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COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC MEETING
BEFORE THE COMMITTEE ON RULES

- - -

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, October 15, 1997
9:45 a.m.

- - -

BILL 970607 - An Ordinance declaring it is desirable
for the health, safety and welfare of the
people in the area served by Jefferson
Health System and its member hospitals for
The Hospitals and Higher Education
Facilities Authority of Philadelphia to
participate in financing capital projects.

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PRESENT:

JOHN F. STREET, Chair
JAMES F. KENNEY, Vice-Chair

COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN ANNA C. Verna
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN FRANK DiCICCO

- - -

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4	Donald A. Cramp, President, The Hospitals and	
5	Higher Education Facilities Authority of	
6	Philadelphia-----	4
7	Michael J. Curran, Chief Financial Officer and	
8	Treasurer, Jefferson Health System-----	6
9	Austin J. McGreal, Esq., General Counsel, The	
10	Hospitals and Higher Education Facilities	
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1 BILL 970607

2 P R O C E E D I N G S

3 COUNCILMAN KENNEY: The Committee on
4 Rules will now come to order to hear testimony on
5 Bill No. 970607, which is an Ordinance declaring it
6 is desirable for the health, safety, and welfare of
7 the people in the area served by Jefferson Health
8 System, and its member hospitals, for The Hospitals
9 and Higher Education Facilities Authority of
10 Philadelphia to participate with the System and the
11 Hospitals on financing capital projects, consisting
12 generally of the purchase of real estate comprising
13 the Thomas Jefferson University Hospital and related
14 facilities, the refinancing or restructuring of
15 certain outstanding indebtedness of the Hospitals
16 and the acquisition and construction of capital
17 improvements to the facilities of the Hospitals.

18 Will the members of the Hospital
19 Authority please come forward.

20 The record should indicate that the
21 Rules Committee does have a quorum.

22 And we would appreciate you
23 identifying yourself for the record and proceeding.

24 Good morning.

25 MR. DONALD A. CRAMP: Thank you.

1 BILL 970607

2 Mr. Chairman and Committee members, my name is
3 Donald Cramp. I serve as the Chief Executive
4 Officer of the Philadelphia Hospitals and Higher
5 Education Authority.

6 I wish to make a brief introductory
7 statement in support of the bill this morning before
8 you.

9 The Jefferson Health System is
10 important to Philadelphia.

11 COUNCILMAN KENNEY: I'm sorry. Could
12 you pull that closer.

13 MR. CRAMP: Surely.

14 The Jefferson Health System is
15 important to Philadelphia. Philadelphia is
16 important to this growing and distinguished system.
17 We especially appreciate your prompt scheduling of
18 this hearing.

19 We welcome the System back to
20 Philadelphia. And the Hospital Authority warmly
21 endorses this event. And we thank the Committee
22 very much for the prompt scheduling.

23 COUNCILMAN KENNEY: You are welcome.

24 MR. CRAMP: A public hearing on
25 behalf of Jefferson Health Systems is scheduled for

1 BILL 970607

2 Friday, October 24, 1997, at the Authority, in
3 accordance with proper public notification in the
4 media.

5 As is customary, may I assure you
6 that no financial or legal exposure will flow to the
7 Hospitals Authority or to the City of Philadelphia
8 for this financing.

9 As you will note from the materials,
10 we are co-venturing, as we have in the past with
11 other authorities -- and in this case the Chester
12 County Authority -- where several of the System's
13 hospitals are owned.

14 We have with us today in the audience
15 a panel of experts to answer any questions you might
16 have.

17 Before turning the testimony over to
18 Mr. Michael Curran, to my left, the most able Chief
19 Financial Officer and Treasurer of the Jefferson
20 Health System, may I close as I began, with my
21 sincere appreciation on behalf of the Authority for
22 your assistance to make this financing possible.

23 Thank you.

24 COUNCILMAN KENNEY: Thank you for
25 your testimony.

1 BILL 970607

2 Good morning, sir. Please identify
3 yourself for the record and proceed.

4 MR. MICHAEL J. CURRAN: My name is
5 Mike Curran. I am Chief Financial Officer and
6 Treasurer of the Jefferson Health System.

7 And, again, I would like to also
8 thank you very much for having us here today. It is
9 an honor.

10 I would also like to thank the
11 Mayor's Office and the Mayor for addressing the
12 issue of time, the President of City Council, City
13 Council, the Rules Committee, and also the
14 Treasurer's Office.

15 We did have a very tight time frame
16 to get this transaction done, and it has been a real
17 privilege to work with people from the City to
18 ensure that that occurs.

19 We are very excited about our bond
20 deal. It allows us to continue to serve the
21 communities of Philadelphia and the surrounding
22 areas.

23 I want to stress our commitment to
24 Philadelphia. We have been here for a long time.
25 We expect to be here for a much longer period of

1 BILL 970607

2 time.

3 And the proceeds from this bond deal
4 will allow us to strengthen our position not only in
5 Philadelphia, but also in its surrounding suburbs.

6 In your package that you have
7 received, I think there is a brief description of
8 the transaction.

9 We are looking for a bond deal not to
10 exceed \$350 million. Approximately 130 million of
11 the dollars of that is anticipated being handled by
12 the Authority from Philadelphia.

13 Again, we have had many meetings with
14 the Authority, a lengthy one yesterday, that went
15 very well. And we do anticipate a successful
16 completion of the bond deal by the end of this
17 month.

18 I would be happy to answer any
19 questions anyone may have.

20 COUNCILMAN KENNEY: Could you give
21 some testimony relative to the capital projects that
22 are intended as a result of...

23 MR. CURRAN: The capital projects,
24 the largest piece of the bond deal, will be used for
25 the actual acquisition of the physical properties

1 BILL 970607

2 that make up Thomas Jefferson University Hospital.

3 The business moved over as a part of
4 the Health System last March. We currently lease
5 those facilities from Thomas Jefferson University.

6 And, as a part of that lease, we have
7 an option to buy those facilities. We would like to
8 exercise that option to buy those facilities. And
9 that's roughly a \$130 million piece of the bond
10 deal.

11 We also have \$50 million of debt that
12 is currently on the books of TJUH, Thomas Jefferson
13 University Hospital. We would like to refund that
14 money, as well.

15 Principally, that money comes from
16 Methodist Hospital, and our merger of Methodist
17 Hospital into TJUH.

18 We would also like to borrow
19 approximately \$80 million for the Main Line Health
20 Facilities, an additional \$60 million for facilities
21 at Thomas Jefferson University Hospital. That
22 includes Methodist Hospital, as well.

23 COUNCILMAN KENNEY: What is your
24 institution's vision of the continuing existence and
25 vitality of Methodist Hospital in South

1 BILL 970607

2 Philadelphia? And what is your corporation's
3 commitment to that?

4 MR. CURRAN: Very strong commitment
5 to Methodist Hospital.

6 Many of our recent physician
7 acquisitions, prominent physician acquisitions, have
8 been in the South Philadelphia area.

9 We will continue to make more
10 acquisitions of physicians in that area to
11 strengthen both Methodist Hospital and its referrals
12 to Thomas Jefferson University Hospital.

13 We are, I think, a predominant player
14 in South Philadelphia. We like that role, and we
15 intend on keeping that role.

16 COUNCILMAN KENNEY: Is there any
17 change in scope of services at Methodist that's
18 being planned or anticipated as a result?

19 MR. CURRAN: No.

20 COUNCILMAN KENNEY: Okay. Thank
21 you.

22 Any questions from members of the
23 Committee?

24 The Chair recognizes Councilman
25 DiCicco.

1 BILL 970607

2 COUNCILMAN DiCICCO: Good morning. I
3 apologize for getting here a little bit late.

4 Concerning Methodist Hospital, do you
5 foresee any reduction in the work force there?

6 MR. CURRAN: Work force reductions
7 are difficult across the entire system. We do not
8 have any plans for any work force reduction at any
9 of our facilities currently.

10 We feel we are well positioned in the
11 marketplace. I couldn't guarantee there would be no
12 work reductions, but there are none on the table as
13 of now.

14 COUNCILMAN DiCICCO: Have there been
15 reductions at the Jefferson University Hospital?

16 MR. CURRAN: Yes. We had reductions
17 at Jefferson, I think it was, two years ago, two and
18 a half years ago. It was a fairly significant
19 reduction.

20 We tried to take care of the majority
21 of those reductions via attrition, or an early
22 retirement program, or an early quit program. And
23 we are dedicated to trying to place as many
24 individuals as we can.

25 Interestingly, currently we are in a

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2 growth stage at TJUH downtown. We are actually
3 bringing some of those people back into our
4 facilities.

5 Again, with our ability to acquire
6 some significant physician groups, we have
7 strengthened the revenue flow into Thomas Jefferson
8 University Hospital.

9 COUNCILMAN DiCICCO: Is that as a
10 result of some of the downsizing at the other
11 institutions and your beginning to absorb some of
12 those?

13 MR. CURRAN: It is a difficult market
14 out there. I think everybody is aware of that.

15 We try to stress our commitment to
16 the communities, whether that's at TJUH, whether it
17 is at Methodist, whether it is at Ford Road campus,
18 or any of the Main Line facilities.

19 We feel that allows us to keep some
20 physicians' groups that are equally committed to
21 that community.

22 And recently we have had some great
23 successes in keeping top physicians in our
24 organization; therefore, the revenue streams flow
25 with those physicians and we're able to remain

1 BILL 970607

2 strong.

3 We look for a very good year this
4 year. Our budgets are strong, and we will do our
5 best to keep committed to that.

6 COUNCILMAN DiCICCO: Do you foresee
7 any changes in the policy regarding community
8 involvement, notably, one, the Mummer's Parade, and
9 things of that nature?

10 I mean, Methodist has really been a
11 very crucial part of the community in many ways, in
12 addition to providing health services. They have
13 also been very active in the neighboring community.

14 And Mummary is dear to my heart, but
15 that's not the purpose for my asking. I just want
16 to make sure that there is still going to be some
17 sort of neighborhood connection there.

18 MR. CURRAN: Absolutely. With all of
19 our facilities, it was key for us, for instance, to
20 keep the Methodist name on our facilities.

21 We don't go around, you know,
22 changing everybody's name of their hospitals once
23 they are a part of the system.

24 COUNCILMAN KENNEY: Like some
25 others.

1 BILL 970607

2 MR. CURRAN: Like some others in this
3 area. Again, it is part of our commitment.

4 We personally enjoy the Mummers. And
5 we were somewhat hurt the time that it went down
6 Market Street, rather than Broad. So I will put in
7 a vote for keeping it on Broad.

8 COUNCILMAN KENNEY: We don't want to
9 get into that. You don't know the hurt.

10 MR. CURRAN: So, again, all of us
11 like the Mummers Parade going by Methodist. And we
12 make a big event, as you know, of it each year.

13 COUNCILMAN KENNEY: Thank you.

14 Any other questions for Mr. Curran?

15 Thank you very much for your
16 testimony.

17 Is there anyone else to testify here
18 today on behalf of this bill?

19 Mr. McGreal.

20 MR. AUSTIN J. MCGREAL: Austin
21 McGreal, Counsel to the Authority.

22 Just in the event that your Committee
23 sees fit to recommend this, we would appreciate a
24 suspension of the Rules.

25 COUNCILMAN KENNEY: Thank you very

1 BILL 970607

2 much.

3 Anyone else in the room to testify on
4 this bill?

5 Seeing none, we will end our Public
6 Hearing and convene a Public Meeting.

7 (Public Hearing concluded.)

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COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC MEETING

of the

COMMITTEE ON RULES

- - -

Wednesday, October 15, 1997

- - -

Public Meeting conducted by the Committee
on Rules, held in Room 400, City Hall, Philadelphia,
Pennsylvania, on the above date, to consider action
on the following:

BILL 970607

- - -

PRESENT:

COUNCILMAN JAMES F. KENNEY, Vice-Chair

COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN ANNA C. VERNA
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN FRANK DiCICCO

- - -

1 PUBLIC MEETING

2 COUNCILMAN KENNEY: The Chair
3 recognizes Councilwoman Verna for a motion on Bill
4 No. 970607.

5 COUNCILWOMAN VERNA: Thank you, Mr.
6 Chairman.

7 I move that Bill No. 970607 be
8 reported out of Committee with a favorable
9 recommendation; also, a recommendation that the
10 Rules of Council be suspended so as to permit first
11 reading at our next session of Council.

12 (Duly seconded.)

13 COUNCILMAN KENNEY: Move and
14 seconded.

15 All in favor say aye.

16 There are none opposed.

17 Bill No. 970607 will be reported out
18 of this Committee with a favorable recommendation.
19 In addition, a request will be made for Rules
20 suspension to allow for first reading at our next
21 Council session.

22 Thank you very much for your
23 attendance, and thank you very much for coming in
24 this morning.

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1 PUBLIC MEETING
2 (Public Meeting adjourned at 10:00
3 a.m.)
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C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of Wednesday, October 15, 1997, were
reported fully and accurately by me, and that this
is a correct transcript of same.

RE: COMMITTEE ON RULES

DEBRA A. WHITEHEAD, RPR