



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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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, March 12, 2015 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 (Authority).

Members Present:

Brad Owen, Lieutenant Governor/Member
David Schumacher, Governor's Designee/Member, by conference speakerphone
AnnaLisa Gellermann, Insurance Commissioner's Designee/Member, by conference speakerphone
John Wiesman, Secretary of the Department of Health/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
Danni Minker, Executive Assistant/Office Manager

Others Present:

Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
Will Singer, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
John Ryan, Authority Assistant Attorney General
Herb Bone, Corporate Treasurer, Fred Hutchinson Cancer Research Center
Anna Loomis, Senior Vice President & Chief Financial Officer, MultiCare Health System
Judy Swain, Treasurer, MultiCare Health System, by conference speakerphone
John Myers, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone
Mark Melio, Authority Financial Advisor, Melio & Company, by conference speakerphone
Matt Swafford, Authority Financial Advisor, Melio & Company, by conference speakerphone

Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone

Robert Turner, Senior Vice President, Kaufman Hall Financial Advisor for Fred Hutch and MHS, by conference speakerphone

Lieutenant Governor Owen called the meeting to order at 2:33 p.m. after noting a quorum was present consisting of himself, John Wiesman and Ron Sperling.

Review, discussion and possible action regarding the Minutes of February 12, 2015.

After discussion and upon motion by John Wiesman, and seconded by Ron Sperling, the minutes of the February 12, 2015 Authority meeting were unanimously accepted.

Review, discussion and possible action regarding the application for financial assistance submitted by Fred Hutchinson Cancer Research Center (Fred Hutch).

Mr. Govia summarized the application submitted by Fred Hutch in the amount of \$110,000,000 for the purposes of advance refunding and defeasing the Authority's Revenue Bonds, Series 2009A and paying the costs of issuance.

The Series 2009A Bonds were used to refund the Series 2001B Bonds and the Series 2002 Bonds. The Series 2001B Bonds were used to finance a portion of the construction costs of the Arnold Building, a public health sciences division research facility. The Series 2002 Bonds were used to refund the Series 1991A, 1991B, 1996, and 1999 Bonds.

The bonds will be issued publicly and underwritten by J.P. Morgan Securities LLC, serving as senior manager and Bank of America Merrill Lynch, serving as co-manager.

The bonds will be rated based on the rating of Fred Hutch, which is currently A3 by Moody's and A by S&P. The estimated public benefit is \$3.7 million over the life of the bonds based on current estimates of taxable versus tax-exempt interest rates.

Based on the review of the application, Hillis Clark Martin & Peterson P.S., which is serving as the Authority's Bond Counsel for the transaction, has determined that the borrower and the project are eligible 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. Herb Bone, Corporate Treasurer from Fred Hutch.

Mr. Bone thanked the Authority and advised that Fred Hutch was currently wishing to enter the market in order to take advantage of the current low interest rates. Mr. Bone also advised that the prospective financing will provide the benefit of releasing all or a portion of the debt service reserve fund currently securing the 2009A Bonds.

In response to Lieutenant Governor Owen's inquiry regarding the difference in interest rate on the 2009A Bonds versus the prospective 2015 Bonds, Mr. Bone explained that the average coupon on the 2009A Bonds is approximately 5.79%. With regard to the

proposed interest rate on the 2015 Bonds issue, it is anticipated that the all-in interest cost will be approximately 3.44%, which would allow Fred Hutch to realize significant savings.

Mr. David Schumacher and Ms. AnnaLisa Gellermann joined the meeting via teleconference at this time.

There being no further discussion, without public comment and upon motion by Mr. Wiesman and seconded by Mr. Sperling, the application for financial assistance submitted by Fred Hutch was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the application for financial assistance submitted by MultiCare Health System (MHS)

Ms. Murr summarized the application submitted by MHS in the amount of \$450,000,000 for the purposes of financing new construction, renovation, acquisition, and to advance refund the Authority's Revenue Bonds, Series 2004A/B/C and Revenue Bonds, Series 2008A/B/C (Prior Bonds). The new money portion of the project will account for approximately \$100,000,000 of the total amount being requested. The bonds will be issued publicly and underwritten by J.P. Morgan Securities LLC, serving as senior manager and Barclays Capital Inc. and Wells Fargo Securities, serving as co-managers.

A Certificate of Need is required for the Covington facility project of the new money portion of the transaction. The Certificate of Need was granted and a copy of which was provided to the Authority. The bonds will be rated based on the rating of MHS, which is currently Aa3 by Moody's, AA- by S&P, & AA- by Fitch. The bond trustee will be U.S. Bank National Association. The estimated public benefit is \$11.7 million over the life of the bonds based on current estimates of taxable vs. tax-exempt interest rates.

The transaction will be a single issue with two series of bonds. The proceeds of the Series 2015A Bonds will be used for new money projects and the proceeds of the Series 2015B Bonds will be used to advance refund the Prior Bonds.

Approximately \$60 million of the new money portion of the project will be used at MHS's Auburn Medical Center. The project is an expansion of the existing site and will include a new Emergency Department, a new 64-68 bed patient care tower, a remodeled pharmacy and an updated central plant. The total project cost is \$64 million, and the balance will be funded from equity.

In addition, approximately \$40 million of the new money portion of the project will be used to construct a new hospital facility at MHS's existing Covington site where a new Emergency Department opened in 2012. The total project cost is \$49.2 million and the balance will be funded from equity.

Approximately \$350 million will be used to advance refund the Series 2004A/B/C Bonds, the proceeds of which were used to remodel the Tacoma General/Mary Bridge Outpatient Facility & Data Center, and the Series 2008A/B/C Bonds, the proceeds of

which were used for construction of a new patient care tower at Good Samaritan Hospital in Puyallup. The proceeds will also be used to pay the costs of issuance.

Ms. Murr introduced Ms. Anna Loomis, Senior Vice President & Chief Financial Officer from MHS.

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 are eligible for financing under the Authority statute, but such determinations are still subject to Bond Counsel's due diligence review. Ms. Murr urged the Authority's acceptance of the application.

Ms. Loomis thanked Ms. Murr and the Authority. She advised that MHS has a new Chief Executive Officer, William G. Robertson, who joined the organization in April 2014. Ms. Loomis reiterated Mr. Bone's earlier sentiment regarding the desire to enter the market at this time in order to take advantage of the low interest rate environment.

In response to Mr. Sperling's inquiry regarding the approximate rate on the bonds to be refinanced versus the new bonds, Ms. Loomis explained that the current rate on the bonds is about 5.5% while the estimated rate on the new bonds will be approximately 3.8%. This results in approximately \$1 million in savings annually.

Lieutenant Governor Owen asked if Ms. Judy Swain had any additional comments. Ms. Swain indicated that she did not have additional comments but would be happy to answer questions. Mr. Turner indicated that he did not have any comments either.

In response to Mr. Sperling's inquiry regarding the timing of the transaction, Ms. Loomis advised that MHS is targeting issuing the bonds towards the end of April, but the cutoff is the 1st to 2nd week in May. Ms. Murr advised that MHS anticipates presenting its issuing resolution at the April 2015 Authority meeting.

In response to Mr. Wiesman's inquiry regarding how many total beds the Auburn facility will utilize, Ms. Loomis explained that MHS is currently licensed for 193 beds and that no additional beds would be added. The project will convert semi-private rooms to private rooms and also potentially increase capacity.

There being no further discussion, without public comment and upon motion by Mr. Wiesman and seconded by Mr. Sperling, the application for financial assistance submitted by MHS was unanimously accepted by roll call vote.

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.

Adjournment:

There being no further business, the meeting was adjourned at 2:54 p.m.

John Wiesman, Secretary