



State of New Hampshire

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

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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 The New Hampshire Catholic Charities, 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 NEW HAMPSHIRE CATHOLIC CHARITIES, 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 described in Section 21 of the Act. The hearing is required as the result of an application submitted to the Authority by New Hampshire Catholic Charities (“Catholic Charities”), a private, not-for-profit, charitable corporation formed under New Hampshire law. Catholic Charities operates nursing care and educational facilities located in Manchester and various other communities in New Hampshire. Catholic Charities constitutes a “nursing home” as that term is defined in the Act, and is a participating healthcare institution under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in the refinancing of certain existing indebtedness of Catholic Charities, the purchase of certain capital equipment and the making of certain renovations and the construction of certain other capital improvements to Catholic Charities’ nursing care and other facilities (hereafter sometimes referred to as the “Project”).

Pursuant to RSA 195-D:21 above cited, 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 June 15, 2015, with a postponement of the meeting to a date, time, and place specific, announced at the originally scheduled time and place, the hearing was held commencing at 2:00 p.m. on Thursday, July 2, 2015, in the Conference Room on the second floor of New Hampshire Catholic Charities, 215 Myrtle Street, Manchester, New Hampshire.

Summary of Testimony

Michael D. Lehrman, the Vice President of Healthcare Services of Catholic Charities, was the first witness. He testified that Catholic Charities is a private, not-for-profit corporation organized under New Hampshire law exclusively for charitable purposes.

Mr. Lehrman stated that Catholic Charities was founded by Bishop Matthew F. Brady in 1945 and incorporated in 1946. From an initial staff of three persons, Catholic Charities has grown to become one of the largest private non-profit social service agencies in the State of New Hampshire. It currently employs approximately 698 persons on a fulltime equivalent basis, with some 582 of those persons constituting employees in Catholic Charities' healthcare division. The primary facilities of Catholic Charities are seven nursing homes and three elderly apartment complexes located throughout the State. These nursing, residential care, and independent living facilities provide (in the aggregate), some 467 nursing care beds, 36 residential care units, and 81 apartments. Catholic Charities also operates the New Hampshire Food Bank which provides food to 422 hunger relief agencies throughout the State of New Hampshire and provides educational classes at its facility on East Industrial Park Drive in Manchester.

Mr. Lehrman testified that in 1997, Catholic Charities issued \$7,055,000.00 of bonds (the "1997 Bonds") through the Authority. Mr. Lehrman stated that the 1997 Bonds were issued for a

variety of purposes, including the renovation, construction, and equipping of a 54 bed long term care facility to replace the existing St. Ann Rehabilitation and Nursing Center in Dover (“St. Ann”) and the subsequent renovation of St. Ann into a 31 unit independent living apartment complex for the elderly, improvements to the Mount Carmel Rehabilitation and Nursing Center in Manchester (“Mt. Carmel”), the Good Shepherd Rehabilitation and Nursing Center in Jaffrey, the St. Vincent de Paul Rehabilitation and Nursing Center in Berlin, the St. Francis Rehabilitation and Nursing Center and Bishop Bradley Apartments in Laconia (St. Francis”), and the St. Theresa’s Rehabilitation and Nursing Center and Bishop Primeau Apartments in Manchester.

Mr. Lehrman testified that the proceeds of the 2015 Bonds will be used for a variety of projects, including financing and refinancing the costs of the acquisition of the Warde Health Center (“Warde”) located in Windham, the costs of renovation and construction of an entry portico at Mount Carmel, and interior improvements at St. Ann, renovation and construction to convert 10 semi-private rooms to 20 private rooms at St. Francis, renovation and construction at Warde, including the addition of approximately 4 skilled nursing beds, the addition of approximately 4 residential care units, the renovation of common corridors, the dining and lobby areas, replacement of an HVAC system and repairs to the kitchen and parking areas, repairs to the roof and the reconfiguration of the loading dock at the N.H. Food Bank, and renovation and construction with respect to 25 independent living and/or residential care units at St. Francis and/or Warde. Bond proceeds may also be used to finance miscellaneous capital expenditures to fund capitalized interest and to pay certain costs of issuing the bonds.

Mr. Lehrman testified that Catholic Charities expects the new Bonds to be issued in the approximate amount of \$15.5 million. The Bonds are planned to be issued in a private placement with a financial institution which is expected to be Citizens Bank, N.A. The Bonds are expected

to mature in no more than 30 years and will carry a fixed rate of interest for the first 15 years.

Mr. Lehrman confirmed that the nursing care facilities of Catholic Charities are licensed by the Department of Health and Human Services of New Hampshire. In order to protect its assets, Catholic Charities carries fire and extended insurance coverage on its physical plant and contents under a blanket policy and maintain general liability insurance coverage as well. Catholic Charities will be required to continue such coverages under the Loan Agreement with the Authority and the purchaser of the 2015 Bonds.

In concluding his testimony, Mr. Lehrman explained that, in his view, the refinancing of existing indebtedness would assist Catholic Charities in lowering the cost of providing healthcare and educational facilities within the State and that the Project will be in the public interest and will be necessary in his judgment to enable Catholic Charities to provide its residents with the quality of care to which it is committed. He also stated that he was personally familiar with the financial position of Catholic Charities. He testified that Catholic Charities has always been operated in a financially responsible manner and that, in his opinion, the proposed bond debt is within the financial capacity of Catholic Charities and that Catholic Charities will be able to meet its financial obligations under the proposed bond issue.

Bonnie Payette was the final witness called. 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 Catholic Charities' 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 March 19, 2015, approving the issuance of bonds for Catholic Charities.

Ms. Payette testified that certain documents are being prepared for execution in connection with the Project, including a Loan Agreement intended for execution by Catholic Charities, the Authority and the purchaser. She stated that there will be a provision in the Agreement under which Catholic Charities will be obligated to hold and use the Project for healthcare and charitable purposes so long as the Bonds are outstanding. She testified to the language in the Loan Agreement which requires that each bond issued by the Authority for Catholic Charities, 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.

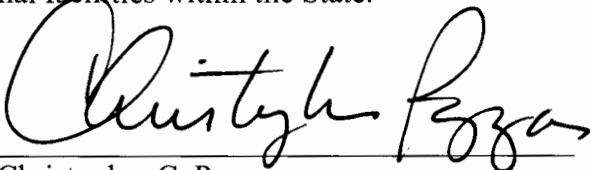
Findings

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

- (1) The construction and acquisition of the Project and refinancing of existing indebtedness, as the same is described in such testimony, will enable and assist New Hampshire Catholic Charities (herein called the "Catholic Charities"), a not-for-profit participating healthcare and educational institution located in Manchester and other communities in New Hampshire, to provide healthcare 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, Catholic Charities, 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; 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 on 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 Catholic Charities 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 Catholic Charities to hold and use the Project for healthcare and/or educational 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 and educational facilities within the State and is of public use and benefit; and
- (8) The refinancing of existing indebtedness will assist Catholic Charities in lowering the cost of providing healthcare and educational facilities within the State.

Dated: July 2, 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 New Hampshire Catholic Charities, a not-for-profit which is located in Manchester and other communities in New Hampshire, is licensed by the Department of Health and Human Services, and provides nursing care facilities and health care services within the State of New Hampshire. The hearing was held on July 2, 2015, following public notice, in the Conference Room on the second floor of New Hampshire Catholic Charities, 215 Myrtle 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 conducted by the Authority of June 29, 2015, and as described in the Notice of Public Hearing published on June 15, 2015.

Dated: July 22, 2015

Governor and Council:
