



State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES

25 Capitol Street - Room 120
Concord, New Hampshire 03301

3D MCC

Charles M. Arlinghaus
Commissioner
(603) 271-3201

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

Catherine A. Keane
Deputy Commissioner
(603) 271-2059

September 19, 2019

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 Michael J. Cryans with regard to a certain project in participation with Dartmouth Hitchcock Health, Lebanon, NH.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Cryans has requested that this be placed on the agenda as a regular item for the Wednesday, October 2, 2019 meeting for ratification by the Governor and Council.

Sincerely,

Joseph Bouchard, Asst. Comm.
Charles M. Arlinghaus
Commissioner

CMA/dph

Attachment

WADLEIGH, STARR & PETERS, P.L.L.C.

WILLIAM C. TUCKER
EUGENE M. VAN LOAN III, Of Counsel
JOHN E. FRIBERG, Sr.
JAMES C. WHEAT
RONALD J. LAJOIE
JEFFREY H. KARLIN
MARC R. SCHEER
GREGORY G. PETERS
FRANK P. SPINELLA, Jr.
DEAN B. EGGERT
MICHAEL R. MORTIMER
KATHLEEN C. PE AHL
RICHARD THORNER
CHARLES F. CLEARY
CHRISTINE GORDON

Attorneys At Law
95 Market Street
Manchester, New Hampshire 03101
Telephone (603) 669-4140
Facsimile (603) 669-6018
WWW.WADLEIGHLAW.COM

Serving New Hampshire since 1899

Direct Dial: (603) 206-7200
btucker@wadleighlaw.com

TODD J. HATHAWAY
ALISON M. MINUTELLI
MICHAEL J. TIERNEY
PIERRE A. CHABOT
DONNA J. BROWN
JOSEPH G. MATTSO N
CHRISTOPHER P. MCGOW N
ABBY TUCKER
STEPHEN M. BENNETT, Of Counsel
ALLISON M. FUSCO
STEPHEN N. ZAHARIAS
ALYSIA M. CASSOTIS
ELIZABETH E. EWING
ROBIN D. MELONE
WILLIAM P. REDDINGTON
MICHAEL G. EATON

September 17, 2019

Charles Arlinghaus, Commissioner
Department of Administrative Services
State of New Hampshire
State House Annex
Concord, New Hampshire 03301

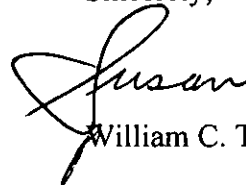
RE: New Hampshire Health and Education Facilities Authority
Dartmouth-Hitchcock Health

Dear Commissioner Arlinghaus:

I enclose an original and ten copies of the Report and Findings of Councilor Michael J. Cryans with regard to a certain project in participation with Dartmouth-Hitchcock Health, Lebanon, New Hampshire. Councilor Cryans has requested that this be placed on the agenda as a regular item for ratification by the Governor and Council at their meeting scheduled for Wednesday, October 2, 2019.

Thank you for your assistance in this matter.

Sincerely,



William C. Tucker

/sos

**REPORT
AND
FINDINGS
OF**

MICHAEL J. CRYANS, 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 **DARTMOUTH-HITCHCOCK HEALTH** of Lebanon, 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 a request for financing submitted to the Authority by Dartmouth-Hitchcock Health ("Health") and certain of its affiliated healthcare institutions including Mary Hitchcock Memorial Hospital located in Lebanon, New Hampshire, ("Mary Hitchcock"), Dartmouth-Hitchcock Clinic having locations in Lebanon, Concord, Keene, Bedford, Manchester, and Nashua, New Hampshire ("the Clinic"), New London Hospital Association located in New London and Newport, New Hampshire ("New London"), Cheshire Medical Center located in Keene, New Hampshire ("Cheshire"), Alice Peck Day Memorial Hospital located in Lebanon, New Hampshire ("Alice Peck Day"), and together with Health, Mary Hitchcock, the Clinic, New London, Cheshire, and Alice Peck Day, the ("Borrowers"), all of which are not-for-profit healthcare institutions operating in New Hampshire and all of which, other than Health, are licensed by the New Hampshire Department of Health and Human Services, and all of which are participating healthcare institutions under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in the financing of certain capital expenditures (hereafter collectively 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 Wednesday, September 11, 2019, the hearing was held commencing at 3:00 p.m. on Monday, September 16, 2019 in Auditorium F of the Dartmouth-Hitchcock Medical Center, 1 Medical Center Drive, Lebanon, New Hampshire.

All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

Michael J. Waters, the Assistant Treasurer of Dartmouth-Hitchcock Health, testified on behalf of the Borrowers. He described Health as the sole corporate member of each of the Borrowers and also of Visiting Nurse & Hospice for VT and NH and also of Windsor Hospital Corporation d/b/a Mt. Ascutney Hospital located in Windsor, Vermont. An obligated group was established in 1993 by the Dartmouth-Hitchcock affiliates (the "Obligated Group") and Health currently serves as the Obligated Group agent.

Mr. Waters testified that Mary Hitchcock, the Clinic, New London, Cheshire, and Alice Peck Day are all licensed by the New Hampshire Department of Health and Human Services and each is accredited by the Joint Commission. He stated that Mary Hitchcock, New London, Cheshire, and Alice Peck Day are approved for participation in the Medicare and Medicaid programs, are a participating hospital with Anthem/Blue Cross, and are a member of the New Hampshire Hospital Association.

