



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, May 14, 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
AnnaLisa Gellermann, Insurance Commissioner's Designee/Member
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.
William Singer, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
Matt Swafford, Authority Financial Advisor, Melio & Company
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Bryan Victor, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone
John Ryan, Authority Assistant Attorney General
Doug Dale, Chief Financial Officer and VP of Finance, Sea Mar Community Health Centers
Wade Black, Senior Vice President, BBVA Compass

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.

Review, discussion and possible action regarding the Minutes of April 9, 2015.

After discussion and upon motion by Mr. Sperling and seconded by Ms. Gellermann, the minutes of the April 9, 2015 Authority meeting were unanimously accepted.

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

Mr. Govia summarized the application submitted by Sea Mar Community Health Centers located in Seattle, Washington. The amount requested is \$7,500,000 and the proceeds of the loan will be used to reimburse Sea Mar for land and building acquisition costs. The proceeds to be reimbursed are for the following facilities: the Vancouver Medical Clinic; Battleground Mental Health Clinic; Elma Medical Clinic; Little Rock Mental Health Clinic; and the Salmon Creek Medical Clinic. This will be a Quick Loan private placement with the purchaser being Heritage Bank. The primary security will be a deed of trust on several properties owned by Sea Mar. The TEFRA Hearing will be scheduled and the feasibility has been determined by the lender. The interest rate is estimated at 2.68% and Heritage Bank will also serve as the depository agent. The estimated public benefit of this loan is anticipated to be approximately \$937,500 savings in interest costs over traditional taxable interest rate financing.

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. Mr. Govia urged the Authority's acceptance of this application.

Mr. Govia introduced Mr. Doug Dale, Chief Financial Officer and Vice President of Finance for Sea Mar Community Health Centers who was in attendance to answer any questions the Authority Board may have. Mr. Dale thanked the Authority for considering this transaction and for the continued support Sea Mar has received.

In response to Lieutenant Governor Owen's inquiry as to whether or not Sea Mar has seen a reduction in property value over the last 12 years during the recent economic issues, Mr. Dale stated that some of the facilities in the smaller towns may not have retained their value but Sea Mar has been committed to renovating and maintaining its facilities to best serve the community.

Mr. Sperling stated that he had reviewed the authorizing resolutions by the Sea Mar Board for the acquisition of the properties listed in the application and then inquired as to whether the Sea Mar Board has or will be authorizing the current financing. Mr. Dale explained that the Sea Mar Board is aware of the financing and that once the Authority

has accepted the application and documents are in substantially final form prior to resolution approval the Sea Mar Board would review and approve.

In response to Ms. Murr's inquiry regarding the number of properties currently owned by Sea Mar, Mr. Dale stated that Sea Mar currently operates approximately 67 properties.

There being no further discussion, without public comment and upon motion by Mr. Sperling and seconded by Ms. Gellermann, the application for financial assistance submitted by Sea Mar Community Health Centers was unanimously accepted.

Review, discussion and possible action regarding the recommendation of Authority Outside Auditor.

Ms. Frye summarized the Request for Proposal (RFP) process utilized to recommend the Authority outside auditor. The process began by updating the current form of RFP with the assistance of John Ryan, Authority Assistant Attorney General. The RFP was posted to the DES WEBS Bid Posting and Notification System on March 2, 2015. The Authority received 35 questions and provided answers by the April 1, 2015 deadline. The Authority received two proposals by the April 13, 2015 deadline and then received an additional proposal after the deadline. The committee decided to accept the late proposal for evaluation even though the required Letter of Intent was not included with their proposal. The three proposals received were submitted by Clark Nuber PS, Peterson Sullivan LLP and Wipfli LLP. The RFP review committee, consisting of Ron Sperling, Shannon Govia and Ashlee Frye evaluated each proposal independently.

The criteria used to evaluate the proposals included: The firm's experience in auditing Governmental entities and programs, experience of the proposed audit team; audit fees and other factors which included but were not limited to availability to perform on site assessments, present to the Authority Board, and meet the requirements outlined in the solicitation.

Based on the outcome of the evaluation, the committee recommended the selection of Peterson Sullivan LLP as Authority Auditor for FY2016, FY2017, & FY2018.

There being no further discussion, without public comment and upon motion by Ms. Gellermann and seconded by Mr. Sperling, the acceptance of the recommendation of the committee that the Authority outside auditor be Peterson Sullivan LLP for FY2016, FY2017, & FY2018 was unanimously accepted.

Review, discussion and possible action regarding the Authority Business Plan and Budget for FY 16-17.

Ms. Murr stated that the discussion of the Authority Business Plan will be deferred to a later date.

Ms. Murr reviewed the proposed Authority's FY16-17 Budget noting that the goal for the past year was to reduce the Authority's fund balance to approximately \$3.5 million. The estimated fund balance projected for June 30, 2015 is approximately \$3.45 million with current fund balance reserves set as follows:

- \$1,685,586 Insurance/Legal Contingency Reserve;
- \$150,000 Special Assistance Reserve; and \$1,910,858 Operational Reserve

Based upon the proposed Budget as presented, the estimated fund balance on June 30, 2016 is approximately \$3.26 million with changes to the reserves as follows:

- Insurance/Legal Reserve will decrease to \$1,671,478, which is .03% of outstanding loans;
- Special Assistance Reserve will remain at \$150,000; and
- Operational Reserve will decrease to \$1,305,389; which is based on 1 times agency expenditures.

Proposed revenue and expenses are estimated as follows:

- Revenues of \$1,118,454 and \$1,149,136 for FY2016 and FY2017
- Expenses of \$1,305,389 and \$1,338,162 for FY2016 and FY2017

The projected revenues are based on annual charges of 2 basis points with a maximum per borrower cap of \$250,000 for borrowers with outstanding loans over \$1 billion and \$150,000 for loans under \$1 billion.

In response to Ms. Gellermann's inquiry about where we stand in comparison to the fees from other bond issuers in state as well as out of state, Ms. Murr stated that we have the lowest fees in Washington State as well as the majority of the issuers across the country.

After further discussion, without public comment and upon motion by Mr. Sperling and seconded by Ms. Gellermann the proposed FY16-17 Authority Budget, Reserve Fund levels and annual charges was unanimously accepted.

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 3:12 p.m.

John Wiesman, Secretary