



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, October 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.

### Members Present:

Brad Owen, Lieutenant Governor/Member  
John Wiesman, Secretary of Health/Member, by conference speakerphone  
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.  
Will Singer, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.  
Brandon Pond, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.  
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone  
Bryan Victor, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone  
Rusty Fallis, Authority Assistant Attorney General  
Matt Swafford, Authority Financial Advisor, Melio & Company, by conference speakerphone  
Mayling Leong, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone  
Doug Dale, Chief Financial Officer & Vice President of Finance, Sea-Mar Community Health Centers, by conference speakerphone  
Herb Bone, Corporate Treasurer, Fred Hutchinson Cancer Research Center, by conference speakerphone

Patrick Duff, Chief Financial Officer, Wellspring Family Services  
Mark Raker, Peterson Sullivan LLP

Lieutenant Governor Owen called the meeting to order at 2:32 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 September 10, 2015.**

After discussion and upon motion by Mr. Sperling and seconded by Mr. Wiesman, the minutes of the September 10, 2015 Authority meeting were unanimously approved by roll call vote.

**Review, discussion and possible action regarding the adoption of Resolution No. 2015-13, authorizing the execution of an amendment to the Fred Hutchinson Cancer Research Center Series 2010 Bond.**

Ms. Murr introduced Herb Bone, Corporate Treasurer of Fred Hutch who is participating via teleconference. Ms. Murr summarized the resolution relating to Fred Hutch's request to amend their Series 2010 Bond.

The Authority issued its \$30,000,000 Revenue Bond, Series 2010 for the benefit of Fred Hutchinson Cancer Research Center (Fred Hutch) in a private placement transaction with JP Morgan Chase Bank, National Association (JP Morgan). The proceeds of the Series 2010 Bond were used by Fred Hutch to purchase a six story office building they were previously leasing. The interest rate is currently variable based on 67% of 1 month LIBOR plus 2%. The Series 2010 Bond is payable pursuant to the Series 2010 Master Note and the Series 2010 Supplemental Indenture No. 18. Fred Hutch and JP Morgan have requested that the Series 2010 Bond be amended to change the definition of "Adjusted Rate" to 67% of 1 month LIBOR plus 1.16%. In order to effect this requested change, the Series 2010 Bond must be amended. In addition to the bond amendment, corresponding amendments to the Series 2010 Master Note and the Series 2010 Supplemental Indenture No. 18 will be made, which do not require Authority approval. Ms. Murr recommended the adoption of Resolution No. 2015-14 for the benefit of Fred Hutch.

Mr. Gottlieb of Hillis Clark Martin & Peterson P.S., serving as bond counsel for this transaction, summarized the documents presented for approval. Mr. Gottlieb stated that the resolution would approve the amended bond and would lower the variable rate that Fred Hutch would have to pay on this bond. Mr. Gottlieb and his firm, Hillis Clark Martin & Peterson, analyzed this transaction and confirmed that the amendment would not result in a re-issuance of the bond. Mr. Gottlieb indicated that all the documents are in good order and his firm is prepared to issue its opinion.

Mr. Bone thanked JP Morgan and the Authority for the opportunity for Fred Hutch to save some money.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Mr. Wiesman, Resolution No. 2015-13 was unanimously adopted by roll call vote.

Mr. Sperling inquired whether approval of similar amendments might be delegated to the Authority Executive Director in the future, and suggested that issue be added to the agenda for the next Authority Board retreat.

**Review, discussion and possible action regarding the adoption of Resolution No. 2015-14, approving the application for financial assistance and authorizing the issuance and sale of a bond for Sea-Mar Community Health Center (Sea-Mar).**

Mr. Govia introduced Mr. Doug Dale, Chief Financial Officer and Vice President of Finance for Sea-Mar Community Health Center who is participating via teleconference. Mr. Govia summarized the resolution relating to this request for financial assistance submitted by Sea-Mar Community Health Center.

