



State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
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July 9, 2015

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 Christopher Pappas with regard to a certain project in participation with Catholic Medical Center, Manchester, 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, July 22, 2015 meeting for ratification by the Governor and Council.

Sincerely,

Vicki V. Quiram
Commissioner

VVQ/rjk

Attachment

**REPORT
AND
FINDINGS
OF**

CHRISTOPHER C. PAPPAS, 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 **CATHOLIC MEDICAL CENTER** of Manchester, 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 an application submitted to the Authority by Catholic Medical Center (hereinafter sometimes referred to as the “Hospital” or “CMC”), a not-for-profit institution located in Manchester, New Hampshire. CMC 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 financing certain capital improvements to CMC’s healthcare facilities as well as the refinancing of certain of CMC’s existing indebtedness (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 published in the Union Leader on July 2, 2015, the hearing was held commencing at 10:00 a.m. on July 6, 2015 in the Roy Auditorium at Level C, Catholic Medical Center, 100 McGregor Street, Manchester, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

Edward L. Dudley, III, the Executive Vice President and Chief Financial Officer of Catholic Medical Center, was the first witness. He described the Hospital is a not-for-profit corporation organized under New Hampshire law exclusively for charitable purposes.

Mr. Dudley stated that the Hospital is licensed for 330 beds, and currently staffs between 185 and 225 beds based upon need. Mr. Dudley described the Hospital as providing services characteristic of a community hospital to medical, surgical, obstetric and emergency care patients in a primary service area consisting of Manchester and eight other communities and a secondary service area consisting of some eight communities. The Hospital's comprehensive cardiac program receives patients from the entire State of New Hampshire and also from Northern Massachusetts.

Mr. Dudley testified that the Hospital provides both inpatient and outpatient services. Its inpatient services include gastroenterology, oncology, cardiac surgery, cardiology, general surgery, orthopedics, obstetrics, gynecology, intensive care, vascular surgery, rehabilitation and behavioral health. He stated that outpatient services include ambulatory surgery, 24 hour emergency services, rehabilitation, diagnostic and psychiatric care.

Mr. Dudley testified 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. Dudley stated that the new money portion of the Project will include reimbursement for and the funding of certain of the Hospital's capital expenditures, including the purchase of medical equipment, renovation of a medical surgical unit to create ten (10) private patient med/surg

rooms, the relocation of a physician sleep and clinical simulation lab, and the replacement of endoscopy monitors and scopes. He stated that none of the capital expenditure exceed the threshold for requiring a CON, but if circumstances change and any expenditures requires Certificate of Need approval, the Hospital will obtain such approval before making such expenditures. Bond proceeds may also be used to fund routine capital expenditures during the three year period following issuance of the Bonds and to pay cost of issuance of the Bonds.

Mr. Dudley stated that, in addition to the new money portion of the Project, the Hospital intends to refinance certain of its existing indebtedness, including the Series 2006 Bonds issued on CMC's behalf by the Authority. He testified that the proceeds of the Series 2006 Bonds were used to refund certain of CMC's prior bonds issued through the Authority as well as fund a variety of capital improvements.

Mr. Dudley stated that the Hospital expects to issue up to \$40 million of bonds. The Hospital plans to have the bonds issued in a private placement with TD Bank, N.A. expected to be the purchaser. The Bonds are expected to mature in not more than twenty-five (25) years and to carry a combination of variable and fixed rates of interest. The proceeds of the Bonds may be loaned to the Hospital in one or more installments pursuant to a Loan Agreement with the Authority.

Mr. Dudley testified that, under the bond documents, the Hospital will be required to continue to carry blanket fire and extended coverage as well as general liability insurance and professional liability coverage.

Mr. Dudley explained that, in his view, the Project would be of public use and benefit and would permit the Hospital to render an appropriate level of service to its current and future patients. Based upon his position as Executive Vice President and Chief Financial Officer, he stated his opinions that CMC would be able to meet its financial obligations under the proposed bond issue

and that CMC is currently operating in a financially responsible manner. He concluded his testimony by explaining that the refinancing of existing indebtedness would assist the Hospital in lowering the cost of providing health care facilities in the State and would be done in connection with the Project.

Bonnie Payette was the final witness. She stated that she is the Director of Operations and Finance of the New Hampshire Health and Education Facilities Authority, and is involved with the administration of the Authority's day-to-day affairs. In her capacity as Director of Operations and Finance she has become acquainted with the Project and the details of its financing, having worked closely with the Hospital's officers in developing the financial arrangements to be reflected in the bonds proposed to be issued. She stated that the Authority has voted to issue its bonds for the Project, subject to compliance being had with all laws bearing upon such issue and the advice of counsel, including Bond Counsel. She testified that the Authority adopted a resolution on June 18, 2015, approving the issuance of bonds for Catholic Medical Center.

Ms. Payette testified that certain documents are being prepared for execution in connection with the Project, including a Bond Indenture to be entered into between the Authority and the Trustee for the bond issue and a Loan Agreement intended for execution between the Hospital and the Authority. She stated that there will be a provision in the Loan Agreement under which the Hospital will be obligated to hold and use the Project for healthcare purposes so long as the Bonds are outstanding. She testified to the language in the Bond Indenture which requires that each bond issued by the Authority for Catholic Medical Center 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.

Ms. Payette 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.

Ms. Payette concluded her testimony by stating that, based on her familiarity with the statute under which the Authority operates, on her experience as Director of Operations and Finance 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, as the same is described in such testimony, will enable and assist Catholic Medical Center (herein called the "Hospital"), a not-for-profit hospital which is licensed by the Department of Health and Human Services and located in Manchester, New Hampshire, 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 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 construction and acquisition of the Project and the refinancing of existing indebtedness related thereto; 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 of the Project to be undertaken or any property leased or mortgaged 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 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 the Hospital 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 in providing healthcare facilities within the State and is of public use and benefit; and
- (8) The refinancing of existing indebtedness will assist the Hospital in lowering the cost of providing healthcare facilities within the State and will be in connection with a project being provided by the Hospital.

Dated: July 6, 2015



Christopher C. Pappas
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 Christopher C. Pappas, 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 Catholic Medical Center, a not-for-profit hospital which is licensed by the Department of Health and Human Services, which provides health care facilities, and which is located in Manchester, New Hampshire. The hearing was held on July 6, 2013 following public notice, in the Roy Auditorium at Level C, Catholic Medical Center, 100 McGregor Street, Manchester, New Hampshire at 10:00 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 held by the Authority on July 21, 2015, as described in the Notices of Public Hearing published on July 2, 2015 and July 7, 2015.

Dated: July 22, 2015

Governor and Council:

