



State of New Hampshire

MAR 05 11:51 AM DAS

3C
Jm

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
25 Capitol Street – Room 120
Concord, New Hampshire 03301

LINDA M. HODGDON
Commissioner
(603) 271-3201

JOSEPH B. BOUCHARD
Assistant Commissioner
(603) 271-3204

March 5, 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 Sununu with regard to a certain project in participation with Exeter Hospital, Inc., Exeter, New Hampshire.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Sununu has requested that this be placed on the agenda as a regular item for the Wednesday, March 25, 2015 meeting for ratification by the Governor and Council.

Sincerely,

Linda M. Hodgdon
Commissioner

LMH/rjk

Attachment

**REPORT
AND
FINDINGS
OF**

CHRISTOPHER SUNUNU, 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 **EXETER HOSPITAL, INC.** of Exeter, 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 Exeter Hospital, Inc., a not-for-profit charitable corporation incorporated under New Hampshire law and operating hospital facilities located in Exeter, New Hampshire (hereafter sometimes referred to as the “Hospital”) which is a participating healthcare institution under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in the financing of certain equipment and certain routine capital expenditures (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 February 27, 2015, the hearing was held commencing at 10:00 a.m. on Tuesday, March 3, 2015 in Conference Room Two North of Exeter Hospital, Inc., 5 Alumni Drive, Exeter, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

Kevin O'Leary, the Senior Vice President/Chief Financial 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. O'Leary stated that the Hospital is a 100 bed, acute care, community hospital, providing a wide range of in-patient and out-patient services to patients in a service area comprised primarily of communities in Rockingham County. The Hospital is presently staffing 78 beds. Its in-patient services include medical/surgical, oncology and hematology, obstetrics/gynecology, coronary, intensive care and telemetry. Mr. O'Leary testified that the Hospital is licensed by the New Hampshire Department of Health and Human Services and is accredited by Det Norske Veritas. The Hospital is approved for participation in Medicare and Medicaid programs, and is a member of the New Hampshire Hospital Association and the American Hospital Association.

Mr. O'Leary explained that the Hospital is a member of the Exeter Hospital Obligated Group (the "Obligated Group") and is presently the only member of the Obligated Group.

Mr. O'Leary testified that the Project to be financed involves the acquisition of certain equipment and other normal capital expenditures, including but not limited to medical and informational technology equipment and a linear accelerator to be used for radiation oncology. He confirmed that the capital equipment being acquired with lease proceeds is routine or replacement in nature and does not require Certificate of Need approval. Mr. O'Leary testified that, in addition to the Project costs, financing proceeds will be used to pay certain costs of issuance.

Mr. O'Leary stated that the Hospital expects to incur \$6 million of debt under the lease financing. He testified that the Hospital is entering into a seven year lease agreement with Banc of America Public Capital Corp and the Authority to finance the Project. Mr. O'Leary confirmed that, under the lease agreement, Exeter Hospital, Inc. will be required to continue to carry blanket fire and extended coverage as well as general liability insurance.

Mr. O'Leary testified that, based upon his position and his familiarity with the finances of the Hospital, it is his opinion that Exeter Hospital, Inc. will be able to meet its financial obligations under the proposed lease and that Hospital currently is operating in a financially responsible manner. Mr. O'Leary concluded his testimony by stating his opinion that the capital items financed as part of the Project are necessary to provide the Hospital's patients and other clients with appropriate healthcare facilities and services.

David C. Bliss was the final witness called. He stated that he is the Executive Director and Secretary of the New Hampshire Health and Education Facilities Authority, charged with the administration of the Authority's day-to-day affairs. In his capacity as Executive Director 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 proposed lease. He stated that the Authority has voted to enter into the lease 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 February 19, 2015, approving the lease financing for the benefit of Exeter Hospital, Inc.

Mr. Bliss testified that certain documents are being prepared for execution in connection with the Project, including the Master Lease Agreement to be entered into among Banc of America Public Capital Corp, the Authority and Exeter Hospital, Inc. He stated that there is a provision in the Master Lease Agreement under which the Hospital will be obligated to hold and use the Project for healthcare purposes so long as the lease is outstanding. He testified that there is language in the Master Lease Agreement which states that neither the State of New Hampshire nor any political subdivision thereof shall be obligated to pay the principal of or interest on the lease obligations, other than from revenues provided by the Hospital, 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 under the lease.

Mr. Bliss testified that the Master Lease Agreement will make adequate provision for the payment of principal and interest on the lease obligations by the Hospital, 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 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, as the same is described in such testimony, will enable and assist Exeter Hospital, Inc. (herein called the "Hospital"), a not-for-profit participating healthcare institution located in Exeter, New Hampshire, to provide healthcare 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 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; 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, notes or lease obligations 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, lease 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 or obligations issued to refund and refinance such bonds or obligations, have not been fully paid and retired and all other conditions of the resolution, trust agreement or Master Lease Agreement authorizing and securing the same have not been satisfied and the lien of such resolution or trust or lease agreement has not been released in accordance with the provisions thereof; and
- (6) The construction and acquisition of the Project 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.

Dated: March 3, 2015

A handwritten signature in black ink, reading "Christopher Sununu", written over a horizontal line.

Christopher Sununu
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 Sununu, 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 Exeter Hospital, Inc., a not-for-profit hospital licensed by the State of New Hampshire and located in Exeter, New Hampshire. The hearing was held on March 3, 2015, following public notice, in Conference Room Two North of Exeter Hospital, Inc., 5 Alumni Drive, Exeter, New Hampshire at 10:00 o’clock in the forenoon.

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 conducted by the Authority on March 10, 2015, as described in the Notices of Public Hearing published on February 27, 2015 and February 24, 2015.

Dated: March 25, 2015

Governor and Council:

