

State of New Hampshire

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

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Jm

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June 17, 2014

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 Debora B. Pignatelli with regard to a certain project in participation with Covenant Health Systems, Inc. and St. Joseph Hospital of Nashua, New Hampshire.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Pignatelli has requested that this be placed on the agenda as a regular item for the Wednesday, July 2, 2014 meeting for ratification by the Governor and Council.

Sincerely,

Linda M. Hodgdon
Commissioner

LMH/rjk

Attachment

**REPORT
AND
FINDINGS
OF**

DEBORA B. PIGNATELLI, 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 **ST. JOSEPH HOSPITAL OF NASHUA, N.H.**, Nashua, New Hampshire, and **COVENANT HEALTH SYSTEMS, INC.**, Tewksbury, Massachusetts, pursuant to said Act.

Introductory

The New Hampshire Health and Education Facilities Authority (hereinafter 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 (hereinafter referred to as the “Act”), and particularly as prescribed in Section 21 of the Act, on an application submitted to the Authority by St. Joseph Hospital of Nashua, N.H. (“Hospital”), a not-for-profit hospital located in Nashua, New Hampshire and Covenant Health Systems, Inc. (“Covenant,” and together with the Hospital, the “Borrower”), a not-for-profit corporation headquartered in Tewksbury, Massachusetts. The Hospital is licensed by the New Hampshire Department of Health and Human Services. Covenant is its corporate parent, and both are participating health care institutions under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in the refinancing of certain indebtedness (hereinafter sometimes referred to as the “Project”).

Pursuant to the provisions of RSA 195-D:21 above cited, I held a hearing and made 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 published in the

Union Leader on June 12, 2014, such hearing was held commencing at 10:00 a.m. on Monday, June 16, 2014 in the Upper Atrium Conference Room of St. Joseph Hospital, 172 Kinsley Street, Nashua, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows.

Summary of Testimony

The first witness was Richard J. Plamondon, the Vice President – Finance and Chief Financial Officer of St. Joseph Hospital. He described the Hospital as a not-for-profit corporation organized under New Hampshire law exclusively for charitable purposes.

Mr. Plamondon stated that the Hospital is a licensed 208 bed, acute care, community hospital providing a wide range of in-patient and out-patient services to patients in a service area comprised primarily of Nashua and eight surrounding communities. The Hospital is presently staffing 100 beds. Its in-patient services include medical/surgical, obstetrics/gynecology, intensive care, and physical rehabilitation services.

Mr. Plamondon explained that the Hospital is a member of the health system operated by Covenant Health Systems, Inc. (“Covenant”), which was established in 1983 and is presently comprised of the Hospital and certain other healthcare providers for which Covenant serves as the parent. Covenant, the Hospital, and certain other members of the Covenant system established the Covenant Health Systems Obligated Group (the “Obligated Group”) in 2002 to help facilitate financing transactions by members of the Obligated Group.

Mr. Plamondon stated that the Hospital is licensed by the New Hampshire Department of Health and Human Services. The Hospital is accredited by the Joint Commission, is approved for participation in the Medicare and Medicaid programs, is a participating hospital

with Anthem/Blue Cross and is a member of the New Hampshire Hospital Association and the American Hospital Association.

Mr. Plamondon explained that Covenant is a not-for-profit corporation established under Massachusetts law which operates a multi-institutional system of health and human service providers, including St. Joseph and various other acute and rehabilitative hospitals, long term care facilities, assisted living facilities, congregate housing and other health related organizations.

Mr. Plamondon stated that the Project is comprised of the refinancing of the Authority's Revenue Bonds, Covenant Health System Obligated Group Issue, Series 2004 (the "Series 2004 Bonds"). Proceeds of the Series 2004 Bonds, together with other funds provided by the Hospital, were used to finance the construction of a new ambulatory care facility, the expansion of the existing ambulatory surgery center and existing cardiovascular center, the establishment of a centralized oncology center, the expansion of existing diagnostic and treatment areas within the Hospital, and the construction of additional parking facilities.

Mr. Plamondon testified that there will be one series of bonds issued by the Obligated Group at this time (the "2014 Bonds"), which will not exceed \$19 million in principal amount, to refinance the Series 2004 Bonds. He indicated that the Obligated Group expects to issue fixed-rate bonds which will fully amortize over a period of twenty years. The Bonds are expected to be purchased by TD Bank, N.A. He noted that the 2014 Bonds will refinance the \$18,020,000 outstanding principal amount of the Series 2004 Bonds. The 2014 Bond proceeds also may be used to finance costs of issuance relating to the 2014 Bonds.

