Net Income is projected to rise from $116,534 to $425,905

Mr. Hopkins noted that 2021 Expenses and Net Income do not include carryovers of $229,000 from 2020 as follows:

(i) $4,000 for Office Equipment Rental/Hardware/Hardware Maintenance;
(ii) $100,000 for trustee-held fund accounting under EDP/Software/Software Maintenance/Services; and
(iii) $125,000 for Special Projects.

Mr. Hopkins explained that, counting the $229,000 in carryovers from 2020, the 2021 budget is 7.45% lower than the 2020 budget. Also, Expenses and Net Income do not include a staff-estimated $80,000 Annual Required Contribution to the Post-Retirement Health Benefits Trust that is added "below the line" once an actuarial calculation is completed.

Mr. Hopkins then highlighted some of the significant changes in the 2021 budget from 2020.

Income:

- **Annual Fees Decrease $77,932 or 2.03%**
  Annual fees are expected to be $3,766,427 for 2021, which is $77,932 or 2.03% less than budgeted for 2020 a result of fewer anticipated financings and the lower outstanding balances on existing bonds. The Authority projects the issuance of $240,000,000 for 2021 over three new money financings.

- **Initial Fees/Per Series Fees Decrease $33,275 or 47.96%**
  The three anticipated financings in 2021 are estimated to be in the amount of $240,000,000 and expected to generate $36,100 in initial/per series fees, or $33,275 less than budgeted for 2020, a decrease of 47.96%.

- **Interest Income Decreases $77,491 or 96.33% for a total of $2,949**
  This is due to a lower investment balance in the New Jersey Cash Management Fund in addition to a significantly lower projected rate of return.

- **Other Operating Income Decreases $28,795 or 26.82% for a total of $78,565**
  The Authority contracts with the Department of Health to provide architectural services, CN review and financial analysis of hospitals and a contract with the Department of Human Services to provide financial analysis of long-term care facilities. The decrease is due to the contract with the Department of Health for architectural services expiring on June 30. To be conservative, the renewal is not budgeted.

Expenses:

- **Salaries – Decreases $7,419 or 0.45%**
  The 2021 proposed budget for salaries is $1,626,750, which is $7,419, or 0.45% lower than the 2020 budget and assumes a 1.00% across the board salary increase for staff members. The decrease is due to a reduction in staff from 22 to 21 as offset by the 1% increase. Additionally certain staff members will receive increases to compensate them for assuming some of the duties related to the reduction in staff.

- **Fringe Benefits – Decreases $11,086 or 1.26%**
  Fringe benefits budgeted for 2021 are $867,214 which is $11,086, or 1.26%, lower than the $878,300 budgeted for 2020. The decrease is mainly due to reducing staff from 22 to 21.

- **Temporary Help – Decreases $4,900 or 33.33%**
  The temporary help budget for 2021 is expected to decrease 33.33% to $9,800, representing 280 hours at $35/hour which is a 33.33% decrease in hours but the same hourly rate compared to the 2020 budget.

- **Post-Retirement Health Benefit Trust – Decreases $80,000 or 50%**
  The Authority had been making a biennial contribution to the Post-Retirement Health Benefit Trust since 2007. The actuarially calculated amount necessary to fully fund the Post-Retirement Health Benefit Trust through December 2018 was $28,112 (far below what was budgeted). However, new accounting rules required the actuary to also provide us with a funding number for 2019, which was $79,348, making our contribution an annual one starting in 2018. We conservatively budgeted $160,000 for 2020 and are still awaiting the actuarial calculation. We are making a rough estimate that it will be $80,000 for 2021. Once the calculation is provided by the actuary it will be provided to the Authority Members.

- **Office Rent & Electric – Increases $6,358 or 1.68%** due to a rent increase from $21.25 per square foot to $23.00 per square foot effective September 16, 2021.

- **Insurance – Decrease of $5,483 or 4.48%** based on 2020 premiums being lower than budgeted.

- **Office Equipment Rental/Office Equipment Maintenance Hardware and Hardware Maintenance Decreases $10,040 or 10.93%***

- **Electronic Data Processing/Software/Software Maintenance & Contract Services Decreased $132,805 or 69.36%**

- **Telephone Expense Increases $2,500 or 35.21%**
  Telephone expenses are budgeted to increase $2,500, or 35.21%, from $7,100 to $9,600 due to increased conference calls assuming continuation of the COVID-19 pandemic.

- **Investment Services Decrease $2,000 or 66.67%**
  Investment Services are budgeted at $1,000, a decrease of $2,000, or 66.67%, from $3,000 due to lower expected demand for investments.

- **Postage Increases $333 or 3.92%**
  Postage is expected to be $8,811, an increase of $333, or 3.92% from $8,478 in 2020, due to expected additional overnight deliveries assuming a continuation of the COVID-19 pandemic.

- **Services of Attorney General's Office Increases $40,000 or 47.06%**
  Services of the Attorney General's Office are budgeted at $125,000 in 2021, an increase of $40,000, or 47.06% from $85,000 in 2020. There was an increase in 2020 of Open Public Records requests and litigation as well as securities litigation which are expected to continue into 2021.

- **Special Projects Decreases $290,000 or 100%***

- **Bankruptcy Fees & Costs Decreases $12,500 or 100%**

- **Special Tax Counsel Decreases $15,000 or 100%**

- **New Financing Products Decreases $10,000 or 40%**

  The Special Projects 2020 budget was $290,000 after it was amended to add $165,000 to engage a consultant to assess the need for hospital services in Bayonne, Salem and Trenton. With that project near completion, and no plan to use the remaining $125,000 originally budgeted in 2020, the 2021 budget will be $0 or a 100% reduction. However, we will carry over the original $125,000 from 2020 into 2021. Staff proposes to use these funds to engage a financial advisor to assess the efficacy of the Authority's tax-exempt financings compared to taxable financings. With no expected need for Bankruptcy Counsel of Special Tax Counsel in 2021 both those items are budgeted at $0 or a decrease of 100% in

2021. New Financing Products was partially used for the COVID-19 Emergency Loan Program in 2020 and, in anticipation of possibly needing a similar program in 2021 we are budgeting $15,000, a decrease of $10,000 or 40% from 2020. (* Contains a carryover from the 2020 Budget.)

The 2021 budget for Archival Expense, Auditor's Fees, Governor's Authorities Unit Fees, Office Equipment/Furniture, Repairs & Renovations and Vehicle Expense will remain unchanged from the 2020 budget.

Mr. Hopkins concluded by saying that he or Alpa Patel who answer any question from the Members.

Ms. Rodriguez applauded the staff's due diligence to keep costs to a minimum as well as staff's ability to produce accurate budgets year after year. She also acknowledged the staff's efforts in what has been a very difficult year and thanked everyone who contributed in creating the 2021 budget.

Ms. Rodriguez concluded by recommending adoption of the Authority's 2021 budget and asking in the Members had any questions.

Mr. Lovell asked if new hospitals take advantage of the COVID-19 Loan Program, how does the Authority account for that in the 2021 budget?

Mr. Hopkins replied that the funds come from the Authority's reserve balance. Approximately $1.4 million of the $6 million have been loaned out. The remaining funds continue to be available and the current borrower has begun to repay the loan.

Mr. Lovell then asked what happens if a borrower does not pay the Authority back?

Mr. Hopkins responded that the loans are secured by government grants.

As permitted by the Open Public Meetings Act and the Authority's By-Laws, Dr. Kazmir asked for a motion to enter into Executive Session to discuss personnel matters, contractual negotiations and matters falling within the attorney-client privilege with regard to the Directors and Officers Liability insurance. Ms. Ford made the motion. Ms. Rodriguez seconded. Dr. Kazmir asked if there were any questions on the motion. There were no questions. Dr. Kazmir called for a vote. All Members voted in the affirmative and the motion passed. Dr. Kazmir stated that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

The Members entered into Executive Session at 10:54 a.m.

AB RESOLUTION NO. UU-20

> **NOW, THEREFORE, BE IT RESOLVED,** that, as permitted by the Open Public Meetings Act and the Authority's By-laws, the Authority meet in Executive Session to discuss personnel matters, contractual negotiations and matters falling within the attorney-client privilege regard to the Directors and Officers Liability insurance.
>
> **BE IT FURTHER RESOLVED,** that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

The Members returned to Public Session at 11:33 a.m.

Dr. Kazmir asked Ms. Rodriguez if she wanted to make the motion to adopt the resolution to adopt the Authority's 2021 budget. Ms. Rodriguez made the motion. Ms. Ford seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir then called for a vote on the motion. All members voted in the affirmative and the motion passed.

AB RESOLUTION NO. UU-21

> **NOW, THERFORE, BE IT RESOLVED**, that the Authority hereby adopts the proposed 2021 Authority Budget as recommended by the Finance Committee.

7. DIRECTORS AND OFFICERS LIABILITY AND EMPLOYEE PRACTICES LIABILITY INSURANCE RENEWAL <u>AIG, AXA-XL and RSUI</u>

Dr. Kazmir asked Alpa Patel to explain the renewal of the Directors and Officers Liability Insurance and Employee Practices Liability policy to the Members.

Ms. Patel explained to the Members that, the Directors and Officers Liability Insurance and Employee Practices Liability policy provide protection to past, present and future members of the Authority board, committee members, officers and staff. It is a claims-made policy and provides coverage for a claim which is first made against the policy period and reported in writing to the insurer.

According to Ms. Patel, the Authority currently has $10 million in D&O coverage and $5 million in EPL coverage provided through National Union Fire Insurance Company of Pittsburgh, PA (AIG) at premiums of $40,995 and $7,700 respectively, plus a surcharge of $292. The Authority has a $250,000 deductible under these policies. The Authority also currently has an excess policy of $10 million for D&O with Zurich American Insurance Company at a premium of $20,000 and a surcharge of $120.

Ms. Patel informed the Members that this year AIG was not willing to provide primary D&O coverage in excess of $5M. Willis marketed the account to numerous other carriers and none were willing to quote in excess of $5 million primary coverage for D&O and all other premiums quoted were in excess of AIG's premium quoted, which was $31,040 for $5 million in primary D&O coverage and $10,870 for $5 million in EPL coverage plus $269 New Jersey surcharge.

Ms. Patel stated that Willis also sought excess D&O coverage to bring the total D&O coverage to $20 million. Zurich American Insurance Company, the current carrier providing $10 million in excess D&O coverage, refused to quote any amount of excess coverage for this year. Willis then pieced together excess D&O coverage in $5 million increments to bring the total to $20 million. The lowest premium quoted for the first excess layer of $5 million, bringing total D&O coverage to $10 million, was from AXA-XL at $13,500 plus taxes and fees. The best premium quoted for the second excess $5 million layer of D&O coverage, bringing total coverage to $15 million, was from RSUI at $11,750 plus taxes and fees. The best premium quoted for the third excess $5 million layer of D&O coverage, bringing total coverage to $20 million, was Hartford at $11,000 plus taxes and fees.

The Authority staff recommends primary D&O coverage of $5 million and EPL coverage of $5 million from AIG with a deductible of $250,000, and adding two $5 million excess layers of D&O coverage, from AXA-XL and RSUI, for total D&O coverage of $15 million. The premium for this coverage would total $67,160 plus surcharges, taxes and fees, compared to the 2019 premium of $68,895 plus surcharges, taxes and fees, a reduction of $1,735. Regardless of the staff's recommendation, Authority Members may add the third $5 million excess D&O liability coverage from Hartford, for an additional $11,000 plus taxes and fees, bringing the total D&O liability coverage to $20 million and total premiums to $78,160 plus surcharges, fees and taxes, a $9,265 increase in premiums from 2019.

Ms. Patel concluded by offering to answer any of the Members' questions.

Dr. Kazmir asked for a motion to adopt the resolution awarding the Directors and Officers Liability Insurance policy Employee Practices Liability Insurance policy to AIG and one excess layer of coverage to AXA-XL and one additional excess layer of coverage to RSUI. Mr. Lovell made the motion. Ms. Ford seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir then called for a vote on the motion. All members voted in the affirmative and the motion passed.

AB RESOLUTION NO. UU-22

> **NOW, THEREFORE, BE IT RESOLVED,** that the Authority hereby approves the awarding of the Directors and Officers Liability Insurance policy Employee Practices Liability Insurance policy to AIG and one excess layer of coverage to AXA-XL and one additional excess layer of coverage to RSUI.

8. AUTHORITY EXPENSES

Dr. Kazmir referenced a summary of Authority expenses and invoices provided to the Members. Mr. Lovell made the motion to approve the expenses. Ms. Rodriguez seconded. Dr. Kazmir asked if there were any questions or comments on the motion. There were no questions or comments. Dr. Kazmir then called for a vote. All Members voted in the affirmative and the resolution was approved to approve the bills and to authorize their payment.

AB RESOLUTION NO. UU-23

> ***WHEREAS,*** the Members of the Authority have reviewed the memoranda dated November 11, 2020 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amounts of $37,092.50 and $41,157.27 respectively, and have found such expenses to be appropriate;
>
> ***NOW, THEREFORE, BE IT RESOLVED,*** that the Members of the Authority hereby approve all expenses as submitted, and authorize the execution of checks representing the payment thereof.

9. STAFF REPORTS

Dr. Kazmir thanked staff for the Project Development Summary, Cash Reconciliation Report and Legislative Update.

Dr. Kazmir asked Executive Director Hopkins to present his Executive Director's report.

Mr. Hopkins reported the following:

1. Mr. Hopkins asked the Authority Members and staff to join him in welcoming David G. Brown, II as the new Public Member of the Authority. Mr. Brown is currently the Borough Administrator of the Borough of Bradley Beach. Among his numerous municipal leadership positions are most recently: Executive Director of the Linden

Roselle Sewage Authority and Borough Administrator and UEZ Coordinator of the Borough of Roselle. He served in the New Jersey National Guard and has both a Bachelor of Arts degree and a Master's in Public Administration from Kean University.

2. As discussed at the last meeting, the COVID-19 Emergency Loan committee, comprised of Mr. Hopkins, Robin Ford and Frank Troy, agreed to extend the repayment of the sole COVID-19 Emergency Loan issued by the Authority to Salem Medical Center in the amount of $1,420,789 from August 17 for two additional months because Salem Medical Center had not yet received approximately $9 million in funding from FEMA for expanding bed capacity to treat COVID-19 patients. Salem has still not received the FEMA funds yet but continues to expect them any day. Salem offered to make payments towards the loan in the amount of $100,000 every other week until it either pays off the loan in full or until the FEMA funds are forthcoming, upon which Salem will pay the loan in full. After consultation with the COVID-19 Emergency Loan committee, we agreed to accept that offer. Salem made its first $100,000 payment yesterday.

3. Mr. Hopkins reminded the Members that the Governmental Accounting standards statement for Other Post-Employment Benefits (OPEB) requires an actuarial study to be conducted every two years for employers with less than 100 employees. The Authority engaged Buck Consultants to perform an actuarially computed liability valuation for the period ending December 31, 2020 and 2021. The OPEB liability for current and future retirees has decreased by $920,332. This significant decrease is primarily due to "The Further Consolidated Appropriations Act, 2020" signed in December 2019, repealing the High Cost Plan Excise Tax (a.k.a. "Cadillac Tax"). In addition, a decrease in medical insurance premiums and an updated census contributed to the reduction in the liability. As such, the OPEB Trust is fully funded through December 31, 2020 and will not need any additional funding this year. The Authority had budgeted to contribute $160,000 to the OPEB in 2020. Because no contribution is required this year, that amount will be added to the fund balance. For 2021, the Authority budgeted $80,000 for its OPEB contribution, based on this information; it is highly unlikely this contribution will need to be made in 2021. Nevertheless, we will need to wait to receive the actual calculation from Buck Consultants in 2021.

4. The Audit Committee, comprised of Robin Ford, Manny Paulino and Ryan Feeney, is scheduled to meet telephonically at 10:00 a.m. on [Tuesday, December 1/Wednesday, December 2/Thursday, December 3] to discuss the initiation of the 2020 audit with our independent auditors, PKF O'Connor Davies.

5. Authority Members are reminded that today is the deadline to complete mandatory online ethics training from the State Ethics Commission, in accordance with Executive Order #41 (Codey 2005). The training is offered at www.nj.gov/ethics/training. Go to the link "Online Training Modules" and choose "Special State Officer Training Module." Once completed Members will need to enter their name and select NJHCFFA from the pull-down menu of agencies. Members will receive an e-mail confirming your completion of the training. Please forward the confirmation to Mr. Hopkins so he may report it to the Authorities Unit.

6. Coronavirus News

a. With COVID-19 cases on the upswing, on October 24 Governor Murphy signed an Executive Order extending the COVID-19 public health emergency for an additional 30 days. The next week he announced that all options are on the table to prevent further spread of COVID-19 in New Jersey, including curfews, further limitation and restrictions on indoor and outdoor gatherings and possibly closure of non-essential businesses.

b. Commissioner Persichilli, who also appeared on 60 Minutes on November 8, announced that New Jersey is prepared to distribute COVID-19 vaccines when they become available. The goal will be immunizing 70% of the eligible population, about 4.7 million adults, within six months of the vaccine being widely available. The approximately 500,000 frontline health care workers will receive priority for the vaccine, but the federal government has told the Commissioner to expect only 100,000 doses, only enough to vaccinate 50,000 people in the first batch, as the two leading vaccines require two doses, several weeks apart.

c. New Jersey will be one of five or six states to receive rapid COVID-19 tests from the federal government. The tests produce results in 20 minutes with 99% accuracy. Long-term care facilities and veteran's homes will receive priority to receive the test.

d. The second wave of COVID-19 is causing an increase in hospitalizations in New Jersey. While the number of hospitalizations has not yet returned to the very high levels of last spring, six New Jersey hospitals have had to go on at least partial divert status last week.

e. Two vaccines have shown to be highly effective in preventing COVID-19 in preliminary reports from their third-phase trials. The Pfizer/BioNTech vaccine initially reported a 90% effectiveness rate, which it updated yesterday to 95%. The vaccine from Moderna is reportedly 94.5% effective in preventing COVID-19. Both vaccines have been developed with new technology known as messenger RNA and both require two injections several weeks apart to be effective. The Pfizer/BioNTech vaccine requires storage at over 90 degrees below zero. The Moderna vaccine can be stored at normal freezer temperatures.

f. Two studies, one published in the Journal of Hospital Medicine and the other published in Critical Care Medicine, indicated that mortality rates have dropped for hospitalized patients. The first indicated a drop from 25.6% of COVID-19 hospitalized patients at NYU Langone Health System to 7.6% of patients between March 1 and June 20. The second study showed a nearly 20% drop in mortality among hospitalized patients in the United Kingdom over approximately the same period. Better understanding of the disease, mask wearing to reduce viral load, better hospital cohorting and improved therapeutics are credited with the reduction.

g. Several studies indicate possible other longer-term health risks from COVID-19 including damage to the heart, damage to the lungs and development of mental illness within 90 days of diagnosis.

h. Researchers at Rutgers Robert Wood Johnson Medical School studied employees of Robert Wood Johnson University Hospital in New Brunswick finding that, of the nearly 4,000 employees and clinicians tested, 13 had COVID-19 and 374 had antibodies. Those who had direct contact with patients were more likely to test positive or have antibodies. Only 7% of physicians and 9% of nurses tested positive or had antibodies, while 24% of the phlebotomists, 17% of maintenance, housekeeping and food service staff and 14% of support staff tested positive or had antibodies. Another key finding was that Black and Latinx workers were twice as likely to test positive or have antibodies as white workers.

7. New Jersey Hospital and Health Care News

a. RWJBarnabas Health and Trinitas Regional Medical Center have announced they have reached a definitive agreement to merge. The agreement is subject to federal and State regulatory review. This marks the second definitive agreement RWJBarnabas Health has entered into to acquire a Catholic hospital, after its September agreement with St. Peter's University Healthcare System. Trinitas will retain its identity as a Catholic institution, sponsored by the Sisters of Charity of Saint Elizabeth. RWJBarnabas Health is expected to invest in technology, equipment and other capital upgrades at Trinitas.

b. On November 2, AtlantiCare announced that it has unraveled its 2015 merger with Geisinger, the large health and insurance system based in Danville, PA. The AtlantiCare hospitals were Geisinger's only hospitals outside Pennsylvania.

c. Penn Medicine and Virtua Health have extended their strategic alliance in cancer and neuroscience services through 2023. The alliance started in 2015 and the two entities are currently constructing a proton beam therapy center on the campus of Virtua Voorhees Hospital which is expected to be completed in the summer of 2022.

