



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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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 May 12, 2016 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 and Chair  
Anna Lisa Gellermann, Insurance Commissioner's Designee/Member, by conference speakerphone  
John Wiesman, Secretary of Health/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 Miller, Executive Assistant/Office Manager

#### Others Present:

Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.  
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone  
Matt Swafford, Authority Financial Advisor, Melio & Company, by conference speakerphone  
Bryan Victor, Authority Bond Counsel, Orrick Herrington & Sutcliffe LLP, by conference speakerphone  
Tom Whitson, Managing Director of Public Finance, Piper Jaffrey, by conference speakerphone  
Keith Kleven, Assistant Vice President, Piper Jaffrey, by conference speakerphone  
Jim Simmons, Senior Director of Finance, Yakima Valley Memorial Hospital, by conference speakerphone  
Tim Reed, Chief Financial Officer, Yakima Valley Memorial Hospital, by conference speakerphone

Eric Teshima, Controller of Overlake Hospital Medical Center, by conference speakerphone  
Randy Main, Vice President & Chief Financial Officer, Fred Hutchinson Cancer Research Center, by conference speakerphone  
Craig Goodrich, Senior Vice President, Virginia Mason Medical Center, by conference speakerphone

Mr. Schumacher called the meeting to order at 11:02 am, confirming that quorum was present consisting of himself, AnnaLisa Gellermann, John Wiesman and Ron Sperling.

**Review, discussion and possible action regarding the Minutes of April 21, 2016.**

After discussion and upon motion by Mr. Wiesman and seconded by Mr. Sperling, the minutes of the April 21, 2016 Authority meeting were unanimously accepted by roll call vote.

**Review, discussion and possible action regarding the adoption of Resolution No. 2016-04 approving and authorizing the execution of amendments to the various Loan and Security Agreements for Fred Hutchinson Cancer Research Center.**

Ms. Murr introduced Mr. Randy Main, Vice President and Chief Financial Officer of the Fred Hutchinson Cancer Research Center (Fred Hutch).

Ms. Murr noted that the Authority previously issued its Series 2009A, 2011A, 2012A, and 2015 Bonds for the benefit of Fred Hutch and loaned the proceeds to them pursuant to a separate Loan and Security Agreement for each series of bonds. Each Loan and Security Agreement requires Fred Hutch to furnish or cause to be furnished annually to the Authority and U.S. Bank National Association, serving as Bond Trustee, a certificate from an accountant stating that it has reviewed each Loan and Security Agreement, and the audited financial statements of Fred Hutch conform to all applicable requirements contained therein.

Fred Hutch's accountant recently advised the Authority, the Bond Trustee and Fred Hutch that generally accepted auditing standards of the American Institute of Certified Public Accountants do not permit the delivery of such certificate and therefore Fred Hutch has requested that each Loan and Security Agreement be amended to eliminate this requirement.

For the Series 2009A, 2011A and 2015 Bonds, amendments are permitted without the consent of the owners of the bonds as long as the change is not materially adverse to the interests of the Bond Trustee and the owners of such bonds. The Series 2009A Bonds further require, as a condition of such amendment, that an Opinion of Counsel be delivered to the Bond Trustee. Such Opinion of Counsel has been delivered to the Bond Trustee by Hillis Clark Martin & Peterson P.S. The Series 2012A Bonds also require the consent of the Original Purchaser (as defined in the Series 2012A Bond Indenture) so long as it owns all or a portion of the Series 2012A Bonds. The Original Purchaser is JP

Morgan Chase Bank, National Association, which currently owns all of the Series 2012A Bonds and have consented to the proposed amendment. The amendments are contained in supplements to each Loan and Security Agreement, form of which are attached to Resolution No. 2016-04. Ms. Murr recommended the adoption of Resolution No. 2016-04.

After further discussion, without public comment and upon motion by Mr. Wiesman and seconded by Mr. Sperling, **Resolution No. 2016-04** was unanimously adopted by roll call vote.

**Review, discussion and possible action regarding the adoption of Resolution No. 2016-05 approving and authorizing the execution of an amendment to the Third Amended and Related Loan and Security Agreement for Overlake Hospital Medical Center.**

Ms. Murr introduced Mr. Eric Teshima, Controller of Overlake Hospital Medical Center (Overlake).

Ms. Murr noted that the Authority previously issued its Series 2010 and 2014 Bonds for the benefit of Overlake and loaned the proceeds to them pursuant to a Loan and Security Agreement dated June 19, 2003, which has been previously amended and restated three times. The Loan and Security Agreement requires Overlake to furnish or cause to be furnished annually to the Authority and U.S. Bank National Association, serving as Trustee, a certificate from an accountant stating that it has reviewed the financial covenants contain in the Loan and Security Agreement, and nothing has come to their attention that caused them to believe that Overlake failed to comply with such covenants insofar as they relate to accounting matters.

Overlake's accountant recently advised the Authority, the Trustee and Overlake that generally accepted auditing standards of the American Institute of Certified Public Accountants do not permit the delivery of such certificate and therefore Overlake has requested that the Third Amended Loan and Security Agreement be amended to eliminate this requirement.

The amendment is permitted without the consent of the owners of the Bonds but upon written notice to such owners, as long as the change is, in the judgement of the Trustee, not materially adverse to the interests of the Trustee and the owners of such Bonds. The amendment is contained in the Amendment to the Third Amended and Restated Loan and Security Agreement, the form of which is attached to Resolution No. 2016-05. Ms. Murr recommended the adoption of Resolution No. 2016-05.

After further discussion, without public comment and upon motion by Mr. Sperling and seconded by Mr. Wiesman, **Resolution No. 2016-05** was unanimously adopted by roll call vote.

**Review, discussion and possible action regarding the application for financial assistance submitted by Yakima Valley Memorial Hospital.**

Mr. Govia summarized the application submitted by Yakima Valley Memorial Hospital Association. Yakima Valley Memorial Hospital is an acute care hospital located in Yakima, Washington. Yakima Valley Memorial Hospital is requesting a loan in the amount of \$33,650,000. Proceeds of the loan will be used for the construction of a new emergency generator plant, reimbursement of prior capital expenditures, remodeling and renovations, to fund a debt service reserve and to pay costs of issuance. This transaction will be a fixed rate public sale underwritten by Piper Jaffray & Co. The primary bondholder security is to be determined. There are no Certificate of Need issues per Yakima Valley Memorial Hospital and confirmed by the Department of Health. Bonds will be issued based on the Investment Grade rating of Yakima Valley Memorial Hospital which is still to be determined. A TEFRA hearing is to be scheduled. U.S. Bank National Association will serve as Bond Trustee for this transaction. Based on review of this application, Bond Counsel has determined that the borrower and the project qualify for financing under the Authority statute. Mr. Govia urged the Authority's acceptance of the application.

Mr. Govia introduced Mr. Tim Reed, Vice President and Chief Financial Officer of Yakima Valley Memorial Hospital, Jim Simmons, Senior Director of Finance for Yakima Valley Memorial Hospital, Mr. Tom Whitson and Mr. Keith Kleven of Piper Jaffray and Craig Goodrich, Senior Vice President of Virginia Mason Medical Center. All were available to answer any questions the Authority had.

Mr. Reed briefly explained the project that will consist of replacing the old emergency generator system with a new updated system. The new system will be able to generate power to the entire hospital in case of an emergency. The project also includes replacing existing lighting with LED lighting within the hospital as well as including some pharmacy system updates.

In response to Mr. Wiesman's inquiry about the generator project conforming to the new federal regulation guidelines around disaster preparedness that generators are appropriately located so that they do not succumb to natural disaster, etc., Mr. Reed stated that yes the generator project will conform to the federal guidelines of disaster preparedness. Mr. Reed also stated that the generator project will increase the generator capabilities from providing 24 hours power to approximately 100 hours of power to the hospital.

In response to Mr. Sperling's inquiry about hospital system consolidations and how the debt is typically structured during a consolidation, specifically why is this application and bond issue not under the name of Virginia Mason as opposed to Yakima Valley Memorial Hospital? Mr. Reed stated that the Virginia Mason Medical Center and Yakima Valley Memorial Hospital merger is not structured as some other health system acquisitions in the State of Washington in that the current structure has each party operating as separate legal entities working as parallel systems each with their own tax id,

etc. They are not part of the same obligated group, each maintain a separate boards of trustees and run separate contracts, obligations, etc. Basically they remain completely separate organizations.

After further discussion, without public comment and upon motion by Mr. Wiesman and seconded by Mr. Sperling, the application for financial assistance submitted by Yakima Valley Memorial Hospital Association was unanimously accepted by roll call vote.

**Review, discussion and possible action regarding the adoption of Resolution No. 2016-06 amending and restating the Authority's prior delegation of authority granted to certain Authority officers to take action relating to certain post-issuance transactions.**

In May 2009, the Authority adopted Resolution No. 2009-10 which granted specific delegation of authority to the Executive Director, the Assistant Executive Directors and the Secretary of the Authority to execute consents, waiver, amendments to existing bond documents and supplemental documents for certain post-issuance transactions requested by Authority borrowers necessary and in keeping with its statutory purpose of minimizing the capital costs of construction, financing and use of modern, well equipped and reasonably priced health care facilities.

We have utilized this delegation of authority effectively over the past seven years and as directed by you, we have reviewed Resolution No. 2009-10 and have determined there are other types of post issuance activities that can be delegated to the appropriate officers of the Authority.

If adopted, Resolution No. 2016-06 would amend and restate the delegation of authority set forth in Section 1 of Resolution No. 2009-10. In addition to clarifying existing provisions contained therein, Resolution No. 2016-06 contains new language that would expand the types of amendments permitted by the terms of the applicable bond documents.

Based on advice of counsel to the Authority, Ms. Murr recommended the adoption of Resolution No. 2016-06.

After further discussion, without public comment and upon motion by Mr. Sperling and seconded by Mr. Wiesman, **Resolution No. 2016-06** was unanimously adopted by roll call vote.

**Presentation of the Washington State Auditor's Office Accountability Audit Report No. 1016489 for the period of July 1, 2014 through June 20, 2015.**

Ms. Murr reviewed the State Auditor's Office Accountability Audit Report No. 1016489 for the period of July 1, 2014 through June 30, 2015. The scope of the audit was to examine the Authority's uses of public resources, compliance with state laws and regulations and its own policies and procedures as well as internal controls that are in

place over such matters. This audit period focused on contract procurement and payments, purchase cards and travel expenditures. Ms. Murr reported that in the areas examined, the audit results indicated that the Authority complied with all applicable state laws and regulations, its own policies and procedures and has adequate internal controls for safeguarding of public resources.

**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 11:51 a.m.

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John Wiesman, Secretary