Mr. Waters stated that the Project will include up to \$225 million of borrowings to finance and reimburse the Borrowers for the construction, renovation, and equipping of a new ambulatory surgery center, specialty clinical outpatient, and medical office building containing approximately 94,000 square feet of new and renovated space, located at the Clinic's Wellington Road,

Manchester location. He stated that the cost of this portion of the Project will be approximately \$65 million.

Mr. Waters testified that the Project is also anticipated to include the construction and equipping of a new patient tower containing approximately 64 new beds and shelled-in space for future expansion at Mary Hitchcock's Lebanon location. He stated that the plans for the patient tower are still under development. The final plans may change prior to commencement of construction. The cost of this portion of the Project is anticipated to be in the vicinity of \$133 million.

He further testified that the remainder of the Bond Issue would be used to finance various capital assets or to reimburse the Borrowers for previously purchased capital assets at a number of the Borrower's New Hampshire facilities. This portion of the Project will amount to approximately \$27 million. Mr. Waters testified that the aggregate amount of the Bonds to be issued by the Authority on behalf of the Borrowers (the "Bonds") are not expected to exceed \$225 million. The Bonds, a portion of which may be issued as taxable Bonds, are expected to mature in no more than 35 years. He stated that the Bonds are expected to be issued at fixed rates although the issuance of variable rate bonds is possible. He stated that it is possible that the Bonds may be issued at variable rates such as floating rate notes, letter of credit backed variable rate demand bonds, or by a private placement to one or more banks or financial institutions. If issued as variable rate debt, the Bonds may then be swapped to create a synthetic fixed rate. Mr. Waters further testified that the Bonds may be issued in one or more series and at one or more times.

Mr. Waters testified that, under one or more Loan Agreements with the Authority, the Borrowers 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, will permit the Borrowers to continue to render an appropriate level of service to their current and future patients, and will serve a need presently not

fulfilled in providing healthcare facilities and services within the State. Finally, and based upon his position as Assistant Treasurer, he stated his opinion that the Borrowers would be able to meet their financial obligations under the proposed bond issue and that the Borrowers are currently operating in a financially responsible manner.

The next witness was Glenn Wagner, a Senior Vice President with Kaufman, Hall & Associates, LLC, the Borrowers' financial advisor. Mr. Wagner testified that any publicly offered Bonds are expected to carry a rating of A from each of Standard & Poor's Global Ratings and from Fitch Ratings, Inc. Mr. Wagner stated that, as part of his work in connection with the proposed bond issue, he had reviewed the Borrowers' and the Obligated Group's financial statements and operating figures for the past several years. He testified that, on the basis of such review, as well as based upon his discussions with the management of the Borrowers, he was of the view that the Borrowers would be able to meet their obligations under the proposed bond issue.

In concluding his testimony, Mr. Wagner stated that, based upon such review, he was of the view that the Borrowers are currently operating as financially responsible health care institutions.

Bonnie Payette was the final witness. She stated that she is the Executive Director of the Authority, and oversees the administration of the Authority's day-to-day affairs. In her capacity as Executive Director she has become acquainted with the Project and its financing, having worked with the Dartmouth-Hitchcock Health officers in developing the financial arrangements to be reflected in the bonds proposed to be issued. She testified that the Authority voted to adopt a resolution at its meeting on September 12, 2019, approving the issuance of its bonds for Health, Mary Hitchcock, the Clinic, and one or more other members of the Obligated Group.

Ms. Payette testified that certain documents will be prepared for execution in connection with the Project, including one or more Bond Indentures and Loan Agreements. She stated that

there will be a provision in the Loan Agreements requiring that the Project be held and used for healthcare purposes so long as the Bonds are outstanding. She testified to the language in the Bond Indenture which requires that each bond issued by the Authority for the Obligated Group 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 all 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 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

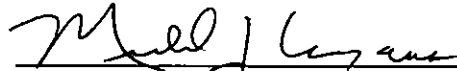
Upon the testimony submitted at the hearing, and upon consideration, I find as follows:

- (1) The construction and acquisition of such Project, as the same is described in said testimony, will enable and assist Dartmouth-Hitchcock Health and its affiliates described in said testimony (herein collectively called the "Borrowers"), all not-for-profit corporations headquartered in Lebanon, New Hampshire, which affiliates are licensed by the Department of Health and Human Services, to provide health care facilities and/or services within the State of New Hampshire (herein called the "State"); and
- (2) The Project and the projects to which the financing relate will be leased to, or owned by, one or more of the Borrowers which are financially responsible participating institutions 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 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 Borrowers 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 Borrowers 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 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 health care facilities with the State and is of public use and benefit; and

Dated: September 16, 2019



Michael J. Cryan
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 Michael J. Cryans, 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 a request for financing submitted to the New Hampshire Health and Education Facilities Authority by Dartmouth-Hitchcock Health and its affiliates, all not-for-profit healthcare institutions which are headquartered in Lebanon, New Hampshire and whose affiliates are licensed by the Department of Health and Human Services. The hearing was held on September 16, 2019, following notice published in the New Hampshire Union Leader on Wednesday, September 11, 2019, in Auditorium F of the Dartmouth-Hitchcock Medical Center, 1 Medical Center Drive, Lebanon, New Hampshire at 3:00 p.m.

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 held by the Authority on September 19, 2019 as described in the Notice of Public Hearing published on September 12, 2019 in the New Hampshire Union Leader.

Dated: October 2, 2019

Governor and Council:

