Minutes of the New Jersey Health Care Facilities Financing Authority regular Meeting held on January 27, 2021 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

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

> Via telephone: David Brown, Vice Chair, Public Member (Chairing); Robin Ford, Designee of the Department of Health; Manny Paulino, Designee of the Commissioner of Banking and Insurance; Greg Lovell, Designee of the Commissioner of Human Services; and Thomas Sullivan (Public Member)

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

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

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

> Via telephone, George Loeser and Stephanie Gibson, Attorney General's Office; Jamera Sirmans, Governor's Authorities Unit; John Kelly, Wilentz Goldman and Spitzer; Jim Fearon, Gluck Walrath; Caswell Samms, Chief Financial Officer and Christopher Caufield, Executive Director of Financial Operations from St. Joseph's Medical Center; Glenn Wagner, Kaufman Hall, Tamara Cunningham, RWJBarnabas; Carl Alberto and Daniel Confalone, Vice Presidents of Finance, St. Luke's Warren Hospital; Mike Garner, Echo Financial

CALL TO ORDER

Mr. Brown called the meeting to order at 10:07 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 27, 2021 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.

1. APPROVAL OF MINUTES
December 16, 2022 Authority Meeting

Minutes for the Authority's December 16, 2022 Meeting were distributed for review and approval prior to the meeting. Mr. Brown asked for a motion to approve the minutes. Mr. Lovell made the motion. Mr. Sullivan seconded. Mr. Brown asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown called for a vote. All Members voted in the affirmative and the minutes were approved.

2. NEGOTIATED SALE REQUEST & INFORMATIONAL PRESENTATION
St. Luke's Warren Hospital, Inc.

Mr. Brown asked Edwin Fuentes to explain to the Members a request for a negotiated sale in the form of a private placement on behalf of St. Luke's Warren Hospital and provide an informational presentation.

Mr. Fuentes advised the Members that his presentation will serve as a negotiated sale request and an informational presentation. He then introduced Carl Alberto and Daniel Confalone, Vice Presidents of Finance from St. Luke's Warren Hospital, who were participating by telephone.

Mr. Fuentes informed the Members that St. Luke's Warren Hospital is a subsidiary of St. Luke's University Health Network ("the Network"), a nonprofit corporation headquartered in Pennsylvania. The Network controls 11 acute care hospitals, an organization of physician practices, and other health care related organizations. St. Luke's Warren Hospital is a 198-licensed bed, acute care not-for-profit hospital facility located in Philipsburg, New Jersey. Along with several of its affiliates, St. Luke's Warren Hospital was acquired by the Network on February 1, 2012. St. Luke's Warren is the largest employer in the Philipsburg area and the second largest employer in Warren County.

Mr. Fuentes reported that the Borrower has one series of bonds outstanding with this Authority, the St. Luke's Warren Hospital Obligated Group Issue, Series 2013, with an outstanding balance of approximately $37,410,000. The Network's long term debt is currently rated A- and A3 with S&P and Moody's respectively.

According to Mr. Fuentes, the unaudited financial information for the Network and its controlled entities ending June 30, 2021, which were provided in the meeting materials, show that the Network's excess revenues over expenses increased from $34.1 million in 2020 to $96.3 million in 2021. Based on audited information from 2018 through 2020, Days Cash on Hand of the Obligated Group has increased from 172.8 to 291.5 days, above the statewide median of 192.85 days. Days in Accounts Receivable for St. Luke's Warren Hospital has increased from 31.01 to 34.22 days, below the statewide median of 41.87. Days in Accounts Payable for the hospital have increased at a slower rate than the statewide medians over the aforementioned three (3) year period. Debt Service Coverage for the Obligated Group has increased from 7.46 to 9.37 times, which is well above the statewide median of 3.04 times.

Mr. Fuentes further stated that the Network's Annual Inpatient Utilization Trends in the meeting materials indicate a steady increase in Inpatient Days from 2018 through 2020. Inpatient Admissions saw an increase of 5,879 from 2018 to 2019, and remained relatively consistent in 2020 with 66,157 admissions. Occupancy Rate saw an increase of 14.8% in 2019, followed by a decrease of 3.9% in 2020.

Mr. Fuentes told the Members that St. Luke's Warren Hospital has signed a Memorandum of Understanding with the Authority to undertake a financing of approximately $41 million, the proceeds of which will be used to: (i) refund, redeem and legally defease all of the Authority's outstanding Refunding Bonds, St Luke's Warren Hospital Obligated Group Issue, Series 2013 and (ii) pay all or a portion of the costs incurred in connection with the issuance and sale of the Series 2022 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, the Borrower has conducted a competitive process and selected Truist Bank as the direct purchaser of the bonds.

Additionally, the financial projections that were prepared by St. Luke's Warren's management are included in Members' meeting materials. Mr. Fuentes said that the Authority's staff has reviewed the projections and found them to be reasonable.

Mr. Fuentes concluded by telling the Members that the St. Luke's Warren Hospital has asked that the Authority permit the use of a negotiated sale based on the sale of a complex financing structure; and 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 a negotiated sale. St. Luke's is requesting that the negotiated sale be in the form of a private placement. The Authority's policy requires that the borrower provide justification for a negotiated sale in the form of a private placement instead of a public offering. St. Luke's Warren's Warren Hospital and its financial advisor believes that a private placement offere3s a more cost effective option to a public offering due to the conversion from a taxable rate to a tax-exempt rate and lack of liquid public market for this unusual structure. Therefore, the Authority staff recommends the consideration of the resolution, provided in the meeting materials, approving the use of a negotiated sale in the form of a private placement and the forwarding a copy of the justification in support of said resolution to the State Treasurer.

Mr. Fuentes said that he or the St. Luke's Warren Hospital management team would be happy to answer any questions form the Members. There were no questions.

Mr. Brown asked for a motion to adopt the resolution approving a negotiated sale in the form of a private placement on behalf of St. Luke's Warren Hospital, Inc. Ms. Ford made the motion. Mr. Lovell seconded. Mr. Brown asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown called for a vote. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. VV-42

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

(attached)

3. CONTINGENT BOND SALE
St. Luke's Warren Hospital

Mr. Brown called upon Edwin Fuentes to present the request for a contingent bond sale on behalf of St. Luke's Warren Hospital, Inc. to the Members.

Mr. Fuentes told the Members that they were now being asked to approve a contingent sale of bonds on behalf of St. Luke's Warren Hospital, which will initially bear interest at a federally taxable interest rate with the ability to convert to a federally tax-exempt interest rate at a later date, subject to the satisfaction of several conditions. These types of bonds are commonly known as "Cinderella Bonds".

Mr. Fuentes said that John Kelly, Bond Counsel from Wilentz Goldman and Spitzer would present the bond resolution, but first Executive Director Mark Hopkins would explain a revision to the loan agreement regarding the captive insurance provision.

Mr. Hopkins explained that the new Loan Agreement for the 2022 Refunding Bonds contains a revision to the Authority's usual language in Section 6.11 (e)(B)(iii) which relates to the audited financial statements of the Borrower's captive insurance company (the Captive) which is domiciled in Vermont. Under the Loan Agreement for the 2013 Bonds being refunded, the Hospital has been required to deliver evidence that the captive insurance program has been audited by a nationally recognized Independent firm of public accountants and has received an unmodified or "clean" opinion (the form of which opinion shall not be unacceptable to the Authority). Mr. Hopkins reminded the Members that, at the December 2021 meeting, they voted to waive this requirement as the Captive's 2020 audit received a modified opinion due to two deviations from generally accepted accounting principles (or GAAP), both of which are "permitted practices" approved by the Vermont Department of Financial Regulation, the body with oversight over the Captive.

According to Mr. Hopkins, the first deviation relates to the omission of estimated claims by year of occurrence which is required to be disclosed in the footnotes to the financial statements. The Hospital believes that this information could prejudice their position in settlement negotiations with plaintiffs and requested and received approval to omit such disclosure in 2017. Note that this lack of disclosure does not affect the underlying financial statements in any way.

The second deviation, Mr. Hopkins said, relates to how, or more correctly, where unrealized gains and losses on equity securities held by the Captive are presented on the statement of operations. Equity securities comprised approximately 3% of the Captive's investments as of December 31, 2020 on a fair value basis. Current GAAP requires these unrealized gains or losses to be treated as a component of net income from operations which could result in cash distributions to entities covered by the Captive based on gains never actually realized. As such, the Hospital requested and received a permitted practice to include unrealized gains and losses on equity securities "below the line" in 2019.

Mr. Hopkins stated that the Authority has voted to waive the requirement for a clean opinion on the audit of the Captive each year since the 2017 audit with respect to the estimated claims by year, and the 2020 audit with respect to unrealized gains and losses. Those are the only two issues requiring modifications to the opinions of the independent firm of public accountants that audits the financial statements of St. Luke's Captive. The financial statements for St. Luke's itself each year have received a clean opinion from the independent firm of public accountants who audits them and the Loan Agreement requires that the audit opinion on St. Luke's must continue to be clean.

Mr. Hopkins further explained that this change in the Series 2022 Loan Agreement would allow the Authority to accept a modified opinion with respect to the Captive's financial statements solely for permitted practices approved by the Captive's domicile, in this case Vermont.

Mr. Hopkins said that the Authority Staff believes the subjects of the waivers are relatively minor and unlikely to have any materially negative impact on St. Luke's and, therefore recommends accepting this revision to Section 6.11(e)(B)(iii) for the 2022 Refunding Bonds. Authority Staff is basing its recommendation on the specific set of facts that: (i) the 2022 Refunding Bonds are being directly purchased by a sophisticated investor who has agreed to this specific modification of Section 6.11(e)(B)(iii); (ii) the sophisticated investor has entered into an investor letter indicating it is sophisticated, has received all the information it needs to make an investment decision on the purchase of the 2022 Refunding Bonds and intends to hold 2022 Refunding Bonds for its own account; and (iii) if the investor subsequently decides to sell the 2022 Refunding Bonds, it has agreed to require any subsequent purchaser of the bonds to also be a sophisticated investor and to provide the Authority with an investor letter in the same form as the original investor letter, also known as a traveling investor letter (thus any subsequent investor will be on notice of this waiver).

Mr. Hopkins concluded by saying that he or Frank Troy would answer any questions the Authority Members have on this particular subject. There were no questions. Mr. Hopkins noted that this waiver has been a recurring issue in the past in respect to this particular borrower and this resolution will resolve it going forward.

Mr. Hopkins turned meeting back over to Mr. Fuentes, who in turn introduced John Kelly to present the bond resolution.

John Kelly of Wilentz Goldman and Spitzer, the Bond Counsel, then presented the Bond Resolution.

BOND RESOLUTION

John Kelly of Wilentz, Goldman & Spitzer, P.A., Bond Counsel, stated that the Bond Resolution authorizes the issuance of the Series 2022A Bonds in an aggregate principal amount not in excess of $45,000,000, as set forth in the Trust Agreement pursuant to which the Series 2022A Bonds will be issued. The Series 2022A Bonds will initially bear interest at the federally taxable rate or rates per annum set forth in the Trust Agreement, provided, the true interest cost of such Series 2022A Bonds shall not exceed three and one-quarter percent (3.25%) per annum. Upon conversion of the interest on the Series 2022A Bonds to a federally tax-exempt rate, the true interest cost of the Series 2022A Bonds shall not exceed two and one-half percent (2.50%) per annum, and from and after the date, if any, of the conversion of the Series 2022A Bonds to another interest rate mode permitted under the Trust Agreement, the Series 2022A Bonds shall bear interest at the rate as shall be determined in accordance with the Trust Agreement, provided, however, that in no event shall the interest rate on such Series 2022A Bonds exceed the Maximum Interest Rate (as defined in the Trust Agreement). The Series 2022A Bonds will have a final maturity date of no later than August 15, 2043 and be subject to redemption prior to maturity as set forth in the Trust Agreement, provided, that the redemption price cannot be greater than 105% of the principal amount of the Series 2022A Bonds being redeemed; provided, however, that the redemption price of any Series 2022A Bond subject to optional redemption by the Authority pursuant to a "make-whole" provision, or involving a breakage fee or a similar prepayment or redemption charge, may exceed 105% as provided in the Trust Agreement.

The Series 2022A Bonds will be issued by the Authority under and pursuant to a Trust Agreement by and between the Authority and U.S. Bank National Association, as Bond Trustee. The Series 2022A Bonds will be secured by payments to be made by St. Luke's Warren Hospital (the "Borrower") under its Loan Agreement with the Authority, as evidenced and secured by a promissory note of the St. Luke's Obligated Group, and amounts on deposit in certain funds held by the Bond Trustee. The promissory note will be issued under and pursuant to Amended and Restated Master Trust Indenture, dated as of July 1, 2016, by and among the current members of the St. Luke's Obligated Group (and any other future members of the Obligated Group) and The Bank of New York Mellon Trust Company, N.A., as Master Trustee. The promissory note will be secured by a gross revenue pledge of the Obligated Group under the Master Trust Indenture.

Additionally, the Bond Resolution approves the form of, and authorizes the execution of, the Series 2022A Bonds, the Loan Agreement, and the Trust Agreement relating to the Series 2022A Bonds. Further, the Bond Resolution appoints U.S. Bank National Association, as Bond Trustee, Bond Registrar and Paying Agent for the 2022A Bonds. The Bond Resolution also approves the form of and authorizes the execution of a Direct Bond Purchase Agreement by and among the Authority, the Borrower and BB&T Community Holdings Co., an affiliate of Truist Bank, as the direct purchaser of the Series 2022A Bonds. In addition, the Bond Resolution also authorizes the Authorized Officers of the Authority to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the issuance of the Series 2022A Bonds and the refunding of the Series 2013 Bonds.

Mr. Brown asked for a motion to adopt the resolution approving a contingent bond sale on behalf of St. Luke's Warren Hospital, Inc. Mr. Sullivan made the motion. Ms. Ford seconded. Mr. Brown asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown called for a vote. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. VV-43

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled **"A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REFUNDING BONDS, ST. LUKE'S WARREN HOSPITAL OBLIGATED GROUP ISSUE, SERIES 2022A."**

(attached)

4. TEFRA HEARING AND CONTINGENT BOND SALE WITH AMENDED DOCUMENTS
St. Joseph's University Medical Center, Inc.

Mr. Brown announced that the following portion of the meeting was a public hearing in connection with the St. Joseph's University Medical Center, Inc. transaction. He stated that this hearing is taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Mr. Brown called upon Edwin Fuentes to present the details of the request for a contingent bond sale with amended documents on behalf of St. Joseph's University Medical Center, Inc.

Mr. Fuentes began saying that no comments were received in response to the Authority's TEFRA notice on its website. He then introduced Caswell Samms, Chief Financial Officer and Christopher Caufield, Executive Director of Financial Operations from St. Joseph's Medical Center who were participating by telephone.

Mr. Fuentes reminded the Members that St. Joseph's Medical Center signed a Memorandum of Understanding with the Authority and had a contingent sale of bonds approved at last month's meeting to undertake a tax-exempt financing of approximately $40 million, the proceeds of which were planned to be used to: 1) reimburse the Borrower for the costs of the planning, development, constructing and/or renovation of portions of the acute care hospitals owned and operated by the Borrower and located in Paterson, New Jersey and Wayne, New Jersey, and the costs of the acquisition and installation of various items of capital equipment at one or more locations for use by the Borrower, and all other work, materials, and equipment necessary, and/or to refinance debt of the Borrower incurred to finance and/or reimburse such costs, and (ii) pay all or a portion of the costs of the issuance and sale of the Series 2022 Bonds. As of today, the bonds have not closed.

According to Mr. Fuentes, St. Joseph's has requested the Authority hold a TEFRA hearing and amend the original definition of the project approved at the December 2021 meeting in order to include certain additional capital items, specifically the acquisition of land and a medical office building located at 234 Hamburg Turnpike in Wayne, NJ, and four condominium units within a medical office building located at 220 Hamburg Turnpike in Wayne, NJ.

Mr. Fuentes then introduce Jim Fearon, Bond Counsel from Gluck Walrath to present the Bond Resolution, after which, he or Mr. Fearon would answer any questions.

BOND RESOLUTION

This Resolution amends certain provisions of the Bond Resolution that was adopted by the Authority on December 16, 2021 in order to provide a more expansive definition of the "Project" that will be financed by the Series 2022 Bonds. The changes authorize, in addition to the originally-described purposes, reimbursement for the cost of acquiring land and a medical office building thereon located at 234 Hamburg Turnpike, Wayne, New Jersey, and four condominium units within a medical office building located at 220 Hamburg Turnpike, Wayne, New Jersey, as well as the cost of acquiring certain vehicles. The revised project definition also clarifies that the financed facilities may be either in, or in the vicinity of, the Hospital's two acute care locations in Paterson and Wayne, and that they may be used not only by the Hospital but also by its subsidiaries and affiliates. Except as amended by this Resolution, the December 16, 2021 Bond Resolution remains in full force and effect.

Mr. Brown asked if the Members had any questions.

Mr. Sullivan asked if the workers on the acquired projects were paid minimum wage. Mr. Fearon responded that the funds were reimbursing St. Joseph's for money expended prior to St. Joseph's request to the Authority to issue bonds, but that all projects funded through the Authority required that the prevail wage be paid for any construction after financing by the Authority. Mr. Sullivan followed up by asking about any work performed of the new properties. Mr. Fearon replied that the funds were for acquisition only.

Mr. Brown asked if there were any question from the members of the public. There were no questions.

Mr. Brown asked for a motion to adopt the resolution approving a contingent bond sale with amended documents on behalf of St. Joseph's University Medical Center, Inc. Mr. Lovell made the motion. Mr. Sullivan seconded. Mr. Brown asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown called for a vote. All Members voted in the affirmative and the motion was approved.

AB RESOLUTION NO. VV-44

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled "RESOLUTION AMENDING A BOND RESOLUTION ADOPTED ON DECEMBER 16, 2021 AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, ST. JOSEPH'S HEALTHCARE SYSTEM OBLIGATED GROUP ISSUE, SERIES 2022."

(attached)

Mr. Brown asked if the representatives from St. Joseph's had anything to say. Mr. Sams thanked the Board and Mr. Fearon for their cooperation and patience during what has been a complicated transaction.

Mr. Brown then closed the public hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended regarding the proposed financings on behalf of St. Joseph's Medical Center, Inc.

5. POST ISSUANCE COMPLIANCE PROCEDURES
Hospital Asset Transformation Program Series 2017

Mr. Brown called upon Taryn Rommell to explain to the Members the resolution authorizing Post Issuance Compliance Procedures for the Authority's State Contract Refunding Bonds (Hospital Asset Transformation Program) Series 2017.

Ms. Rommell explained to the Members that, on December 28, 2017, the Authority issued, on a tax-exempt basis, its $170,475,000 State Contract Refunding Bonds Series 2017 (the "2017 Bonds"). The 2017 Bonds were issued for the purpose of (i) refunding all of the Authority's outstanding State Contract Bonds (Hospital Asset Transformation Program – St. Mary's Hospital, Passaic, N.J. Issue), Series 2007-1, and all of the Authority's outstanding State Contract Bonds (Hospital Asset Transformation Program), Series 2008A and (ii) paying the costs of issuance of the 2017 Bonds.

According to Ms. Rommell, the Authority has been advised by Bond Counsel to adopt specific procedures to ensure the 2017 Bonds remain federally tax-exempt. The proposed resolution, which was included in the Members' meeting materials, allows for an Authorized Officer of the Authority to develop and amend the Procedures in consultation with Bond Counsel and the Attorney General's Office, designate a tax compliance officer who will have the primary responsibility to carry out the Procedures, and take any actions necessary or desirable to achieve the purpose of this resolution.

Ms. Rommell told the Members that Exhibit A provides the substantially final form of the Procedures. She then pointed out that the most significant portion of the procedures is the need to engage an actuary for periodic interest rate arbitrage calculation.

Ms. Rommell concluded by stating that the post-issuance tax compliance procedures will apply only to the 2017 Bonds and any Refunding Bonds subsequently issued as tax-exempt bonds under the resolution.

