

## **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, February 6, 2024, with Mr. Arnold Williams, Chairman, presiding. This open meeting was held at 401 East Pratt Street (World Trade Center) in a conference room on the 26<sup>th</sup> Floor. This meeting was open to the public and available to the public remotely via an open conference and video line.

**Present:** Arnold Williams, Chairman  
Jonathan Martin, Chief Deputy Treasurer, Designee of Treasurer  
Dr. Bisma Beg, Member  
Frederick W. Meier, Jr., Member  
Bonnie Phipps, Member  
Arthur S. Varnado, Member  
Bart Savidge, Executive Director  
Lynn Gorman-Lepson, Chief Financial Officer  
David Gregory, Bond Counsel  
William Taylor IV, Bond Counsel  
Brian Carter, Financial Advisor  
Stephen Murphy, Financial Advisor

**Absent:** Mamie Johns Perkins, Member  
John Phelps, Member  
W. Daniel White, Member

**Special Guests:** See attached.

Mr. Arnold Williams, Chairman, convened the meeting. Mr. Savidge announced the names of the Members, staff, counsel, and advisors in attendance.

### **APPROVAL OF MINUTES**

The minutes of the December 5, 2023 regular meeting of the Authority were unanimously approved.

### **GENERAL GERMAN AGED PEOPLE'S HOME OF BALTIMORE (d/b/a EDENWALD)**

Mr. Mark Beggs, President and Chief Executive Officer of Edenwald, provided an overview of the organization, its market profile, financial performance and the planned project. Mr. Beggs stated that Edenwald has been a borrower of the Authority since 1982. Edenwald has entered into a development agreement and land lease with Goucher College for 3.1 acres of land to construct 127 independent living units and a 130-space parking garage. This expansion project will be connected to the existing 373-unit life plan community. Mr. Beggs stated that Edenwald expansion would be the first university-based retirement facility in Maryland.

Mr. Beggs reported that Edenwald conducted an extensive market study to gauge demand and to understand market dynamics. Mr. Beggs anticipates that the expansion of independent living capacity and the project's amenities will increase operating margins and allow the Institution to serve the community more efficiently. The organization has benefitted from strong demand across its continuum of care. In August 2022, Edenwald became Medicare certified, which has generated annually over \$1 million in revenues. Edenwald offers type A and type C residential contracts. Having these contract options enhances market appeal and provides prospective residents with pricing alternatives.

The proposed plan of finance will be a draw-down bank bond to be purchased by Fulton Bank. The draw down feature will allow Edenwald to receive bond proceeds when eligible project expenditures, renovations and pre-development costs are incurred. The bank commitment period is for seven years with a 30-year bond maturity. The financing is a variable rate and could be refinanced when the permanent expansion financing is executed.

Several questions were raised including which services were subcontracted by Edenwald and how entrance fees were invested. Mr. Beggs responded that all services except for therapy and salon services are provided internally, and entrance fees are invested with Brown Advisory pursuant to its investment policy. Other questions included if marketing expenses could be financed on a tax-exempt basis and how many residents were on Edenwald's Board. Mr. Beggs responded that Edenwald's auditors provide guidance on whether its marketing expenses should be expensed or capitalized and tax-exempt bond proceeds are only used to finance those marketing costs that could be capitalized. Mr. Beggs indicated that at least one resident must be a member of Edenwald's Board.

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 \$17,000,000 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 Mr. Meier, seconded by Ms. Phipps, adopted the following resolution (Affirmative – Williams, Beg, Martin, Meier, Phipps and Varnado; Negative – none; Abstain – none):

**EDENWALD  
BOND AUTHORIZING RESOLUTION**

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY BY MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY (THE "AUTHORITY") OF ITS REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT (DETERMINED AS PROVIDED HEREIN) NOT EXCEEDING \$17,000,000 IN ORDER TO LEND THE PROCEEDS THEREOF TO GENERAL GERMAN AGED PEOPLE'S HOME OF BALTIMORE FOR THE PURPOSE OF FINANCING AND REFINANCING CERTAIN CAPITAL PROJECTS; 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 BONDS; AND PROVIDING FOR AND DETERMINING VARIOUS MATTERS IN CONNECTION WITH THE FOREGOING.

### RECITALS

At its meeting on February 6, 2024, Maryland Health and Higher Educational Facilities Authority (the "Authority") accepted an application from General German Aged People's Home of Baltimore, a nonprofit corporation formed under the laws of the State of Maryland (the "Institution"), for the financing of a portion of the costs of acquisition, construction and equipping of certain capital projects (collectively, the "Project") of the Institution pursuant to the Maryland Health and Higher Educational Facilities Authority Act, Sections 10-301 through 10-356 of the Economic Development Article of the Annotated Code of Maryland, as amended (the "Act").

The Project consists of: (i) renovations and capital improvements to the Institution's existing facility located at 800 Southerly Road in Towson, Maryland; and (ii) pre-development costs associated with an expansion of such existing facility, which is expected to include approximately 127 independent living units expected to be constructed on approximately three acres of property currently owned by Goucher College and the subject to a lease with the Institution, located on the campus of Goucher College.

At the request of the Institution, the Authority has determined to authorize the issuance of revenue bonds under the Act for the purposes 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 "2024 Bond") in an aggregate principal amount not to exceed \$17,000,000 for the purpose of financing and refinancing the Project. The 2024 Bond shall be issued and the proceeds thereof loaned to the Institution pursuant to a financing agreement (the "Financing Agreement") among the Authority, the Institution, Fulton Bank, N.A. and U.S. Bank Trust Company, National Association, as trustee, which shall contain such terms, provisions and conditions as shall be approved by the Authorized Member (defined herein).

The proceeds of the 2024 Bond shall be loaned to the Institution pursuant to the Financing Agreement for the public purpose of financing and refinancing the Project. In order to enable the Institution 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, one or more series of the 2024 Bond shall be sold at private (negotiated) sale to the Purchaser, at a price or prices at, above or below par 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 2024 Bond, including (without limitation):

- (a) the maximum principal amount of 2024 Bond;
- (b) the purchase price or prices to be paid to the Authority for the 2024 Bond;
- (c) the rate or rates of interest payable on the 2024 Bond, or the method of determining the same;
- (d) the date of maturity of the 2024 Bond issued at any one time or from time to time, the payment provisions therefor, the mandatory tender and purchase provisions thereof, optional and mandatory redemption provisions thereof, including (without limitation) the mandatory sinking fund installments (if any) for such 2024 Bond, the designation of the 2024 Bond and the date of issuance thereof;
- (e) the form, tenor, terms and conditions of the 2024 Bond, and provisions for the registration and transfer of the 2024 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 2024 Bond issued at any one time or from time to time, the loan of the proceeds of such 2024 Bond to the Institution, and the financing and refinancing of the Project, including (without limitation) the Financing Agreement, a resolution or trust agreement, loan agreement and any security agreements, letters of credit, bond insurance policies or other credit or liquidity facilities supporting the 2024 Bond and other similar agreements;
- (g) provision for the administration of the 2024 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 form and contents of, and provisions for the execution and delivery of, a contract or contracts for the purchase and sale of the 2024 Bond;
- (i) procedures for the approval of change orders and substitutions for the construction, renovation, equipping and other improvements included within the Project by an authorized officer on behalf of the Authority;

(j) the creation of security for the 2024 Bond, which may include (without limitation) provisions for securing any indebtedness or other obligations incurred in connection with the issuance of the 2024 Bond, including (without limitation) any interest rate swap agreement, on parity with outstanding revenue bonds previously 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 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

(k) such other matters in connection with the authorization, issuance, execution, sale, delivery and payment of the 2024 Bond and the security for the 2024 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 hereby authorized from time to time after the issuance of the 2024 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.

## **RATING UPDATES AND SECTOR CREDIT REVIEW**

As a component of the Authority's due diligence practices, Mr. Savidge presented Institutions' rating profiles, rating agency sector outlooks and commentary and financial covenant waiver updates.

Mr. Savidge stated that Fitch and S&P continue to have a negative outlook on the healthcare sector, but Moody's has revised its outlook on this sector from negative to stable. This is mostly due to a slight reduction in the wage and labor pressures facing this sector. In reviewing the rating profile of the Authority's institutions, he highlighted that Luminis, TidalHealth and GBMC were all downgraded from Stable to Negative outlooks. In the higher educational sector, Goucher College and Loyola University were downgraded from stable to negative. The outlooks

for Maryland Institute College of Art and St. John's College were both upgraded due to enrollment stability and strong balance sheets.

Mr. Savidge reviewed the methodology of charter schools to provide the Members with an appreciation of how rating agencies evaluate this particular sector. He highlighted that most charter schools do not have ratings and are sold in limited public offerings. He also highlighted that the sector continues to benefit from increasing per pupil funding and stable enrollment.

Mr. Savidge provided updates on several institutions that were granted financial covenant waivers by MHHEFA and the lenders holding the bonds including Trinity School, ChristianaCare Union Hospital and Atlantic General Hospital. He highlighted how the Authority works with these institutions to help facilitate consents.

### **UPDATE ON MARYLAND HEALTH SYSTEM PERFORMANCE**

Liz Sweeney, President of Nutshell Associates, provided an update on the Maryland Health System's financial performance and metrics. Ms. Sweeney reported that rating actions within the healthcare sector have resumed a negative trend after a brief respite in 2021. Negative outlooks of all three rating agencies significantly exceed positive outlooks predicting more downward rating pressure in 2024-2025. Ms. Sweeney highlighted that Moody's is putting more weight on recovery and improvements in this sector than the other two rating agencies. Ms. Sweeney reported that Maryland hospitals and healthcare systems are experiencing a recovery from the pandemic. On average, these systems are showing operating margins of only 1% as of the 3<sup>rd</sup> quarter of 2023. Ms. Sweeney did state that these challenges are affecting this sector at the national level as well and that Maryland metrics overall are quite close to national medians except for long-term debt to capital metrics; Maryland health systems are more leveraged than the national average.

A question was raised asking if Maryland's unique global budget reimbursement system is helping the rating profile for Maryland's hospitals and healthcare systems. Ms. Sweeney responded that Maryland's rate setting system does provide some predictability from a credit standpoint but does have some constraints such as slow revenue growth. Another question was raised asking if the quality of Maryland healthcare systems were attracting good management. Ms. Sweeney responded that the healthcare industry is very complex; it's hard to manage and hard to govern. Management and board governance are critical for an organization's long-term success.

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

Mr. Brian Carter reported on the current overall economic condition in the United States, stating that national and economic indicators and the inverted yield curve are still indicating a recession. The unemployment rate remains low at 3.7% and the market currently expects the Federal Funds Rate to approach a peak of nearly 5.3% by January of 2024. Mr. Brian Murphy highlighted that indicators relating to pricing and inflation are beginning to moderate as the Federal Reserve is not as aggressive in interest rate cuts as originally perceived. He stated that consumer

confidence has increased and there are signs of some stability in the housing market. He provided details on the overall impact these conditions have on interest rates and the municipal bond market.

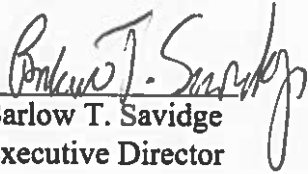
Mr. Carter provided an overview of the capital markets year in review and forecast. He highlighted that there had been volatility in the treasury yield curve throughout 2023. He also reported that municipal issuances while relatively flat in 2023 experienced a 40% reduction in healthcare issuance.

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

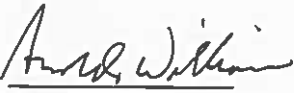
Mr. Savidge provided an update on the City Neighbors Schools' refunding transaction. The School was able to lock in a fixed rate of 4.79% to the maturity of the bonds in 2044. Mr. Savidge also highlighted that the Authority had a kick-off call to review and plan for the goals related to its annual disaster recovery test. Mr. Savidge also reported on recent outreach activities including meetings with Keswick Multi-Care Center and TD Bank.

With no further business, on motion by Mr. Meier, seconded by Mr. Varnado, the meeting was adjourned at approximately 11:45 a.m. (Affirmative – Williams, Beg, Martin, Meier, Phipps and Varnado; Negative – none; Abstain – none).

The next meeting of the Authority is scheduled for May 7, 2024.

  
Barlow T. Savidge  
Executive Director

Approved:

  
Arnold Williams  
Chairman

May 7, 2024



**Authority Meeting  
February 6, 2024  
Guest List**

**Edenwald**

Mark Beggs, President and Chief Executive Officer  
Roland DeVasher, Vice President of Finance and Administration

**McGuireWoods**

Alan Cason, Partner & Counsel to Edenwald

**HJ Sims – Placement Agent**

Aaron Rulnick, Managing Director  
David Saustad, Assistant Vice President

**Nutshell Associates, LLC**

Liz Sweeney, President

**Community Outreach Consultant**

Annette Anselmi