d. The city of Hoboken has revived the Hoboken Municipal Hospital Authority. The authority was created in 2006 to acquire St. Mary Hospital in order to keep it open. After acquiring the hospital and engaging a non-profit to run it as Hoboken University Medical Center for several years, Hoboken sold the hospital to an affiliate of the owners of what is now known as the CarePoint Health System. CarePoint is seeking to sell the operations of all three of its hospitals, including Hoboken. Hudson County is exploring the option to exercise eminent domain over the properties of each of the three CarePoint hospitals, which are owned by separate property companies. The re-establishment of the Hoboken Municipal Hospital Authority is a possible mechanism for Hoboken to reacquire the property of Hoboken University Medical Center. Bayonne established a similar municipal hospital authority last year, as a possible way to purchase Bayonne Medical Center, whose operations are also part of the CarePoint system and the property is owned by another separate property company.

e. RWJBarnabas Health has promoted nine leaders, including adding the title of Chief Administrative Officer to John Doll's title of Chief Financial Officer. Gail Kosyla was also promoted to Senior Vice President of System Financial Operations.

f. Dr. Shereef Elnahal, CEO of University Hospital and former New Jersey Commissioner of Health, has been tapped as a member of President-elect Biden's transition team as a volunteer member of the agency review team for the Department of Veterans Affairs. Dr. Elnahal was the Chief Quality and Safety Officer for the Veterans Health Administration under President Obama.

g. New Jersey nursing homes will be required to abide by frontline staffing requirements created by legislation that becomes effective in February 2021. Under the law, nursing assistants will be limited to caring for no more than eight residents during the day shift, 10 residents during the evening shift and 14 residents overnight. The COVID-19 pandemic spurred six pieces of legislation signed by Governor Murphy which are designed to prevent outbreaks in nursing homes and were identified by a June 3 report commissioned by the State from consultants Manatt Health.

8. In National Health Care News:

   a. Bloomberg Law believes a surge of hospital bankruptcies will result from the COVID-19 pandemic as federal aid dries up. Three dozen hospitals have filed for bankruptcy so far this year.

   b. On October 29, the Centers for Medicare and Medicaid Services released its final rule requiring health plans to disclose the rates they negotiate with hospitals and other health care providers starting January 1, 2022. It also requires insurers to provide members with an online tool to estimate out-of-pocket costs along with the negotiated rates for covered services and other items, including prescriptions. On January 1, 2023 insurers will have to provide a list of 500 shoppable services and on January 1, 2024 it will be required to provide costs for additional items and services.

9. In Bond and Tax Legislation and Regulatory News:

   a. IRS municipal bond tax compliance priorities are evolving, with identified priorities more vague than usual. The main initial priority identified is potential arbitrage violations by investing proceeds of bonds in investments that yield higher rates than the bonds. It also announced that regulatory relief allowing public TEFRA hearings for bonds through telephonic means has been extended through September 2021.

b. Language in bond documents permitting changes in interest rates tied to the London Inter-Bank Offering Rate ("LIBOR") to an alternate index rate will not be treated as a material change by the IRS, which otherwise could create a termination event or prohibit a swap from being integrated into the bond yield. The fallback language is encouraged because LIBOR is expected to be discontinued at the end of 2021. Other index rates, such as the Secured Overnight Financing Rate ("SOFR"), are likely to replace LIBOR as widely recognized index rates by which rates will be set or reset for municipal bond variable rate bonds, swaps and other derivative products as well as other financial instruments.

c. The Municipal Securities Rulemaking Board's Real-time Transaction Reporting System launched in 2005. The system brings real-time price discovery to the municipal bond market, making reports available 15 minutes after a trade rather than the previous 24-hour wait. Research by the University of Oregon has found, in a paper published in the Journal of Financial Economics, that the system has resulted in a significant reduction in transaction costs, significant increases in municipal trading volume across the liquidity spectrum and dealers increased market-making activities. More timely information primarily benefited investors who, depending on their level of sophistication, saved 14% in average trading costs, or 30 basis points. Ultimately, this leads to municipal bond issuers benefiting by cheaper access to the municipal bond market.

10. Authority News

a. Human Resources Manager Robin Piotrowski and Director of Project Management Bill McLaughlin are celebrating their 20th anniversaries at the Authority this month.

b. Mr. Hopkins wished everyone a very happy Thanksgiving and remarked how blessed he was to have such a great staff who have worked so diligently through the COVID-19 pandemic.

As there was no further business, Dr. Kazmir asked for a motion to adjourn. After a motion by Mr. Lovell and a second by Ms. Rodriguez, the Members voted unanimously to adjourn the meeting at 11:59 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 NOVEMBER 19, 2020.

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Cindy Kline, Assistant Secretary