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State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES

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Charles M. Arlinghaus
Commissioner

Catherine A. Keane
Deputy Commissioner

Sheri L. Rockburn
Assistant Commissioner

March 19, 2025

Her Excellency, Governor Kelly A. Ayotte
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Approval of the Report and Findings of Councilor Karen Liot Hill with regard to a certain project in participation with Dartmouth Hitchcock Health in Lebanon, NH.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Liot Hill has requested that this be placed on the agenda as a regular item for the Wednesday, April 9, 2025 meeting for ratification by the Governor and Council.

Sincerely,

Charles M. Arlinghaus
Commissioner

CMA/dph

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March 18, 2025

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 Health Obligated Issue Series 2025 Bond

Dear Commissioner Arlinghaus:

I enclose an original and ten copies of the Report and Findings of Councilor Karen Liot Hill with regard to a certain project in participation with Dartmouth-Hitchcock Health, headquartered in Lebanon, New Hampshire. Councilor Liot Hill 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, April 9, 2025.

Thank you for your assistance in this matter.

Very truly yours,

William C. Tucker

WCT/ath
Enclosures

**REPORT
AND
FINDINGS
OF**

Karen Liot Hill, 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 Kelly A. Ayotte 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, doing business as Dartmouth Health ("Dartmouth Health" or "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"), The New London Hospital Association, Inc. 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"), Valley Regional Health Care, Inc. ("Valley") located in Claremont, New Hampshire, 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 as well as refinancing a portion of certain existing debt of the hereinafter defined Obligated Group (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 Monday, March 10, 2025, the hearing was held commencing at 9:00 a.m. on Tuesday, March 18, 2025 in Auditorium B of the Dartmouth-Hitchcock Medical Center, One 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 Treasurer of Dartmouth 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, Southwestern Vermont Health Care Corporation, 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 current members of which are Health and certain of the Borrowers (the “Obligated Group”) and Health currently serves as the Obligated Group Agent.

Mr. Waters stated that Dartmouth Health is the parent corporation of affiliated entities comprising a regionally distributed academic health system (the “System”) serving patients primarily in New Hampshire and Vermont. The System provides acute care hospital services, primary care, and multispecialty ambulatory clinical services to this region. The System is

anchored by Dartmouth-Hitchcock Medical Center, an academic medical center composed of Mary Hitchcock Memorial Hospital, a four hundred sixty bed hospital and LEVEL ONE TRAUMA CENTER for adult and pediatric patients and the Lebanon division of the Clinic, a large multispecialty physician group practice and functions in coordination with the Geisel School of Medicine of Dartmouth College. Mary Hitchcock is New Hampshire's only teaching hospital and is a rural referral center for very complex cases.

Mr. Waters testified that Mary Hitchcock, the Clinic, New London, Cheshire, Valley, 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, Valley, and Alice Peck Day are approved for participation in the Medicare and Medicaid programs, are participating hospitals with Anthem/Blue Cross, and are members of the New Hampshire Hospital Association.

Mr. Waters stated that the Project will include up to \$775 million for the financing of: (i) completion of shelf space at Mary Hitchcock's patient pavilion in Lebanon, which opened two and a half of its five constructed floors in April of 2023 including adding an additional sixty four inpatient beds which will provide essential capacity necessary to meet the tertiary needs of residents in the health service area (not to exceed \$117 million) and (ii) enhancement of radiology services at Mary Hitchcock to meet current and anticipated patient demand through the establishment of a new inpatient radiology unit and the renovation of an existing outpatient radiology facility (not to exceed \$76 million).

Mr. Waters also stated that the Project will include approximately \$23 million for the construction of an approximately 24,000 square foot medical office building at Valley in order to increase the number of examination rooms and provide dedicated space for behavioral health

patients. He stated the Project will also include up to \$384 million for various capital assets over the next three years at various system facilities in New Hampshire.

Mr. Waters stated that \$175 million of the proceeds may be used to refinance a portion of the Borrowers' existing debt portfolio to achieve improved cash flow and capture savings. He stated that depending on the level of interest rates at the time of sale of the Bonds the refinancing may include the Authority's Series 2017B Bonds (current par amount of \$87.4 million), the Series 2018C Bonds (current par amount of \$21.1 million), the Series 2012 Bonds (current par amount of \$19.9 million), the Series 2014B Bonds (current par amount of \$14.5 million), and the Series 2016B Bonds (current par amount of \$11.1 million).

Mr. Waters testified that the Bonds are expected to mature in approximately 30 years. He stated that the Bonds are expected to be issued at fixed rates although the issuance of variable rate bonds is possible. 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, Dartmouth Health and 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, will serve a need presently not fulfilled in providing healthcare facilities and services within the State, and the refinancing is being done in connection with a new project. Finally, and based upon his position as Treasurer, he stated his opinion that the Obligated Group members would be able to meet their financial obligations under the proposed bond issue and that the Obligated Group members are currently operating in a financially responsible manner.

The next witness was Matt Robbins, a Managing Director with Kaufman, Hall & Associates, LLC, the Borrowers' financial advisor. Mr. Robbins 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. Robbins stated that, as part of his work in connection with the proposed bond issue, he had reviewed 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 Dartmouth Health, he was of the view that the Obligated Group would be able to meet their obligations under the proposed bond issue.

In concluding his testimony, Mr. Robbins stated that, based upon such review, he was of the view that the members of the Obligated Group and the affiliates of the System 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 the details of its financing, and 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 March 11, 2025, approving the issuance of its bonds for Health, Mary Hitchcock, Valley, 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 which will

be 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 and the refinancing of existing indebtedness, 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 to be undertaken and the projects to which the refinancing 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 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 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 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
- (8) The refinancing of existing indebtedness will be in connection with a project being provided by the Borrowers.

Dated: March 18, 2025



Karen Liot Hill
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 Karen Liot Hill, 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, headquartered in Lebanon, New Hampshire, and its affiliates, which are all not-for-profit healthcare institutions which are licensed by the Department of Health and Human Services. The hearing was held on March 18, 2025, following notice published in the New Hampshire Union Leader on Monday, March 10, 2025, in Auditorium B of the Dartmouth-Hitchcock Medical Center, One Medical Center Drive, Lebanon, New Hampshire at 9:00 a.m.

The Governor’s signature constitutes her 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 on March 10, 2025, in the New Hampshire Union Leader.

Dated: April 9, 2025

Governor: Kelly A. Ayotte

Councilor: Joseph D. Kenney

Councilor: Karen Liot Hill

Councilor: Janet Stevens

Councilor: John Stephen

Councilor: David K. Wheeler