Mr. Brown asked for a motion to adopt the resolution authorizing Post Issuance Compliance Procedures for the Authority's State Contract Refunding Bonds (Hospital Asset Transformation Program) Series 2017. Mr. Sullivan made the motion. Ms. Ford seconded. Mr. Brown asked if there were any questions or comments on the motion. There were no questions or comments. Mr. Brown then called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. VV-45

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the resolution entitled **"A RESOLUTION AUTHORIZING ADOPTION OF POST ISSUANCE TAX COMPLIANCE PROCEDURES, DESIGNATION OF A TAX COMPLIANCE OFFICER AND OTHER MATTERS WITH RESPECT TO THE AUTHORITY'S STATE CONTRACT REFUNDING BONDS, SERIES 2017."**

(attached)

6. 2022 DEBT MANAGEMENT PLAN
The Authority's 2022 Debt Management plan

Mr. Brown asked Bill McLaughlin to present the Authority's 2022 Debt Management Plan to the Members.

Mr. McLaughlin informed the Members that under Executive Order No. 26 (Whitman), the authority is required to prepare an annual Debt Management Plan and submit it to the Treasurer. The Debt Management Plan for 2022, included in the Members' meeting materials, reflects financings which were completed during 2021 and identifies three (3) bond financings that are anticipated for 2022, along with a description of each project, the anticipated issue size, security, expected ratings and a proposed method of sale.

According to Mr. McLaughlin, there is no anticipated activity for the Master Lease Program, the Composite Program or the Equipment Revenue Note program. Also, the proposed plan excludes Capital Asset Program (CAP) loans, since these transactions do not involve the issuance of new debt.

Mr. McLaughlin stated that, as in prior years, the total volume for 2022 is subject to change, depending upon market conditions and borrowers' preferences.

He concluded by asking the Members to approve of the proposed plan and authorize its submission to the State Treasurer.

Mr. Brown asked for a motion to approve the Authority's 2022 Debt Management Plan. Ms. Ford made the motion. Mr. Lovell seconded. Mr. Brown asked if there were any questions on the motion. There were no questions. Mr. Brown called for a vote. All Members voted in the affirmative and the motion passed.

AB RESOLUTION NO. VV-46

WHEREAS, the Members of the Authority have reviewed the memorandum dated January 19, 2022 regarding the 2022 Debt Management Plan.

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a motion to adopt the proposed 2022 Debt Management Plan and submit it to the Treasurer in accordance with the requirements of Executive Order No. 26.

7. AUTHORITY EXPENSES

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

AB RESOLUTION NO. VV-47

WHEREAS, the Members of the Authority have reviewed the memoranda dated January 19, 2022 summarizing expenses incurred by the Authority in connection with Trustee/Escrow Agent/Paying Agent fees and general operating expenses in the amount of $72,324.50 and $105,093.04, 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.

8. STAFF REPORTS

Mr. Brown thanked staff for the Project Development Summary, Cash Reconciliation Report and Legislative Update.

Mr. Brown asked Executive Director Hopkins to present his Executive Director's report.

Mr. Hopkins stated that, in the interest of time, he would only present a few of his items and email his full report to the Members.

Mr. Hopkins began by telling the Members that the Authority will attempt to hold the February meeting via Microsoft Teams. The full report is included below with the information in brackets delivered in writing only.

Mr. Hopkins' report is as follows:

1. In June of 2007 the Authority adopted Resolution No. HH-28, which lowered certain Authority fees but created an automatic annual adjustment to the amount of bonds that, would be subject to the Authority's initial fees and annual fees (the "fee cap"). The resolution called for the adjustment of the fee cap commensurate with the change in the average of the Consumer Price Index for all Urban Consumers ("CPI-U") in the New York City and Philadelphia regions, rounded to the nearest million. In September 2016, the Authority Members readjusted the Authority's fee structure and eliminated the fee cap for annual fees and increased the fee cap for initial fees to apply to up to $100,000,000 of each financing. At that time the Authority Members also approved postponing any adjustment of the fee cap for initial fees until January of 2018. As a result of the average relevant CPI-U increases, the amount of bonds upon which the initial fee would be collected increased to $101,200,000 in 2018, $102,500,000 in 2019, $104,400,000 and $105,800,000 in 2020 and 2021, respectively. For the twelve-month period ending December 31, 2021, the CPI-U in the New York City region increased 3.316485% and in the Philadelphia region increased 4.035176%, for an average increase of 3.6758305%. Therefore, with rounding to the nearest $100,000, the initial fee of 2.5 basis points will now be collected on the first $109,700,000 in bonds issued by the Authority or a maximum of $27,425. Per series fees shall continue to be $10,000 for each series.

2. The Authority provided $1,014,277,000 in bond financing in 2021 to three (3) separate borrowers over three series of bonds. The financings included $216,995,000 in tax-exempt new money bonds for AtlantiCare Health System, $751,845,000 in tax-exempt new money bonds for RWJBarnabas Health and $45,437,000 in tax-exempt refunding bonds for Holy Name Medical Center.

    a. The weighted average all-in true interest cost on the new money bonds issued on behalf of: (i) AtlantiCare Health System was

2.403%, creating an estimated present value savings of $12,790,975 compared to a taxable financing; and (ii) RWJBarnabas Health was 2.7302%, creating an estimated present value savings of $9,247,290 compared to a taxable financing. The weighted all-in true interest cost of the tax-exempt refunding bonds issued on behalf of Holy Name Hospital in 2021 was 1.864737%, creating an estimated present value savings of $1,174,618 compared to a taxable financing. The Holy Name transaction also resulted in approximately $1,652,815 in present value savings when compared to the bonds that were refunded.

   b. There were no new Federally Qualified Health Center Loans, Equipment Revenue Notes or Master Leases issued in 2021. There were no new financings through the Capital Asset Program in 2021. Loans under the Capital Asset Program averaged an interest rate of 1.74% for calendar year 2021.

   c. Salem Medical Center paid off the remaining balance of the $1,420,789 Emergency COVID-19 Loan (under an interest-free loan program the Authority created in 2020). The loan was issued on May 4, 2020 to provide Salem Medical Center with funds to hire additional temporary health care staff to handle the influx of COVID-19 patients.

3. According to the unaudited year-end numbers, the Authority’s 2021 expenses came in at $3,084,662, which was 16.60% below budget and 5.75% below 2020 expenses (2021 expenses included a payment of $9,613 for the consultant to assess the need for hospital services in Bayonne, Salem and Trenton). The Authority’s revenues came in at $4,171,626 which was 7.09% above budget and 3.39% above 2020 revenues. The Authority’s receipts over disbursements came in at $1,086,964, which is $890,059 above budget and $324,833 more than 2020.

4. The Village Drive Healthcare Urban Renewal Low-Income Assisted Living Facility, partially financed by the Authority, received its Certificate of Occupancy on January 5, 2022. It is now awaiting approval of its license from the Department of Health. It was originally scheduled to open in November of 2019.

5. As approved by the Authority Members at the Authority meeting on May 27, 2021, the Authority has provided Notice of Readoption Without Change of its Prevailing Wage Rules at New Jersey Administrative Code 8:95-1.1 et seq. The Notice of Readoption appears in the January 18, 2022 New Jersey Register at 54 NJR 1(2). The effective date of the rules is December 14, 2021 and the rules are set to expire December 14, 2028 unless timely readopted. The rules effectuate the requirement in Public

Law 2004, Chapter 127, sections 9 through 12 (N.J.S.A. 26:2I-5.3 through 5.6) that require that "[e]ach worker employed in the construction or rehabilitation of facilities undertaken in connection with loans, loan guarantees, expenditures, investments, tax exemptions or other incentives or financial assistance approved, provided, authorized, facilitated or administered by the New Jersey Health Care Facilities Financing Authority, or undertaken to fulfill any condition of receiving any of the incentives or financial assistance, shall be paid not less than the prevailing wage rate for the worker's craft or trade, as determined by the Commissioner of Labor and Workforce Development pursuant to P.L.1963, c. 150 (C.34:11-56.25 et seq.)." The rules further set out the methods to comply with the law and penalties for violation of the law. The full text of the rules may be found at New Jersey Administrative Code 8:95-1.1 et seq. and is also on the Authority's website.

6. Yesterday Authority Members should have received two disclosure forms to be filled out by February 11th. The "Personal and Business Relationships Disclosure Form" is required pursuant to New Jersey Statute 52:34-10.11 for anyone, including Authority Members and Staff, involved in the procurement process. The "Annual Outside Activity Questionnaire" is required pursuant to the State's Uniform Code of Ethics. Please feel free to consult Robin Piotrowski, the Authority's Human Resources Manager and Ethics Liaison Officer, if you have any questions.

7. On Monday, Governor Murphy announced his intention to nominate Sarah Adelman as Commissioner of the Department of Human Services. Ms. Adelman has served in the capacity of Acting Commissioner since January of 2021 when former Commissioner Carole Johnson stepped down to take a position in the Biden administration. Prior to taking on the role of Acting Commissioner, Ms. Adelman was Deputy Commissioner since 2018, overseeing the Department's Division of Developmental Disabilities, Division of Aging Services and the Division of Medical Assistance and Health Services. Before joining the Department, she was Vice President of the New Jersey Association of Health Plans and Chief of Staff at the New Jersey Health Care Quality Institute. Ms. Adelman serves as an ex officio Member of the Authority during her tenure as Commissioner of Human Services.

8. Coronavirus News

    a. Hospitalizations from COVID-19 in New Jersey on January 25th were 3,858 compared to 1,730 on December 14th, which is a significant increase but still far below the peak of 8,270 on April 14, 2020 and the recent high of 6,089 on January 11th, 2022. The rate of transmission in New Jersey has decreased to 0.58 from last month's reported 1.29. Since the first case on March 4, 2020, 1,802,164 New Jersey residents have tested positive for COVID-19 with another 283,221 probable. 31,093 people have died of confirmed or probable COVID-19. Nationally, according to the New York Times, as of January 25, 2022 there have been 72,209,365 cases and 870,837 deaths from COVID-19 and a daily average of 154,897 people were hospitalized over the previous 14 days. In New Jersey 15,525,290 vaccines have been administered, providing 87% of the entire population with at least one dose of the vaccine. 6,353,349 are fully vaccinated or 72% of the entire population, including 82% of those 12 and over and 90% of those 65 and over. In the United States, about 251 million people have received at least one dose of the vaccines, including 210.5 million, or 63%, who have been fully vaccinated.

b. With COVID-19 cases increasing to the highest levels of the pandemic due to the more transmissible Omicron variant, on January 11th, Governor Murphy reinstated the Public Health Emergency. The Executive Orders establishes a state of emergency in all 21 counties and allow the State to continue vaccine distribution, vaccination or testing requirements in certain settings, the collection of COVID-19 data, and implementation of any applicable recommendations of the Centers for Disease Control and Prevention, among other things. It also extends the requirement for wearing a mask in schools and daycares. The order lasts 30 days unless renewed.

c. Governor Murphy issued a new Executive Order requiring all health care workers to be fully vaccinated against COVID-19 by February 28, 2022 and other workers in high-risk congregate settings such as long-term care facilities and correctional facilities, to be fully vaccinated by March 30, 2022. Previously, these individuals could opt out of the vaccine if they agreed to get tested once to twice a week, depending on the prevalence of COVID in their region. Exemptions from the vaccination requirement remain for those with disabilities, medical conditions or deeply-held religious beliefs. Additionally, booster shots will be required for already vaccinated health care workers by February 28th and for other congregate facility workers by March 30th or within three weeks of becoming eligible for a booster. Some have voiced support for the new requirements and others have expressed concern.

d. [As the city with the second highest average daily COVID-19 hospitalizations per 100,000 people as of January 11th, University Hospital in Newark is getting the assistance of a military medical team of 23 to help address the surge of COVID-19 patients and staff shortages. It is one of only six hospitals around the country to receive this support. University Hospital received similar support from a military medical team in April 2020.

e. On January 4th, Commissioner of Health Judy Persichilli said the State's models predicted the Omicron surge would peak around January 14th. According to The New York Times, the date of the highest seven-day average was January 10th with average daily cases at 31,799. Cases have dropped dramatically since.

f. Despite there being 6,075 patients hospitalized with COVID-19 in New Jersey on January 10th, only 48.8% came to the hospital specifically because of COVID. The remainder came primarily for other reasons but have been diagnosed with COVID-19.

g. On January 12th, Governor Murphy signed into law a bill that grants a temporary emergency license for certain recent health care professional graduates and health care professionals licensed in other jurisdictions. The bill also extends temporary emergency licenses to those health care professionals holding a temporary emergency license at the time of passage of the legislation. The temporary emergency licenses allow those health care professionals to practice in New Jersey for up to 60 days following the end of the federal public health emergency declared in response to the COVID-19 pandemic. The law is expected to help alleviate the health care worker shortage resulting from the COVID-19 pandemic, which has increased the need for health care workers and has reduced the health care workforce from burnout, vaccine mandates and COVID-19 infections.

h. Several articles have been provided on the preparations being undertaken to relieve hospitals of the strain imposed by the rising cases of COVID-19 from the Omicron variant and the stress it is placing on hospitals and health care workers.

i. The Omicron variant is also causing a significant increase in COVID-19 variants at nursing homes and other long-term care facilities, with more than 75% recently experiencing an outbreak. In response, Governor Murphy deployed 150 members of the New Jersey National Guard to more than a dozen of the facilities to help alleviate staff shortages. They will assist with testing and screening facility staff, residents and visitors and delivering meals as well as helping residents get around the facilities.

