



State of New Hampshire

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

3D *ebm*

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October 12, 2016

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 Joseph D. Kenney with regard to a certain project in participation with The Memorial Hospital in North Conway, 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, October 26, 2016 meeting for ratification by the Governor and Council.

Sincerely,

Vicki V. Quiram
Commissioner

VVQ/dph

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 **THE MEMORIAL HOSPITAL AT NORTH CONWAY, N.H.** of North Conway, 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 The Memorial Hospital at North Conway, N.H. (hereinafter sometimes referred to as the “Hospital” or the “Borrower”), a not-for-profit hospital located in North Conway, New Hampshire, which 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 the refinancing of certain existing indebtedness of the Borrower as well as the financing of certain capital expenditures (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 and The Conway Daily Sun on October 4, 2016,

such hearing was held commencing at 10:00 a.m. on October 7, 2016 in the Sun Room on the Second Floor of The Memorial Hospital at North Conway, N.A., 3073 White Mountain Highway, North Conway, New Hampshire.

Summary of Testimony

Scott McKinnon, the President and Chief Executive Officer of the Hospital, was the first witness. He described the Hospital as a not-for-profit corporation organized under New Hampshire law exclusively for charitable purposes.

Mr. McKinnon stated that the Hospital, founded in 1910, is a 25-bed community hospital and is designated a Critical Access Hospital by Medicare, the Hospital is an acute care facility which offers a wide range of services to the community, including a 24-hour emergency room department, a surgery center, a clinical laboratory, a family birthing center, a sleep center, a wound care and hyperbaric medicine center and the Miranda Center for Diabetes.

Mr. McKinnon testified that the Hospital is licensed by the New Hampshire Department of Health and Human Services and is certified by the Center for Medicare and Medicaid Services. The Hospital 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. McKinnon testified that the aggregate amount of the bonds issued by the Authority on behalf of the Borrower (the "2016 Bonds") is not expected to exceed \$25 million. He stated that the Project is comprised of the refinancing of the Authority's Revenue Bonds, The Memorial Hospital Issue, Series 2006 issued for the benefit of the Hospital (the "2006 Bonds"), currently outstanding in the approximate amount of \$17,290,000. Proceeds of the 2006 Bonds were used to refinance prior indebtedness, the proceeds of which were used to construct the Borrower's nursing home immediate care facility, to purchase administrative offices and to finance the

construction of the 25-bed addition to the Hospital, as well as renovations and improvements to a number of the Hospital's departments and facilities. The 2016 Bond proceeds may also be used to finance miscellaneous capital expenditures, fund a debt service reserve fund, pay costs of issuance and other costs relating to the 2016 Bonds.

Mr. McKinnon further stated that the 2016 Bonds are expected to mature in approximately thirty (30) years and are expected to be issued in a public offering without credit enhancement with Morgan Stanley & Co. LLC serving as the underwriter. The bonds are expected to carry a fixed rate of interest. Mr. McKinnon noted that the Hospital became affiliated with MaineHealth on January 1, 2014 but MaineHealth will not be obligated to pay the principal of, premium, if any, or interest on the 2016 Bonds.

Mr. McKinnon testified that, under the Loan Agreement with the Authority, the Borrower 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 and will permit the Hospital to continue to render an appropriate level of service to its current and future patients. Mr. McKinnon stated that the refinancing of existing indebtedness will assist the Hospital in lowering the cost of providing healthcare facilities within the State. Finally, and based upon his position as President and Chief Executive Officer of the Hospital, he stated his opinion that the Hospital will be able to meet its financial obligations under the proposed bond issue and that the Hospital is currently operating in a financially responsible manner.

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, charged 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 Borrower's officers in developing the financial arrangements to be reflected in the bonds proposed to be issued. She testified that the Authority adopted a resolution at its meeting on September 15, 2016, approving issuance of its bonds for The Memorial Hospital at North Conway, N.H.

Ms. Payette testified that certain documents are being prepared for execution in connection with the Project, including a Loan Agreement. She stated that there is a provision in the Loan Agreement requiring that the Project be held and used for healthcare purposes so long as the 2016 Bonds are outstanding. She testified to the language in the bond documents which requires that each bond issued by the Authority for The Memorial Hospital at North Conway, N.H. 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

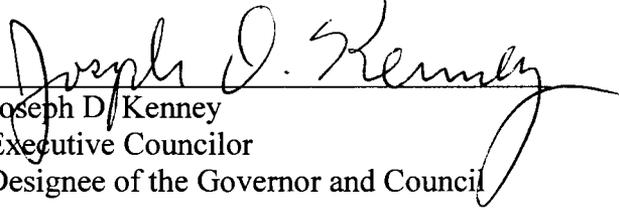
Upon the testimony submitted at the hearing, and upon consideration, I find as follows:

- (1) The refinancing of existing indebtedness will enable and assist The Memorial Hospital at North Conway, N.H. (herein called the "Hospital"), a not-for-profit hospital located in

North Conway, New Hampshire, which is licensed by the Department of Health and Human Services, 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 Borrower, 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 issued 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 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 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 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.

Dated: October 7, 2016


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 an application submitted to the New Hampshire Health and Education Facilities Authority by The Memorial Hospital at North Conway, N.H., a not-for-profit hospital which is located in North Conway, New Hampshire and which is licensed by the Department of Health and Human Services. The hearing was held at 10:00 a.m. on October 7, 2016 in the Sun Room on the Second Floor of The Memorial Hospital at North Conway, N.A., 3073 White Mountain Highway, North Conway, New Hampshire

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 as described in the Notices of Public Hearings published October 4, 2016 and October 5, 2016, and in a hearing conducted by the Authority on October 19, 2016.

Dated: October 26, 2016

Governor and Council
