



W A S H I N G T O N

**HEALTH CARE FACILITIES**

A U T H O R I T Y

*Financing the Health Care Future*

## Board Members

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**David Schumacher**

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**Mike Kriedler**

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**Charles Brown**

Secretary  
Department of Health  
**John Wiesman**

Public Member  
**Ronald K. Sperling**

Executive Director  
**Donna A. Murr**

**Washington Health Care Facilities Authority**  
**410 11th Avenue S.E., Suite 201**  
**Olympia, WA 98504**  
**Thursday, May 9, 2013 Minutes**

A special meeting was held at the office of the Washington Health Care Facilities Authority, pursuant to Authority Board meeting notices mailed to all members of the Authority, and to all persons who requested such meeting notice, and those members of the media presently on the mailing list for receiving meeting notices of the Washington Health Care Facilities Authority.

### Members Present:

David Schumacher, Governor's Designee/Member  
John Wiesman, Secretary, Department of Health/Member  
Charles Brown, Insurance Commissioner's Designee/Member  
Ron Sperling, Public Member

### Authority Staff Present:

Donna Murr, Executive Director  
Shannon Govia, Assistant Executive Director  
Ashlee Frye, Chief Financial and Compliance Officer  
Lura Harrison, Executive Assistant and Office Manager

### Others Present:

Dan Gottlieb, Authority Bond Counsel, Gottlieb Fisher PLLC  
Jan Schorr, Financial Advisor, Melio & Co.  
Beth Chevalier, Financial Advisor, Melio & Co., by telephone  
Trish Nightingale, Authority Assistant Attorney General  
Vicki Hammond, CFO, HealthPoint  
Tom Trompeter, CEO, HealthPoint  
Kendall Hansen, Key Government Finance Inc., by telephone  
Bill Foster, VP and CFO, CWCMC  
Greg Knoebel, US Bank  
Barbara Malich, CEO, PCHS  
Diane Albrecht, Director of Capital Finance CHI, by telephone

Mr. Schumacher called the meeting to order at 2:30 p.m. after noting a quorum was present consisting of himself, John Wiesman, Charles Brown, and Ron Sperling.

**Review, discussion and possible action regarding the Minutes of April 11, 2013.**

After discussion and upon motion by Mr. Sperling and seconded by Mr. Brown, the minutes of the April 11, 2013 Authority meeting were unanimously approved.

**Review, discussion and possible action regarding the adoption of Resolution No. 2013-03 approving the final application for financial assistance and authorizing the issuance and sale of bonds for HealthPoint.**

Mr. Govia introduced Ms. Hammond and Mr. Trompeter, who were present for the meeting. Mr. Govia summarized Resolution No. 2013-03, approving the application for financial assistance from HealthPoint and authorizing the issuance and sale of a bond in an amount not to exceed \$27,738,761. The purpose is for a package of capital acquisition, development, and renovation activity related to its medical, dental, and pharmacy clinics. In addition, HealthPoint will refinance their WHCFA Series 2008 Revenue Bond. Reimbursement is requested for the prior acquisitions of land, buildings, and capital expenditures related to construction of new facilities, and construction funds for two new clinics in King County. This is going to be a direct placement of two series of bonds with Key Government Finance, Inc. The Series 2013A Bond will be in the principal amount of \$5,680,000 and Series 2013B Bond will be in the maximum principal amount of \$22,058,761. The primary security are deeds of trust against HealthPoint's 955 Powell Avenue facility, pharmacy refill center, Midway clinic, and Bothell clinic. No Certificate of Need was required for this financing. The feasibility has been determined by the lender. A TEFRA hearing was held on February 14, 2013, at which no one testified for or against the project. The interest rate is variable with the initial rate estimated to be approximately 2.26%. The depository bank is The Bank of New York Mellon Trust Company. With regard to the public benefit and interest cost reduction, based on current estimated taxable vs. tax exempt interest rates, net present value savings was estimated at \$6.78 million over the life of the 25 year loan. The application that was accepted by the Authority on November 8, 2012, was in the amount of \$30 million. This transaction does not increase nor diminish the original public benefit associated with the issuance of the 2008 bonds. Mr. Govia recommended final approval of the application for financial assistance and adoption of Resolution No. 2013-03 based on determination made as required by Authority rules.

Mr. Gottlieb summarized the documents presented for approval and indicated that they are all in good order and his firm is prepared to issue its opinion should the Authority approve the financing.

Mr. Sperling asked why there were two bonds instead of one.

Mr. Gottlieb answered that one of the clinics being financed and used as collateral is HealthPoint's Bothell clinic.. Part of that clinic was financed by funding from the U.S. government, which claimed a right to take over the facility in the event of a default by HealthPoint. Key Government Finance Inc. chose to split the financing into two bonds and

isolate that parcel from the remainder of the collateral by using it only as part of the security for one of the bonds—the Series 2013A Bond. Key further sought to minimize the impairment resulting from the “federal interest” by obtaining a subordination agreement from the federal government with respect to such parcel. The Series 2013B Bond is secured by liens against all of the remaining collateral.

Mr. Sperling asked if HealthPoint’s less than favorable 2012 financials caused concerns of the impact downstream on the organization.

Mr. Trompeter responded that HealthPoint does not have many worries about the future. He talked about reasons why the 2012 financials looked less than favorable. One reason is that HealthPoint suffered fairly substantial revenue losses due to state budget cuts. In addition, HealthPoint is conservative about how they look at operating versus nonoperating revenue. If looking at total revenue, the organization ends the year positively. Just looking at operations, fairly significant sources of funds are not included, like realized or unrealized gains or losses on investments, and risk pool revenue that is received for participation in managed care. Because they are risk pools, they aren’t looked at on an annual basis as operating revenue. With those two things in mind and with an eye towards January 2014, when a fair number of uninsured clients are expected to receive Medicaid coverage, HealthPoint is confident it will have a better operating profile than in 2012. HealthPoint’s board has been intentional with this approach because they are committed to funding their mission in their communities. If they were simply business minded about financials, they would be foolish to shrink operations in a time when competition for staff and providers is so stiff, and the promise of Medicaid reimbursement is as great as it is. The organization feels the financial future looks much brighter than in more recent years.

Mr. Sperling asked how long the starting interest rate will last.

Mr. Gottlieb said it’s a variable rate that will reset every month.

After further discussion, without public comment and upon motion by Mr. Brown and seconded by Mr. Sperling, Resolution No. 2013-03 was unanimously adopted.

**Review, discussion and possible action regarding the adoption of Resolution No. 2013-04 approving the final application for financial assistance and authorizing the issuance and sale of bonds for Central Washington Comprehensive Mental Health (CWCMH).**

Mr. Govia introduced Mr. Foster and Mr. Knoebel, who were present for the meeting. Mr. Govia summarized Resolution No. 2013-04, approving the application for financial assistance from CWCMH and authorizing the issuance and sale of a bond in an amount not to exceed \$3,280,000. The purpose of the loan will be used to finance the construction of a new 13,350 square foot 16 bed inpatient Adult Evaluation and Treatment Facility. The new facility will provide mental health crisis stabilization and treatment for high risk and severely disturbed adults. The new facility will replace the 18 bed inpatient unit that is currently operated by Yakima Valley Memorial Hospital. The hospital will no longer provide this service and once the new facility is completed it will be the only adult inpatient facility in the tri-county service area

that will offer this service. This will be a Quick Loan private placement with U.S. Bank National Association. The primary security is a deed of trust on the new facility to be located at Second Avenue and Walnut Street in Yakima. No Certificate of Need was required for this financing. The feasibility has been determined by the lender. A TEFRA hearing was held on March 27, 2013, at which no one testified for or against the project. The estimated initial interest rate will be 2.33% over the initial five year period. The depository bank is U.S. Bank National Association. With regards to the public benefit and interest cost reduction, based on current estimated taxable vs. tax exempt rates, net present value savings is approximately \$162,800 over the initial 5 year term. The application that was accepted by the Authority on February 14, 2013, was in the amount of \$3.8 million. Mr. Govia recommended final approval of the application for financial assistance and adoption of Resolution No. 2013-04 based on determination made as required by Authority Rules.

Mr. Gottlieb summarized the documents presented for approval and indicated that they are all in good order and his firm is prepared to issue its opinion should the Authority approve the financing. Mr. Gottlieb also reviewed the TEFRA requirements for issuing bonds through the Authority.

Mr. Sperling wanted to know if the new facility will be replacing another facility of the same purpose and if that is the reason for no Certificate of Need.

Mr. Foster said that the facility won't be replacing beds but Yakima Valley Memorial Hospital will no longer be providing the services to the clients that CWCMH will be serving.

Mr. Wiesman wanted to know if there will be a gap in time between Yakima Valley Memorial Hospital's facility closing and CWCMH's new facility opening.

Mr. Foster responded that a gap in time between Yakima Memorial ending services and the CWCMH opening isn't expected, unless there is a delay in construction. In that case Yakima Memorial Hospital will continue their services until CWCMH construction is completed.

After further discussion, without public comment, and upon motion by Mr. Brown and seconded by Mr. Wiesman, Resolution No. 2013-04 was unanimously adopted.

**Review, discussion and possible action regarding the adoption of Resolution No. 2013-05 approving the final application for financial assistance and authorizing the issuance and sale of bonds for Peninsula Community Health Services (PCHS).**

Ms. Murr introduced Ms. Malich from PCHS. Ms. Murr summarized Resolution No. 2013-05, approving the application for financial assistance from PCHS and authorizing the issuance and sale of a bond in the amount of \$2,488,081.27. The purpose of the loan is to refinance a taxable interim loan provided by U.S. Bank National Association in January 2013, the proceeds of which were used to pay the WHCFA Series 2005 Bond. The proceeds of the Series 2005 Bond were originally used to construct a 14,339 square foot, two-story medical clinic in Port Orchard containing 13 exam rooms, 1 minor procedure room, lab, medical records, and pharmacy areas. The building also houses a meeting room, employee lunchroom, and an administrative office

space. This will be a Quick Loan private placement with U.S. Bank National Association. The primary security is the Deed of Trust on the Port Orchard facility. The feasibility has been determined by the lender. A TEFRA hearing was held on May 9, 2013, at which no one testified for or against the project. The fixed interest rate is 2.79% for the 7 year term of the Bond. The depository bank is U.S. Bank National Association. With regards to the public benefit and interest cost reduction, based on current estimated taxable vs. tax exempt rates, the estimated savings is approximately \$168,000. The application that was accepted by the Authority on April 11, 2013, was in the amount of \$2,525,528.99. Ms. Murr recommended final approval of the application for financial assistance and adoption of Resolution No. 2013-05 based on determination made as required by Authority Rules.

Mr. Gottlieb summarized the documents presented for approval and indicated that they are all in good order and his firm is prepared to issue its opinion should the Authority approve the financing.

Mr. Sperling inquired about the 2005 issuance and why it was just now being refinanced.

Ms. Murr responded that this transaction should have been done in late 2012, but the Series 2005 Bond matured before any Authority action could be taken. Thus the interim taxable loan and this request for refinance of said loan.

Mr. Sperling asked if after seven years will there be any bonds outstanding and why was there a fully amortized bond issue for seven years being done.

Mr. Gottlieb responded that there is a balloon payment at the end of seven years. Sometimes the parties work out a transaction where there is a built in mechanism that would permit the bond to continue on past the initial term. That is not an offer that was made in this transaction so it is possible that in six and a half years PCHS will choose to participate and refinance the remaining principle balance, but it isn't a requirement.

After further discussion, without public comment, and upon motion by Mr. Wiesman and seconded by Mr. Brown, Resolution No. 2013-05 was unanimously accepted.

**Review, discussion and possible action regarding the adoption of Resolution No. 2013-06 approving and authorizing the execution and delivery of the Escrow Deposit Agreement necessary to defease the Series 2008 Revenue bonds for Highline Medical Center.**

Ms. Murr introduced Ms. Albrecht from Catholic Health Initiatives (CHI). Ms. Murr summarized Resolution No. 2013-06 approving and authorizing the execution & delivery of the Escrow Deposit Agreement necessary to defease the Series 2008 Bonds for Highline Medical Center. The Authority issued \$123,510,000 of its FHA Insured Mortgage Revenue Bonds for the benefit of Highline Medical Center (Highline) in August 2008 of which \$117,280,000 is currently outstanding. Highline and the Franciscan Health System, an affiliate of CHI, entered into an affiliation agreement effective April 1, 2013 pursuant to which the parties have agreed to utilize CHI debt financing to defease the Series 2008 Bonds to achieve more cost efficient financing. Because the Highline Series 2008 bonds cannot be called for redemption until August 1, 2018

the parties wish to defease these bonds by providing funds into an escrow account that will pay principal and interest on the bonds until they mature or they are called for redemption and have asked the Authority to assist in such defeasance. Article X of the Highline Series 2008 Bond Indenture permits the defeasance of all or a portion of the Series 2008 Bonds and Authority approval is required for the execution of the Escrow Deposit Agreement. Ms. Murr recommended board approval of Resolution No. 2013-06.

Mr. Gottlieb summarized the documents presented for approval and indicated that they are all in good order. The source of funding which would likely be interim taxable debt of CHI, which CHI will refinance sometime in the future in its discretion.

Ms. Albrecht responded that is correct, CHI will sometime in the future look to refinance these bonds into a larger transaction.

Mr. Sperling asked why this transaction works as a defeasance.

Mr. Gottlieb responded that the main driver of this type of transaction is to clear away Highline's debt so that they can join the CHI credit group. There are also some IRS rules regarding this type of transaction that CHI is taking into consideration.

After further discussion, without public comment, and upon motion by Mr. Brown and seconded by Mr. Sperling, Resolution No. 2013-06 was unanimously adopted.

#### **Review, discussion and possible action regarding the election of Authority Board Secretary.**

Ms. Murr explained that since Ms. Selecky has retired she no longer serves as Board Secretary. A new Board Secretary must be elected by the board to fill the vacancy. The duties include signing minutes and legal documents in the absence of the Director or Assistant Director.

Mr. Gottlieb responded that in the past some board members wanted the position of Board Secretary so that they could sign documents.

Mr. Sperling nominated Mr. Wiesman to the position of Board Secretary.

After further discussion, without public comment, and upon motion by Mr. Sperling and seconded by Mr. Brown, Mr. Wiesman was unanimously elected the Authority Board Secretary.

#### **Executive Director's report:**

Ms. Murr stated that the Authority has completed 12 transactions this FY, 6 hospitals and 6 non-hospitals. There are 5 transactions in progress, although 3 were just approved for issuance. The Authority did acquire 2 new clients this year, and after the most recent 3 transactions approved close the total transactions for the year will be 15 which is very high for this agency. The estimated interest cost reduction as of last year for all issues is \$96 million.

Mr. Sperling congratulated Authority staff for completing so many transactions over the past year.

Ms. Murr reviewed the Authority's financial reports and status report included in the distributed board materials. She also mentioned to the Board that a planning session is being discussed for Board members this summer to discuss the Authority budget, business plan, and run through the bond finance process.

Mr. Sperling asked if any decision had been made to do something more aggressive with Authority investments.

Ms. Murr replied a new investment policy has been adopted by the Board and staff is talking to investment brokers to move money into accounts that generate more income. She will distribute the new investment policy to the Board.

Ms. Murr welcomed Mr. Wiesman and Mr. Schumacher to the Authority Board and congratulated Mr. Sperling on his reappointment to the board for another four year term.

**Adjournment:**

There being no further business, the meeting was adjourned at 3:35 p.m.

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John Wiesman, Secretary