



# State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES  
25 Capitol Street - Room 120  
Concord, New Hampshire 03301

3A *dm*

Joseph B. Bouchard  
Assistant  
Commissioner  
(603) 271-3204

May 24, 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 Huggins Hospital, Wolfeboro, 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, June 21, 2017 meeting for ratification by the Governor and Council.

Sincerely,

  
Joseph B. Bouchard  
Assistant Commissioner

JBB/dph  
Attachment

**REPORT  
AND  
FINDINGS  
OF**

**JOSEPH D. KENNEY**, designee of the Governor and Council of The State of New Hampshire (the “State”), 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 **HUGGINS HOSPITAL** of Wolfeboro, 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 an application submitted to the Authority by Huggins Hospital (hereinafter sometimes referred to as the “Hospital” or the “Borrower”), a not-for-profit hospital located in Wolfeboro, 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 on May 8, 2017, such hearing was held commencing at 2:00 p.m. on May 22, 2017 in the Medical Arts Conference Room of Huggins Hospital, 240 South Main Street, Wolfeboro, New Hampshire.

### Summary of Testimony

Jeremy Roberge, 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. Roberge stated that the Hospital, founded in 1907, 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 primary care, in-patient and out-patient surgery, medical imaging and diagnostics, gynecology, orthopedics, pediatrics, physical therapy, cardiac and occupational rehabilitation, and emergency services. The Hospital also offers specialty services such as ear, nose and throat, neurology, cardiology, audiology, and gastroenterology at the local community level.

Mr. Roberge 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. Roberge further stated that on June 29, 2016, the Hospital entered into an Affiliation Agreement with Catholic Medical Center of Manchester, New Hampshire and the Monadnock Community Hospital of Peterborough, New Hampshire, which resulted in the formation of a new not-for-profit corporation, GraniteOne Health, Inc.

Mr. Roberge testified that the aggregate amount of the bonds issued by the Authority on behalf of the Borrower (the "2017 Bonds") is not expected to exceed \$30 million. He stated that the Project is comprised of the refinancing of the Business Finance Authority of the State of New Hampshire ("BFA") Variable Rate Demand Revenue Bonds Series 2007 (the "2007 Bonds"),

currently outstanding in the principal amount of \$9,250,000 and the advance refunding of the BFA's First Mortgage Revenue Bonds, Series 2009 (the "2009 Bonds"), currently outstanding in the principal amount of \$13,950,000. The 2007 Bonds and the 2009 Bonds were used to fund a portion of the design, construction, and equipping of the Hospital's current main facility as well as fund capitalized interest and a debt service reserve fund and pay costs of issuance. The 2017 Bond proceeds will also be used to purchase and install an electronic health records system and other capital improvements to the Hospital, as well as construct, equip, renovate, install, and furnish a medical office building in Ossipee, New Hampshire. Mr. Roberge testified that proceeds of the 2017 Bonds may also be used to fund a termination payment associated with an interest rate swap, fund capitalized interest, fund a debt service reserve fund, finance miscellaneous capital expenditures, and pay certain costs of issuing the 2017 Bonds.

Mr. Roberge further stated that the 2017 Bonds are expected to be issued in a private placement with a bank or other financial institution. The 2017 Bonds are expected to carry a combination of fixed and variable interest rates.

Mr. Roberge testified that, under the loan agreement among the Authority, the Hospital, and the bond purchaser (the "Loan Agreement"), the Borrower will be required 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. Roberge stated that the refinancing of the 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 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 April 20, 2017, approving issuance of its bonds for the Hospital.

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 2017 Bonds are outstanding. She testified to the language in the bond documents which requires that each bond issued by the Authority for the Hospital 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.

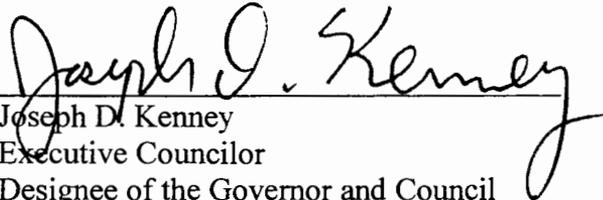
Ms. Payette concluded her testimony by stating that, based on her familiarity with the statute under which the Authority operates, on her experience as Director of Operations and Finance of the Authority, and on the advice of counsel, including Bond Counsel, the Project is within the powers conferred 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 Huggins Hospital (herein called the "Hospital"), a not-for-profit hospital located in Wolfeboro, 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 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 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 and 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; and
- (8) The refinancing of existing indebtedness is being done in connection with the Project and will assist the Hospital in lowering the cost of providing healthcare facilities within the State.

Dated: May 22, 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 an application submitted to the New Hampshire Health and Education Facilities Authority by Huggins Hospital, a not-for-profit hospital which is located in Wolfeboro, New Hampshire and which is licensed by the Department of Health and Human Services. The hearing was held at 2:00 p.m. on May 22, 2017 in the Medical Arts Conference Room of Huggins Hospital, 240 South Main Street, Wolfeboro, New Hampshire.

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 as described in the Notice of Public Hearing published May 8, 2017.

Dated: June 21, 2017

\_\_\_\_\_  
Governor and Council

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_