



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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Department of Health
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Ronald K. Sperling

Executive Director
Donna A. Murr

Washington Health Care Facilities Authority
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Thursday, August 14, 2014 Meeting Minutes

A special meeting was held at the office of the Washington Health Care Facilities Authority, pursuant to Authority 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:

Brad Owen, Lieutenant Governor/Member
AnnaLisa Gellermann, Insurance Commissioner's Designee/Member
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

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
Peter Casey, Executive Director, Peninsula Behavioral Health
Bill Hannon, Finance Director, Peninsula Behavioral Health
Joel Gilbertson, Vice President/Government & Public Affairs Providence Health & Services, by conference speakerphone
Sue Painter, Vice President/Treasurer Providence Health & Services
Joe Hegner, Managing Director, Bank of America Merrill Lynch, by conference speakerphone
Danni Minker, guest

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

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Review, discussion and possible action regarding the Minutes of July 10, 2014.

After discussion and upon motion by Ms. Gellermann and seconded by Mr. Sperling, the minutes of the July 10, 2014 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2014-07 authorizing the issuance and sale of a bond for Peninsula Behavioral Health (PBH).

Mr. Govia introduced Mr. Peter Casey, Executive Director, and Mr. Bill Hannan, Finance Director of Peninsula Behavioral Health (formerly Peninsula Community Mental Health Services).

Mr. Govia presented Resolution No. 2014-07 which authorizes the issuance of a bond for PBH in an amount not to exceed \$1,292,000. The purpose of the financing is to repay a bridge loan that refinanced a prior bond issued in 2004 through the Authority. The financing will be a Quick Loan private placement with First Federal Savings and Loan Association of Port Angeles. There are no CoN issues for the financing. A TEFRA hearing was held on May 14, 2014, at which no individuals testified for or against the project. The fixed interest rate for the initial 5 year term of the 20 year loan is 3.15%. It has been determined that approximately \$260,697 will be saved in interest costs by this refinancing based on current tax exempt versus taxable rates. The depository agent is U.S. Bank National Association. Mr. Govia recommended final approval of the application for financial assistance and adoption of Resolution No. 2014-07 based on the determinations made as required by Authority Rules.

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

Mr. Casey and Mr. Hannan thanked the Authority for all their work. They are appreciative of this opportunity.

In response to Mr. Sperling's inquiry about the 2004 PBH bond maturity, Mr. Gottlieb explained that the 2004 bond had matured and been acquired by First Federal Savings and Loan Association of Port Angeles on a taxable basis. The current refinancing is to repay the bridge loan that refinanced the 2004 bond.

In response to Mr. Sperling's inquiry about the 2004 PBH bond, Mr. Hannan explained that the original 2004 bond was with Bank of America initially and then purchased by First Federal Savings Association of Port Angeles. The 2004 Bond had a LIBOR based floating rate while the current transaction is fixed rate. For the first five years of the original loan there was also a SWAP in place.

After further discussion, without public comment and upon motion by Ms. Gellermann and seconded by Mr. Sperling, Resolution No. 2014-07 was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2014-08 approving the application for financial assistance and authorizing the issuance and sale of bonds for Providence Health & Services.

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

Ms. Murr presented Resolution No. 2014-08 which authorizes the issuance of bonds for Providence Health & Services (PH&S) in the amount of \$100,000,000. The transaction will be a fixed rate public sale underwritten by Bank of America Merrill Lynch. No Certificate of Need is required according to the Department of Health. The bonds will be rated based on the rating of PH&S, which is currently AA3/AA-/AA by Fitch/Moody's/Standard & Poors. The estimated public benefit interest savings is \$31.1 million over the life of the bonds. Approximately \$47.3 million will be used for an Ambulatory Care Center at Swedish Edmonds and approximately \$49.5 million will be used to refinance a portion a taxable loan coming due October 1, 2014, the proceeds of which were used to finance a portion of the construction of the Everett Tower. The remaining proceeds will be used to pay the costs of issuance. A TEFRA hearing was held on August 5, 2014, at which no individuals testified for or against the project. Ms. Murr recommended the adoption of Resolution No. 2014-08 based on the determinations made as required by Authority Rules.

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

In response to Lieutenant Governor Owen's inquiry about the estimated interest rate and savings numbers on the bonds, Mr. Gottlieb explained that the bonds have not been sold yet and the maximum interest rate is set at 6%. Ms. Painter added that at the time they submitted the application, the estimated savings number was based on the spread between taxable and tax-exempt rates over the life of the bonds.

Mr. Swafford discussed current market conditions and stated that current conditions are positive. The low supply in the healthcare sector is beneficial for PH&S to sell bonds next week.

Ms. Painter thanked the Authority for the hard work with the aggressive calendar set. There were no obstacles and the Authority helped the transaction move seamlessly.

After further discussion, without public comment and upon motion by Mr. Sperling and seconded by Ms. Gellermann, Resolution No. 2014-08 was unanimously accepted by roll call vote.

Review, discussion and possible action regarding renewal of the Authority's D&O Liability Insurance Coverage

Ms. Murr presented the proposed Directors and Officers (D&O) liability insurance annual renewal terms provided by the Authority's insurance broker. National Union Fire Insurance Co., the Authority's current primary insurance provider, offered renewal terms equal to the Authority's current \$5 million coverage, and the Authority also received a quote from a new carrier, Markel American Insurance Co., for the \$5 million excess coverage, which offered renewal terms equal to our current policy with Ironshore. Ms. Gellermann reviewed the information provided by the broker and supports the recommendation to renew as presented.

After further discussion, without public comment and upon motion by Ms. Gellermann and seconded by Mr. Sperling, the recommendation to confirm selection of a one year policy for Directors and Officers insurance coverage through National Union Fire Insurance Company and Markel American Insurance Company was approved.

Executive Directors Report.

Ms. Murr reviewed the Executive Director's Report presented in the board materials including the status of Authority financings, financial statements, status report and debt service report. She also indicated that the Authority's June 30, 2014 audit has begun and will be available in October.

Adjournment:

There being no further business, the meeting was adjourned at 3:10 p.m.

John Wiesman, Secretary