

STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

MEDICAL CARE COMMISSION QUARTERLY MEETING
DIVISION OF HEALTH SERVICE REGULATION
801 BIGGS DRIVE, RALEIGH NC 27603
BROWN BUILDING CONFERENCE ROOM- 104

Via Conference Call

February 8, 2013

9:00 A.M.

AGENDA

I. MEETING OPENS

II. CHAIRPERSON'S COMMENTS - Mrs. Bode will comment on matters of importance to the Commission. *Question: Does anyone have any conflict of interest with any agenda item before the Commission today?*

III. APPROVAL OF MINUTES from the November 16, 2012 meeting. (**Exhibit A**)

IV. DIVISION DIRECTOR'S REPORT - Mr. Pratt will report matters of interest to the Commission.

Other items to report on are listed below (see **Exhibits B – B/5**):

1. Quarterly Report on Bond Program (**attached as Exhibit B**)

The Executive Committee held telephone conference meetings on the following dates:

November 14, 2012 – To consider for approval the sale of floating rate notes for Wake Forest Baptist Medical Center, Series 2012C. (**attached as Exhibit B/1**)

November 15, 2012 - To authorize the sale of bonds, the proceeds of which are to be loaned to Lutheran Services for the Aging. (**attached as Exhibit B/2**)

November 29, 2012 - To consider a resolution authorizing the sale of bonds for Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System. (**attached as Exhibit B/3**)

December 6, 2012 - To consider for approval the sale of bonds for Wake Forest Baptist Obligated Group, Series 2012D. (**attached as Exhibit B/4**)

January 25, 2013 - To consider a resolution authorizing the issuance and sale of bonds, the proceeds of which will be loaned to Columbus Regional Healthcare System and a resolution granting preliminary approval to a project for Carolina Village. (**attached as Exhibit B/5**)

V. Old Business – No Old Business to come before the Commission

VI. New Business – Bond Projects

A. Cypress Glen Retirement Community- Christopher Taylor and Steven Lewis

Resolution: The Commission approves a project for Cypress Glen Retirement Community to provide funds, to be used together with other available funds, to refund the North Carolina Medical Care Commission \$12,960,000 Retirement Facilities First Mortgage Revenue Refunding Bonds (Cypress Glen Retirement Community) Series 2004C outstanding in the amount of \$7,960,000. The refunding is estimated to result in a 3.6% present value savings for an estimated dollar savings of \$292 thousand. In addition, the purchaser of the proposed Series 2013 Bonds will by purchasing the bonds be agreeing to allow Cypress Glen to consolidate with United Methodist Retirement Homes and come under the UMRH Master Trust Indenture as part of the Obligated Group. It is anticipated that BB&T as holder of the Series 2009 Bonds will also consent to the action. Together the Series 2013 and 2009 Bonds will constitute 58% of all outstanding debt which exceeds the minimum percentage required to approve this change. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Par amount of bonds to be issued	\$9,245,000
Bond discount	(500,000)
Debt service reserve fund from Series 2004C Bonds	593,850
Equity contribution	<u>260,000</u>
Total Sources	\$9,598,850

ESTIMATED USES OF FUNDS

Escrow to refund Series 2004C Bonds	\$8,287,495
Debt service reserve fund	874,500
Underwriters' discount	174,900
Underwriters' counsel	35,000
Bond counsel	55,000
Corporation counsel	45,000
Accountant's fee	25,000
Rating agencies	50,000
Trustee fees	5,000
Printing	5,000
Local Government Commission fee	8,750
Miscellaneous	<u>33,205</u>
Total Uses	\$9,598,850

Tentative approval is given with the understanding that the governing board of Cypress Glen Retirement Community accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.

4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended ("Section 147(f)"), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the "Governor") approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.
8. The borrower will comply with the Commission's Resolution: Community Benefits/Charity Care Agreement and Program Description for CCRC's as adopted on November 9, 2007.

Based on information furnished by applicant, the project is -

- | | | | | | | |
|--|-------------------------------------|-----|--------------------------|----|-------------------------------------|-----|
| 1. Financially feasible | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> | N/A |
| 2. Construction and related costs are reasonable | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No | <input checked="" type="checkbox"/> | N/A |

Notes:

1. Information from audit for FYE September 30, 2012

Operating Income	\$1,412,498
Change in net Assets	\$3,136,382
Net Cash provided by operating activities	\$2,565,447
Net change in cash	\$176,119

2. Community Benefits under G.S. 105 for FYE 2011 =-5.00% which qualifies for 100% property tax exclusion

3. Not rated

4. Bond counsel	Robinson Bradshaw & Hinson
Underwriters' counsel	Parker Poe Adams & Bernstein
Corporation counsel	Womble Carlyle Sandridge & Rice
Underwriter	BB&T Capital Markets

5. Long Term Debt Service Coverage Ratios

Actual FYE 2012	1.99
Forecasted FYE 2013	2.00
Forecasted FYE 2014	2.05
Forecasted FYE 2015	2.14

B. Novant Health, Inc, Wiston-Salem, - Christopher B. Taylor & Steven C. Lewis

Resolution: The Commission grants preliminary approval to a project for Novant Health, Inc. to provide funds to be used together with other available funds to refund (1) the outstanding balance (\$28.8 million) of a taxable revolver, the proceeds of which were used to refund the North Carolina Medical Care Commission Health Care Revenue Bonds (Carolina Medicorp Project) Series 1996, (2) the outstanding balance (\$24 million) of the North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Novant Health Obligated Group) Series 2003 and the outstanding balance of a taxable revolver (\$5.5 million) the proceeds of which were used to used to reimburse Presbyterian Hospital Charlotte for G-Wing project costs. In addition the proceeds of the proposed Series 2013 bonds will be used to pay for (1) construction, equipment and furnishing of the vertical expansion of Presbyterian Hospital Huntersville (2nd and 3rd floor Surgical Service area, renovating ICU space and adding 15 licensed beds), (2) the vertical expansion at Presbyterian Hospital Matthews (adding 5th floor to accommodate 20 additional acute care beds), (3) the Clemmons Medical Center (42,000 square foot expandable hospital platform which will include 24 hour ED, two OR's, outpatient imaging, laboratory and observation rooms) and (4) the G-wing renovation at Presbyterian Hospital Charlotte (adding three floors, 11 OR's, renovating ED and existing surgical suite and centralization pharmacy operations) all in accordance with a preliminary application, plans and specifications and participation as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	<u>\$168,047,650</u>
Total Sources	\$168,047,650

ESTIMATED USES OF FUNDS

Site costs	
Land acquisition	\$749,000
Site utility development and accessibility costs	2,356,000
Construction contracts	87,935,000
Construction contingency (5% of construction contract)	440,000
Architect/engineer fees and reimbursables	4,982,000
Moveable equipment	10,004,000
Surveys, tests, insurance	143,000
Consultants' fees related to construction	321,000
Other refinancing	
1. Refunding Series 2003 bonds	24,000,000
2. Refunding revolver used to refund Series 1996 bonds	28,746,000
3. Refunding revolver used to pay for G-wing Costs	5,500,000
Underwriters' discount	2,015,000
Accountants fees	90,000
Bond counsel	115,000
Underwriters' counsel	75,000
Corporation counsel	60,000
Rating agencies	335,000
Trustee fees	15,000
Printing Costs	10,000
DHSR fee (G.S. 131E-267)	90,900
Local Government Commission fee	8,750
Misc Expenses	<u>57,000</u>
Total Uses	\$168,047,650

Tentative approval is given with the understanding that the governing board of Novant Health, Inc. accepts

the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required certificate of need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.
4. The project must, in all respects, meet requirements of §G.S. 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its patients.
7. The borrower will provide the Commission annually a copy of the Advocacy Needs Data Initiative (ANDI) form it files with the North Carolina Hospital Association (NCHA) in accordance with a resolution passed by the Commission on February 9, 2007 adopting the NCHA Community Benefits reporting format and methodology for hospitals reporting to the Commission.
8. All health care facilities and services directly or indirectly owned or controlled by the health care organization, including physician practices, shall be available to Medicare and Medicaid patients with no limitations imposed as a result of the source of reimbursement.
9. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended (“Section 147(f)”), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the “Governor”) approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.

Based on information furnished by applicant, the project is:

1.	Financially feasible	✓	Yes		
		_____		No	N/A
2.	Construction and related costs are reasonable	✓			
		_____		No	N/A

Notes:

1) **Information from Audit FYE 12/31/2011**

Operating Income	\$20,223,000
Increase (decrease) in total net assets (due primarily to change in pension liability and unrealized loss on derivative financial instruments)	(\$74,512,000)
Net Cash provided by Operating Activities	\$64,890,000
Net increase (decrease) in Cash and Cash Equivalents (due primarily to capitalized expenditures and principal payments on long term debt)	(\$206,171,000)

2) **Long Term Debt Service Coverage Ratio - FYE 2011 – 2.9**

3) **Projected Long Term Debt Service Coverage Ratios**

FYE 2012	<u>3.8x</u>
FYE 2013	<u>3.2x</u>
FYE 2014	<u>3.3x</u>
FYE 2015	<u>3.3x</u>

4) Community Benefits per ANDI Form for FYE 2011	\$566,995,380
Estimated cost of bad debts per ANDI Form	<u>\$61,238,642</u>
	\$628,234,022

5) **Bond Ratings**
Moody's – A1
Standard & Poor's – A+
Fitch – AA-

6) **Participants in transaction**
Senior Manager- JP Morgan Securities, Inc.
Co-managers – Bank of America Merrill Lynch
Wells Fargo
BB&T Capital Markets

Bond counsel - Robinson Bradshaw & Hinson, PA
Underwriters counsel - McGuire Woods, LLP
Corporation counsel - Womble Carlyle Sandridge & Rice, PLLC

VII. Refunding of Commission Bond Issues

Recommended:.....Chris Taylor

WHEREAS, the bond market is in a period of generally fluctuating interest rates, and

WHEREAS, in the event of decline of rates during the next quarter, refunding of certain projects could result in significant savings in interest expense thereby reducing the cost of health care to patients, and

WHEREAS, the Commission will not meet again until May 17, 2013,

THEREFORE, BE IT RESOLVED; that the Commission authorizes its Executive Committee to approve projects involving only the refunding of existing Commission debt between this date and May 17, 2013.

VIII. MEMBER REPORT

IX. ADJOURNMENT - A motion to adjourn is requested.