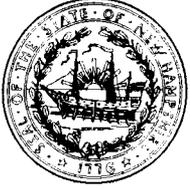


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State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
25 Capitol Street - Room 120
Concord, New Hampshire 03301

Joseph B. Bouchard
Assistant
Commissioner
(603) 271-3204

June 21, 2017

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

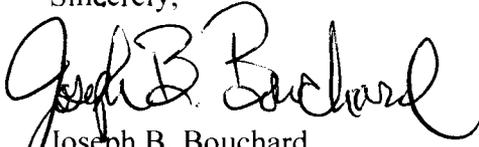
REQUESTED ACTION

Approval of the Report and Findings of Councilor Christopher C. 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 19, 2017 meeting for ratification by the Governor and Council.

Sincerely,


Joseph B. Bouchard
Assistant Commissioner

JBB/dph
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 Christopher T. Sununu 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 New Hampshire Union Leader on June 5, 2017, the hearing was held commencing at 10:00 a.m. on June 19, 2017 in Room G5 on Level G, 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 a number of the Hospital's capital expenditures, including (1) the purchase of existing condominium space located at 195 McGregor Street in Manchester; (2) the

construction, renovation, furnishing, and equipping of existing space at 195 McGregor Street and at the Hospital, including the addition of 10 intensive care beds, 10 emergency room department beds, and the relocation of several departments; (3) renovations to the existing laboratory facilities at the Hospital; (4) acquisition, construction, renovation, furnishings and equipping the Borrower's leased premises at 160 South River Road in Bedford for the Borrower's Vein Center; and (5) acquisition and implementation of a new electronic health records system, as well as miscellaneous capital expenditures at the Hospital. Bond proceeds will also be used to finance or refinance the acquisition by the borrower or an affiliate of a portion of the Notre Dame Pavilion Medical Office Building at 87 McGregor Street in Manchester. Bond proceeds may also be used to refinance a taxable loan incurred for the purpose of financing the cost of construction and equipping of the CMC's medical office building. Finally, a portion of the proceeds may be used to pay for capitalized interest fund, a debt service reserve fund, and pay certain costs of issuing the Bonds. Mr. Dudley stated that under current law, none of the capital expenditures require a Certificate of Need.

Mr. Dudley stated that the Hospital expects to issue up to \$75 million of a Series 2017 Bonds (the "Bonds") with the exact amount to be determined at the time of sale of the Bonds. The Bonds are expected to be sold in a public issue and are expected to mature in approximately thirty-five (35) years.

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.

The next witness was Patrick McCarthy, Managing Director and Head of NFP Healthcare for Jefferies, LLC, the Senior Managing Underwriter for the Bonds. He stated that the plan of financing is to issue the Bonds at a fixed rate in a public offering, however there is a possibility that depending on market conditions, all or a portion of the Bonds may be issued at a variable rate. He stated the bonds are expected to have a final maturity in 2052. He further testified that as a part of his work in connection with the proposed Bond issue, he had reviewed CMC's financial statements and census statistics. He testified that on the basis of such review, as well as based upon his discussions with members of the working group and CMC's management, he was of the view that CMC would be able to meet its financial obligations under the proposed Bond issue and that he was of the opinion that CMC is operating as a fiscally responsible healthcare institution.

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, and is involved with the administration of the Authority's day-to-day affairs. In his capacity as Executive Director and Secretary he 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. He 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. He testified that the Authority adopted a resolution on June 15, 2017, approving the issuance of bonds for Catholic Medical Center.

Mr. Bliss 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. He 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. He 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.

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 and Secretary 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: June 19, 2017



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 June 19, 2015 following public notice, in Room G5 on Level G, Catholic Medical Center, 100 McGregor Street, Manchester, New Hampshire at 10:00 a.m.

The Governor's signature constitutes his approval under Section 147(f) of the Internal Revenue Code of 1986, as amended, of the issuance of the bonds described herein, and as described in the Notice of Public Hearing published on June 5, 2017.

Dated: July 19, 2017

Governor and Council:

