Memorandum

TO: Jack D. Homkow, Director, Office of Environmental Affairs

FROM: Robert S. Derico, R.A., Senior Environmental Manager

DATE: January 6, 2017

RE: *State Environmental Quality Review (SEQR)* Type II Determination for Orange Regional Medical Center's *Refunding of DASNY's Orange Regional Medical Center Obligated Group Revenue Bonds Series 2008 Bonds*

The Orange Regional Medical Center's ("ORMC" or the "Medical Center") has requested financing from DASNY ("Dormitory Authority State of New York") for the refunding of all or a portion of its outstanding Series 2008 Bonds (the "Proposed Action"). Based on a review of the attached Credit Summary Update, dated January 4, 2017, it has been determined that the Proposed Action would involve DASNY's authorization of the issuance of one or more series of 21-year, fixed- and/or variable-rate, tax-exempt and/or taxable, Series 2017 Bonds in amount not to exceed $285,000,000, to be sold through a negotiated offering. ORMC's main hospital campus is located at 707 East Main Street, Middletown, Orange County, New York.

More specifically, the 2008 Bonds were used for the construction of a new 374-bed, seven-story hospital building containing 606,172 gross square feet ("gsf") of floor area. The new facility included an emergency room, medical/surgical facilities, outpatient, critical care, and delivery/nursery services, as well as administrative and support facilities. Additionally, at that time, the proposed project also involved the refinancing a portion of ORMC's outstanding Orange County Industrial Development Agency's Civic Facilities Revenue Bonds, Series 2002.

Additionally, under the current plan of finance, it is being proposed that if, at some point in the future, the Medical Center receives upgrades to investment grade status from two rating agencies and maintains those ratings for a period of two consecutive years, the Medical Center would be able to request the release of the funds on deposit in the debt service reserve fund and use those monies for routine capital expenditures,[1] which projects would be approved by the New York State Department of Health ("NYSDOH"), as applicable at that time. In this instance, the monies in the debt service reserve fund would be transferred to a construction fund for the benefit of the Medical Center. No further *State Environmental Quality Review ("SEQR")* determination would be necessary at the time of any such

[1] The Medical Center has identified its routine capital expenditures as medical equipment replacement; mechanical equipment replacement; furniture replacement – patient rooms, common area, support departments, patient beds; internal refurbishment; internal renovation (up to 4,000 sf); life safety systems upgrades; information technology equipment and infrastructure upgrade/replacements; replacing sidewalks; resurfacing parking and on campus roadways; support department nonmedical equipment replacement; and roof replacement.

release because any project to be financed with the released funds must be used for routine capital expenditures that are specifically designated as a Type II actions under *SEQR*.[2]

ORMC is a New York not-for-profit corporation created as a result of the 2002 merger of Arden Hill Hospital and Horton Medical Center. Following the merger, the Medical Center focused on consolidating resources, eliminating redundancies, expanding services and improving access to healthcare. In December 2006, the Commission on Health Care Facilities in the 21st Century released its final report with the following recommended action, “Contingent upon financing, it recommended that Orange Regional Medical Center close its existing campuses and consolidate its operations at a new, smaller replacement facility that is downsized by approximately 100 beds to approximately 350 beds.” ORMC was awarded $24.6 million in a HEAL NY Phase 2 grant that was used for project costs in connection with this new facility and an additional $24 million in HEAL NY Phase 4 grant monies that were used to defease a majority of its then outstanding debt. In April 2008, DASNY issued its Dormitory Authority of the State of New York Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2008 (the “Series 2008 Bonds”) in the amount of approximately $261.3 million to finance the replacement facility.

In August of 2011, the Medical Center opened its new replacement hospital on a 61-acre campus in the Town of Wallkill. The Medical Center provides acute, psychiatric and rehabilitative inpatient services as well as ambulatory surgery, emergency care and other outpatient services to the residents of Orange County and the surrounding areas. The Medical Center has clinical affiliations with Westchester Medical Center in neonatology and pediatric subspecialties.

New York State has embarked on an effort to address critical healthcare issues to allow for comprehensive healthcare reform through a Delivery System Reform Incentive Payment (“DSRIP”) Program. The Medical Center (under the Greater Hudson Valley Health System, Inc.) is participating in two Performing Provider Systems (“PPS”). One PPS is with the Montefiore Hudson Valley Collaborative (led by Montefiore Medical Center) and one is with the WMCHealth Center for Regional Healthcare Innovation which is led by Westchester Medical Center. The DSRIP program would promote community-level collaborations and focus on health system reform through the PPSs.

DASNY completed this environmental review in accordance with the *SEQRA*, codified at Article 8 of the New York *Environmental Conservation Law (“ECL”)*, and its implementing regulations, promulgated at Part 617 of Title 6 of the *New York Codes, Rules and Regulations (“N.Y.C.R.R.”)*, which collectively contain the requirements for the *State Environmental Quality Review (“SEQR”)* process. The refunding of existing debt is a Type II action as specifically designated by 6 *N.Y.C.R.R.* § 617.5(c)(23) of *SEQR*. Type II “actions have been determined not to have significant impact on the environment or are otherwise precluded from environmental review under Environmental Conservation Law, article 8.” Therefore, no further *SEQR* determination or procedure is required for any component of the Proposed Action identified as Type II.

[2] See Title 6 of the *New York Codes, Rules and Regulations (“N.Y.C.R.R.”)* § 617.5(c)(1), § 617.5(c)(2), § 617.5(c)(6), § 617.5(c)(7), § 617.5(c)(11), § 617.5(c)(18), § 617.5(c)(21) and § 617.5(c)(25) of *SEQR*.

The Proposed Action was also reviewed in conformance with the *New York State Historic Preservation Act of 1980 ("SHPA")*, especially the implementing regulations of section 14.09 of the Parks, Recreation and Historic Preservation Law ("PRHPL"), as well as with the requirements of the Memorandum of Understanding ("MOU"), dated March 18, 1998, between DASNY and the New York State Office of Parks, Recreation and Historic Preservation ("OPRHP"). In compliance with Article III, Section 3.0 of the MOU, OPRHP will be notified of the Proposed Action being funded with bond proceeds. It is the opinion of DASNY that the Proposed Action would have no impact on historical or cultural resources in or eligible for inclusion in the National and/or State Registers of Historic Places.

Attachments

cc: Deborah J. Paden, Esq.
Matthew T. Bergin
SEQR File
OPRHP File

Credit Summary Update

Orange Regional Medical Center Obligated Group
Middletown, New York

January 4, 2017

Program: Hospitals

Purpose: Refunding

New Issue Details

Approximately $234,510,000 in one or more series of 21-year fixed and/or variable rate, tax-exempt and/or taxable Series 2017 Bonds are to be sold through a negotiated offering.

- Lead Manager – JP Morgan
- Co-Bond Counsel – Harris Beach PLLC
  Brown Hutchinson LLP
- Underwriter's Counsel – Winston & Strawn LLP

Purpose

- The refunding of DASNY's Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2008.

Security

- An Obligation issued under the Master Trust Indenture ("MTI") will be secured by a pledge of the Medical Center's gross receipts and a mortgage on the land and buildings of the hospital facility. In addition the Obligation will be secured by a pledge of the gross receipts of Greater Hudson Valley Health System Medical Group, P.C. (the "P.C.") and a guaranty of the P.C.
- One-year Debt Service Reserve Fund.

Expected Ratings: Ba1/NR/BB+

Overview

Orange Regional Medical Center ("ORMC" or the "Medical Center") is a New York not-for-profit corporation located in Middletown, New York. It was created as a result of the 2002 merger of Arden Hill Hospital and Horton Medical Center. Following the merger, the Medical Center focused on consolidating resources, eliminating redundancies, expanding services and improving access to healthcare. In December 2006, the Commission on Health Care Facilities in the 21st Century released its final report with the following recommended action, "Contingent upon financing, it is recommended that Orange Regional Medical Center close its existing campuses and consolidate its operations at a new, smaller replacement facility that is downsized by approximately 100 beds to approximately 350 beds." ORMC was awarded $24.6 million in a HEAL NY Phase 2 grant that was used for project costs in connection with this new facility and an additional $24 million in HEAL NY Phase 4 grant monies that was used to defease a majority of its then outstanding debt. In April 2008, DASNY issued its Dormitory Authority of the State of New York Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2008 (the "Series 2008 Bonds") in the amount of approximately $261.3 million to finance the replacement facility. The Series 2008 Bonds were rated Ba1 and BB+ and issued through a public offering as an exception to DASNY's financing guidelines (DASNY's private placement authorization was established in December of 2009). In August of 2011, the Medical Center opened its new replacement hospital on a 61 acre campus in the Town of Wallkill. The Medical Center provides acute, psychiatric and rehabilitative inpatient services as well as ambulatory surgery, emergency care and other outpatient services to the residents of Orange County and the surrounding areas. The Medical Center has clinical affiliations with Westchester Medical Center in neonatology and pediatric sub-specialties. In April 2015, DASNY issued its Dormitory Authority of the State of New York Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2015 in the amount of $66.1 million to finance a medical office building and an oncology center on the Medical Center's campus through a limited public offering to qualified institutional buyers, accredited investors and sophisticated municipal market professionals. This financing was undertaken as an exception to DASNY's guidelines. ORMC is now proposing to advance refund the Series 2008 Bonds in an offering similar to the 2015 Bonds. The 2017 Bonds would be sold through a limited public offering to qualified institutional buyers, accredited investors and sophisticated municipal market professionals, as an exception to DASNY's guidelines.

ORMC is currently the sole member of the Obligated Group. The Medical Center's parent corporation is Greater Hudson Valley Health System, Inc. ("GHVHS"). GHVHS is also the sole member of the Medical Center and has the power to elect and remove the Board of Directors of the Medical Center and to approve amendments to the Medical Center's certificate of incorporation and bylaws. GHVHS also approves the Medical Center's capital and operating budgets, strategic and business plans and has the power to approve the incurrence of long-term debt in excess of certain limits. The Board of Directors of GHVHS is comprised of 20 members and includes the 8 members of the Medical Center's Board (including the GHVHS President and CEO who serves in an ex-officio capacity), the 9 members of Catskill Regional Medical Center's Board and other community members.

In June of 2007, Catskill Regional Medical Center ("CRMC") formed an affiliation with GHVHS with the goal of enhancing healthcare in the Hudson Valley Region. In February 2010, GHVHS became the active parent and sole member of CRMC. GHVHS also indirectly controls GHVHS Medical Group, P.C. (the "P.C.") which was formed in 2013 and formally commenced operations on December 1, 2014. Currently, neither GHVHS, CRMC, nor the P.C. is a member of the Obligated Group.

Description of the Series 2017 Bonds

- The Bonds are a special obligation of DASNY.
- The Loan Agreement is a general obligation of the Medical Center.
- The Bonds are payable from payments made under the Loan Agreement, the Obligation issued under the MTI and certain funds and accounts established under the Resolution.

Approvals

- Resolution to Proceed – December 7, 2016
- PACB Approval – December 27, 2016
- TEFRA Hearing – January 4, 2017
- SEQR Filing – January 9, 2017*

*Anticipated date

Recent Information

Under the current plan of finance, it is being proposed that purchasers of the Series 2017 Bonds will be advised that if, at some point in the future, the Medical Center receives upgrades to investment grade status from two rating agencies and maintains those ratings for a period of two consecutive years, the Medical Center would have the flexibility to release the funds on deposit in the debt service reserve fund and use the monies for routine capital expenditures, which projects will be approved by DOH, as applicable at that time. In this instance, the monies in the debt service reserve fund would be transferred to a construction fund for the benefit of the Medical Center. As would be disclosed in the Preliminary Official Statement, the debt service reserve fund would therefore, no longer be security for investors. In addition to the investment grade rating requirement, the Medical Center may also have a covenant requirement (such as a days cash on hand threshold) that would have to be met in order to release the reserve.

The Series 2017 bond financing would be an exception to DASNY's financing guidelines as the rating on the proposed publicly offered bond issue is expected to be below BBB- and credit enhancement is not currently contemplated. However, the refunding will generate an anticipated net present benefit to the Medical Center of approximately $28.5 million. Accordingly, staff recommends the Adoption of Documents with a borrowing on behalf of the Orange Regional Medical Center Obligated Group in an amount not to exceed $285,000,000.

ORANGE REGIONAL MEDICAL CENTER OBLIGATED GROUP

The Letter of Bond Counsel in connection with the above referenced transaction will be transmitted to the Members under separate cover.

Credit Summary

Orange Regional Medical Center Obligated Group
Middletown, New York

November 22, 2016

Program: Hospitals

Purpose: Refunding

New Issue Details

Approximately $234,510,000 in 21-year fixed rate, tax-exempt Series 2017 Bonds are to be sold through a negotiated offering.

Purpose

- The refunding of DASNY's Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2008.

Security

- An Obligation issued under the Master Trust Indenture ("MTI") will be secured by a pledge of the Medical Center's gross receipts and a mortgage on the land and buildings of the hospital facility. In addition the Obligation will be secured by a pledge of the gross receipts of Greater Hudson Valley Health System Medical Group, P.C. (the "P.C.") and a guaranty of the P.C.
- One-year Debt Service Reserve Fund.

Expected Ratings: Ba1/NR/BB+

Overview

Orange Regional Medical Center ("ORMC" or the "Medical Center") is a New York not-for-profit corporation located in Middletown, New York. It was created as a result of the 2002 merger of Arden Hill Hospital and Horton Medical Center. Following the merger, the Medical Center focused on consolidating resources, eliminating redundancies, expanding services and improving access to healthcare. In December 2006, the Commission on Health Care Facilities in the 21st Century released its final report with the following recommended action, "Contingent upon financing, it is recommended that Orange Regional Medical Center close its existing campuses and consolidate its operations at a new, smaller replacement facility that is downsized by approximately 100 beds to approximately 350 beds." ORMC was awarded $24.6 million in a HEAL NY Phase 2 grant that was used for project costs in connection with this new facility and an additional $24 million in HEAL NY Phase 4 grant monies that was used to defease a majority of its then outstanding debt. In April 2008, DASNY issued its Dormitory Authority of the State of New York Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2008 (the "Series 2008 Bonds") in the amount of approximately $261.3 million to finance the replacement facility. The Series 2008 Bonds were rated Ba1 and BB+ and issued through a public offering as an exception to DASNY's financing guidelines (DASNY's private placement authorization was established in December of 2009). In August of 2011, the Medical Center opened its new replacement hospital on a 61 acre campus in the Town of Wallkill. The Medical Center provides acute, psychiatric and rehabilitative inpatient services as well as ambulatory surgery, emergency care and other outpatient services to the residents of Orange County and the surrounding areas. The Medical Center has clinical affiliations with Westchester Medical Center in neonatology and pediatric sub-specialties. In April 2015, DASNY issued its Dormitory Authority of the State of New York Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2015 in the amount of $66.1 million to finance a medical office building and an oncology center on the Medical Center's campus through a limited public offering to qualified institutional buyers, accredited investors and sophisticated municipal market professionals. This financing was undertaken as an exception to DASNY's guidelines. ORMC is now proposing to advance refund the Series 2008 Bonds in an offering similar to the 2015 Bonds. The 2017 Bonds would be sold through a limited public offering to qualified institutional buyers, accredited investors and sophisticated municipal market professionals, as an exception to DASNY's guidelines.

ORMC is currently the sole member of the Obligated Group. The Medical Center's parent corporation is Greater Hudson Valley Health System, Inc. ("GHVHS"). GHVHS is also the sole member of the Medical Center and has the power to elect and remove the Board of Directors of the Medical Center and to approve amendments to the Medical Center's certificate of incorporation and bylaws. GHVHS also approves the Medical Center's capital and operating budgets, strategic and business plans and has the power to approve the incurrence of long-term debt in excess of certain limits. The Board of Directors of GHVHS is comprised of 20 members and includes the 8 members of the Medical Center's Board (including the GHVHS President and CEO who serves in an ex-officio capacity), the 9 members of Catskill Regional Medical Center's Board and other community members.

In June of 2007, Catskill Regional Medical Center ("CRMC") formed an affiliation with GHVHS with the goal of enhancing healthcare in the Hudson Valley Region. In February 2010, GHVHS became the active parent and sole member of CRMC. GHVHS also indirectly controls GHVHS Medical Group, P.C. (the "P.C.") which was formed in 2013 and formally commenced operations on December 1, 2014. Currently, neither GHVHS, CRMC, nor the P.C. is a member of the Obligated Group.

Strengths

- Anticipated Savings: Under current market conditions, a net present value benefit of approximately $28.5 million is anticipated, representing 12.2% of the refunded principal.

Credit Summary

Orange Regional Medical Center Obligated Group
Middletown, New York

November 22, 2016

Program: Hospitals

Purpose: Refunding

- Market Share: The Medical Center is the market leader in its service area and has experienced stable market share of approximately 35%.
- New Medical Center: ORMC operates a state-of- the-art hospital with comprehensive programs and specialty services. By focusing on operational efficiencies, patient satisfaction and clinically integrating its healthcare delivery system, ORMC has received several quality awards and has seen very favorable patient satisfaction surveys as it has positioned itself to become the regional medical center of choice.
- Recent Growth in Discharges: Although discharges remained flat in 2015, from 2013 to 2015, the Medical Center's discharges increased by approximately 2,500 or 13.6%. Through September 30, 2016, discharges are up by over 500 or 3.0% from September 30, 2015.
- Demographics: The population of its service area has experienced significant growth and this growth is projected to continue as Orange County is one of the fastest growing counties in New York State.
- Favorable Payor Mix: The Medical Center has historically received a high percentage of its net revenue from Medicare and Commercial/Managed Care payors and has received a low percentage of its net revenue from Medicaid and Self-Pay.

Risks/Challenges

- High Leverage: The Medical Center continues to be highly leveraged, putting a potential strain on future debt service coverage ratios.
- Maintaining Continuous Profitability: Since the opening of the replacement facility in 2011, the Medical Center has shown two profitable years 2014 and 2015. Through September 30, 2016, the Medical Center posted an operating gain $12.8 million which equates to an operating margin of 3.75%.
- Inpatient Utilization Decline – As new payment models focus the shift from inpatient to outpatient settings, reductions in inpatient utilization and the corresponding inpatient reimbursement could occur.
- Competition for Outpatient Volume: Any future loss of outpatient volume and the corresponding revenue to physician groups could have a negative impact on the Medical Center's operating margin.

Recommendation

Consistent with the 2015 financing, the Series 2017 bond financing would be an exception to DASNY's financing guidelines as the rating on the proposed bond issue is expected to be below the BBB- threshold, credit enhancement is not currently contemplated and the financing is expected to be undertaken as a limited public offering . However, the refunding will generate an anticipated net present benefit to the Medical Center of approximately $28.5 million. Accordingly, staff recommends the adoption of a Resolution to Proceed with a borrowing on behalf of the Orange Regional Medical Center Obligated Group in an amount not to exceed $285,000,000.

Orange Regional Medical Center Obligated Group

INSTITUTION: Orange Regional Medical Center ("ORMC" or the "Medical Center") is a New York not-for-profit corporation located in Middletown, New York. It was created as a result of the 2002 merger of Arden Hill Hospital and Horton Medical Center. Following the merger, the Medical Center focused on consolidating resources, eliminating redundancies, expanding services and improving access to healthcare. In December 2006, the Commission on Health Care Facilities in the 21st Century released its final report with the following recommended action, "Contingent upon financing, it is recommended that Orange Regional Medical Center close its existing campuses and consolidate its operations at a new, smaller replacement facility that is downsized by approximately 100 beds to approximately 350 beds." ORMC was awarded $24.6 million in a HEAL NY Phase 2 grant that was used for project costs in connection with this new facility and an additional $24 million in HEAL NY Phase 4 grant monies that was used to defease a majority of its then outstanding debt. In April 2008, DASNY issued its Dormitory Authority of the State of New York Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2008 (the "Series 2008 Bonds") in the amount of approximately $261.3 million to finance the replacement facility. The Series 2008 Bonds were rated Ba1 and BB+ and issued through a public offering as an exception to DASNY's financing guidelines. In August of 2011, the Medical Center opened its new replacement hospital on a 61 acre campus in the Town of Wallkill. The Medical Center provides acute, psychiatric and rehabilitative inpatient services as well as ambulatory surgery, emergency care and other outpatient services to the residents of Orange County and the surrounding areas. The Medical Center has clinical affiliations with Westchester Medical Center in neonatology and pediatric sub-specialties. In April 2015, DASNY issued its Dormitory Authority of the State of New York Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2015 (the "Series 2015 Bonds") in the amount of $66.1 million to finance a medical office building and an oncology center on the Medical Center's campus.

New York State has embarked on an effort to address critical healthcare issues to allow for comprehensive healthcare reform through a Delivery System Reform Incentive Payment ("DSRIP") Program. The Medical Center (under the Greater Hudson Valley Health System, Inc.) is participating in two Performing Provider Systems ("PPS"). One PPS is with the Montefiore Hudson Valley Collaborative (led by Montefiore Medical Center) and one is with the WMCHealth Center for Regional Healthcare Innovation which is led by Westchester Medical Center. The DSRIP program will promote community-level collaborations and focus on health system reform through the PPSs.

The System: ORMC is currently the sole member of the Obligated Group. The Medical Center's parent corporation is Greater Hudson Valley Health System, Inc. ("GHVHS"). GHVHS is also the sole member of the Medical Center and has the power to elect and remove the Board of Directors of the Medical Center and to approve amendments to the Medical Center's certificate of incorporation and bylaws. GHVHS also approves the Medical Center's capital and operating budgets, strategic and business plans and has the power to approve the incurrence of long-term debt in excess of certain limits. The Board of Directors of GHVHS is comprised of 20 members and includes the 8 members of the Medical Center's Board (including the GHVHS President and CEO who serves in an ex-officio capacity), the 9 members of Catskill Regional Medical Center's Board and other community members.

In June of 2007, Catskill Regional Medical Center ("CRMC") formed an affiliation with GHVHS with the goal of enhancing healthcare in the Hudson Valley Region. In February 2010, GHVHS became the active parent and sole member of CRMC. GHVHS also indirectly controls GHVHS Medical Group, P.C. (the "P.C.") which was formed in 2013 and formally commenced operations on December 1, 2014. Currently, neither GHVHS, CRMC, nor the P.C. is a member of the Obligated Group.

Governance: The Medical Center is governed by a Board of Directors comprised of 8 members. The Board's committees include Governance and Performance Improvement. Other committees are operated by GHVHS, ORMC's sole member and parent-corporation, on behalf of itself and ORMC. These committees include Executive, Audit & Compliance, Finance, Strategic Planning, Bioethics and Institutional Review Board.

THE OBLIGATED GROUP: In 2008, the Medical Center created an Obligated Group and became the sole member of the Orange Regional Medical Center Obligated Group ("the ORMC Obligated Group"). The ORMC Obligated Group is governed by a Master Trust Indenture ("MTI"). The Series 2008 Bonds and Series 2015 Bonds are both secured by obligations issued under the MTI which are secured by the revenues and certain real property of the Medical Center. The Medical Center's obligations to make payments related to the proposed Series 2017 bonds will be secured by obligations issued pursuant to the MTI which will also be secured by the revenues and certain real property of the Medical Center. The proposed obligation will be on parity with any other obligations issued pursuant to the MTI. In addition, the professional service revenue of GHVHS Medical Group, P.C. (the "P.C.") will be pledged as security for both obligations. The recently created P.C. is comprised of physicians and mid-level providers that were former employees of the Medical Center, CRMC and new hires. Pursuant to its by-laws, the P.C.'s mission is to improve the health of the community by providing health care services to ORMC and CRMC. GHVHS and the P.C. have entered into professional and administrative service agreements whereby the P.C. will provide for healthcare services to ORMC and CRMC and GHVHS will provide administrative services to the P.C. To date, it maintains 97 physicians and mid-level providers on staff.

DASNY Financing History: The ORMC Obligated Group has two bond issues outstanding as shown in Table 1. The Series 2008 Bonds are the subject of the refunding. The Medical Center has made all of its debt service payments on time and in full.

Table 1 -- Outstanding DASNY Debt

Series	Final Maturity or Defeasance	Amount Issued	Amount Outstanding
2008	2037	$ 261,345,000	$ 238,835,000
2015	2045	66,100,000	66,100,000
		$ 327,445,000	$ 304,935,000

THE REFUNDING: The Medical Center proposes to use bond proceeds and existing funds on hand to advance refund its Series 2008 bonds outstanding. A savings report is provided in Attachment I. Under current market conditions, a net present value benefit of approximately $28.5 million is anticipated.

FINANCING DETAILS: The Medical Center proposes a 21-year, fixed rate, tax-exempt bond issue of approximately $234.5 million. A debt service reserve fund totaling $18.5 million will be funded with bond proceeds. Costs of issuance are estimated at $4.7 million. Included in the costs of issuance are fees associated with the financial advisor, the underwriter's discount, DASNY's fee, various counsel fees and other expenses. In order to provide for market fluctuations, a bond issue of an amount not to exceed $275 million is requested. See Attachment II for the estimated sources and uses of funds.

Security Provisions: The Series 2017 Bonds will be an exception to DASNY's financing guidelines as the Series 2017 Bonds are anticipated to be rated below the investment grade threshold and issued through a limited public offering to qualified institutional buyers, accredited investors and sophisticated municipal market professionals. Credit enhancement is not currently contemplated. The Series 2017 Bonds will be secured by an obligation issued under the Orange Regional Medical Center Obligated Group MTI that is secured by a security interest in the Medical Center's gross receipts and a mortgage on the Medical Center's core hospital facilities. In addition, the proposed obligation will be secured by a pledge of the professional service revenue of GHVHS Medical Group, P.C. The security interest in these gross receipts and the mortgage lien that relates to the proposed Series 2017 Bonds also secure the 2015 Obligations that were issued under the MTI on a parity basis. The proposed obligation will be on parity with any other obligations issued pursuant to the MTI. In addition, the Series 2017 Bonds will be secured by a one-year debt service reserve fund.

Table 2
Orange Regional Medical Center
Years Ended December 31,

Utilization Analysis	2011	2012	2013	2014	2015	2014 Statewide Median	2014 DASNY Median
Licensed Beds	418	383	383	383	383		
Discharges	20,274	18,855	18,456	21,159	20,961		
Patient Days	103,315	97,147	91,784	103,331	106,953		
O/P Procedures	654,713	741,059	795,116	792,330	825,096		
Full-time Equivalent (FTE) Staff	2,050.7	2,064.6	2,000.7	2,018.1	2,102.0		
Occupancy Rate (%)	67.72%	69.30%	65.66%	73.92%	76.51%	47.88%	69.63%
Average Length of Stay	5.10	5.15	4.97	4.88	5.10	5.11	5.43

FEASIBILITY – DEMAND ANALYSIS: Table 2 presents the past five years of historical utilization. In 2015, the Medical Center's total discharges were flat as compared to the prior year but much higher than 2013. This increase of 2,500 discharges over 2013 was mainly driven by gains in Medical/Surgical volume. In addition, the Medical Center witnessed increases in its Emergency Department volume. As 2015 was the fourth full year of operations, it is evident that ORMC is becoming the medical center of choice for the residents of Orange County. To capture these patients the Medical Center has focused on recruiting physicians whose specialties are in demand but also has concentrated efforts on the main point of entry: the Emergency Department where typically 65% - 70% of its admissions originate. By creating a Pediatric Emergency Department service as well as enhancing their trauma program, the Medical Center is better positioned to serve these patients eliminating the need for them to be transferred out of the area for care.

The Medical Center views Orange County as its service area. Historically, the Medical Center has maintained market share of approximately 35%. The Medical Center's major competitor is the St. Luke's Cornwall Hospital which is comprised of campuses in both Newburgh and Cornwall. The two campuses are both approximately 30 miles away. Historical market share for St. Luke's Cornwall Hospital is approximately 17%. Other competitors include Westchester Medical Center, St. Anthony Community Hospital, Bon Secours Community Hospital and Good Samaritan Regional Medical Center. On the outpatient side, the Medical Center's main competition is the Crystal Run Healthcare physician group. This large multi-specialty group offers a full array of diagnostic services, including MRI, and has had an adverse impact on the Medical Center's outpatient volume. Crystal Run Healthcare physician group is also a significant collaborator as many of its physicians are credentialed at the Medical Center.

The Medical Center's service area is characterized by a growing population. From 2000 to 2010, the population of Orange County grew by 9.2% to 372,813. In terms of percentage growth by county, this growth rate is second in New York State to only Saratoga County. A significant component of this overall growth is the increase in the age cohort of those that are 45 and older which tend to have a higher use of medical care services.

Throughout 2011-2015, the Medical Center's occupancy rates showed increases in both 2014 and 2015 and now exceed both the Statewide and DASNY Medians. The average length of stay has fluctuated over the period shown and is below both the Statewide and DASNY Medians.

The Medical Center's historical payor mix is presented below with Medicare constituting the largest portion of net revenue.

Payor Mix

	2013	2014	2015
Medicare	46.9%	49.9%	49.9%
Medicaid	15.0%	15.9%	17.0%
Commercial and Other	38.1%	34.2%	33.1%
Total	100.0%	100.0%	100.0%

Table 3
Orange Regional Medical Center
Years Ended December 31,

Income Statement Analysis (in $000s)	2011	2012	2013	2014	2015	2014 Statewide Median	2014 DASNY Median
Net patient service revenue	$323,655	$344,082	$346,883	$376,249	$410,018		
Other operating revenue	7,890	9,679	8,905	7,063	5,059		
Total operating revenue	331,545	353,761	355,788	383,312	415,077		
Total operating expense	335,578	359,452	365,861	378,583	409,569		
Operating gain (loss)	(4,033)	(5,691)	(10,073)	4,729	5,508		
Total non-operating	395	935	266	191	532		
Excess revenues over expenses	$ (3,638)	$ (4,756)	$ (9,807)	$ 4,920	$ 6,040		
Total other changes in unrestricted net assets	(21,160)	(16,735)	23,028	(24,293)	743		
Increase in unrestricted net assets	$(24,798)	$(21,491)	$ 13,221	$(19,373)	$ 6,783		
Depreciation and amortization expense	16,454	27,143	26,407	26,415	26,521		
Interest expense	7,508	16,544	16,187	15,827	15,578		
Excess revenues over expenses before interest, depreciation and amortization (EBIDA)	$ 20,324	$ 38,931	$ 32,787	$ 47,162	$ 48,139		
Total annual debt service	14,486	23,678	22,430	21,648	21,557		
EBIDA Debt Service Coverage Ratio**	1.38	1.63	1.50	2.21	2.28	2.67	3.82
Operating Margin	-1.34%	-1.80%	-3.30%	1.02%	1.33%	0.00%	2.53%
Excess Margin	-1.19%	-1.47%	-2.54%	1.43%	1.67%	1.35%	4.26%
Net Profit Margin	-7.48%	-6.07%	3.71%	-5.04%	1.63%	-1.25%	1.26%

FEASIBILITY– INCOME STATEMENT ANALYSIS: Table 3 presents the Medical Center's income statement analysis for the last five years. During this period, net patient service revenue has increased $86.4 million, or approximately 26.7%. In 2015, the Medical Center posted an operating gain of approximately $5.5 million. This resulted in an operating margin of 1.33%, which was between the 2014 Statewide and DASNY Medians of 0.00% and 2.53%, respectively. In 2015, the Medical Center's EBIDA debt service coverage ratio increased to 2.28:1 but was still below the 2014 Statewide and DASNY Medians of 2.67 and 3.82, respectively. In 2011, the Medical Center began making debt service payments on the Series 2008 Bonds, prior to that the interest was capitalized as the new medical center was under construction. The losses that occurred from 2011-2013 were in large part due to the transition to the new hospital facility, including expenses associated with the move as physicians and staff had to become accustomed to operating in the new facility. In addition, there was a significant increase in depreciation and expenses associated with the implementation of its new IT System.

For the unaudited period ending September 30, 2016, the Medical Center's net patient revenue increased by approximately $29.1 million from the prior year. Total operating expense increased by $27.3 million during this same time period. Income from operations for the period ending September 30, 2016 was reported at $12.8 million as compared to $5.8 million from the prior year. The Medical Center continues to focus on revenue cycle improvements, renegotiating its payor contracts, and aggressively collecting its accounts receivable to better position itself. Through improved technology, ORMC has centralized its scheduling, has automated its insurance verification tools and has focused on identifying registration errors. In addition, ORMC has focused on identifying reoccurring patterns in denials and has worked to address this contractually with its payors. Table 3 also indicates fluctuations and corresponding decreases in the Medical Center's unrestricted net assets in certain years. The decreases in unrestricted net assets were mainly driven by pension related changes. The Medical Center has a defined contribution retirement plan and an employee matching component to the plan. ORMC maintains a fully frozen noncontributory defined benefit pension plan for current and past employees. Effective January 1, 2006, ORMC froze participation in the plan. Effective January 1, 2008, ORMC froze the pension plan for any active participants in the plan by ceasing any future accrual of credited service and compensation under the plan.

Table 4
Orange Regional Medical Center
Years Ended December 31,

Balance Sheet Analysis (in $000s)	2011	2012	2013	2014	2015	2014 Statewide Median	2014 DASNY Median
Assets:							
Current	$151,696	$137,111	$147,541	$155,941	$190,419		
Limited Use	12,130	24,063	24,936	25,716	71,947		
Long-Term	355,362	334,364	314,473	291,911	307,758		
Total Assets	$519,188	$495,538	$486,950	$473,568	$570,124		
Liabilities:							
Total Current Liabilities	$ 69,925	$ 59,829	$ 64,771	$ 61,757	$ 69,053		
Long-Term	331,643	340,289	313,080	321,847	403,304		
Total Liabilities	$401,568	$400,118	$377,851	$383,604	$472,357		
Total Net Assets	117,620	95,420	109,099	89,964	97,767		
Total Liabilities and Net Assets	$519,188	$495,538	$486,950	$473,568	$570,124		
Detail							
Cash and Investments	$ 64,307	$ 71,797	$ 69,155	$ 85,970	$ 112,028		
Current Portion of Long-Term Debt	6,978	7,134	6,243	5,821	5,979		
Long-Term Debt	256,828	249,694	243,878	232,276	294,610		
Unrestricted Net Assets	109,515	88,024	101,245	81,872	88,655		
Current Ratio	2.17	2.29	2.28	2.53	2.76	1.58	2.07
Cushion Ratio**	4.44	3.03	3.08	3.97	5.20	5.45	10.29
Days in Accounts Receivable	50.38	44.61	56.74	41.01	35.48	44.11	44.09
Days Expenses in Current Liabilities	78.27	64.51	68.39	62.97	64.79	69.45	68.77
Days Cash on Hand	71.98	77.41	73.02	87.65	105.11	47.86	103.09
Cash to Debt**	24.38%	27.96%	27.65%	36.11%	37.27%	94.03%	104.13%
Debt to Capitalization	70.66%	74.47%	71.19%	74.41%	77.22%	32.04%	36.13%

**Statewide Medians for these ratios are based on only those institutions with long-term debt.

FEASIBILITY – BALANCE SHEET ANALYSIS: Table 4 above presents the "Historical Balance Sheet Analysis" for the last five years. During this time period, the Medical Center's Current Ratio has consistently exceeded the 2014 Statewide and DASNY Medians. The average current ratio for the five-year period was 2.41, indicative of over twice as many current assets as there were current liabilities. The Medical Center's Cushion Ratio has increased in recent years but is currently below the 2014 Statewide and DASNY Medians of 5.45 and 10.29, respectively. This ratio measures the Medical Center's ability to pay its current debt service from available cash. During the period 2011-15, the Medical Center has averaged nearly 83 Days Cash on Hand available to pay for its cash expenses. This level is higher than the 2014 Regional Median of 47.86 days. The 2015 days cash on hand of 105.11 was higher than the 2014 DASNY Median of 103.09 days. In terms of its Days in Accounts Receivable and Days Expenses in Current Liabilities, the Medical Center has a shorter time period in both ratios as compared to the Statewide and DASNY Medians.

As for its capital structure, the Medical Center is highly leveraged as compared to its peers. In 2015, the percentage of cash and short-term investments to debt was 37.27%. In comparison, the 2014 Statewide and DASNY Medians were 94.03% and 104.13%, respectively. The Medical Center's debt to capitalization ratio in 2015 was recorded at 77.22%. This percentage is higher than both the Statewide and DASNY Medians of 32.04% and 36.13%, respectively.

SUMMARY: The Series 2017 bond financing would be an exception to DASNY's financing guidelines as the rating is expected to be below the BBB- threshold, credit enhancement is not currently contemplated and the financing is expected to be undertaken as a limited public offering. Orange Regional Medical Center is seeking to advance refund its Series 2008 Bonds providing an estimated $28.5 million net present value benefit. The Medical Center's primary service area is characterized by a rapidly growing population as Orange County has one of the fastest growing populations in the state. Accordingly, staff recommends the adoption of a Resolution to Proceed with a financing on behalf of the Orange Regional Medical Center Obligated Group in an amount not to exceed $285,000,000.

NEW YORK STATE OF OPPORTUNITY | DASNY

Orange Regional Medical Center Obligated Group
Savings Analysis

DEBT SERVICE COMPARISON

Date	Existing D/S	New D/S	Gross Savings	PV Savings
Dec-2017	$20,228,288	$18,500,683	$1,727,604	$1,701,302
Dec-2018	20,226,038	18,096,000	2,130,038	2,001,562
Dec-2019	20,230,063	18,100,000	2,130,063	1,926,268
Dec-2020	20,228,413	18,096,750	2,131,663	1,855,178
Dec-2021	20,229,788	18,095,750	2,134,038	1,787,359
Dec-2022	20,227,238	18,096,000	2,131,238	1,717,846
Dec-2023	20,228,163	18,096,500	2,131,663	1,653,535
Dec-2024	20,229,994	18,096,250	2,133,744	1,592,869
Dec-2025	20,225,894	18,094,250	2,131,644	1,531,422
Dec-2026	20,229,331	18,099,500	2,129,831	1,472,544
Dec-2027	20,227,856	18,095,500	2,132,356	1,418,814
Dec-2028	20,229,631	18,096,500	2,133,131	1,365,922
Dec-2029	20,227,206	18,096,000	2,131,206	1,313,338
Dec-2030	20,228,438	18,097,750	2,130,688	1,263,611
Dec-2031	20,225,000	18,095,250	2,129,750	1,215,528
Dec-2032	20,228,125	18,097,250	2,130,875	1,170,407
Dec-2033	20,229,375	18,097,000	2,132,375	1,127,159
Dec-2034	20,225,625	18,093,000	2,132,625	1,084,873
Dec-2035	20,228,750	18,093,750	2,135,000	1,045,213
Dec-2036	20,229,688	18,097,250	2,132,438	1,004,676
Dec-2037	20,224,688	18,091,500	2,133,188	967,211
Total	$424,787,588	$380,422,433	$44,365,154	$30,216,637

PRESENT VALUE ANALYSIS SUMMARY

Gross PV Debt Service Savings....................	$30,216,637
Less: Prior Funds on Hand....................	(20,230,063)
Plus: New Debt Service Reserve Fund and Rounding....................	18,503,101
NET PRESENT VALUE BENEFIT....................	$28,489,675
NPV BENEFIT OF REFUNDED PRINCIPAL....................	12.20%
NPV BENEFIT OF REFUNDING PRINCIPAL....................	12.15%

REFUNDING BOND INFORMATION

Refunding Dated Date....................	Jan-17
Refunding Delivery Date....................	Jan-17

NEW YORK STATE OF OPPORTUNITY. | DASNY

Orange Regional Medical Center Obligated Group
Sources and Uses of Funds

Sources of Funds:

Par Amount		$234,510,000	
Premium		28,588,626	
Existing Debt Service Reserve Fund		20,230,063	
Total Sources		$283,328,689	

Uses of Funds:			**% of Par**
Escrow Fund Deposit		$260,135,888	
Deposit to Debt Service Reserve Fund		18,500,683	
Costs of Issuance		2,531,138	1.08%
Dormitory Authority Fee	150,000		0.06%
Bond Counsel	215,000		0.09%
Institution's Counsel	200,000		0.09%
Underwriter's Counsel	200,000		0.09%
Accountants	85,000		0.04%
Title Insurance	940,300		0.40%
Trustee & Counsel	15,000		0.01%
MTI Trustee & Counsel	15,000		0.01%
TEFRA Notice	7,900		0.00%
Ratings	170,000		0.07%
Financial Advisor	469,020		0.20%
Printing	16,500		0.01%
DAC	10,000		0.00%
Misc.	35,000		0.01%
Rounding/Contingency	2,418		0.00%
Underwriter's Discount		2,160,980	0.92%
Total Uses		$283,328,689	

Orange Regional Medical Center | **Appendix A**
Consolidated Financial Statements | December 31, 2011 through 2015

Balance Sheets

Assets:		2011	2012	2013	2014	2015
Cash and Investments	$	64,307,000	71,797,000	69,155,000	85,970,000	112,028,000
Patient Receivables (Net)		44,669,000	41,937,000	53,923,000	42,270,000	39,856,000
Due From Affiliates						
Other Current Assets		42,720,000	23,377,000	24,463,000	27,701,000	38,535,000
Total Current Assets		151,696,000	137,111,000	147,541,000	155,941,000	190,419,000
Restricted By Debt		35,903,000	27,259,000	27,291,000	28,200,000	82,472,000
Other		-23,773,000	-3,196,000	-2,355,000	-2,484,000	-10,525,000
Total Assets Limited Use		12,130,000	24,063,000	24,936,000	25,716,000	71,947,000
Net Property Plant Equip.		326,298,000	304,201,000	282,215,000	262,382,000	272,852,000
Long Term Investments						
Due From Affiliates						
Other Non Current Assets		29,064,000	30,163,000	32,258,000	29,529,000	34,906,000
Total Assets	$	**519,188,000**	**495,538,000**	**486,950,000**	**473,568,000**	**570,124,000**
Liabilities:						
Accts. Payable/Accrued		61,110,000	49,358,000	53,905,000	49,744,000	60,238,000
Accrued Salary/Benefits						
Curr Portion L-T Debt/Cap Lease/Note Payable		6,978,000	7,134,000	6,243,000	5,821,000	5,979,000
Short-term Borrowings						
Due to Third Parties		1,209,000	2,709,000	3,995,000	5,564,000	2,208,000
Due To Affiliates						
Other Current Liabilities		628,000	628,000	628,000	628,000	628,000
Total Current Liabilities		69,925,000	59,829,000	64,771,000	61,757,000	69,053,000
Long Term Debt (Net)		256,828,000	249,694,000	243,878,000	232,276,000	294,610,000
Long Term Capital Leases / Notes Payable						
Due To Third Parties, Long Term		1,975,000	2,330,000	4,307,000	4,583,000	24,298,000
Due to Affiliates, Long Term						
Insurance Plan Obligations		17,904,000	16,715,000	15,921,000	18,482,000	21,893,000
Retirement Plan Obligations		48,573,000	61,969,000	38,264,000	56,087,000	52,934,000
Other Noncurrent Liabilities		6,363,000	9,581,000	10,710,000	10,419,000	9,569,000
Total Liabilities		**401,568,000**	**400,118,000**	**377,851,000**	**383,604,000**	**472,357,000**
Unrestricted		109,515,000	88,024,000	101,245,000	81,872,000	88,655,000
Temporarily Restricted		6,111,000	5,402,000	5,860,000	6,098,000	7,118,000
Permanently Restricted		1,994,000	1,994,000	1,994,000	1,994,000	1,994,000
Total Net Assets		**117,620,000**	**95,420,000**	**109,099,000**	**89,964,000**	**97,767,000**
Total Liabilities and Net Assets	$	**519,188,000**	**495,538,000**	**486,950,000**	**473,568,000**	**570,124,000**

Statement of Activities

Operating Revenue:		2011	2012	2013	2014	2015
Patient Service Revenue, Net	$	336,648,000	357,820,000	360,521,000	388,806,000	424,431,000
Less provision for bad debt		-12,993,000	-13,738,000	-13,638,000	-12,557,000	-14,413,000
NPSR less provision for bad debt		323,655,000	344,082,000	346,883,000	376,249,000	410,018,000
Unrealized Investment Gain/(Loss)		319,000	437,000	-754,000	-582,000	-923,000
Realized Investment Gain/(Loss) / Investment Income		98,000	239,000	2,374,000	1,398,000	906,000
Unrestricted Contributions						
Other Operating Revenue		7,473,000	9,003,000	7,285,000	6,247,000	5,076,000
Total Operating Revenue	$	**331,545,000**	**353,761,000**	**355,788,000**	**383,312,000**	**415,077,000**
Operating Expenses:						
Salaries and Benefits		188,947,000	198,060,000	200,508,000	199,314,000	205,783,000
Supply/Other General Admin		122,669,000	117,705,000	122,759,000	137,027,000	161,687,000
Interest Expense		7,508,000	16,544,000	16,187,000	15,827,000	15,578,000
Depreciation		16,454,000	27,143,000	26,407,000	26,415,000	26,521,000
Total Operating Expenses		**335,578,000**	**359,452,000**	**365,861,000**	**378,583,000**	**409,569,000**
Operating Income		**-4,033,000**	**-5,691,000**	**-10,073,000**	**4,729,000**	**5,508,000**
Non Operating Activities:						
Unrestricted Contributions						
Realized Investment Gain/(Loss) / Investment Income						
Unrealized Investment Gain/(Loss)						
Other Non Operating Gains/(Losses)		395,000	935,000	266,000	191,000	532,000
Total Non Operating Activities		395,000	935,000	266,000	191,000	532,000
Operating Excess		**-3,638,000**	**-4,756,000**	**-9,807,000**	**4,920,000**	**6,040,000**
Unrealized Investment Gain/(Loss)						
Realized Investment Gain/(Loss) / Investment Income						
Unrestricted Contributions						
Pension and Post Retirement Related Changes		-13,814,000	-13,777,000	22,302,000	-24,510,000	-2,463,000
Transfers (to)/from Affiliates		-10,745,000	-4,108,000	-38,000	-887,000	2,127,000
Other Changes		3,399,000	1,150,000	764,000	1,104,000	1,079,000
Total Other Changes in Unrestricted		**-21,160,000**	**-16,735,000**	**23,028,000**	**-24,293,000**	**743,000**
Change in Unrestricted Net Assets	$	**-24,798,000**	**-21,491,000**	**13,221,000**	**-19,373,000**	**6,783,000**

Office of Portfolio Monitoring

Health Care Management and Monitoring

Orange Regional Medical Center

Appendix B

Financial and Operating Ratios

Existing DASNY Debt:

Bonds Issued:	**$327,445,000**	**Region:**	**Mid-Hudson**
Bonds Outstanding:	**$304,935,000**		
Credit Enhancement:		**Beds:**	**383**
Bond Rating:	**BB+**		

	Year					2014 Statewide Median	2014 DASNY Median
	2011	2012	2013	2014	2015		
LIQUIDITY RATIOS							
Current	2.17	2.29	2.28	2.53	2.76	1.58	2.07
Cushion (3)	4.44	3.03	3.08	3.97	5.20	5.25	10.29
Days Revenue in Accounts Receivable	50.38	44.61	56.74	41.01	35.48	44.11	44.09
Days Expenses in Current Liabilities	78.27	64.51	68.39	62.97	64.79	69.45	68.77
Days Operating Cash Available	71.98	77.41	73.02	87.65	105.11	47.86	103.09
Cash to Debt (3)	24.38%	27.96%	27.65%	36.11%	37.27%	94.03%	104.13%
CAPITAL RATIOS							
Average Age of Plant	2.57	2.56	3.62	4.62	5.59	13.26	11.71
Remaining Useful Life	19.83	11.21	10.69	9.93	10.29	7.63	8.19
Long Term Debt to Fixed Assets	78.71%	82.08%	86.42%	88.53%	107.97%	40.38%	53.13%
Assets Financed by Liabilities	77.35%	80.74%	77.60%	81.00%	82.85%	60.97%	63.43%
EBIDA Debt Service Coverage (2),(3)	1.38	1.63	1.50	2.21	2.28	2.67	3.82
Capital Expense	4.44%	6.98%	6.49%	6.05%	5.54%	2.53%	2.76%
Capital Spending	3.85	0.35	0.17	0.25	0.69	0.73	1.26
Debt to Capitalization	70.66%	74.47%	71.19%	74.41%	77.22%	32.04%	36.13%
PROFITABILITY RATIOS							
Operating Margin (1)	-1.34%	-1.80%	-3.30%	1.02%	1.33%	0.00%	2.53%
Excess Margin (2)	-1.19%	-1.47%	-2.54%	1.43%	1.67%	1.40%	4.26%
Net Profit Margin	-7.48%	-6.07%	3.71%	-5.04%	1.63%	-1.25%	1.26%
EBIDA Margin (1)	5.89%	10.57%	8.72%	12.07%	11.47%	5.55%	8.38%
Return on Total Assets (2)	-0.76%	-1.05%	-1.86%	1.16%	1.22%	1.38%	3.98%
Bad Debt Ratio	3.86%	3.84%	3.78%	3.23%	3.40%	3.64%	1.88%
PRODUCTIVITY AND COST RATIOS							
Salary and Benefit Expense per FTE	$92,138	$95,931	$100,219	$98,763	$97,899	$79,455	$102,516
Labor Expense : Net Patient Revenue	58.38%	57.56%	57.80%	52.97%	50.19%	62.88%	58.98%
Occupancy	67.72%	69.30%	65.66%	73.92%	76.51%	47.88%	69.63%
Average Length of Stay	5.10	5.15	4.97	4.88	5.10	5.11	5.43

(1) Ratio calculation excludes any unrealized gain/(loss), realized investment gain/(loss) / investment income, and unrestricted contributions as reported in the Audit.
(2) Ratio calculation includes realized investment gain/(loss) / investment income and unrestricted contributions, and excludes any unrealized gain/(loss), as reported in the Audit.
(3) Regional Medians for these ratios are based on only those institutions with long term debt.

NEW YORK
STATE OF
OPPORTUNITY.

Department of Health

ANDREW M. CUOMO
Governor

HOWARD A. ZUCKER, M.D., J.D.
Commissioner

SALLY DRESLIN, M.S., R.N.
Executive Deputy Commissioner

STATE OF NEW YORK – DEPARTMENT OF HEALTH
INTEROFFICE MEMORANDUM

TO: Portia Lee, Managing Director of Public Finance and Portfolio Monitoring
New York State Dormitory Authority

FROM: Charles P. Abel, Deputy Director CPA
Center for Health Care Facility Planning, Licensure, and Finance

DATE: November 23, 2016

SUBJECT: Orange Regional Medical Center

Orange Regional Medical Center proposes the advance refunding of DASNY's outstanding Series 2008 Orange Regional Medical Center ("ORMC") Revenue Bonds up to $285 million and seeks placement on the Dormitory Authority's Board Agenda for Resolution to Proceed.

The Department of Health recommends approval of the Resolution to Proceed in an amount not to exceed $285,000,000. The basis for that recommendation follows.

PROJECT DESCRIPTION

Orange Regional Medical Center (ORMC), a not-for-profit 383-bed acute care hospital located in Middletown, New York, proposes to use bond proceeds and existing funds on hand to advance refund its Series 2008 bonds outstanding. The 2008 bond proceeds of $261.3 million were used to help construct the replacement hospital. The Medical Center proposes a 21-year fixed rate, tax exempt bond issue of approximately $234.5 million. The effective interest rate of the current bonds is 6.3% and the expected interest rate of the new bonds will be approximately 4%. Overall, gross savings of approximately $44 million is anticipated, with net present value saving of approximately $28.5 million. The advance refunding provides gross and present value interest saving each and every year over the life of the bonds and this event does not extend the maturity of the original bonds. The expected ratings are Ba1/NR/BB+. This financing is also projected to provide almost $11 million in Department of Health Management fee savings over the life of the loan.

ORMC is currently the sole member of the Orange Regional Medical Center Obligated Group. The Medical Center's active parent corporation and co-operator is Greater Hudson Valley Health System, Inc. Greater Hudson Valley Health System, Inc. is also the co-operator and active parent for Catskill Regional Medical Center.

DASNY also issued $66.1 million in revenue bonds in 2015 for the Obligated Group to finance the construction of a medical office and oncology center on the Medical Center's campus.

SOURCES AND USES

The bond sizing is based on the following approximate sources and uses:

Sources:	
Bond Proceeds	$234,510,000
Premium	28,588,626
Existing Debt Service Reserve Fund	20,230,063
Total Sources:	$283,328,689
Uses of Funds:	
Escrow Fund Deposit	$260,135,888
Deposit to Debt Service Reserve Fund	18,500,683
Cost of Issuance	2,712,118
Underwriter's Discount	1,980,000
Total Uses:	$283,328,689

RECOMMENDATION

Given the combined gross interest and fee savings of almost $55 million, the Department of Health recommends approval for a Resolution to Proceed.

A RESOLUTION OF THE DORMITORY AUTHORITY OF THE STATE OF NEW YORK (DASNY) AUTHORIZING STAFF AND BOND COUNSEL TO PROCEED TO TAKE THE NECESSARY ACTION TO PREPARE THE APPROPRIATE DOCUMENTS TO PROVIDE FOR THE FINANCING OF FACILITIES FOR ORANGE REGIONAL MEDICAL CENTER OBLIGATED GROUP

Resolved that the staff and bond counsel be authorized to proceed to take the necessary action and prepare the appropriate documents to provide for the financing of facilities for Orange Regional Medical Center Obligated Group; provided, however, that the adoption of this Resolution imposes no duty on the part of DASNY to issue obligations for or on behalf of Orange Regional Medical Center Obligated Group.

This Resolution shall take effect immediately.