Mr. Plamondon confirmed that, in order to protect the Project's assets, the Obligated Group will be required under the agreement with the Authority to provide for appropriate levels of insurance coverage (including self-insurance) on such assets.

Mr. Plamondon then made certain statements with respect to the general finances of the Obligated Group and the proposed financing. With respect to the Obligated Group's general financial position, he stated that, based upon his position with the Hospital and discussions with representatives of Covenant, he was of the opinion that the Hospital and Covenant are currently operating as financially responsible participating healthcare institutions.

Mr. Plamondon testified that the Obligated Group has engaged Raymond James as its financial advisor with respect to the proposed bond issue. As to the proposed financing, he testified that the Obligated Group could meet its obligations under the proposed bond issue and that adequate provision had been made for the payment of principal and interest on the bonds to be issued by the Authority and for the payment of all costs of operation, maintenance and upkeep of the Project.

In closing his testimony, Mr. Plamondon stated his opinion that the Project would be of public use and benefit and would permit Covenant and the Hospital to continue to render an appropriate level of service to its current and future patients. He also stated his opinion that the refinancing of existing indebtedness would assist Covenant and the Hospital in lowering the cost of healthcare facilities in New Hampshire.

David C. Bliss was the final witness. He stated that he is the Executive Director of the New Hampshire Health and Education Facilities Authority, charged with administration of the Authority's day-to-day affairs. Mr. Bliss testified that he had become acquainted with the

Project and the details of its financing, having worked closely with the Hospital's and Covenant's officers in developing the financial arrangements to be reflected in the bonds proposed to be issued. He stated that the Authority is expected to adopt a resolution at its meeting on June 19, 2014, approving issuance of its bonds for the Obligated Group.

Mr. Bliss reviewed certain instruments prepared or being prepared for execution in connection with the Project. These include the Bond Indenture to be entered into between the Authority and the Trustee for the current bond issue and the Loan Agreement intended for execution between the Obligated Group and the Authority. Mr. Bliss pointed to language in the Loan Agreement under which the Obligated Group undertakes to hold and use the Project for health care purposes so long as the 2014 Bonds are outstanding and to language in the Bond Indenture which requires that the bonds to be issued for the benefit of St. Joseph Hospital of Nashua, N.H. bear on their 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.

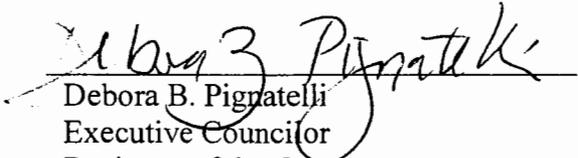
Mr. Bliss concluded his testimony by stating that, based on his familiarity with the statute under which the Authority operates, on his experience as Executive Director of the Authority and on the advice of counsel, including Bond Counsel, the Project is within the powers conferred by law upon the Authority.

Findings

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

- (1) The refinancing of existing indebtedness, as the same is described in such testimony, will enable and assist Covenant Health Systems, Inc. ("Covenant") of Tewksbury, Massachusetts and St. Joseph Hospital of Nashua, N.H. (the "Hospital"), a not-for-profit hospital which is licensed by the Department of Health and Human Services and located in Nashua, New Hampshire, to provide health care facilities within the State of New Hampshire (herein called the "State"); and
- (2) The Project, and the project to which the refinancing of existing indebtedness relates, will be leased to, or owned by, the Hospital, 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 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 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 Covenant and the Hospital 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 Covenant and the Hospital to hold and use the Project for health care purposes so long as the principal of and interest on bonds or other obligations issued by the New Hampshire Health and Education Facilities Authority (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 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 refinancing of existing indebtedness will assist the Obligated Group in lowering the cost of providing health care facilities within the State.

Dated: June 16, 2014


Debora B. Pignatelli
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 Debora B. Pignatelli, 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 St. Joseph Hospital of Nashua, N.H., a not-for-profit hospital located in Nashua, New Hampshire and by Covenant Health Systems, Inc. of Tewksbury, Massachusetts. The hearing was held on June 16, 2014, following public notice, in the Upper Atrium Conference Room of St. Joseph Hospital, 172 Kinsley Street, Nashua, New Hampshire.

The Governor's signature constitutes her approval of the Project as required by RSA 195-D:5, XVIII.

Dated: July 2, 2014

Governor and Council:
