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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
Monday, June 15, 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, 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.
William Singer, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Mark Melio, 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
Herb Bone, Corporate Treasurer, Fred Hutchinson Cancer Research Center
Sue Painter, Vice President/Treasurer, Providence Health & Services

Diane Albrecht, Director Capital Finance, Catholic Health Initiatives, by conference speakerphone
Joy Borkholder, SEIU, by conference speakerphone
Scott Ely, Senior Vice President, JP Morgan Chase Bank, by conference speakerphone
Robert Turner, Senior Vice President, Kaufman, Hall & Associates, LLC by conference speakerphone
Christie Lundquist, Summer Associate, Hillis Clark Martin & Peterson P.S.
Lisa Chalet, Summer Associate, Hillis Clark Martin & Peterson P.S.

Lieutenant Governor Owen called the meeting to order at 9:45 a.m. after noting a quorum was present consisting of himself, John Wiesman, and Ron Sperling.

Review, discussion and possible action regarding the Minutes of May 14, 2015.

After discussion and upon motion by Mr. Sperling and seconded by Mr. Wiesman, the minutes of the May 14, 2015 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2015-06, approving the application for financial assistance and authorizing the issuance and sale of bonds for the 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 a fixed rate public sale and underwritten by J.P. Morgan Securities LLC, serving as senior manager and Bank of America Merrill Lynch, serving as co-manager. The primary security is a Master Note Obligation & funds held by the Bond Trustee. There were no CoN issues per the Department of Health. A TEFRA hearing was held on April 2, 2015 with no individuals testifying for or against the project. The interest rate will be determined at pricing. The Bond Trustee is U.S. Bank National Association.

Mr. Govia recommended adoption of No. Resolution 2015-06 and introduced bond counsel for this transaction, Mr. Dan Gottlieb of Hillis Clark Martin & Peterson P.S., as well as Mr. Herb Bone, Corporate Treasurer for the Fred Hutchinson Cancer Research Center.

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.

Mr. Bone thanked the Authority and Bond Counsel for their assistance with this transaction.

There being no further discussion, without public comment and upon motion by Mr. Sperling and seconded by Mr. Wiesman, Resolution No. 2015-06 was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the application for financial assistance submitted by Catholic Health Initiatives (CHI)

Ms. Murr summarized the application submitted by CHI and introduced Ms. Diane Albrecht, Director of Capital Finance with CHI.

CHI is a multi-state hospital system that operates eight hospitals within Washington State through the Franciscan Health System. The purpose of the application in the amount of \$51,900,000 is to refund all of the outstanding WHCFA Variable Rate Revenue Bonds, Series 2002B and pay the issuance costs. The proceeds of the Series 2002B Bonds were used for construction, renovation and to purchase capital improvements and equipment for Franciscan Health System facilities. This loan will be a direct private placement with PNC Bank, National Association. There are no Certificate of Need issues per CHI. The feasibility will be determined by the lender. The TEFRA hearing will be scheduled once the application has been accepted by the Authority. Interest rate on the loan is expected to be variable based on 70% of LIBOR plus a spread of 85 basis points with a loan term of 18 years.

Mr. Gottlieb made a correction stating that, as permitted pursuant to federal tax law, a TEFRA hearing will not be required for this transaction because the average maturity date of the Series 2015A refunding bonds will not be later than that for the Series 2002B Bonds being refunded.

In response to Mr. Sperling's inquiry regarding the reason for private placement versus public sale, Ms. Albrecht stated that it allows CHI to receive a variable interest rate and also extend the loan for a longer period of time. This refunding is part of a larger multi state debt restructuring being completed by CHI.

In response to Mr. Sperling's inquiry regarding the date CHI plans to return to the Authority for resolution, Ms. Albrecht stated that provided the application is approved at today's board meeting they hope to return for resolution adoption during the July 2015 Board meeting if a quorum has been secured by the Authority.

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

Review, discussion and possible action regarding the application for financial assistance submitted by Providence Health & Services (PH&S)

Ms. Murr summarized the application submitted by PH&S and introduced Ms. Sue Painter, Vice President/Treasurer of PH&S.

PH&S is a multi-state hospital system that operates in various locations throughout Washington State. The purpose of the application in the amount of \$356,015,000 is to finance or reimburse PH&S and certain of its Washington Affiliates for new construction and acquisition; advance refunding a portion of the Series 2006A Bonds and all of the Series 2006C & 2006D Bonds; and payment of issuance costs. This will be a public sale underwritten by Bank of America Merrill Lynch serving as Senior Managing Underwriter. Primary security is a Master Note Obligation and Bond Trustee held funds. The feasibility of these bonds will be an Investment Grade rating of PH&S. They are currently rated Aa3/AA-/AA (Moody's/S&P/Fitch). The interest rate will be fixed and the loan term will be 30 years for the Series 2015A Bonds (new money) and 22 years for the Series 2015B Bonds (refunding). The Bond Trustee will be U.S. Bank National Association. The TEFRA hearing will be scheduled once the application has been accepted by the Authority. Based on current estimates of taxable vs. tax exempt interest rates, the estimated interest cost reduction is approximately \$49 million over the life of the bonds. Most of the new money proceeds from the Series 2015A Bonds will be used at Kadlec Regional Medical Center (Kadlec). Kadlec filed a CoN application for 114 beds in 2009 and was awarded 55 beds in November 2010. Based on the planning areas high growth rate and projected demand, Kadlec appealed the decision requesting the balance of 59 beds. The case is currently pending in Benton County Superior Court. If additional beds are not awarded, Kadlec will move existing licensed beds from Orchard Pavilion (which does not require a CoN) to the expanded River Pavilion in November 2016 to stay within its licensed bed authority.

In response to Mr. Sperling's inquiry about the pending case in Benton County Superior Court being concluded by the closing date Ms. Painter stated the court is in process of being reviewed and Ms. Murr stated she will follow up with the Department of Health for an update.

Ms. Painter stated that they look forward to seeing everyone very soon at a very successful financing.

In response to Mr. Sperling's inquiry about how soon they would be returning for resolution Ms. Painter stated as soon as possible and is hopeful it will be at the July 2015 Board meeting.

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

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

Mr. Govia summarized the application submitted by Sea Mar Community Health Centers and introduced Mr. Doug Dale, Chief Financial Officer and VP of Finance for Sea Mar Community Health Centers.

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 \$4,500,000 was submitted and the proceeds of the loan will be used to refinance a taxable loan and the WHCFA Series 2005 Bond and to pay costs of issuance. 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. Feasibility will be determined by the lender. The TEFRA hearing will be scheduled once the application has been accepted by the Authority. The interest rate will be fixed at an estimated 2.57% for a 10 year loan term. Public benefit is estimated at \$600,000 based on current rates over the term of the loan.

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

Mr. Dale thanked the staff for helping make this application a smooth process.

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 Community Health Centers 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 10:30 a.m.

John Wiesman, Secretary