j. NJ Spotlight published two articles on lesson learned from the pandemic: "Lessons were learned in the pandemic. How will NJ apply them?" and "Coronavirus 2022: Can NJ synthesize lessons learned during pandemic?"

k. Modern Healthcare ran an article about how the Omicron variant of COVID-19 has upended the return to schools and workplaces in the U.S.

l. During the week of ending December 25, 2021 58.6% of all U.S. cases of COVID-19 were caused by the Omicron variant. That had increased significantly to 95.4% for the week ending January 1, 2022.

m. President Biden is providing 500 million free at home rapid COVID-19 tests. The tests could begin being ordered from a federal government website starting last week. Earlier this month, the administration also started requiring health insurers to cover the cost of at-home COVID-19 tests. Starting this week, free N95 masks, which are considered the most effective against the Omicron variant, are also being made available by the federal government at pharmacies and clinics.

n. Recent studies of the Omicron variant indicate it is multiple times more transmissible than the Delta variant and significantly more resistant to vaccines (but booster shots show a high level of effectiveness). However, one recent study estimates that the Omicron variant is only about a quarter as deadly as the Delta variant. Other differences recently reported are that cloth masks are not very effective against the Omicron variant; surgical masks are much more effective and N95 masks are significantly more effective than even surgical masks.

o. Another recent study that has not yet been peer reviewed indicated that survivors of COVID-19 infection have elevated levels of antibodies that can mistakenly attack their own organs and tissues, even if they were never severely ill.

p. A couple of recent studies confirmed that COVID-19 vaccines do not reduce fertility in women and do not harm the fetus in pregnant women. However, one study found they may alter the menstrual cycle slightly. Conversely, a COVID-19 infection may affect the fertility of men.

q. On January 21st, the World Health Organization announced a subvariant of the Omicron variant, being called BA.2. As of January 24th, The Washington Post reports cases of the subvariant have been found in 40 countries, including the U.S. (Texas and Washington). So far there is nothing to indicate that the BA.2

subvariant is any more virulent, spreads faster or escapes immunity better than the predominant subvariant of the Omicron variant, called BA.1. Danish researches, where more than half of the Omicron cases were BA.2 as of January 20th, said initial analysis shows no difference in hospitalizations from BA.2 and expect vaccines to "have an effect against severe illness."

r. Only one monoclonal antibody appears effective against the Omicron variant of COVID-19. Called Sotrovimab, it is made by GlaxoSmithKline and Vir Biotechnology. Sotrovimab is in short supply and is now being used only in the patients most vulnerable to severe illness or death.]

9. New Jersey Hospital & Health Care News

   a. After approximately 13 months, RWJBarnabas Health finalized its acquisition of Trinitas Regional Medical Center in Elizabeth on January 1st 2022. RWJBarnabas Health now has 12 hospitals and an agreement to acquire a 13th, St. Peter's University Medical Center, which is pending regulatory approval including the Federal Trade Commission ("FTC"). Trinitas will retain its name, its Catholic identity and continue to be sponsored by the Sisters of Charity of Saint Elizabeth. RWJBarnabas intends to invest $270 million in capital improvements at the facility.

   b. East Orange General Hospital was acquired by EOH Acquisition Group, LLC from Prospect Medical Holdings effective January 1, 2022. On January 12th, CEO/co-owner Paige Dworak and co-owners Ben Klein and Troy Schell announced that the new name of the hospital will be CareWell Health Medical Center.

   c. On January 19th it was announced that Trinity Health has signed a definitive agreement to sell St. Francis Medical Center in Trenton to Capital Health, which has facilities in Trenton and Hopewell. The organizations had signed a letter of intent in the Spring of 2021. Trinity has been seeking a new owner for St. Francis for years, with a potential deal with Cooper University Medical Center falling through several years ago, which was also supposed to include Trinity's Lourdes Health System, which was subsequently acquired by Virtua Health. Capital Health's acquisition of St. Francis is subject to federal and State regulatory review.

   d. On December 20, 2021, Inspira Health announced it has signed a definitive agreement to acquire Salem Medical Center. Salem has struggled for many years under both of its former owner, the multi-state for-profit Community Health Systems, and its current owner, nonprofit Salem County Hospital Corp., an affiliate of Community Healthcare Associates, which acquired Salem from Community Health Systems in January of 2019. To support the transaction, the New Jersey Joint Budget Oversight Committee appropriated $20 million to allow Inspira to provide Salem with the latest in medical, safety and communications innovations to benefit both the hospital patients and staff as well as the community amid the COVID-19 pandemic. The transaction is expected to be completed in the second quarter of 2022 but is subject to federal and State regulatory review.

e. Hackensack Meridian Health's proposed acquisition of Englewood Health remains stalled after the FTC successfully sued to enjoin the merger. Hackensack and Englewood have appealed the decision. Attorneys General from 23 states have written briefs opposing the merger while nine major hospital trade organizations have filed briefs supporting the merger. The appeal was heard last month and a decision is expected in the spring.

f. [The sale of the operating company that owns CarePoint Health's Bayonne Medical Center remains up in the air. The owners want to sell to BMC Hospital LLC, a company owner by several principals of Surgicore, a company that owns several surgical centers in New Jersey and New York. BMC Hospital purchased 9.9% of the hospital operating company last year and has applied for a Certificate of Need to acquire an additional 39.1%, which is pending and is expected to be heard by the State Health Planning Board in the next couple of months. The owner of the property of Bayonne Medical Center, an affiliate of Hudson Regional Hospital, wants the hospital operating company to be sold to another affiliate of Hudson Regional Hospital. The owner of the property of Bayonne Medical Center has threatened to evict the operating company for alleged nonpayment defaults. A bill was introduced late in the last legislative session to prevent hospital property owners to evict their hospital operating companies without approval from the Department of Health, but the bill was never voted on during the legislative session. CarePoint is also trying to convert from for-profit to nonprofit status. One of the owners of CarePoint has filed a law suit to stop the conversion to nonprofit. Legislation was also introduced last legislative session to require a Certificate of Need for a hospital operating organization to convert to nonprofit status. It too was not acted upon during the last legislative session. CarePoint is also trying to sell its interests in the hospital operating companies at Christ Hospital and Hoboken University Medical Center. The City of Hoboken has reinstated its Municipal Hospital Authority to explore its own acquisition of

Hoboken University Medical Center through eminent domain and has advertised for any hospital operator to submit a plan to operate the hospital should it be acquired by the Hoboken Municipal Hospital Authority. In the background, several other law suits are ongoing between owners of two of the CarePoint hospital properties and the owners of the hospital operating companies.]

g. Hackensack Meridian Health and St. Joseph's Health have agreed to a clinical affiliation which is intended to bring enhanced cancer care to Paterson and Passaic County. The affiliation will create a new infusion center at St. Joseph's Health Wayne Medical Center and consolidation of cancer services at St. Joseph's University Medical Center in Paterson. The systems will also jointly open an ambulatory outpatient campus in Totowa. The affiliation will boost access to clinical trials in the area as well.

h. AtlantiCare has signed a letter of intent to acquire John Brooks Recovery Center. The Authority financed John Brooks' new residential substance use disorder treatment center through the CAP program. If they can quickly reach a definitive agreement and get regulatory approval, they hope to complete the transaction in early 2022. AtlantiCare believes the acquisition will enhance its continuum of care and John Brooks sees AtlantiCare's financial strength as boosting the ability to provide the growing need for substance use disorder treatment in the region.

i. On January 4th, Rowan University and Virtua Health announced that they are partnering to create a new college to be called the Virtua Health College of Medicine and Health Sciences of Rowan University. Virtua is providing $85 million to establish an endowment to support the partnership. The new college will include Rowan's School of Osteopathic Medicine, the only such school in the State, an expansion of Rowan's existing nursing and allied health professions school, a new school of translational biomechanical engineering and sciences, multiple new research institutes and aligned clinical practices to improve patient care and train the health care workforce of the future. As part of the partnership, Virtua Our Lady of Lourdes nursing school will be integrated into the Rowan University School of Nursing and Health Professions. The partners plan to construct a new, state-of-the-art research facility. Virtua also plans to expand its Graduate Medical Education program to support medical student clinical rotations. Virtua is the largest health system in southern New Jersey and Rowan is a top 100 public research university.

j. [Virtua Health also launched two programs earlier this month. The first is a collaboration with Medtronic, with which they have created a five-year plan to improve access to health care and outcomes for patients with chronic conditions in southern New Jersey using technology to improve heart health and outpatient care continuity. Virtua and Medtronic LABS (a Medtronic subsidiary) will also collaborate to identify those at risk of food insecurity due to financial circumstances or limited health literacy, and connect them to free food, nutrition information and social work services. The second is a "Hospital at Home" program, which allows eligible patients meeting certain criteria to heal from the comfort of their home rather than in a hospital room. The program includes twice-daily visits from hospital staff, remote monitoring and video calls with clinicians. This will be the first "Hospital at Home" program in the greater Philadelphia region.

k. In other hospital news:

(i) University Hospital has selected Gensler as the architect to create its new master plan. The new master plan was funded by a $500,000 appropriation from the New Jersey Legislature in the State's 2022 fiscal year budget.

(ii) NJ.com published a lengthy and very complimentary portrayal of University Hospital CEO Dr. Shereef Elnahal, who was previously New Jersey's Commissioner of Health. It chronicles his life and experience and delves into the difficulties he encountered when he started at University Hospital as well as the challenges he has overcome in running one of the State's largest and only State-owned hospital, which has been plagued with financial and clinical difficulties serving among the poorest populations in the nation.

(iii) Cooper University Health Care has added gene sequencing technology to its diagnostic resources in its Department of Pathology. The fully automated, next-generation rapid gene sequencing technology from its new Genexus Integrated Sequencer will allow physicians and scientists to identify and understand the genetic profiles of many viruses, tumors and other specimens.]

(iv) ROI-NJ ran an interview of Englewood Health's CEO Warren Geller in late December. Mr. Geller discussed the myriad changes in the entire health care sector and at Englewood Health itself since he became CEO in 2013, including its expansion out of its Bergen County area and services outside the hospital, increased partnering with clinicians and the importance of investing in and utilizing technology.

(v) AtlantiCare has reached an agreement to pay Atlantic City a community investment fee of $267,180 per year in lieu of taxes.

l. In other New Jersey health care news:

(i) At the end of December, Governor Murphy launched his New Jersey Health Care Cost Benchmark Program. The program seeks to identify the cost drivers in health care and make it more affordable and accessible. Stakeholders from governmental agencies, health care, consumer and insurance advocacy organizations, employers, health care providers, health insurers, and unions are partnering to help identify and reduce the costs of health and the resulting rising health insurance premiums. The development of the program has been described as a concrete step toward curbing health care cost growth in the State and offers an important opportunity for implementation of market-based strategies and broad stakeholder commitment to support benchmark attainment. It will provide everyone in the State with a shared understanding of how much health care costs are growing and the factors contributing to high costs.

(ii) Governor Murphy also signed legislation to extend for two years requiring health plans to reimburse health care providers for telehealth and telemedicine services at the same rate as in-person services, with some exceptions. The parity reimbursement for telehealth and telemedicine services was initially enacted for a temporary period as a result of the COVID-19 pandemic. The legislation also tasks the Department of Health with studying the impact of telehealth and telemedicine on patient outcomes, quality, satisfaction and access in order to inform future decisions on continuation of the parity reimbursements.

(iii) NJ Spotlight News published an op-ed on January 7th from Jeanne Herb of Rutgers urging a robust public health care infrastructure. The author noted that more health care problems are arising that need to be addressed by public health entities as a result of things like climate change, pandemics and opioid addiction. However, she points out that a recent study by the Trust for America's Health found less than 3% of the estimated $3.6 trillion the United States spends per year on health goes to public health and prevention. She suggested ways New Jersey could improve its public health infrastructure, services and funding.

10. Ratings Agency Actions and Publications

a. Moody's Investors Service and S&P Global Ratings have issued ratings of "Ba3" and "BBB-", respectively, on approximately $37 million in tax-exempt bonds to be issued by the Authority on behalf of St. Joseph's Healthcare System. Both also affirmed those ratings on approximately $330 million in long-term debt outstanding for St. Joseph's. Moody's has revised St. Joseph's outlook to "Stable" from "Negative." S&P's outlook for St. Joseph's remains "Stable".

b. Moody's Investors Service and S&P Global Ratings have issued ratings of "A2" and "A", respectively, on approximately $431.1 million taxable Series 2022A bonds and $782.2 million Series 2022B tax-exempt bonds to be issued by the Montgomery County (PA) Higher Education and Health Authority on behalf of Thomas Jefferson University. Both affirmed those ratings on approximately $3.1 billion in long-term debt issued on behalf of Thomas Jefferson University. The outlook from both Moody's and S&P is "Stable." Thomas Jefferson University is the parent of three Jefferson Health New Jersey hospitals in Cherry Hill, Stratford and Washington Township.

c. In 2021, Fitch Ratings upgraded the ratings of more nonprofit hospitals than were downgraded, with 17 receiving upgrades and

12 downgrades. Fitch's outlook for the nonprofit sector is neutral for 2022.

d. S&P Global Ratings issued its 2022 "Outlook for U.S. Not-For-Profit Acute Health Care" maintaining a stable view of the sector but noting a financial booster from the government may be needed for the sector again this year.

