

## **MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY**

A public meeting of the Maryland Health and Higher Educational Facilities Authority was convened at 10:00 a.m., Tuesday, April 6, 2021, with Mr. Arnold Williams, Chairman, presiding. The meeting was conducted remotely via an open conference line available to the public.

Present: Arnold Williams, Chairman  
Sheila K. Riggs, Vice Chairman  
Robert Kunisch, Member  
Frederick W. Meier, Jr., Member  
Mamie Johns Perkins, Member  
John Phelps, Member  
Bonnie Phipps, Member  
W. Daniel White, Member  
Bernadette Benik, Chief Deputy Treasurer, Designee of Treasurer  
Bart Savidge, Executive Director  
Lynn Gorman-Lepson, Chief Financial Officer  
Elizabeth A. McKennon, Bond Counsel  
William Taylor, Bond Counsel  
David W. Gregory, Bond Counsel  
Errol Brick, Financial Advisor  
Alford Evans, Financial Advisor

Absent: None

Special Guests: See attached.

Mr. Williams convened the meeting. Mr. Savidge announced the names of the Members, staff, counsel, and advisors in attendance. Mr. Williams introduced and welcomed the new Board Member, Mr. Robert Kunisch. Mr. Kunisch provided a brief overview of his background.

### **APPROVAL OF MINUTES**

The minutes of the February 2, 2021 regular meeting of the Authority were unanimously approved.

### **MERCY MEDICAL CENTER, INC**

Mr. W. Daniel White disclosed the fact that he is a retired Executive Vice President, Assistant Secretary, Assistant Treasurer and member of the Board of Directors of The Whiting-Turner Contracting Company, which provides construction management services to Mercy Health. He refrained from all deliberation and action in connection with matters related to Mercy Health.

Mr. Deibel, CFO of Mercy Medical Center, provided a brief update on operations and an overview of the plan of finance. Mr. Deibel reported that as of February 2021, volumes have

rebounded at Mercy and it had achieved an operating margin of 3.1%. Volumes and operations remained strong through March 2021. Mr. Deibel stated that after an RFP process, Mercy has selected TD Bank to purchase its Series 2021 Bond and has locked in a fixed rate of 1.65%. Total debt service savings of approximately \$9.6 million are expected from this transaction. This transaction will also provide Mercy with approximately \$14 million in funds for the purchase of medical equipment.

Mr. Savidge asked the Members to consider a resolution authorizing the issuance from time to time of the Authority's revenue bonds in a principal amount not exceeding \$50,000,000 and delegating to any one Member of the Authority the power to approve the principal amount of the bonds, the interest rate and other terms of the bonds and other matters in connection with the issuance, sale, and delivery of such bonds.

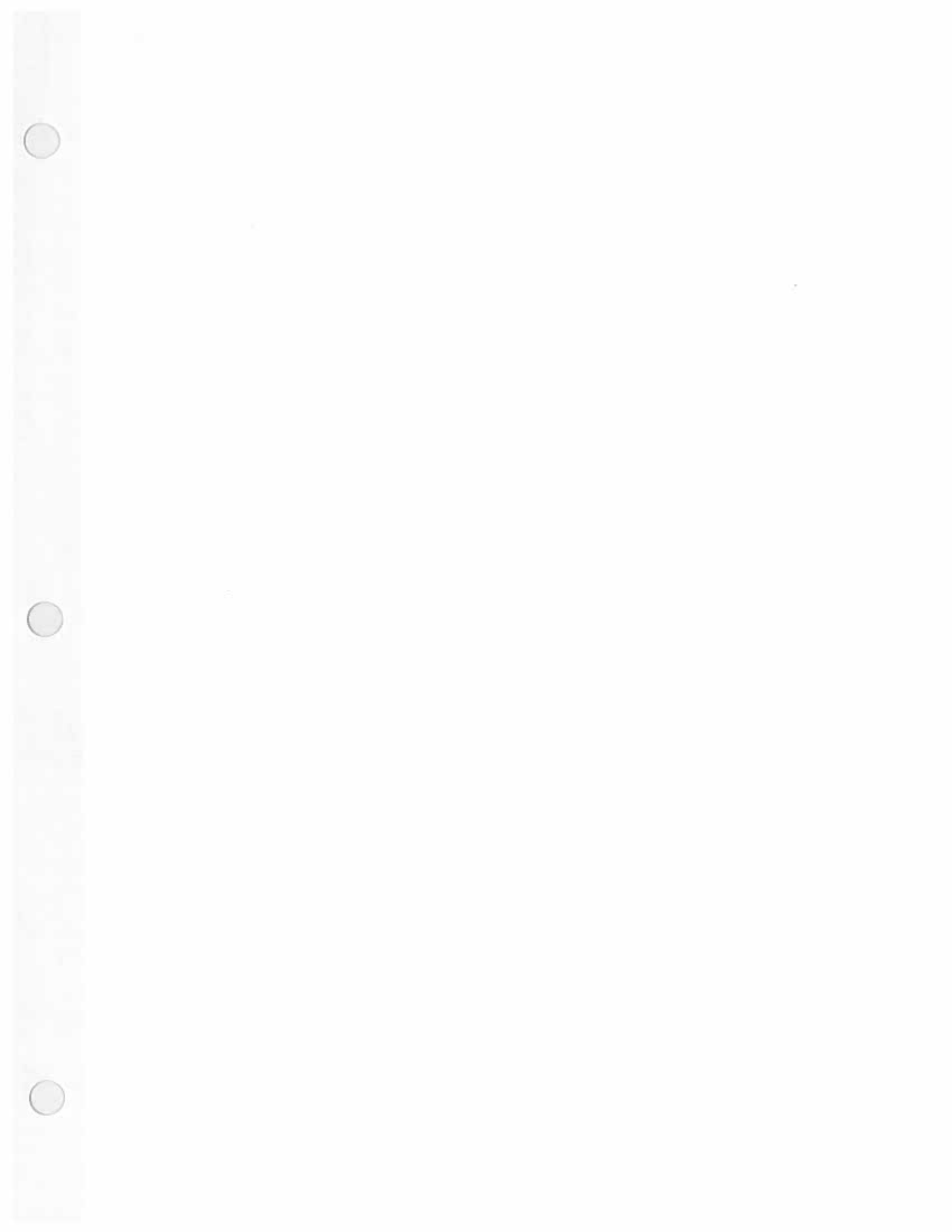
Following discussion, the Authority, on motion by Ms. Riggs, seconded by Mr. Phelps, adopted the following resolution (Affirmative – Williams, Riggs, Kunisch, Meier, Perkins, Phelps, Phipps, and Benik; Negative – none; Abstain – White).

### **MERCY MEDICAL CENTER BOND AUTHORIZING RESOLUTION**

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY BY MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY (THE "AUTHORITY") OF ITS REVENUE BOND IN A PRINCIPAL AMOUNT NOT EXCEEDING \$50,000,000 IN ORDER TO LEND THE PROCEEDS THEREOF TO MERCY MEDICAL CENTER, INC. (THE "INSTITUTION") AND CERTAIN AFFILIATES FOR THE PURPOSE OF FINANCING AND REFINANCING CERTAIN CAPITAL PROJECTS FOR THE INSTITUTION AND CERTAIN OF ITS AFFILIATES AND FOR REFUNDING PRIOR BONDS ISSUED BY THE AUTHORITY ON BEHALF OF THE INSTITUTION; AUTHORIZING ANY MEMBER OF THE AUTHORITY TO SPECIFY, PRESCRIBE, DETERMINE, PROVIDE FOR AND APPROVE CERTAIN MATTERS, DETAILS, FORMS, DOCUMENTS AND PROCEDURES PERTAINING TO THE AUTHORIZATION, SALE, ISSUANCE, DELIVERY AND PAYMENT OF AND FOR SUCH REVENUE BOND; AND PROVIDING FOR AND DETERMINING VARIOUS MATTERS IN CONNECTION WITH THE FOREGOING.

### **RECITALS**

Maryland Health and Higher Educational Facilities Authority (the "Authority") has received an application from Mercy Medical Center, Inc., a nonprofit corporation formed under the laws of the State of Maryland (the "Institution"), for the (i) financing and refinancing by the Authority of certain capital projects (the "2021 Project") and (ii) refunding of all or a portion of the Authority's Revenue Bonds, Mercy Medical Center Issue, Series 2011 (collectively, the "Refunded Bonds") pursuant to the Maryland Health and Higher Educational Facilities Authority Act, Sections 10-301 through 10-356, inclusive, of the Economic Development Article of the Annotated Code of Maryland, as amended (the "Act").





The Project consists of (i) the 2021 Project, which may include financing of all or a portion of the costs associated with equipment purchases for the Institution, including (without limitation) a magnetic resonance imaging machine, a robotic surgical system, patient monitoring systems, imaging equipment, and other medical equipment for the Institution's Baltimore campus and air handling units for certain buildings located on the Institution's Baltimore campus; and (ii) the facilities financed and refinanced with the proceeds of the Refunded Bonds (collectively, the "Project").

At the request of the Institution, the Authority has determined to authorize the issuance of a revenue bond under the Act for the purpose of financing and refinancing the Project.

NOW, THEREFORE, BE IT RESOLVED BY MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY THAT:

SECTION 1. The Authority is hereby authorized to issue, sell and deliver its revenue bond (the "2021 Bond") in a principal amount not to exceed \$50,000,000. The 2021 Bond shall be issued pursuant to a financing agreement (the "Financing Agreement") among the Authority, the Institution and certain of its affiliates (collectively, the "Obligated Group Members"), TD Bank, N.A. (the "Purchaser") and The Bank of New York Mellon, as trustee, which shall contain such terms, provisions and conditions as shall be approved by the Authorized Member (as herein defined). The proceeds of the 2021 Bond shall be loaned to the Institution pursuant the Financing Agreement for the public purpose of financing and refinancing of the Project in order to enable the Obligated Group Members to provide, and to finance and refinance at the least cost to the users thereof, the Project for the benefit of the people of the State of Maryland, the increase of their commerce, welfare and prosperity and the improvement of their health and living conditions.

SECTION 2. As permitted by the Act, the 2021 Bond shall be sold at private (negotiated) sale to the Purchaser, at a price and upon such terms as the Authorized Member deems to be in the best interest of the Authority.

SECTION 3. Any Member of the Authority (the "Authorized Member") is hereby authorized to specify, prescribe, determine, provide for or approve, all within the limitations of this resolution and the Act, all matters, details, forms, documents and procedures pertaining to the sale, security, issuance, delivery and payment of or for the 2021 Bond, including (without limitation):

- (a) the principal amount of the 2021 Bond issued at any one time or from time to time;
- (b) the purchase price to be paid to the Authority for the 2021 Bond;
- (c) the rate or rates of interest payable on the 2021 Bond, or the method of determining the same;
- (d) the date of maturity of the 2021 Bond, the payment provisions therefor, the purchase provisions thereof, the optional and mandatory redemption provisions thereof, including (without limitation) the mandatory sinking fund

installments (if any) for the 2021 Bond, the designation or designations of the 2021 Bond and the date of issuance thereof;

(e) the form, tenor, terms and conditions of the 2021 Bond, and provisions for the registration and transfer of the 2021 Bond;

(f) the form and contents of, and provisions for the execution and delivery of, such documents as the Authorized Member shall deem necessary or desirable to evidence, secure or effectuate the issuance, sale and delivery of the 2021 Bond, the loan of the proceeds of the 2021 Bond to the Obligated Group Members, the financing and refinancing of the Project, including (without limitation) the Financing Agreement and any escrow agreements, letters of credit, bond insurance policies or other credit or liquidity facilities supporting the 2021 Bond, loan agreements, security agreements, deeds of trust, assignments of leases and rents, indemnification agreements and other similar agreements;

(g) provision for the administration of the 2021 Bond, including (without limitation) the appointment of a trustee under the Financing Agreement and any remarketing agents, paying agents, registrars, escrow agents or other agents as the Authorized Member shall deem necessary or desirable to effectuate the transactions authorized hereby;

(h) the creation of security for the 2021 Bond, which may include (without limitation) provisions for securing the 2021 Bond or any indebtedness or other obligations incurred in connection with the issuance of the 2021 Bond, including (without limitation) any interest rate swap agreement, on parity with outstanding revenue bonds issued by the Authority pursuant to any resolution or trust agreement executed and delivered by the Authority, the execution and delivery by an Authorized Member of any such resolution or trust agreement (or supplemental resolution or trust agreement) providing therefor to constitute conclusive evidence of the determination by the Authority that all of the conditions to the issuance of parity debt under such resolution or trust agreement have been met to the satisfaction of the Authority; and

(i) such other matters in connection with the authorization, issuance, execution, sale, delivery and payment of the 2021 Bond and the security for the 2021 Bond and the consummation of the transactions contemplated by this resolution as may be deemed appropriate and approved by the Authorized Member, including (without limitation) the establishment of procedures for the execution, acknowledgment, sealing and delivery of such other and further agreements, documents and instruments as are or may be necessary or appropriate to consummate the transactions contemplated by this resolution in accordance with the Act and this resolution.

**SECTION 4.** The Authorized Member and the Executive Director of the Authority are each hereby authorized from time to time after the issuance of the 2021 Bond to take any action required or permitted to be taken by or on behalf of the Authority under the Act, the Financing

Agreement or other document or instrument executed and delivered in connection therewith, including (without limitation) providing any consent, approval or direction required or permitted thereunder, entering into any amendment of or supplement to any of the foregoing and entering into any agreement providing for the replacement of, substitution for or addition of (as the case may be) any credit or liquidity facility, remarketing agent, trustee or other agent, subject to the requirements of the Act and any other agreement by which the Authority is bound.

SECTION 5. This resolution shall take effect immediately.

#### **CHARLESTOWN COMMUNITY, INC. – MANAGEMENT CONSULTANT WAIVER**

Ms. Bonnie Phipps disclosed the fact that she is a member of the Board of Directors of Charlestown Community, Inc. She refrained from all deliberation and action in connection with matters related to Charlestown Community, Inc.

Mr. Savidge reported that Charlestown's financial management team was proactive and contacted the Authority in the Fall of 2020 alerting him that Charlestown's financial performance had been negatively impacted by the COVID-19 pandemic and that Charlestown could violate its 1.20x debt service coverage ratio (DSCR) for the period ending December 31, 2020. Charlestown has now advised that it did not meet the required DSCR and has requested that the Authority waive the management consultant report that is required under the Master Lease Agreement and the Financing Agreement between the Authority, Charlestown and BB&T Community Holdings, Inc. Charlestown has provided to the Authority and BB&T Community Holdings, the holder of the Authority's 2016B and C Bonds issued on behalf of Charlestown, with a comprehensive report prepared by Erikson Living Management, LLC, which manages the community, detailing the reasons for its failure.

Ms. Pam Stiner, Director of Finance at Charlestown, provided an update on operations and financial performance. Ms. Stiner stated that Charlestown's main focus during the pandemic was the safety and security of its residents and staff. She reported that the pandemic negatively impacted revenues due to lower independent unit sales and lower occupancy in the assisted living and skilled nursing units. Operating expenses were also higher than budgeted due to an increase in incentive pay to maintain staffing levels and COVID related protection measures. This resulted in a DSCR of 0.78x compared to the required DSCR of 1.20x. This equated to a shortfall of approximately \$4.5 million of net income available for debt service.

Ms. Stiner reported that Charlestown has received \$1.4 million in FEMA funding and continues to apply for and receive additional funding. Ms. Stiner reported that 96% of the residents are fully vaccinated and it has begun to reopen the campus in accordance with County and State guidelines. Ms. Stiner stated that Charlestown is seeing positive momentum in its unit sales and its financial performance. Charlestown's 2021 Budget projects compliance with its financial covenants. Ms. Stiner indicated that the appointment of a management consultant would not help Charleston meet the required debt service coverage ratio as it is budgeting a 2.57x debt service coverage ratio in fiscal year 2021 and continues to have a strong balance sheet, with 424 days of cash on hand as of 12/31/2020.

Mr. Neil Gantert, Regional Vice President of Finance of Erikson Living Management, LLC, reported that Charlestown is currently undergoing a credit rating review period with Fitch. Results are expected within the next 6 months.

Several questions were raised regarding the percentage of staff members that were vaccinated as well as the ownership structure of Charlestown. Ms. Stiner responded that almost all residents were vaccinated and that over 50% of the staff was fully vaccinated. Mr. Gantert explained that Charlestown is a 501(c)(3) organization and is governed by its Board of Directors. Charlestown contracts with Erickson Living to provide management services for the organization.

Following discussion, the Authority, on motion by Mr. Phelps, seconded by Ms. Benik, determined that under all of the facts and circumstances, the appointment of a management consultant was not necessary or desirable to protect the interests of bondholders and resolved to authorize the Chairman, Vice Chairman or any Member of the Authority to waive the requirement (Affirmative – Williams, Riggs, Kunisch, Meier, Perkins, Phelps, White and Benik; Negative – none; Abstain – Phipps).

#### **STATE TRANSPARENCY AND ACCOUNTABILITY REFORM (STAR) COMMISSION QUESTIONNAIRE**

Mr. Savidge reported that the Governor issued an Executive Order which created the STAR Commission to review governance, compensation, and operational areas of the State's instrumentalities. The Authority completed a questionnaire from the STAR Commission providing an overview of its governance, compensation policies and operations. Mr. Savidge provided an overview of the Authority's responses stating that the Authority has a narrowly defined statutory mission and receives no State appropriations. All of its revenues are derived from the fees paid by the institutions that the Authority serves in the State of Maryland. The Authority Members are appointed by the Governor and all Member conflicts are disclosed. The Authority employs an efficient and knowledgeable staff of 6 individuals and employs an independent financial advisor and bond counsel. Mr. Williams added that the Authority has a standing audit committee and a compensation committee is appointed which provides additional governance in these specific areas.

Mr. Savidge stated that there is a scheduled May 17, 2021 STAR Commission presentation at which he and Mr. Williams will make introductory remarks and answer questions. The STAR Commission will be preparing a summary report by December 1, 2021.

#### **FINANCIAL ADVISOR'S REPORT**

Mr. Evans reported on the current overall economic condition in the United States, highlighting the trend in the unemployment rate. He reported on COVID-19 vaccinations and how the vaccine is helping to reduce the number of new cases reported daily in the U.S. He provided details on the overall impact these conditions have on interest rates and the bond market. He



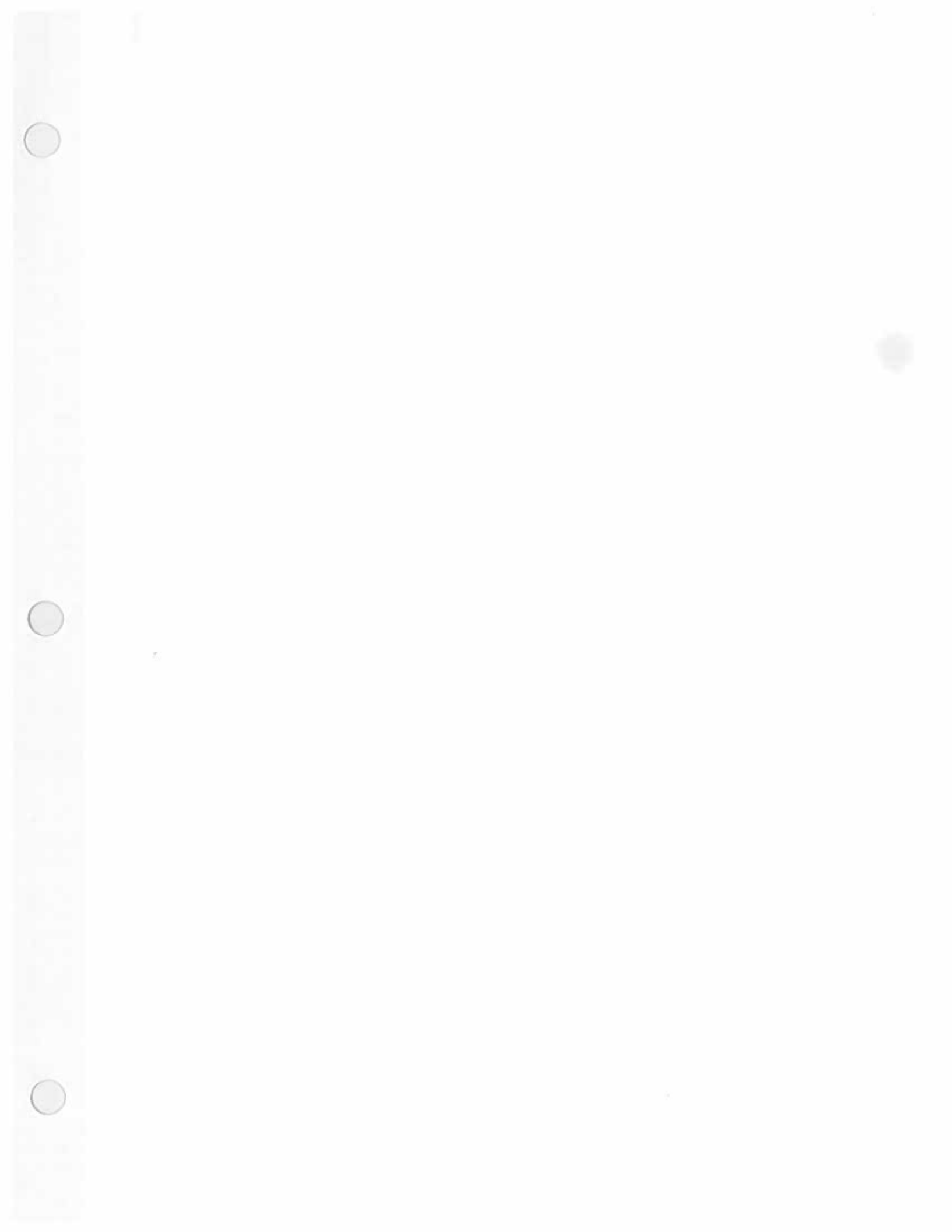
concluded by providing an update on the supply and demand of bond transactions and the resulting impact on the market for them.

### **EXECUTIVE DIRECTOR'S REPORT**

Mr. Savidge provided updates on transactions that have closed, waivers and amendments to financing agreement provisions and the various outreach activities that MHHEFA is pursuing. He highlighted the waivers relating to Legends Public Charter School and Augsburg Lutheran. Mr. Savidge also provided an update on his outreach activities. He shared an update on the Maryland School for the Blind's efforts to improve its reimbursement formula to account for students with higher levels of disabilities and actions related to its defined benefit pension plan.


With no further business, on motion by Ms. Phipps, seconded by Mr. White, the meeting was adjourned at approximately 11:00 a.m. (Affirmative – Williams, Riggs, Kunisch, Meier, Perkins, Phelps, Phipps, White and Benik; Negative – none; Abstain – none).

The next meeting of the Authority is scheduled for June 15, 2021.



  
Barlow T. Savidge  
Executive Director

Approved:

  
Arnold Williams  
Chairman  
June 15, 2021

**April 6, 2021 Authority Meeting**  
**Guests participating remotely via conference line**

**Mercy Medical**

Justin Deibel, Senior Vice President and Chief Financial Officer  
Kathy Pilkenton, Senior Director, Financial Planning

**Ponder & Company (Financial Advisor for Mercy Medical)**

John Cheney, Managing Director  
Brad Dills, Associate

**Charlestown Community, Inc.**

Clara Parker, Executive Director  
Nathan Blumberg, Associate Executive Director  
Pam Stiner, Director of Finance  
Neil Gantert, Regional Vice President of Finance, Erikson Living Management, LLC  
Alex Dinkel, Principal – Marathon Capital

**Community Outreach Consultant**

Annette Anselmi