

CITY HALL  
HOBOKEN, NEW JERSEY

9/20/2011

**MEMORANDUM**

Dear Council members,

The negotiations to save HUMC ("Hospital") have reached a critical juncture. For almost two years the Hoboken Municipal Hospital Authority ("HMHA") has been working diligently to find a strategic alternative to ensure the long term viability of the Hospital and preserve this vital safety net that serves the City of Hoboken and surrounding communities. Since 2007, the Hospital's management company, Hudson Health Care Inc. ("HHI"), incurred significant unsecured debts to vendors who provide products and services. HHI failed to provide HMHA with timely and accurate information regarding the true fiscal condition of the Hospital. In order to sell the Hospital and secure the future of health care services in Hoboken, retain over 1200 jobs and relieve the City of a bond guarantee of over \$51 Million dollars, the Administration is putting forward tomorrow, on an emergency basis, a bond ordinance which is designed to put the City in a position to contribute funds to make a final offer to the HHI Creditors Committee so that HMHA and HHI can proceed with the sale of the Hospital. The City's contribution, while not required under any law or legislation, is intended to contribute toward the funding necessary to save the Hospital.

The maximum amount that I believe is appropriate for the City to contribute is up to \$5 million, and that is the funding authority that will be included in the ordinance to be presented tomorrow. Even if the full amount of this authorization were offered to the HHI Creditors Committee, there can be no assurance that they will accept a settlement on terms that can be achieved with this contribution. The members of the Creditors Committee, PSE&G, Sodexo, Cardinal, Metassets and the Hospital's two unions, 1199J and JNESO, will have to decide if this contribution by the City is sufficient to approve the sale and settlement agreement or whether they would prefer to see the Hospital close. If six City Council members disagree with my assessment and believe that the City's contribution should be for a higher amount, then the Council should pass a resolution reflecting the will of the Council.

I know this is an unusual approach, but given the enormous importance of this matter to our residents and taxpayers, I believe it is my obligation to present this to the Council in this manner.

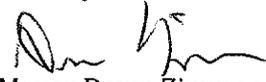
OFFICE OF THE MAYOR

If either no bond ordinance receives six votes on first reading, or if the amount approved is ultimately not sufficient to reach an agreement then the hospital will be forced to close, most probably by the end of October.

Under separate cover a cash flow analysis will be sent to you today so that you will fully understand that the hospital simply cannot survive unless a settlement is reached and the sale is completed.

The hearing in federal court has been rescheduled for this Thursday in order to give the Council time to vote on this most urgent matter.

Thank you,

  
Mayor Dawn Zimmer