State of New Hampshire

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

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December 6, 2012

His Excellency, Governor John H. Lynch
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Approval of the Report and Findings of Councilor Daniel St. Hilaire with regard to the refinancing of certain capital improvements, the purchase of certain capital equipment and the refinancing of certain existing indebtedness in connection with the Concord Hospital, Concord, New Hampshire.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor St. Hilaire has requested that this be placed on the agenda for the Wednesday, December 19, 2012 meeting for ratification by the Governor and Council.

Sincerely,

Linda M. Hodgdon
Commissioner

LMH/lld

Attachment

REPORT
AND
FINDINGS
OF

DAN ST. HILAIRE, 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 **CONCORD HOSPITAL, INC.**, Concord, New Hampshire, pursuant to said Act.

Introductory

The New Hampshire Health and Education Facilities Authority (hereafter referred to as the "Authority"), requested of Governor John Lynch 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 Concord Hospital, Inc., a not-for-profit hospital located in Concord, New Hampshire (the "Hospital" or "Concord"), 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 financing of certain capital improvements at the Hospital, including the construction and renovation of certain of the Hospital's facilities, the purchase of certain capital equipment by the Hospital and the refinancing of certain of the Hospital's existing indebtedness (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 Union Leader on November 26, 2012, the hearing was held commencing at 11:30 a.m. on Thursday, November 29, 2012 in the 3rd Floor Rotunda Conference Room of Concord Hospital, 250 Pleasant Street, Concord, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

Bruce Burns, the Senior Vice President – Finance and 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. Burns stated that the Hospital is licensed for 295 beds, of which 210 beds are currently being staffed. Mr. Burns described the Hospital as providing a full spectrum of inpatient and outpatient services including medical, surgical, obstetric and emergency care services to patients in a service area consisting of Concord and 21 surrounding communities.

Mr. Burns testified that the Hospital is licensed by the New Hampshire Department of Health and Human Services and is accredited by Det Norsk Veritas. The Hospital is approved for participation in the Medicare and Medicaid programs and is a member of the New Hampshire Hospital Association and the American Hospital Association.

Mr. Burns stated that the Project would involve the financing of certain of the Hospital's capital expenditures over a three year period, including: (1) improvements to the Hospital's power plant which will include the purchase of one or more new boilers as well as the construction of a new structure to house the new boiler; (2) renovations to two nursing units; (3) expansion of the parking capacity at the Hospital's campus; and (4) routine capital expenditures and miscellaneous construction, renovation, improvements and equipping of the Hospital's facilities. In addition to these expenditures, Mr. Burns testified that Bond proceeds will be used to refinance the Hospital's 2001 Bonds issued through the Authority, the proceeds of which were used to finance certain capital expenditures of the Hospital. He further testified that Bonds proceeds also may be used to pay certain costs of issuing the Bonds; to fund a debt service reserve fund with respect to the Bonds; and to finance capitalized interest with respect to the Bonds.

Mr. Burns testified that no component of the Project requires a Certificate of Need ("CON") from the Health Services Planning and Review Board; he confirmed that no Bond proceeds would be used for projects requiring a CON until a CON is obtained and that, if for any

reason the CON is not obtained, Bond proceeds earmarked for that purpose would be used for normal capital expenditures not requiring a CON.

Mr. Burns testified that Concord expects the Bonds to be issued in a principal amount of approximately $45 million. The Bonds are expected to be issued based on the Hospital's own "A" credit rating. He stated that the Hospital has engaged RBC Capital Markets, LLC as its investment banker. The Hospital expects to have the Bonds issued in a public offering. The Bonds are expected to mature in no more than thirty (30) years.

Mr. Burns testified that, under the Loan Agreement with the Authority, the Hospital will be required to continue to carry blanket fire and extended coverage as well as general liability insurance and professional liability coverage. He stated that the refinancing of existing indebtedness would assist the Hospital in lowering the cost of providing healthcare facilities in New Hampshire and is being done in connection with the Project. Based upon his position and his familiarity with the finances of the Hospital, he stated his opinion that Concord would be able to meet its financial obligations under the proposed Bond issue and that Concord currently is operating in a financially responsible manner. Mr. Burns concluded his testimony by stating his opinion that the improvements financed as part of the Project are necessary to provide the Hospital's patients and other clients with appropriate healthcare facilities and services.

The next witness was Stephen W. Simpson, Jr., Director, Municipal Finance with RBC Capital Markets, LLC, the Hospital's investment banker. Mr. Simpson testified that he has had an opportunity over the past several months to work with the Hospital and other members of the financing team and that, in connection with such work, he has had an opportunity to review, and become familiar with, the Hospital's operations and its financial performance. Based on his review, he stated his opinion that the Hospital is a financially responsible healthcare institution.

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 November 15, 2012, approving issuance of bonds for Concord Hospital, Inc.

Mr. Bliss testified that certain documents are being prepared for execution in connection with the Project, including the Bond Indenture to be entered into between the Authority and the Trustee for the current bond issue and the Loan Agreement intended for execution between the Hospital and the Authority. He stated that there is a provision in the Loan Agreement under which the Hospital is obligated to hold and use the Project for healthcare purposes so long as the Bonds are outstanding. He testified to the language in the Bond Indenture which requires that each bond issued by the Authority for Concord Hospital, Inc. 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 Concord Hospital, Inc. (the "Hospital"), a not-for-profit hospital which is licensed by the Department of Health and Human Services and located in Concord, New Hampshire, to provide health care facilities within the State of New Hampshire (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 the refinancing of existing indebtedness related thereto; 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 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 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; and

(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 healthcare facilities within the State and will be in connection with a project being provided by the Hospital.

Dated: November 29, 2012

Dan St. Hilaire
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 Dan St. Hilaire, 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 Concord Hospital, Inc., a not-for-profit hospital which is located in Concord, 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 November 29, 2012, following public notice, in the 3rd Floor Rotunda Conference Room of Concord Hospital, 250 Pleasant Street, Concord, New Hampshire, at 11:30 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, as described in the Notice of Public Hearing published on November 26, 2012.

Dated: December 19, 2012

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Governor and Council:

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