



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
Thursday, April 9, 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:

David Schumacher, Governor's Designee/Member

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.

William Singer, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.

Bryan Victor, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP

Matt Swafford, Authority Financial Advisor, Melio & Company, by conference speakerphone

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

Alan Erola, Chief Financial Officer, Greater Lakes Mental Health

John Doyle, Chief Financial Officer, Central Washington Health Services Association

Steve Jacobs, Vice President of Finance, Central Washington Health Services Association

Anna Loomis, Senior Vice President/Chief Financial Officer, MultiCare Health System

Judy Swain, Treasurer, MultiCare Health System
John Woodard, Director, Bank of America Merrill Lynch, by conference speakerphone
Edward Wohleb, Vice President, Bank of America Merrill Lynch, by conference speakerphone
Robert Turner, Senior Vice President, Kaufman Hall Financial Advisor for CWH and MHS, by conference speakerphone

David Schumacher called the meeting to order at 2:31 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 March 12, 2015.

After discussion and upon motion by Mr. Sperling and seconded by Mr. Wiesman, the minutes of the March 12, 2015 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the application for financial assistance submitted by Great Lakes Mental Health Foundation (GLMH).

Mr. Govia introduced Mr. Alan Erola, Chief Financial Officer from Greater Lakes Mental Health Foundation.

Mr. Govia summarized the application submitted by Greater Lakes Mental Health Foundation in the amount of \$3,700,000. GLMH is a full-service community mental health center located in Lakewood, WA. Proceeds of this loan will be used to refinance the Authority's Revenue Bond, Series 2010 and to pay costs of issuance. This will be a Quick Loan, private placement with Heritage Bank as the purchaser. The primary bond holder security is a Deed of Trust. A Certificate of Need is not required and the feasibility of the financing has been determined by the purchaser. A TEFRA hearing will be scheduled prior to resolution approval. The interest rate is fixed at 2.66% for the initial term of 7 years with a 15 year maturity. The anticipated savings is approximately \$268,970 in interest costs over traditional taxable interest rate financing for the initial 7 year term.

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. Erola provided an overview of GLMH and stated that they were appreciative of the financial advice provided by the authority and its financial advisors.

In response to Mr. Wiesman's inquiry about whether or not GLMH is prepared for the State's move toward the integration of behavioral health and primary care, Mr. Erola stated that the initial integration for GLMH would be between mental health and chemical dependency. In order to facilitate the transition GLMH may look to partners to assist with the integration.

Ms. AnnaLisa Gellerman joined the meeting via teleconference at this time.

In response to Mr. Sperling's inquiry about the interest rate, Mr. Erola stated that they expect the rate to be around 2.66% +/- depending on where the market is moving on the 30 Day LIBOR at that point.

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 GLMH was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2015-04 approving the application for financial assistance and authorizing the issuance and sale of bonds for Central Washington Health Services Association (CWH)

Mr. Govia introduced Mr. John Doyle, Chief Financial Officer and Mr. Steve Jacobs, Vice President of Finance for Central Washington Health Services Association.

Mr. Govia summarized Resolution No. 2015-04 which authorizes the issuance and sale of bonds for CWH in an amount not to exceed \$125,000,000. The purpose of the financing is to refund and defease the WHCFA Series 2009 Revenue Bonds and to pay costs of issuance. Mr. Govia congratulated Central Washington Health Services Association on their upgraded Fitch rating from BBB to BBB+. This will be a public sale underwritten by Bank of America Merrill Lynch serving as senior manager with Piper Jaffray & Co. serving as co-manager. The primary security is a direct note obligation & funds being held by the trustee. A Certificate of Need was not required per the Department of Health. The Washington State Department of Financial Institutions, Securities Division has authorized the sale of these bonds. The bonds will be issued based on the investment grade rating of CWH. A TEFRA Hearing was held on March 5, 2015 where no individuals testified for or against the project. This will be a fixed rate offering with a loan term to be determined at pricing. The trustee is Bank of New York Mellon Trust Company. The estimated public benefit is \$16.76 million over the life of the bonds. Mr. Govia noted that the resolution summary referenced unaudited 12-31-2014 financial statements. We have since received the audited version of these financial statements and the changes are as follows: Total Assets changed from \$355,753,843 to \$355,846,297; the Non-operating Income/Expense changed from \$8,202,598 to \$8,295,052; and the last change to be noted was that Excess of Revenue over Expenses changed from \$21,553,409 to \$21,645,863.

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 Mr. Sperling's inquiry as to the basis for the current ratings of CWH and whether geography had an impact? Mr. Jacobs answered that there was an operating loss in 2011 and it has taken time to rebuild their rating in addition to their geographic location. The rating report will be sent to Mr. Sperling for his review.

After further discussion, without public comment and upon motion by Ms. Gellerman and seconded by Mr. Sperling, Resolution No. 2015-04 was unanimously adopted by roll call vote.

Fred Hutchinson Cancer Research Center Resolution was pulled from today's agenda. Mr. Gottlieb explained why the resolution has been temporarily removed from the agenda.

Review, discussion and possible action regarding the adoption of Resolution No. 2015-05 approving the application for financial assistance and authorizing the issuance and sale of bonds for MultiCare Health System (MHS)

Ms. Murr introduced Anna Loomis, Senior Vice President/Chief Financial Officer and Judy Swain, Treasurer of MHS.

Ms. Murr summarized Resolution No. 2015-05 which authorizes the issuance and sale of bonds for MHS in an amount not to exceed \$450,000,000. The purpose of this financing is for new construction, acquisition, refinancing and costs of issuance. There will be two series of bonds issued for this financing – the Series 2015A Bonds, a new money portion in the amount of \$100,000,000 for new construction and the Series 2015B Bonds, a refinancing portion in the amount of \$350,000,000 to advance refund the Series 2004 A/B/C Bonds and 2008 A/B/C Bonds. Costs of issuance will also be paid from bond proceeds. The bonds will be sold in a public sale underwritten by J.P. Morgan Securities LLC as senior manager with Barclays Capital Inc. and Wells Fargo Securities serving as co-managers. The primary security will be Master Note Obligations & funds held by the trustee. There was a Certificate of Need required for the Covington project and Certificate of Need #1437 has been previously been granted by Department of Health. A TEFRA hearing was held on April 7, 2015 with no individuals testifying for or against the project. With a 30 year fixed interest loan the true interest cost is estimated at 3.683%. The estimated interest cost reduction/public benefit will be approximately \$11.7 million over the life of the proposed bond issue by financing at tax-exempt rates compared to taxable rates. The bonds will be rated based on the rating of MHS, currently Aa3 by Moody's, AA- by S&P and AA- by Fitch. U.S. National Association will be serving as trustee.

Mr. Victor 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.

Ms. Loomis and Ms. Swain stated that they appreciate the support of the Authority and its staff.

After further discussion, without public comment and upon motion by Mr. Wiesman and seconded by Ms. Gellermann, Resolution No. 2015-05 was unanimously adopted 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 3:08 p.m.

John Wiesman, Secretary