



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

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Executive Director
Donna A. Murr

**Washington Health Care Facilities Authority
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Tuesday, October 14, 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
AnnaLisa Gellermann, Insurance Commissioner's Designee/Member, by conference speaker phone
Ron Sperling, Public Member

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.
Matt Swafford, Authority Financial Advisor, Melio & Company
Courtney Muraski, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP
John Ryan, Authority Assistant Attorney General
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Trish King, Bank of America Merrill Lynch, by conference speakerphone
Josh Neaman, Bank of America Merrill Lynch, by conference speakerphone
Gretchen Hanna, Director of Corporate Finance, Seattle Cancer Care Alliance
Sue Painter, Vice President/Treasurer, Providence Health & Services
Norman Johnson, Chief Executive Officer, Therapeutic Health Services
Jon Berkedal, Consultant, Therapeutic Health Services
Warren Hewitt, Vice President of Finance & CAO, Seattle Children's Hospital

Donna Reinhart, Director of Treasury Services, Seattle Children's Hospital
Peter Toop, Chief Financial Officer, Yakima Valley Farm Workers Clinic
Megan Hurley, CPA Manager, Peterson Sullivan PLLC
Ray Holmdahl, Audit Partner, Peterson Sullivan PLLC

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

Review, discussion and possible action regarding the Minutes of September 18, 2014.

After discussion and upon motion by Ron Sperling and seconded by David Schumacher, the minutes of the September 18, 2014 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2014-09 approving the final application for financial assistance and authorizing the issuance and sale of bonds for Seattle Cancer Care Alliance (SCCA).

Mr. Govia presented Resolution No. 2014-09 which authorizes the issuance of a bond for SCCA in an amount not to exceed \$100,000,000. This bond is for refinancing and paying the costs of issuance. This will be a fixed rate public sale underwritten by Bank of America Merrill Lynch. The primary security is a master note obligation and trustee held funds. A Certificate of Need (CoN) is not required for this financing according to the Department of Health (DoH). The bonds will be rated based on the credit rating of SCCA, currently: Moody's: A2 and Fitch: A+. A TEFRA hearing was held on October 7, 2014 at which no individuals testified for or against the project. This will be a fixed rate public offering. The loan term is a maximum of 30 years. Based on current estimates of taxable vs. tax exempt interest rates the estimated savings is approximately \$4.3 million over the life of the bonds. Based on the application as well as the information provided by DOH along with the due diligence investigation conducted by Orrick, Herrington & Sutcliffe LLP and representation by SCCA that the issuance of the series 2014 bonds will be investment grade and other determinations made we recommend the resolution for adoption.

Mr. Govia introduced Ms. Gretchen Hanna, Director of Corporate Finance for SCCA and Ms. Courtney Muraski, Bond Counsel, Orrick, Herrington & Sutcliffe LLP.

Ms. Muraski summarized the documents presented for approval and indicated that they were all in good order and that her firm is prepared to issue its opinion should the Authority approve the financing.

Ms. Hanna wanted to thank the Authority for assisting with this transaction and also advise of SCCA's appreciation for the Authority's continued support.

Lieutenant Governor Owen inquired about the ability to approve the final application and adopt a resolution in one motion. In response to the Lieutenant Governor's inquiry bond counsel stated that yes both items can be approved and adopted in one motion.

After further discussion, without public comment and upon motion by David Schumacher and seconded by Ron Sperling, Resolution No. 2014-09 was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2014-10 approving the final application for financial assistance and authorizing the issuance and sale of bonds for Providence Health & Services (PH&S) and Western HealthConnect (WHC) for the benefit of Kadlec Regional Medical Center (KRMC).

Ms. Murr introduced Sue Painter, Vice President/Treasurer of Providence Health & Services.

Ms. Murr then explained that Resolution No. 2014-10 would approve the application for financial assistance and the issuance of up to \$220,000,000 in Authority bonds for PH&S and WHC, for the benefit of KRMC. WHC is an affiliate of PH&S. A recently signed affiliation agreement between WHC and KRMC requires PH&S to cause KRMC to become a member of the PH&S Obligated Group. In order to accomplish this, all of the Authority's outstanding bonds issued for the benefit of KRMC must be refinanced and defeased. The fixed rate bond issue will be sold publicly by Bank of America Merrill Lynch and Goldman Sachs who will act as co-managing underwriters. The primary security for the loan is a master note obligation and bond trustee held funds. There are no Certificate of Need (CoN) issues as confirmed by the Department of Health. The TEFRA hearing was held on October 7, 2014. No individuals testified for or against the project. The bonds will be rated based on the credit rating of the PH&S Obligated Group, currently: Moody's Aa3; S&P AA-; Fitch AA. The trustee is US Bank National Association. The estimated savings benefit of using taxable vs. tax exempt bonds is approximately \$26 million over the life of the bonds.

Ms. Murr introduced Mr. Dan Gottlieb, Authority Bond Counsel of Hillis, Clark, Martin & Peterson P.S., who noted that there are some unspent bond proceeds remaining from the most recent series of KRMC bonds from 2012. The financing plan also envisions that those funds, or an equal amount of new bond proceeds, will be used to complete those projects.

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

Ms. Painter expressed PH&S's appreciation for the Authority's assistance.

In response to an inquiry from Mr. Sperling, Ms. Painter explained the relationship of WHC to PH&S, KRMC and the Obligated Group.

After further discussion, without public comment and upon motion by Ron Sperling and seconded by David Schumacher, Resolution No. 2014-10 was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the application for financial assistance submitted by Therapeutic Health Services (THS).

Ms. Murr introduced Norman Johnson, CEO of Therapeutic Health Services and Jon Berkedal, Consultant for Therapeutic Health Services.

Ms. Murr summarized the application submitted by Therapeutic Health Services (THS). THS is a new borrower located in King & Snohomish Counties. THS is a substance abuse and mental health provider. The amount of the application is for \$2.7 million dollars and the purpose is to refinance a New Market Tax Credits (NMTC) loan used to finance the 2008 acquisition of their Everett facility used to support their programs. This will be a quick loan private placement and the lender is Sound Community Bank also a new bank for this program. The primary security for the loan will be a deed of trust on 9930 Evergreen Way, Building Z150, Everett, WA 98204. There are no CoN issues as confirmed by the Department of Health. The TEFRA hearing has not been scheduled as of this meeting. The proposed interest rate is 3.25% initially with a 5 year reset. The loan term is a 10 year maturity with a 25 year amortization. The estimated interest cost savings is \$703,000.

Mr. Johnson provided a description of THS and the services they provide. THS has 8 branches that serve King and Snohomish Counties. THS provides outpatient drug/alcohol treatment and mental health services, youth drug/alcohol treatment and mental health services, parenting and family programs and programs aimed at specific populations such as veterans, the homeless, etc. THS employs 214 regular staff and 8 contract staff. THS is accredited by the Commission on Accreditation of Rehabilitation Facilities which is the highest level of accreditation our agency can receive. Mr. Johnson has worked for THS for over 40 years. Their plan is begin offering primary care along with the other services currently provided to clients.

In response to Lieutenant Governor Owen's inquiry regarding the age of the youth receiving services from THS, Mr. Johnson responded they range in age from 8 years of age to 24 years of age.

In response to Lieutenant Governor Owens's inquiry regarding THS's definition of primary care, Mr. Johnson responded that primary care at THS would consist of services provided by a medical doctor, a nurse, a PA or an NA that focus on prevention. Primary care can help reduce the high cost of emergency room visits.

In response to an inquiry from Mr. Sperling, Mr. Johnson explained that the original bank WAMU made the original NMTC loan. Subsequently, WAMU's assets were taken over by Chase Bank, which determined not to roll-over the existing loan, creating the need for the requested refinancing through the Authority.

After further discussion, without public comment and upon motion by David Schumacher and seconded by Ron Sperling, the application for financial assistance submitted by Therapeutic Health Services was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the application for financial assistance submitted by Seattle Children's Hospital.

Ms. Murr summarized the application submitted by Seattle Children's Hospital (Children's). The amount requested in the application is \$316,345,000. The purpose of the loan is new construction, remodeling, new equipment, refinancing and issuance costs. New money projects will use approximately \$100 million of the requested loan and the remaining portion of the loan will be used to refund the series 2008C and Series 2009 bonds if deemed appropriate by Children's. This will be a fixed rate public sale underwritten by J.P. Morgan Securities who will serve as senior managing underwriter and Morgan Stanley & Co who will serve as co-managing underwriter. There were two CoNs issued for the new construction portion of the loan: CoN #1140 and #1441, each dated March 15, 2011. The bond rating will be based on the rating of Children's which is currently Aa3 by Moody's and AA by Fitch. The bond trustee will be the Bank of New York Mellon Trust Company. Based on current estimates of taxable vs. tax exempt rates the estimated savings is \$8 million. The new money projects include capital projects on the Seattle campus that will increase inpatient beds in its ICU medical/surgical and psychiatric services; the acquisition, renovation and equipment for newly acquired properties and equipment for facilities in Federal Way, Everett and Mill Creek.

Ms. Murr introduced Warren Hewitt, Vice President of Finance & CAO and Donna Reinhart, Director of Treasury Services both from Children's.

Mr. Hewitt thanked the Authority for this opportunity and provided a description of Children's and the services they provide. This financing will provide significant debt service savings which will allow Children's to keep health care costs lower for the children and their families. Children's enjoys a strong clinical reputation and financial operating performance. Children's continues to maintain a state of the art clinical facility and equipment to assure that the children of our region will have access to our life saving care when they need it the most.

In response to Mr. Sperling's inquiry regarding the flexibility to do the refinancing or is Children's operating in a wait and see situation to watch the markets, Mr. Hewitt responded that there are savings currently based on the today's rates. If those savings hold out, it would make sense to refinance.

After further discussion, without public comment and upon motion by Ron Sperling and seconded by David Schumacher, the application for financial assistance submitted by Seattle Children's Hospital was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the application for financial assistance submitted by Yakima Valley Farm Worker's Clinic (YVFWC).

Mr. Govia summarized the application submitted by YVFWC. YVFWC in Toppenish, Washington is a community clinic that is requesting a loan in the amount of \$14,250,000. The purpose of this loan would be for construction, acquisition and reimbursement. It will be a Quick Loan, private placement with the purchaser being Bank of America National Association. The primary bondholder security is a deed of trust. There are no CoN issues per the Department of Health. Feasibility is to be determined by the purchaser. A TEFRA hearing will be scheduled. The interest rate is variable – 70% of 1 month LIBOR + applicable spread. The loan term is a 25 year maturity with an initial term to be determined. The estimated public benefit is \$4 million over the life of the loan. The breakdown of the loan is \$13,548,500 for construction and acquisition and \$701,500 for reimbursement. The reimbursements are for anticipated construction draws. Bond counsel has reviewed the application and they believe the project is eligible but that is subject to their due diligence review.

Mr. Govia introduced Mr. Peter Toop, Chief Financial Officer of the YVFWC. Mr. Toop provided a description of the YVFWC. YVFWC provides comprehensive medical, dental, nutritional, case management, behavioral health and social services to underserved areas and low-income populations. They operate out of over 20 locations with a total of 467,000 square feet of facility to serve the needs of their population. They employ 142 medical providers, 31 dentists and staff of approximately 1,400. The clinic has been in business for about 37 years. The main purpose of the loan is to replace one of the largest sites in Toppenish, WA.

In response to Lieutenant Governor Owen's inquiry regarding YVFWC's main source of revenue Mr. Toop responded that YVFWC receives both state and federal grants, Medicaid payments and insurance payments.

In response to Mr. Sperling's inquiry regarding those served by YVFWC, Mr. Toop responded that they are mainly the low income populations from rural areas and migrant farm workers.

After further discussion, without public comment and upon motion by David Schumacher and seconded by Ron Sperling, the application for financial assistance submitted by Yakima Valley Farm Workers Clinic was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the June 30, 2014 Audit of the Washington Health Care Facilities Authority.

Ms. Murr introduced Ashlee Frye, Chief Financial Officer and Compliance Officer of the Authority and Megan Hurley, CPA Manager of Peterson Sullivan PLLC and Ray Holmdahl, Audit Partner of Peterson Sullivan PLLC.

Ms. Frye discussed the audit process and reported that the audit, as performed by Peterson Sullivan PLLC, and accompanying Management Letter indicated that they did not identify any deficiencies in internal control that would be considered material weaknesses.

Mr. Holmdahl and Ms. Hurley provided and discussed a presentation about the audit findings which were favorable. There were no material weaknesses or deficiencies found.

In response to Mr. Sperling's inquiry regarding the Management Letter issued and whether there were any informal recommendations made, Mr. Holmdahl responded that the only concern noted is the size of the office and the segregation of duties. However, Authority staff does a very good job with the segregation of duties but should always be mindful to keep processes in place even when the office is short staffed.

Ms. Murr commended Ms. Frye on her work in keeping our books and records in good order and the excellent job done for the audit preparation. Ms. Frye has grown tremendously over the last three years and Ms. Murr is very proud of her. Ms. Frye was also commended on making the audit team feel welcome.

After further discussion, without public comment and upon motion by Ron Sperling and seconded by David Schumacher, the June 30, 2014 audit report of the Washington Health Care Facilities Authority was unanimously accepted by roll call vote.

Executive Directors Report.

Ms. Murr suggested that in an effort to save time and due to the necessary executive session we forego the Executive Director's Report presentation. Ms. Murr stated there were no significant changes or issues.

Executive Session.

Executive Session was requested at 3:37 p.m. by Mr. Sperling to review the performance of the Executive Director.

The recorder was turned off during this discussion.

Lieutenant Governor Owen called the meeting to order after Executive Session ended.

After further discussion, without public comment and upon motion by Ron Sperling and seconded by David Schumacher, the compensation plan for the Authority Executive Director, as discussed in executive session, was unanimously accepted by roll call vote.

Adjournment:

There being no further business, the meeting was adjourned at 4:08 p.m.

John Wiesman, Secretary