Sea Mar Community Health Center is returning for another financing request separate from the application submitted last month. Sea Mar is a community health center located in Seattle, Washington. An application in the amount of not to exceed \$4,500,000 was submitted with the proceeds of the loan being used to refinance a taxable loan and the WHCFA Series 2005 Bond and to pay costs of issuance. Subsequent to the submission of substantially final documents to the Authority the working group finalized the par amount at \$4,422,000. The Series 2005 bond proceeds were used to finance the costs of acquisition, renovation and equipping a medical office building in Burien; acquisition costs of a medical clinic in Puyallup; and to remodel a medical clinic in Mt. Vernon, WA. The taxable loan was used for the acquisition costs of their Everett facility. This will be a Quick Loan private placement with Wells Fargo Bank N.A. The primary security is a deed of trust. There are no CoN issues per Sea Mar and the Department of Health. Feasibility has been determined by the lender. The TEFRA hearing was held on August 6, 2015 with no individuals testifying for or against the project. The estimated interest rate reflected in the board summary provided is 2.57% however; the actual interest rate has been confirmed at 2.69% for a 10 year term. Public benefit remains estimated at \$600,000 based on taxable versus tax-exempt rates over the term of the loan. Mr. Govia recommended the adoption of Resolution No. 2015-14 for Sea-Mar Community Health Centers.

Ms. Leong of Orrick, Herrington & Sutcliffe LLP, serving as bond counsel for this transaction, summarized the documents presented for approval and indicated that they are all in good order and that her firm is prepared to issue its approving opinion at closing.

In response to Mr. Sperling's inquiry regarding the difference between the proposed interest rate of 2.69% and the current interest rate on the taxable loan as well as the 2010 Bond, Mr. Dale responded that the interest rate on the taxable loan is approximately 4.2% and the interest rate on the 2010 Bond is approximately 4.5%.

In response to Mr. Sperling's inquiry regarding the quantity of recent applications submitted by Sea-Mar and whether or not consideration was given to consolidate the projects into fewer applications to save money. Mr. Govia responded that consolidating the financings into one application was discussed with Sea Mar, however at the time it was decided that separate applications would be submitted due to the timing, status, and nature of the projects. The Sea Mar transactions have various lenders and terms which also contributed to the decision of submitting separate applications to the Authority.

Ms. Leong explained that the project initially contemplated the loan being secured by several properties owned and operated by Sea Mar. However, prior to the Authority meeting it was identified that confirmation of federal subordination of the properties to be secured may not be received in time for the anticipated October 16, 2015 closing date. Accordingly, Sea Mar and Wells Fargo Bank N.A. have agreed that in the event that the parties are unable to confirm the federal subordination of the properties on the date of closing an alternate form of collateral would be held until the confirmation was received. The alternate form of collateral would be cash held on deposit at the bank.

In response to Mr. Wiesman's inquiry regarding "Plan B", the use of the alternate form of collateral and what that would entail. Mr. Victor explained that Sea Mar expects to receive the federal subordinations but if they were unable to confirm them by the date of closing then the project would still move forward and "close" utilizing the cash collateral held by Wells Fargo Bank N.A. and upon receipt of the subordinations, the documents have provisions to switch the collateral to the properties originally anticipated to secure the loan. In the event that Sea Mar was unable to receive the subordinations, then the loan may be kept outstanding with the cash collateral, the bonds may be paid off, or the parties may seek to refinance the debt amongst other potential options currently permissible pursuant to the documents.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Mr. Wiesman, Resolution No. 2015-14 was unanimously approved by roll call vote.

**Review, discussion and possible action regarding the adoption of Resolution No. 2015-15, approving the application for financial assistance and authorizing the issuance and sale of a bond for Wellspring Family Services (WFS)**

Mr. Govia introduced Mr. Patrick Duff, Chief Financial Officer for Wellspring Family Services who is available to answer any questions the Board may have. Mr. Govia summarized the resolution relating to this request for financial assistance submitted by Wellspring Family Services.

WFS is a counseling center located in Seattle, Washington. They provide behavioral health and psychiatry services. Their Rainier Ave South facility houses 25 specialists in behavioral health, infant and early childhood mental health and an employee assistance program. In addition, the facility houses the administrative services which support five

satellite sites with 40 licensed clinicians providing the same services as the Rainier Ave location. They are seeking financing in the amount of \$5,404,773.96. The transaction summary contemplates a par issuance of \$5,439,250 as it was drafted prior to the identification of an October 1, 2015 principal and interest payment which reduced the requested amount to \$5,404,773.96. The proceeds of the loan will be used to refinance a New Market Tax Credit loan which was used to finance the acquisition of the Rainier Ave South location and to pay costs of issuance. This will be a Quick Loan, private placement. The lender will be The Commerce Bank of Washington with the primary security being a deed of trust. There are no Certificate of Need issues per Wellspring Family Services and the Department of Health. Feasibility has been determined by the lender. A TEFRA hearing was held on September 9, 2015 with no individuals testifying for or against the project. The loan will have a fixed interest rate of 2.75% for the initial 7 year term with a 10 year maturity. The depository bank is Zions First National Bank. It is estimated that Wellspring Family Services will save approximately \$764,000 in interest costs over traditional taxable interest rate financing over the 10 year maturity. Mr. Govia recommended the adoption of Resolution No. 2015-15 for Wellspring Family Services.

Mr. Singer of Hillis Clark Martin & Peterson P.S., serving as bond counsel for this transaction, summarized the documents presented for approval and indicated that they are all in good order and that his firm is prepared to issue its approving opinion at closing.

In response to Mr. Sperling's inquiry regarding the difference between the current interest rate and the proposed interest rate on the NMTC Mr. Duff stated it was less than 25 basis points with the current interest rate at 2.54% and the proposed interest rate at 2.75%. The New Market Tax Credit loan comes due in November which is the primary factor for currently seeking the refinancing. Wellspring Family Services has requested financing a month early and Key Bank has agreed to waive the penalty for early pay-off.

Mr. Duff thanked the Authority and Bond Counsel for their guidance and support throughout the financing process. It will allow Wellspring Family Services to continue to provide and improve their services.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Mr. Wiesman, Resolution No. 2015-15 was unanimously approved by roll call vote.

**Review, discussion and possible action regarding the application for financial assistance submitted by Sea-Mar Community Health Center (Sea-Mar).**

Mr. Govia introduced Mr. Doug Dale, Chief Financial Officer and Vice President of Finance for Sea-Mar Community Health Center who is participating via teleconference. Mr. Govia summarized the application for financial assistance submitted by Sea-Mar Community Health Center.

Sea-Mar Community Health Center out of Seattle, Washington operates primary care medical and dental health facilities, senior housing and provides community social services in Washington. Sea-Mar is a Federally Qualified Health Center which also offers substance abuse treatment, behavioral health as many other community service programs. The purpose of this application in the amount of \$7,000,000 is to refinance an existing HUD loan which was used for the construction of a 100 bed nursing facility and for construction costs associated with the replacement of Sea-Mar's Ocean Shores facility which is currently out to bid. Costs of issuance are also expected to be funded with bond proceeds. This will be a Quick Loan private placement with Heritage Bank. The primary security is a deed of trust on property owned by Sea-Mar. There are no Certificate of Need issues per Sea-Mar. Feasibility is to be determined by the lender. A TEFRA hearing will be scheduled upon acceptance of this application. The interest rate is estimated at 2.75% with a loan term of 10 years. It is anticipated by Sea-Mar that it will save approximately \$875,000 in interest costs over traditional taxable interest rate financing.

Orrick, Herrington & Sutcliffe LLP will serve as bond counsel for this transaction. Based on review of the application, bond counsel has determined that the borrower and the project qualify for financing under the Authority's statute, but a determination is subject to bond counsel's due diligence review. Mr. Govia urged the Authority's acceptance of this application.

Mr. Sperling's noted that based on the most recent audited financial statements Sea Mar has realized significant improvement in profitability. Mr. Sperling inquired as to the cause of such a significant gain in profitability. Mr. Dale stated that Sea-Mar has been very aggressive in expanding, with the help of the Authority, as well as Medicaid advancements that have help Sea-Mar increase their share of insured patients, and in turn increasing Sea-Mar's profitability.

In response to Mr. Sperling's inquiry regarding why Sea-Mar owns a radio station. Mr. Dale explained that the radio station they own is a Spanish speaking radio station and provides an additional way to communicate with their Spanish speaking patients and the communities they serve. The radio station is primarily used to relay information about the services provided and health education.

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

#### **Review, discussion and possible action regarding the June 30, 2015 Audit of the Washington Health Care Facilities Authority.**

Ms. Frye introduced Mark Raker, of Peterson Sullivan LLP, discussed the audit process and reported that the audit and accompanying Management Letter indicated that Peterson

Sullivan LLP did not identify any deficiencies in internal control that would be considered material weaknesses.

Mr. Raker provided and discussed a presentation about the audit process that included the communication they are requirement to make, the audit reporting requirements as well as some operating statistics about the Authority. Mr. Raker confirmed that the findings were favorable and there were no material weaknesses or deficiencies found.

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. A significant amount of time was spent learning the reporting requirements of GASB 68, which began this year.

In response to Mr. Sperling's inquiry regarding the frequency of non-payment of fees by our borrowers and Ms. Murr responded that the Authority has never had an issue with non-payment and that there are policies in place should this ever become an issue.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Mr. Wiesman, the June 20, 2015 Audit of the Washington Health Care Facilities Authority 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