11. National Health Care News

a. [Kaufman Hall's December 2021 National Hospital Flash Report was provided to the Authority Members prior to this meeting.

b. On January 18th, the FTC and the Department of Justice kicked off the process to modernize merger guidelines and crack down on potentially anticompetitive mergers, many of the mergers of concern are those in the big tech sector but health care mergers have also become a concern under the Biden administration, on which the agencies were asked to focus more scrutiny going forward.

c. The Centers for Medicare and Medicaid Services has sent violation warnings to 355 hospitals for violating the price transparency regulation that took effect January 1, 2021. CMS has yet to penalize hospitals for noncompliance.

d. A December survey from AMN Healthcare found that 75% of health care facilities are seeking temporary allied health care professionals, primarily to fill gaps while permanent workers are being hired. 96% of the health care facilities surveyed said they used temporary allied health care professionals in the last 12 months.

e. Becker's Hospital Review published an article on January 21st asking "Why don't hospitals just pay full-time nurses more?" The COVID-19 pandemic emphasized and increased the use of travel nurses. Historically, travel nurses charged a little more than full-time hospital employed nurses but still offered a cost-effective staffing strategy to deal with finite periods of patient census fluctuations, such as pandemics, seasonal illnesses or at hospitals that have seasonal influxes of residents, like popular vacation destinations. Due to the wide-spread and ongoing nature of the COVID-19 pandemic, travel nurses are demanding significantly higher pay with one hospital system reporting hourly rates went from about $85 per hour to $225 to $250 per hour. Now, due to the increase in pay and flexibility, more nurses are leaving full-time hospital employment to become travel nurses, exacerbating the nursing shortage already caused by the pandemic. Hospitals say they currently cannot afford to pay full-time employed nurses what they can make as travel nurses. Some health systems have established their own in-house traveling nurse agencies to compete for travel nurses.]

12. Bond and Tax Legislation and Regulatory News

a. Bloomberg News reports that defaults and impairments in the $4 trillion municipal bond market have been on the increase. It reports that this is partially due to investors accepting riskier issuers and weaker protections, such as eliminating or lowering required reserves, eliminating or relaxing bond covenants and required ratios, in an effort to chase higher yields in this long, historically low-yield market of late. The average time between issuance and an impairment has tumbled to 32 months, half the level seen in 2014. Last year Bloomberg Intelligence data showed over $4.5 billion in municipal securities faced distress or went into default. Municipal bonds have historically had a significantly lower risk of default compared to corporate bonds. MarketWatch also issued an article on the riskier nature of the municipal bond market due to acceptance of laxer lending standards, noting that there were only 60 municipal finance defaults as of mid-December 2021, not particularly high, but the defaults were happening more quickly than previously and in sectors traditionally considered relatively safe as well as in traditionally riskier sectors. It also noted relaxed covenants are eroding the amount of time issuers give bondholders to react to distress situations.

b. [Bloomberg also reports that the sales of forward delivery bonds have reached a record. Forward delivery bonds are bonds that lock in an interest rate before the bonds are delivered, which is often months later. They have increased in use due to the elimination of the ability to advance refund tax-exempt municipal bonds caused by the 2017 change in federal tax laws. The trend has accelerated more recently due to forecast increasing interest rates. The Authority has issued forward delivery bonds for its borrowers recently, including for Trinitas Regional Medical Center.

c. In December, Bloomberg has announced it created a U.S. Municipal Impact Index to track Green, Social and Sustainability bonds. At its outset, the index started tracking over 2,800 securities. It is the first such index in the industry and derives its index from Bloomberg Index Services Limited’s flagship Municipal Index and utilized Bloomberg’s data and municipal data analysts' research to individually vet and categorize Green, Social or Sustainability municipal bonds on the Bloomberg Terminal.]

d. The Internal Revenue Service and the U.S. Department of Treasury have released final guidance on the transition away from use of the London Interbank Offering Rate ("LIBOR"), which is often used as a benchmark for setting variable interest rates on municipal bonds. It also sets the Secured Overnight Financing Rate ("SOFR") as a qualified alternative and creates a noncovered modification in the place of fair value. LIBOR ceased being published on December 31, 2021 but remains around for transition purposes until June 2023. The final regulations are intended to swap index formulas from LIBOR to the new SOFR, which by design will not change deal economics or cause existing debt using SOFR to be classified as a reissuance, which would trigger consequences under tax law.

e. The Chief of the Securities and Exchange Commission's ("SEC") Enforcement Division's Public Finance Abuse Unit said that the SEC will be focusing on disclosure and misconduct in the municipal bond market in 2022, including breaches of fiduciary duty and unregistered municipal advisor activity. Actions are likely to be continued to be brought against municipal advisors, brokers and dealers, municipal finance professional as well as municipal issuers and their key officials. In 2021 the SEC brought actions against the latter group for providing material misleading and inaccurate information in disclosure documents. An experienced municipal securities lawyer commented that he "expects the SEC to continue its focus on the need for current financial information, data and projections related to issuers - especially in light of the COVID-19 pandemic. . . . [and it] will scrutinize disclosure and require that issuers update such information." This week the Acting Director of the SEC's Office of Municipal Securities also stressed the SEC's focus on disclosure while addressing a committee of Government Finance Officers' Association. He added that municipal market disclosure generally needs improvement, and particularly lacking is disclosure of the incurrence of certain additional financial obligations, many of which had until a few years ago not been required to be disclosed.

f. [The Municipal Securities Rulemaking Board ("MSRB") plans to modernize in 2022. One of the ways it plans to modernize is to update its EMMA Labs system, which aims to enhance and accelerate the use of data analytics throughout the municipal securities market. EMMA Labs will have two active labs; one with a keyword search engine to access information from disclosure documents filed on EMMA and the second a dashboard for market data analysis that helps to visualize market trends. The MSRB hopes these will be helpful tools for market stakeholders, enhance transparency in municipal securities and spur further dialogue with stakeholders and result in additional tools and enhancements recommended by stakeholders. The MSRB is also planning to seek guidance on enhancing disclosure of Environmental, Social and Governance related information.]

g. Yesterday, the Federal Open Markets Committee of the Federal Reserve Bank held target interest rates steady but there were indications that it would support increasing rates in March. Having previously indicated there would likely be three interest rate increases in 2022, many are predicting four or more interest increases.

13. Authority News

a. Michael Solidum, an Account Administrator for the Authority, celebrated his fifth anniversary at the Authority on January 9th.

b. Chris Kniesler, the Authority's Communications Specialist, has submitted his application for retirement effective February 28, 2022.

9. ADJOURN

As there was no further business, Mr. Brown asked for a motion to adjourn. Ms. Ford made the motion. Mr. Sullivan seconded. Mr. Brown asked if there were any questions on the motion. There were no questions. He then called for a vote. All Members voted in the affirmative. The meeting was adjourned at 11:08 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 JANUARY 27, 2022.

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Cindy Kline, Assistant Secretary