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State of New Hampshire

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

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November 16, 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 Joseph D. Kenney with regard to a certain project in participation with Dartmouth-Hitchcock Health, Lebanon, New Hampshire.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Kenney has requested that this be placed on the agenda as a regular item for the Wednesday, December 6, 2017 meeting for ratification by the Governor and Council.

Sincerely,

Charles M. Arlinghaus
Commissioner

CMA/rjk

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 **DARTMOUTH-HITCHCOCK HEALTH** of Lebanon, 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 a request for financing submitted to the Authority by Dartmouth-Hitchcock Health (“Health”) and certain of its affiliated healthcare institutions including Mary Hitchcock Memorial Hospital located in Lebanon, New Hampshire, (“Mary Hitchcock”), Dartmouth-Hitchcock Clinic having locations in Concord, Keene, Bedford, Manchester, and Nashua, New Hampshire (“the Clinic”), New London Hospital Association located in New London, New Hampshire (“New London”), Cheshire Medical Center located in Keene, New Hampshire (“Cheshire”) and Alice Peck Day Memorial Hospital located in Lebanon, New Hampshire (“Alice Peck Day,” and together with Health, Mary Hitchcock, the Clinic, New London and Cheshire, the “Borrowers”), all of which are not-for-profit healthcare institutions operating in New Hampshire and all of which, other than Health, are licensed by the Department of Health and Human Services, and all of which are participating healthcare institutions under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in the refinancing of certain indebtedness and the financing of certain capital expenditures (hereafter collectively 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 Town Hall and on the Authority's website on Monday, November 13, 2017, the hearing was held commencing at 10:45 a.m. on Wednesday, November 15, 2017 in the Conference Room of the New Hampshire Health and Education Facilities Authority at 54 South State Street, Concord, New Hampshire.

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

Summary of Testimony

Michael Waters, the Director of Treasury and Investments of Dartmouth-Hitchcock Health, testified on behalf of the Borrowers. He described Health as the sole corporate member of each of the Borrowers and also of Visiting Nurse & Hospice for VT and NH and also of Windsor Hospital Corporation d/b/a Mt. Ascutney Hospital located in Windsor, Vermont. An obligated group was established in 1993 by the Dartmouth-Hitchcock affiliates (the "Obligated Group") and Health currently serves as the Obligated Group agent. Although Alice Peck Day is currently not a member of the Obligated Group, it is anticipated that Alice Peck Day will most likely join the Obligated Group prior to or simultaneously with the issuance of the Authority's Series 2017 Bonds (the "2017 Bonds").

Mr. Waters testified that Mary Hitchcock, the Clinic, New London, Cheshire, and Alice Peck Day are all licensed by the New Hampshire Department of Health and Human Services and each is accredited by the Joint Commission. He stated that Mary Hitchcock, New London, Cheshire, and Alice Peck Day are approved for participation in the Medicare and Medicaid programs, are a participating hospital with Anthem/Blue Cross, and are a member of the New Hampshire Hospital Association.

Mr. Waters stated that the refinancing portion of the Project consists of the refinancing of all or a substantial portion of the outstanding indebtedness of the Borrowers which may include (a) the Revenue Bond Issues of the Authority issued for the benefit of one or more of the Borrowers including the Authority's Series 2009 Bonds, Series 2010 Bonds, Series 2012A and 2012B Bonds, Series 2015A Bonds, and Series 2016A and Series 2016B Bonds; and (b) the Business Finance Authority of the State of New Hampshire Revenue Bonds, Alice Peck Day Health Systems Issue Series 2010.

Mr. Waters testified that the refinancing portion of the Project may also include swap termination payments for swaps entered into in connection with certain of the outstanding obligations and also the repayment of a revolving line of credit currently outstanding with TD Bank, N.A.

Mr. Waters also stated that the Project may include up to \$75 million of borrowings to reimburse the Borrowers for recent capital expenditures or to finance miscellaneous capital projects for the Borrowers over the next three years. He stated that proceeds of the 2017 Bonds may also be used to finance the cost of issuance and other costs related to the 2017 Bonds.

Mr. Waters testified that the aggregate amount of the 2017 Bonds issued by the Authority on behalf of the Borrowers is not expected to exceed \$700 million. The 2017 Bonds, a portion of which may be issued as taxable bonds, are expected to mature in no more than thirty years. He stated that the 2017 Bonds are expected to be sold at fixed rates in a public offering, but some may be in a private placement to one or more banks or financial institutions. Mr. Waters stated that the 2017 Bonds are expected to carry a rating of A from Standard & Poor's Rating Services and may also be rated by Moody's Investors Services or Fitch Ratings, Inc.

Mr. Waters testified that, under the Loan Agreement 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. He explained that, in his view, the Project will be of

public use and benefit, will permit the Borrowers to continue to render an appropriate level of service to their current and future patients, and will serve a need presently not fulfilled in providing healthcare facilities and services within the State. He stated the refinancing of existing indebtedness will assist the Borrowers in lowering the cost of providing healthcare facilities within the State. Finally, and based upon his position as Director of Treasury and Investments, he stated his opinion that the Borrowers would be able to meet their financial obligations under the proposed bond issue and that the Borrowers 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. 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 management of the Borrowers, 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 the Borrowers are currently operating as financially responsible health care institutions.

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 assists in overseeing the administration 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 testified that the Authority will vote to adopt a

resolution at its meeting on November 16, 2017, approving issuance of its bonds for Health, Mary Hitchcock, and one or more other members of the Obligated Group.

Ms. Payette testified that certain documents are being prepared for execution in connection with the Project, including a Bond Indenture and the Loan Agreement. She stated that there will be a provision in the Loan Agreement requiring that the Project be held and used 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 Dartmouth-Hitchcock Obligated Group 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

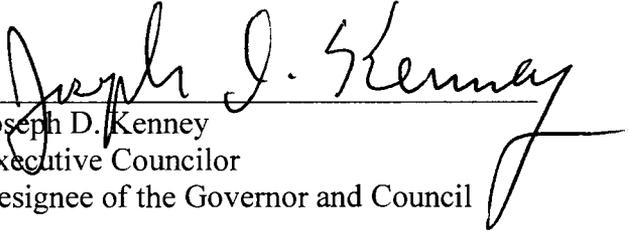
Upon the testimony submitted at the hearing, and upon consideration, I find as follows:

- (1) The construction and acquisition of such Project and the refinancing of existing indebtedness, as the same is described in said testimony, will enable and assist Dartmouth-Hitchcock Health and its affiliates described in said testimony (herein collectively called the "Borrowers"), all not-for-profit corporations headquartered in Lebanon, New Hampshire, which affiliates are licensed by the Department of Health and Human Services,

to provide health care facilities and/or services within the State of New Hampshire (herein called the “State”); and

- (2) The Project and the projects to which the financing relate will be leased to, or owned by, one or more of the Borrowers which are financially responsible participating institutions 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 relate; 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 in providing health care facilities with the State and is of public use and benefit; and
- (8) Refinancing of existing indebtedness will assist the Borrowers in lowering the cost of providing healthcare facilities within the State and is being undertaken in connection with the project being provided by the Borrowers and their affiliates.

Dated: November 15, 2017



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 a request for financing submitted to the New Hampshire Health and Education Facilities Authority by Dartmouth-Hitchcock Health and its affiliates, all not-for-profit healthcare institutions which are headquartered in Lebanon, New Hampshire and whose affiliates are licensed by the Department of Health and Human Services. The hearing was held on November 15, 2017, following notice posted at the Lebanon Town Hall and on the Authority's website on Monday, November 13, 2017, in the Conference Room of the Authority, 54 South State Street, Concord, New Hampshire at 10:45 in the morning.

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 in the hearing held by the Authority on December 1, 2017 as described in the Notice of Public Hearing published on November 17, 2017 in the New Hampshire Union Leader.

Dated: December 6, 2017

Governor and Council:

