



State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
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September 6, 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 Christopher C. Pappas with regard to a certain project in participation with Elliot Hospital of the City of Manchester, 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, September 21, 2016 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 **ELLIOT HOSPITAL OF THE CITY OF MANCHESTER**, 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 (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 Elliot Hospital of the City of Manchester, a not-for-profit charitable corporation incorporated under New Hampshire law and operating hospital facilities located in Manchester, New Hampshire (the “Hospital” or “Elliot”), which 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 of the Hospital’s existing indebtedness as well as the financing of certain capital expenditures (collectively, 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 August 12, 2016, the hearing was held commencing at 10:00 a.m. on Monday, August 29, 2016, in Conference Room 1 on the Lobby Level of the Elliot Hospital’s River’s Edge Ambulatory Care Center, 185 Queen City Avenue, Manchester, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

Dr. W. Gregory Baxter, the Senior Vice President and Chief Medical 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.

Dr. Baxter stated that the Hospital is licensed for 296 beds. He described the Hospital as providing, in conjunction with its Elliot Health System affiliates, a broad spectrum of inpatient and outpatient services at the Hospital's main campus in Manchester. The Hospital is a premier health care provider in many disciplines and is the designated trauma center for the greater Manchester area. The main campus is also home to the Elliot Regional Cancer Center, The Max K. Willscher Urology Center, and the area's only Level III Neonatology.

The Hospital also operates urgent care centers in Londonderry and at its River's Edge Ambulatory Care Center in Manchester. The River's Edge facility was opened in the spring of 2011 and is an approximately 236,000 square foot building providing same day surgery and a variety of other medical services to ambulatory patients.

Dr. Baxter testified that the Hospital is licensed by the New Hampshire Department of Health and Human Services and is accredited by the Centers for Medicare and Medicaid Services, is a participating hospital in Anthem Blue Cross and Blue Shield of New Hampshire, and is a member of the American Hospital Association.

Dr. Baxter testified that proceeds from the Authority's Revenue Bonds, Elliot Hospital Issue, Series 2016 (the "Series 2016 Bonds" or the "Bonds"), will be used to (A) refinance the Business Finance Authority of the State of New Hampshire's Revenue Bonds, Elliot Hospital Obligated Group Issue, Series 2009A (the "Series 2009 Bonds"), outstanding in the principal amount of \$127,440,000, the proceeds of which were used to: (i) finance the cost of development, construction, and equipping of the River's Edge Ambulatory Care Center; (ii) refund the Authority's Revenue Anticipation Notes/Capital Notes, Series 2008M, the proceeds of which, through a series of prior bond and note refundings, were used to (a) finance the renovation, expansion, reconfiguration, and equipping of Hospital's main hospital facility, (b) finance

miscellaneous capital equipment acquisitions of the Hospital, and (c) refinance taxable indebtedness used to finance renovation and improvement to the Hospital Senior Health Center located at 138 Webster Street, Manchester, New Hampshire; (iii) finance miscellaneous construction, renovations, and equipping of the Hospital's facilities; (iv) reimburse the Hospital for capital expenditures incurred within the two years prior to the issuance of the Series 2009 Bonds; (v); fund a debt service reserve fund and capitalized interest with respect to the Series 2009 Bonds; and (vi) pay certain costs of issuing the Series 2009 Bonds; and (B) finance miscellaneous routine capital expenditures of the Hospital, including those related to the Hospital's Cancer Center. He further testified that Bond proceeds also may be used to fund a debt service reserve fund and pay certain costs of issuing the Bonds and incidental costs related to the Bonds.

Dr. Baxter testified that the Hospital expects the Bonds to be issued in a principal amount not to exceed \$165 million. He testified that the Hospital has engaged Morgan Stanley & Co. LLC, as its investment banker. Elliot expects to issue the Series 2016 Bonds in a public offering without credit enhancement, but a portion of the Bonds may be sold as a direct placement to a financial institution. The Series 2016 Bonds are expected to mature in no more than 30 years. The publicly issued Bonds are expected to carry a fixed rate of interest while any bonds issued in a private placement may be at a variable or a fixed rate of interest.

Dr. Baxter testified that, under a Loan Agreement with the Authority, Elliot will be required to continue to carry blanket fire and extended coverage as well as general liability insurance. He stated that the refinancing of existing indebtedness would assist the Hospital in lowering the cost of providing health care facilities in New Hampshire. Based upon his position and his familiarity with the finances of the Hospital and Elliot Health System, which will also be obligated on the Bonds as a member of the Obligated Group, he stated his opinion that the Hospital and Elliot Health System will be able to meet their financial obligations under the proposed bond issue, and he further stated that Elliot and Elliot Health System are currently operating in a financially responsible manner.

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 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 August 18, 2016, approving issuance of bonds for Elliot Hospital of the City of Manchester. Mr. Bliss then explained the Authority's role as a conduit for the financing of projects through the issuance of its bonds.

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 current bond issue and a Loan Agreement intended for execution between the Hospital and the Authority and if any of the Bonds are purchased by a financial institution, the bond purchaser. He stated that there will be a provision in the Loan Agreement under which the Hospital is obligated to hold and use the Project for health care purposes so long as the Bonds are outstanding. He testified that there will be language in the Bond Indenture which requires that each bond issued by the Authority for Elliot Hospital of the City of Manchester 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 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 Elliot Hospital of the City of Manchester (hereinafter called the "Hospital"), a not-for-profit participating health care institution located in Manchester, New Hampshire, to provide health care facilities within the State of New Hampshire (hereinafter 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, 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 construction and acquisition of the Project, as well as 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, 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 or the property by the Hospital so that under no circumstances will the State be obligated, directly or indirectly, for the payment of such costs; and

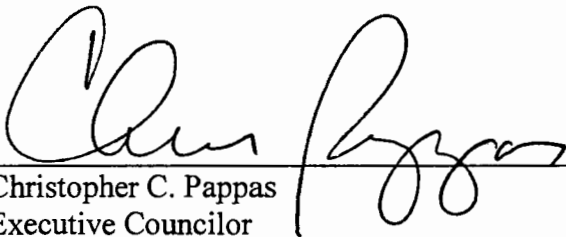
(5) Adequate provision has been, or will be, made to obligate the Hospital to hold and use the Project for health care purposes so long as the principal of and interest on bonds or other obligations issued by the New Hampshire Health and Education Facilities Authority (the "Authority") to finance the 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;

(7) The construction and acquisition of the Project serves a need presently not fulfilled in providing health care 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 health care facilities within the State and will be in connection with a project being provided by the Hospital.

Dated: August 29, 2016



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 Elliot Hospital of the City of Manchester, a not-for-profit hospital which is located in Manchester, New Hampshire, is licensed by the Department of Health and Human Services and provides health care facilities within the State of New Hampshire. The hearing was held on August 29, 2016, following public notice, in Conference Room 1 on the Lobby Level of the Elliot Hospital's River's Edge Ambulatory Care Center, 185 Queen City Avenue, Manchester, New Hampshire, at 10:00 o'clock in the morning.

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 on September 15, 2016, as described in the Notices of Public Hearing published on August 12, 2016 and September 1, 2016.

Dated: September 21, 2016

Governor and Council:

