



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

Governor  
Jay Inslee  
Chair

Governor's Designee  
David Schumacher

Lieutenant Governor  
Brad Owen

Insurance Commissioner  
Mike Kriedler

Insurance Commissioner's  
Designee  
AnnaLisa Gellermann

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, September 18, 2014 Meeting Minutes**

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

### Members Present:

Brad Owen, Lieutenant Governor/Member  
David Schumacher, Governor's Designee/Member, by conference speakerphone  
Ron Sperling, Public Member, by conference speakerphone

### Authority Staff Present:

Donna Murr, Executive Director  
Shannon Govia, Assistant Executive Director  
Ashlee Frye, Chief Financial and Compliance Officer  
Danni Minker, Executive Assistant/Office Manager

### Others Present:

Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.  
William Singer, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.  
Matt Swafford, Authority Financial Advisor, Melio & Company, by conference speakerphone  
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone  
John Ryan, Authority Assistant Attorney General, by conference speakerphone  
Courtney Muraski, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone  
Sue Painter, Vice President/Treasurer, Providence Health & Services, by conference speakerphone  
Robert Turner, Senior Vice President, Kaufman, Hall & Associates, Inc., by conference speakerphone

Gretchen Hanna, Director of Corporate Finance, Seattle Cancer Care Alliance, by conference speakerphone  
Doug Dale, CFO and VP of Finance, Sea Mar Community Health Centers, by conference speakerphone  
Jonathan M. Tingstad, Vice President & Chief Financial Officer, Seattle Cancer Care Alliance, by conference speakerphone  
Trish King, Director, Bank of America Merrill Lynch, by conference speakerphone  
Carlos Guangorena, VP Regional Lending Manager, Heritage Bank, by conference speakerphone

Lieutenant Governor Owen called the meeting to order at 2:30 p.m. after noting a quorum was present consisting of himself, David Schumacher, and Ron Sperling.

**Review, discussion and possible action regarding the Minutes of August 14, 2014.**

After discussion and upon motion by Mr. Sperling and seconded by Lieutenant Governor Owen, the minutes of the August 14, 2014 Authority meeting were unanimously accepted by roll call vote.

**Review, discussion and possible action regarding the Amendment to the Application for financial assistance submitted by Sea Mar Community Health Centers (Sea Mar).**

Ms. Murr presented the summary of the application amendment that was received from Sea Mar. The original application was accepted from Sea Mar on April 10, 2014 in the amount of \$27,525,000 for the purpose of refinancing the outstanding principal amount of their Series 2006 and 2007 Bonds, construction of a new medical office building in Des Moines, acquisition of four clinics and the remodeling of three clinics. This was to be a Quick Loan private placement to be purchased by Union Bank. Subsequent to the acceptance of that application, Sea Mar has decided to switch banks for this loan and has received and accepted a term sheet from Heritage Bank. In addition to the new bank, they have also asked for an increase in the amount of the application from \$27,525,000 to \$35,000,000. The additional funds will be used for additional new construction, acquisition and remodeling. In addition, the principal amount of their outstanding bonds has decreased since the submission of the original application. The amount of the requested increase is \$7,475,000.

Ms. Murr introduced Mr. Doug Dale, Vice President of Finance for Sea Mar, who thanked the Authority for this financing opportunity.

After further discussion, without public comment and upon motion by Mr. Sperling and seconded by Mr. Schumacher, the amended application for financial assistance submitted by Sea Mar was unanimously accepted by roll call vote.

**Review, discussion and possible action regarding the application for financial assistance submitted by Seattle Cancer Care Alliance (SCCA).**

Ms. Murr introduced Mr. Govia who presented the application.

Mr. Govia summarized the application submitted by Seattle Cancer Care Alliance. The Seattle Cancer Care Alliance is a cancer treatment center that was formed in 1988 by the Fred Hutchinson Cancer Research Center, the University of Washington and Seattle Children's Health Care System for purposes of developing and offering a comprehensive program of integrated cancer care services. The SCCA submitted an application for financial assistance on August 28, 2014 in the amount of \$119,000,000. Prior to Authority action on September 18, 2014, SCCA requested that the par issuance amount of the application submitted be increased to \$125,000,000. The purpose of this increase is to ensure that SCCA and its underwriter have sufficient flexibility to market the bonds based on the market conditions existing at the time of the sale.

The purpose of the loan requested is to refinance the Authority's Series 2008 Bonds and Series 2010 Bond issued for SCCA. Approximately \$83.355 million will be used to refinance the Series 2008 Bonds and \$22.2 million will be used to refinance the Series 2010 Bond. The remaining proceeds will be used to pay the costs of issuance.

The Series 2008 Bonds were originally underwritten by Bank of America Merrill Lynch and were used to (i) finance costs of constructing, remodeling, renovating and equipping an outpatient clinic; (ii) refund the Authority's Series 2001 and Series 2005 Bonds; (iii) fund a debt service reserve fund; and (iv) pay the costs of issuing the Bonds. The Series 2010 Bond was used to refund Authority bonds issued in 2008 to finance the Seattle Cancer Care Alliance House.

This will be a public offering underwritten by Bank of America Merrill Lynch. It will be a fixed rate offering based on the current ratings of Seattle Cancer Care Alliance which are A2/A+ (Moody's/Fitch). There are no CoN issues per the Department of Health. Based on current estimates of taxable versus tax exempt rates, it has been determined that approximately \$4.3 million will be saved over the life of the bonds.

Based on the review of the application, Orrick, Herrington & Sutcliffe LLP, which is serving as the Authority's Bond Counsel for the transaction, has determined that the borrower and the project qualify for financing under the Authority statute, but such determinations are still subject to Bond Counsel's due diligence review. Mr. Govia urged the Authority's acceptance of the application.

Mr. Govia introduced Mr. Jonathan Tingstad, Vice President & Chief Financial Officer and Gretchen Hanna, Director of Corporate Finance from Seattle Cancer Care Alliance.

In response to Mr. Sperling's inquiry about the benefit or value of this refinance, Mr. Tingstad explained that in 2008, Seattle Cancer Care Alliance was unable to earn a credit rating and re-structured their debt. Issuing bonds at that time came at a hefty price. Mr.

Tingstad went on to explain that the current market conditions are favorable for fixed rate debt, and SCCA has since been able to obtain a rating. Refinancing this debt would lower the cost of capital significantly, which will allow SCCA the ability to provide more resources for advancing their mission and serving cancer patients.

In response to Mr. Sperling's inquiry as to whether the Series 2008 Bonds and Series 2010 Bond were currently at a "high" interest rate, Mr. Tingstad explained that the Series 2010 Bond is held by Key Bank with a variable rate and 3-year credit enhancement agreement. They are looking at ways to have a mix of variable rate and fixed rate debt. SCCA is currently in discussions with Key Bank to determine the most beneficial rate structure and term. The application allows SCCA more flexibility with regards to its potential options.

In response to Mr. Sperling's inquiry about the expectation that both the variable and fixed rate portions will be public issues, Mr. Tingstad said that they are still in negotiations with Key Bank, and the refinancing of the Series 2010 Bond may remain a direct purchase transaction.

Mr. Tingstad stated that he always appreciates working with the Authority.

After further discussion, without public comment and upon motion by Mr. Sperling and seconded by Mr. Schumacher, the application for financial assistance submitted by Seattle Cancer Care Alliance was unanimously accepted by roll call vote.

**Review, discussion and possible action regarding the application for financial assistance submitted by Providence Health & Services (PH&S) and Western HealthConnect (WHC).**

Ms. Murr summarized the application submitted by PH&S and WHC. The application is for \$225,000,000 and the purpose is to refund all outstanding Authority bonds issued for Kadlec Regional Medical Center (KRMC) in 2006, 2010 and 2012. The refunding is necessary to enable KRMC to join the PH&S Obligated Group pursuant to the Affiliation Agreement between WHC, which is an affiliate of the PH&S, and KRMC. In addition, a portion of the bond proceeds will be used to pay issuance costs and certain unspent funds from the 2012 financing will be used for acquisition, construction and equipping of health care facilities at KRMC.

This will be a fixed rate public sale underwritten by Bank of America Merrill Lynch. There are no CoN issues pursuant to the Department of Health memo provided. The bonds will be rated based on the public rating of PH&S which is currently AA3, AA-, AA by Moody's, S&P, and Fitch. The bond trustee will be U.S. Bank National Association. The estimated public benefit for this refunding is approximately \$26.6 million over the life of the bonds, estimated to be 30 years at fixed interest rates.

Ms. Murr introduced Ms. Sue Painter, Vice President/Treasurer of PH&S.

Ms. Painter advised of a slight modification to the application. After further review of the outstanding KRMC debt, PH&S has decided it would be more cost effective to redeem and pay the variable rate Series 2006B Bonds as soon as possible and pay them with cash derived from an interim taxable line of credit borrowing rather than defease them at the 12% maximum interest rate to the first monthly call date after the proposed bond closing. The interim borrowing would then be repaid from bond proceeds.

KRMC joined PH&S on June 13, 2014. The entire purpose of the transaction is to bring KRMC into the PH&S Obligated Group and in order for this to take place all of KRMC's outstanding bonds must be discharged. Benefits from this financing we will be lowering the annual debt service and a reduction in yearly expenses. Otherwise, the transaction will be structured similar to the Series 2014C Bonds that were recently closed with the primary difference will be the funding of an escrow. The hope is to sell bonds in October and close in November.

In response to Mr. Sperling's inquiry about the slight modification described by Ms. Painter as to whether there would also be a change to the loan amount, Ms. Murr explained that there is no change in the loan amount, but instead of funding escrow for one month at max interest rate, the bond proceeds will be used to pay off the line of credit.

After discussion and upon motion by Mr. Sperling and seconded by Mr. Schumacher, the application for financial assistance submitted by Providence Health & Services was unanimously accepted by roll call vote.

#### **Executive Director's Report.**

Ms. Murr reviewed the Executive Director's Report presented in the board materials including the status of Authority operations, status report, financial statements, and debt service report.

#### **Adjournment:**

There being no further business, the meeting was adjourned at 2:56 p.m.

---

John Wiesman, Secretary