



Washington Health Care Facilities Authority
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Thursday, January 8, 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 (the "Authority").

Members Present:

David Schumacher, Governor's Designee/Member
AnnaLisa Gellermann, Insurance Commissioner's Designee/Member, by conference speaker phone
Ron Sperling, Public Member, by conference speaker phone

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.
Bryan Victor, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP
John Ryan, Authority Assistant Attorney General
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 Seattle Children's Hospital, by conference speakerphone
Warren Hewitt, Chief Accounting Officer, Seattle Children's Hospital
Peter Toop, Chief Financial Officer, Yakima Valley Farm Workers Clinic
Debbie Hamilton, Senior Vice President, Banc of America Capital Corp
Michele Wilsie, Administrative Service Director, Cascade Mental Health Care, by conference speakerphone

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

David Schumacher called the meeting to order at 2:47 p.m. after noting a quorum was present consisting of himself, AnnaLisa Gellermann, and Ron Sperling.

Review, discussion and possible action regarding the Minutes of December 11, 2014.

After discussion and upon motion by Ron Sperling, and seconded by AnnaLisa Gellermann, the minutes of the December 11, 2014 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2015-01 approving the final application for financial assistance and authorizing the issuance and sale of bonds for Seattle Children's Hospital.

Ms. Murr summarized the application submitted by Seattle Children's Hospital (Children's). Children's is a not-for-profit regional pediatric medical center and research institute licensed for 323 beds. They operate 281 beds which are distributed among six discrete inpatient clinical nursing units. Children's submitted an application in the amount of \$316,345,000. The loan is structured as a public sale with two series of bonds, Series 2015A and Series 2015B, all to be underwritten by J.P. Morgan Securities as senior manager with Morgan Stanley & Wells Fargo as co-managers. The purpose of the loan is for new construction, remodeling, new equipment, refinancing & to pay costs of issuance.

The Series 2015A Bonds will be used to fund approximately \$100 million of new money capital expenditures for (1) capital projects on Children's Seattle campus which includes increasing inpatient beds in its ICU, medical/surgical and psychiatric services; (2) new facilities, renovations and medical and other equipment also at Children's Seattle campus and facilities to be acquired and renovated; and (3) medical and other equipment to be used in facilities in Federal Way, Everett, Mill Creek or environs or elsewhere and to pay issuance costs allocable to the Series 2015A Bonds. Ms. Murr explained that Certificates of Need were required for the expansion of beds, which have been received.

The Series 2015B Bonds will be used to refund and defease all or a portion of the outstanding Series 2008C Bonds, the Series 2009 Bonds or both, if deemed appropriate by Children's based on market conditions at the time of pricing and to pay issuance costs allocable to the Series 2015B Bonds. The Series 2008C Bonds were originally used to pay off a taxable line of credit used to retire the Series 2006C Auction Rate Bonds. The Series 2009 Bonds were originally used to construct Children's Bellevue ambulatory care center.

Resolution No. 2015-01 is structured in such a way that, if the savings associated with the refunding/defeasance of the Series 2008C Bonds and/or the Series 2009 Bonds do not meet desired goals, then Children's may request the Authority to proceed with only the new money Series 2015A Bonds.

The Series 2015 Bonds will be sold based on the rating of Children's. Fitch affirmed Children's AA-Stable status and Moody's just upgraded Children's from Aa3 to Aa2. A TEFRA hearing was held November 17, 2014 at which no individuals testified for or against the project.

Ms. Murr explained that the net present value savings threshold for the refunding of the Series 2008C Bonds is 4.5% while the net present value savings threshold for the refunding of the Series 2009 Bonds is 3.5%, with an aggregate net present value savings threshold of 4% for the combined refunding. Ms. Murr explained that as of the latest numbers run, the aggregate savings for the combined refunding was approximately 6%, so there is a good chance that if market conditions remain favorable Children's will proceed with the sale of the Series 2015B Bonds.

Ms. Murr recommended adoption of No. Resolution 2015-01 and introduced bond counsel for this transaction, Mr. Dan Gottlieb of Hillis Clark Martin & Peterson P.S, as well as Warren Hewitt, Chief Accounting Officer, Seattle Children's Hospital. Mr. Gottlieb summarized the documents presented for approval and indicated that they are all in good order and that, should the Authority approve the financing, his firm is prepared to issue its approving opinion at closing.

In response to Mr. Sperling's inquiry regarding how far from the savings threshold the current estimated present value savings was for the refunding of the Series 2008C and 2009 Bonds, Mr. Gottlieb explained that the threshold is 4% while the latest present value savings estimate came in at 6%.

In response to Mr. Sperling's inquiry regarding what costs would be incurred for preparing for but not issuing the Series 2015B Bonds, Robert Turner explained that much of the cost associated with the preparation was marginal due to having to prepare many of the same documents such as Appendix A for the issuance of the Series 2015A Bonds. Mr. Hewitt confirmed that Children's was aware and comfortable with incurring these costs in the event that they were not to proceed with the issuance of the Series 2015B portion of the transaction.

Mr. Hewitt thanked all that were involved in this transaction as well as the Authority Board for their consideration of the project.

After further discussion, without public comment and upon motion by Mr. Sperling and seconded by Ms. Gellermann, Resolution No. 2015-01 was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2015-02 approving the final application for financial assistance and authorizing the issuance and sale of a bond for Yakima Valley Farm Workers Clinic.

Mr. Govia summarized the application submitted by Yakima Valley Farm Workers Clinic (YVFWC). Located in Toppenish, Washington, YVFWC provides comprehensive

medical, dental, nutrition, case management, behavioral health, and social services to underserved areas and low-income populations. YVFWC has submitted an application, which was accepted by the Authority, for a Quick Loan in an amount not to exceed \$14,250,000. Mr. Govia explained that the staff report reflects that, YVFWC intended to reimburse themselves at closing of the transaction for construction expenditures it had paid from equity prior to such date but YVFWC subsequently decided to use proceeds of the bond to pay construction costs directly from bond proceeds post closing. Mr. Govia went on to explain that the change in initial source of payment of certain construction costs did not impact the proposed not to exceed amount for the bond but clarified that the bond proceeds would only be used for acquisition, equipping and construction costs for the 52,759 square foot medical office building.

Mr. Govia stated the following: the Bond will be structured as a private placement with Banc of America Capital Corp being the sole purchaser; the primary security on the loan will be a deed of trust; no certificate of need was required for the project per the Department of Health; a TEFRA hearing was held on December 10, 2014 at which no individuals testified for or against the proposed project and that the interest rate on the transaction will be variable based on 1-Month LIBOR. Mr. Govia stated that based on the 1-Month Libor rate quoted on the Wall Street Journal as of January 7, 2015 the indicative variable rate was currently 1.72%. This equates to an estimated savings of \$4,000,000 based on current taxable vs. tax-exempt interest rates. The loan will have an initial mandatory prepayment at 7 years but has a 25 year maturity if the mandatory prepayment is waived by the purchaser at the request of the borrower..

Based on the determinations that are required in our WAC, the due diligence conducted by Orrick, Herrington & Sutcliffe LLP as bond counsel, and, but not limited to, information in the private placement letter from Banc of America Public Capital Corp as well as the application submitted by YVFWC we recommend adoption of Resolution No. 2015-02.

Mr. Govia introduced bond counsel for this transaction, Mr. Bryan Victor from Orrick, Herrington & Sutcliffe LLP and Mr. Peter Toop, Chief Financial Officer for YVFWC. Mr. Victor noted that in addition to Mr. Govia's comment regarding the loan being secured by a deed of trust it will also be secured by a guarantee. Mr. Victor summarized the documents presented for approval, including the draw down structure of this bond, and indicated they are in good order and that should the Authority approve the financing his firm is prepared to issue its approving opinion at the closing.

In response to Mr. Sperling's inquiry regarding desirability of the interest rate spread, Mr. Matt Swafford explained that the interest rate and spread are unique to each specific borrower. The purchaser offers a rate based on their perception of the creditworthiness of the borrower and then the borrower may agree and accept this rate or pursue alternate strategies. Mr. Toop went on to explain that based on YVFWC's diligence this was an acceptable rate.

In response to Mr. Sperling's inquiry regarding the perception of Banc of America Public Capital Corp's performance on the transaction, Ms. Murr explained that this was the first Quick Loan transaction with Banc of America Public Capital Corp and although there were some hurdles the financing team worked together for the benefit of YVFWC. Mr. Toop explained that YVFWC was both excited about the project and happy with the performance of Banc of America Public Capital Corp. Mr. Toop also stated that \$4,000,000 was a significant amount of savings.

Mr. Govia explained that he had taken the lead on the transaction and that although there were some hurdles the parties were flexible and amicable. He went on to state that it was a pleasure working with the Bank of America team and he looks forward to future transactions with them.

Ms. Debbie Hamilton reiterated Mr. Govia's sentiment and thanked the Board for consideration of the transaction and the opportunity to speak on behalf of the bank.

After further discussion, without public comment and upon motion by Mr. Sperling and seconded by Ms. Gellermann, Resolution No. 2015-02 was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2015-03 authorizing and approving certain document amendments relating to Cascade Mental Health Care Series 2012 Bond.

Ms. Murr summarized the proposed amendment. The Authority previously issued its \$3,491,000 Revenue Bond, Series 2012 (Cascade Mental Health Care) for the benefit of Cascade Mental Health Care (CMH) in a private placement transaction with Security State Bank. The proceeds of the Series 2012 Bond was used by CMH to remodel and renovate their main facility located at 2428 Reynolds Road in Centralia to become a more HIPAA (Health Insurance Portability and Accountability Act) compliant building, refinance a taxable loan used to purchase the building, and pay costs of issuance. The Financing Agreement between the Authority and CMH has a provision that requires CMH to provide the Authority with a copy of its audited financial statements annually within 120 days of its fiscal year end. Prior to the issuance of this bond, CMH's practice was to have an audit done biennially with unaudited annual financial statements completed in the interim.

CMH is requesting that the Authority consider amending Section 3.06 of the Financing Agreement to allow biennial audited financial statements to be received no later than 180 days following the end of each second fiscal year and unaudited financials in the interim fiscal years. The benefit to CMH by engaging their auditors every two years is approximately \$20,000 in savings.

Ms. Murr recommended adoption of this resolution for the benefit of CMH.

In response to Mr. Sperling's question regarding whether counsel has reviewed the request and provided sign-off that approving the resolution would not violate any statutory requirements, Mr. Gottlieb affirmed that this proposed action would not violate any requirements.

After further discussion, without public comment and upon motion by Mr. Sperling and seconded by Ms. Gellermann, Resolution No. 2015-03 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 3:27 p.m.

John Wiesman, Secretary