



State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
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Concord, New Hampshire 03301

3A *dm*

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Commissioner
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May 26, 2016

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Approval of the Report and Findings of Councilor Joseph D. Kenney with regard to a certain project in participation with Dartmouth-Hitchcock Medical Center, Hanover, New Hampshire.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Pappas has requested that this be placed on the agenda as a regular item for the Wednesday, June 15, 2016 meeting for ratification by the Governor and Council.

Sincerely,

Vicki V. Quiram
Commissioner

VVQ/dph

Attachment

**REPORT
AND
FINDINGS
OF**

JOSEPH D. KENNEY, designee of the Governor and Council of The State of New Hampshire, under the provisions of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated, on the undertaking by the Authority of a certain project in participation with **MARY HITCHCOCK MEMORIAL HOSPITAL** of Lebanon, New Hampshire and **THE NEW LONDON HOSPITAL ASSOCIATION** of New London, New Hampshire, pursuant to said Act.

Introductory

The New Hampshire Health and Education Facilities Authority (hereafter referred to as the “Authority”) requested of Governor Maggie Hassan and the Executive Council that a hearing be held pursuant to the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated (hereafter referred to as the “Act”), and particularly as prescribed in Section 21 of the Act. The hearing is required as the result of a request for financing submitted to the Authority by Mary Hitchcock Memorial Hospital (hereinafter sometimes referred to as “Mary Hitchcock”), a not-for-profit hospital located in Lebanon, New Hampshire, which is licensed by the Department of Health and Human Services and is a participating health care institution under RSA 195-D:3 and The New London Hospital Association (hereinafter sometimes referred to as “New London,” and, together with Mary Hitchcock, the “Borrowers” or the “Hospitals”), a not-for-profit hospital located in New London, New Hampshire, which is licensed by the Department of Health and Human Services and is a participating health care institution under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in the refinancing and financing of certain capital expenditures of Mary Hitchcock and the refinancing of certain existing indebtedness of New London (hereafter referred to as the “Project”).

Pursuant to RSA 195-D:21, the Governor and Council designated me to hold a hearing and make findings in connection with the application. Following Public Notice given in accordance with Chapter 91-A of the New Hampshire Revised Statutes Annotated, by notice posted at the Lebanon City Hall, the New London Town Hall and on the Authority's website, such hearing was held commencing at 11:30 a.m. on March 31, 2016 in Auditorium C and D on Level 3 of the Dartmouth-Hitchcock Medical Center, One Medical Center Drive, Lebanon, New Hampshire.

All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

Robin Kilfeather-Mackey, the Chief Financial Officer of Mary Hitchcock, testified on behalf of Mary Hitchcock Memorial Hospital and The New London Hospital Association. She described Mary Hitchcock and New London as not-for-profit corporations organized under New Hampshire law exclusively for charitable purposes.

Ms. Kilfeather-Mackey testified that the Hospitals are licensed by the New Hampshire Department of Health and Human Services and are accredited by the Joint Commission. The Hospitals are approved for participation in the Medicare and Medicaid programs, are participating hospitals with Anthem/Blue Cross and are members of the New Hampshire Hospital Association and the American Hospital Association.

Ms. Kilfeather-Mackey stated that Mary Hitchcock is a 396-bed, acute and tertiary care teaching hospital providing services to patients throughout New Hampshire and from portions of Vermont and that New London is a 25-bed hospital providing services characteristic of an acute care, community hospital to medical, surgical, obstetric and emergency care patients in a primary service area consisting of New London and surrounding communities. New London also operates a 58-bed skilled nursing facility.

Ms. Kilfeather-Mackey explained that Mary Hitchcock is the agent for the Dartmouth-Hitchcock Obligated Group (the “Obligated Group”), which was established in 1993. The other current member of the Obligated Group is Dartmouth-Hitchcock Clinic. New London will join the Obligated Group prior to or simultaneous with the issuance of the Authority’s Series 2016 Bonds (the “2016 Bonds”) and it is anticipated that other recently affiliated hospitals, being The Cheshire Medical Center and Windsor Hospital Association d/b/a Mt. Ascutney Hospital, will also join the Obligated Group at the same time.

Ms. Kilfeather-Mackey stated that the Project has two components. The first consists of the reimbursement for and the financing of a number of Mary Hitchcock’s capital expenditures. It is anticipated these capital expenditures will include the cost of the Williamson Translational Research Building as well as other routine capital expenditures for renovation and equipment purchases. The second component is the refinancing of the Authority’s Series 2013A and 2013B Bonds issued by the Authority on New London’s behalf, the proceeds of which were used to refund prior bonds of New London as well as financing a number of capital projects undertaken by New London. The 2016 Bond proceeds also may be used to finance the costs of issuance and other costs relating to the 2016 Bonds.

Ms. Kilfeather-Mackey testified that the aggregate amount of the Series 2016 issued by the Authority on behalf of the Borrowers is not expected to exceed \$45 million. The 2016 Bonds are expected to mature in no more than thirty years. She stated that the 2016 Bonds are expected to be sold in a private placement in one or more series to one or more banks or financial institutions.

Ms. Kilfeather-Mackey testified that, under the Loan Agreements with the Authority, the Borrowers will be required to continue to carry blanket fire and extended coverage as well as general liability insurance and professional liability coverage. She explained that, in her view, the Project will be of public use and benefit and will permit the Hospitals to continue to render an appropriate level of service to their current and future patients. Ms. Kilfeather-Mackey stated that

the refinancing of New London's existing indebtedness will assist New London in lowering the cost of providing healthcare facilities within the State. Finally, and based upon her position as Chief Financial Officer of the Obligated Group Agent, she stated her opinion that the Borrowers would be able to meet their financial obligations under the proposed bond issue and that the Hospitals are currently operating in a financially responsible manner.

The next witness was Glenn Wagner, a Senior Vice President with Kaufman Hall & Associates, the Borrowers' financial advisor, who testified by telephone. Mr. Wagner stated that, as part of his work in connection with the proposed bond issue, he had reviewed the Borrowers' and the Obligated Group's financial statements and operating figures for the past several years. He testified that, on the basis of such review, as well as based upon his discussions with the Borrowers' management, he was of the view that the Borrowers would be able to meet their obligations under the proposed bond issue.

In concluding his testimony, Mr. Wagner stated that, based upon such review, he was of the view that Mary Hitchcock and New London are currently operating as financially responsible health care institutions.

David C. Bliss was the final witness. He stated that he is the Executive Director and Secretary of the New Hampshire Health and Education Facilities Authority, charged with the administration of the Authority's day-to-day affairs. In his capacity as Executive Director he has become acquainted with the Project and the details of its financing, having worked closely with the Borrowers' officers in developing the financial arrangements to be reflected in the bonds proposed to be issued. He testified that the Authority is anticipated to adopt a resolution at its meeting on May 19, 2016, approving issuance of its bonds for Mary Hitchcock Memorial Hospital and The New London Hospital Association.

Mr. Bliss testified that certain documents are being prepared for execution in connection with the Project, including one or more Bond Indenture(s) and Loan Agreement(s). He stated that there will be a provision in the Loan Agreement(s) requiring that the Project be held and used for healthcare purposes so long as the Bonds are outstanding. He testified to the language in the Bond Indenture(s) which requires that each bond issued by the Authority for Mary Hitchcock Memorial Hospital and The New London Hospital Association bear on its face the following provision:

Neither the State of New Hampshire nor any political subdivision thereof shall be obligated to pay the principal of or interest on this bond, other than from Pledged Revenues, and neither the faith and credit nor the taxing power of the State of New Hampshire or of any political subdivision thereof is pledged to the payment of the principal of or interest on this bond.

Mr. Bliss testified that the bond documents will make adequate provision for the payment of principal and interest on the bonds, as well as the costs of the Project, so that the State will not be obligated in any way for their repayment.

Mr. Bliss concluded his testimony by stating that, based on his familiarity with the statute under which the Authority operates, on his experience as Executive Director of the Authority, and on the advice of counsel, including Bond Counsel, the Project is within the powers conferred by law upon the Authority.

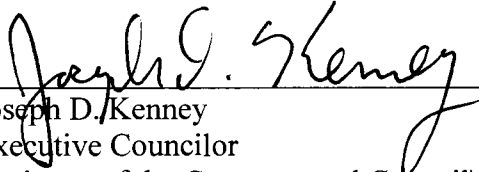
Findings

Upon the testimony submitted at the hearing, and upon consideration, I find as follows:

- (1) The construction and acquisition of the Project and the refinancing of existing indebtedness will enable and assist Mary Hitchcock Memorial Hospital (herein called "Mary Hitchcock"), a not-for-profit hospital located in Lebanon, New Hampshire, which is licensed by the Department of Health and Human Services and The New London Hospital Association (the "New London" and, with Mary Hitchcock, the "Borrowers"), a not-for-profit hospital headquartered in Lebanon, New Hampshire, which is licensed by the Department of Health and Human Services, to provide health care facilities within the State of New Hampshire (herein called the "State"); and

- (2) The Project will be leased to, or owned by, the Borrowers, each of which is a financially responsible participating institution within the State; and
- (3) Adequate provision has been, or will be, made for the payment of the cost of the construction and acquisition of the Project to be undertaken and the refinancing of existing indebtedness; and under no circumstances will the State be obligated, directly or indirectly, for the payment of the principal of, or interest on, any obligations issued to finance such construction and acquisition or to provide for the refinancing of existing indebtedness, or obligations to which such refinancing of existing indebtedness relates; and
- (4) Adequate provision has been, or will be, made in any lease or mortgage or financing of the Project to be undertaken or any property leased or mortgaged or financed in connection with the issuance of bonds or notes for the payment of all costs of operation, maintenance and upkeep of the Project by the Borrowers so that under no circumstances will the State be obligated, directly or indirectly, for the payment of such costs; and
- (5) Adequate provision has been made to obligate the Borrowers to hold and use the Project for healthcare purposes so long as the principal of and interest on bonds or other obligations issued by the New Hampshire Health and Education Facilities Authority (herein called the "Authority") to finance the cost of the Project, including any refunding bonds issued to refund and refinance such bonds, have not been fully paid and retired and all other conditions of the resolution or trust agreement authorizing and securing the same have not been satisfied and the lien of such resolution or trust agreement has not been released in accordance with the provisions thereof; and
- (6) The construction and acquisition of the Project and the refinancing of existing indebtedness will be within the authority conferred by Chapter 195-D of the New Hampshire Revised Statutes Annotated upon the Authority; and
- (7) The construction and acquisition of the Project serves a need presently not fulfilled and providing health care services within the State and is of public use and benefit; and
- (8) The refinancing of existing indebtedness will assist New London in lowering the cost of providing healthcare facilities within the State.

Dated: March 31, 2016



Joseph D. Kenney
Executive Councilor
Designee of the Governor and Council\

RATIFICATION AND GOVERNOR'S APPROVAL

The Governor and Council hereby ratify, confirm, approve and adopt the findings set forth in the Report and Findings attached hereto made by Joseph D. Kenney, the Designee of the Governor and Council to hold a hearing and make findings pursuant to Section 21 of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated. The hearing was required and held as a result of an application submitted to the New Hampshire Health and Education Facilities Authority by Mary Hitchcock Memorial Hospital, a not-for-profit hospital which is located in Lebanon, New Hampshire and which is licensed by the Department of Health and Human Services and The New London Hospital Association, a not-for-profit hospital which is headquartered in New London, and which is licensed by the Department of Health and Human Services. The hearing was held on March 31, 2016, following public notice, in Auditorium C and D on Level 3 of the Dartmouth-Hitchcock Medical Center, One Medical Center Drive, Lebanon, New Hampshire at 11:30 a.m.

The Governor's signature constitutes her approval under Section 147(f) of the Internal Revenue Code of 1986, as amended, of the issuance of the bonds described herein, and in the hearing conducted by the Authority on May 24, 2016, as described in Notices of Public Hearing posted on March 29, 2016 and published on May 9, 2016.

Dated: June 15, 2016

Governor and Council
