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**Washington Health Care Facilities Authority
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Wednesday, October 9, 2013 Meeting Minutes**

A special meeting was held at the office of the Washington Health Care Facilities Authority, pursuant to Authority meeting notices mailed to all members of the Authority, and to all persons who requested such meeting notice, and 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, by conference speakerphone

AnnaLisa Gellermann, Insurance Commissioner's Designee/Member, by conference speakerphone

John Wiesman, Secretary, Department of Health/Member, by conference speakerphone

Ron Sperling, Member, by conference speakerphone

Authority Staff Present:

Donna Murr, Executive Director, by conference speakerphone

Shannon Govia, Assistant Executive Director, by conference speakerphone

Ashlee Frye, Chief Financial and Compliance Officer

Lura Harrison, Executive Assistant and Office Manager

Others Present:

Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.

Bryan Victor, Authority Bond Counsel, Orrick Herrington Sutcliffe LLP, by conference speakerphone

Mark Melio, Financial Advisor, Melio & Co., by conference speakerphone

Jan Schorr, Financial Advisor, Melio & Co., by conference speakerphone

Beth Chevalier, Financial Advisor, Melio & Co., by conference speakerphone

Trish Nightingale, Authority Assistant Attorney General

Hermes Shahbazian, CFO, International Community Health Services (ICHS), by conference speakerphone

Kendall Hansen, Key Government Finance Inc., by conference speakerphone

Diane Albrecht, Director of Capital Finance, Catholic Health Initiatives (CHI), by conference speakerphone

Linda MacDonald, VP of Treasury Services, CHI, by conference speakerphone
Jennifer Daugherty, Financial Advisor, Ponder & Co., by conference speakerphone
Joy Borkholder, SEIU Healthcare 1199NW

John Wiesman called the meeting to order at 8:46 a.m. after noting a quorum was present consisting of himself, AnnaLisa Gellermann, David Schumacher, and Ron Sperling.

Review, discussion and possible action regarding the Minutes of September 12, 2013.

After discussion and upon motion by Mr. Sperling and seconded by Mr. Schumacher, the minutes of the September 12, 2013 Authority meeting were unanimously accepted by a roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2013-09 approving the application for financial assistance and authorizing the issuance and sale of a bond for International Community Health Services (ICHS).

Mr. Govia introduced Mr. Shahbazian, CFO of ICHS, and Mr. Hansen from Key Government Finance. Mr. Govia summarized Resolution No. 2013-09, approving the application for financial assistance from ICHS and authorizing the issuance and sale of a bond in an amount not to exceed \$10,160,000. The purpose of the financing will be to construct two new community health centers to be located in Shoreline and Bellevue. This will be a Quick Loan private placement and the bond will be placed with Key Government Finance, Inc. The interest rate will be fixed at 3.16% for the initial term. ICHS will realize an estimated interest savings of \$1.118 million. No Certificate of Need was required.

Orrick Herrington & Sutcliffe LLP serving as bond counsel completed its due diligence and Bryan Victor was present to answer any questions on the structure of the transaction.

Mr. Sperling asked what is the maximum amount for a Quick Loan transaction.

Mr. Govia said that there is no maximum.

Mr. Wiesman asked how ICHS determined the need for services in Shoreline and Bellevue and how much overall care capacity does this expansion add to ICHS.

Mr. Shahbazian replied that ICHS is a federally qualified health center (FQHC) and conducted a needs assessment to determine viability. Based on the assessment, they found that the cities of Bellevue and Shoreline could utilize the services that ICHS provides. Mr. Shahbazian also stated that there were no FQHCs in either Bellevue or Shoreline that he was aware of. The facility in Bellevue will increase capacity by 8 exam rooms and can accommodate 2 or 3 medical providers. They will add 8 dental chairs, which will be sufficient for about 3 dentists. Shoreline has more needs and the facility will have 10 exam rooms and 10 dental chairs along with senior services.

After further discussion, without public comment and upon motion by Mr. Sperling and seconded by Mr. Schumacher, Resolution No. 2013-09 was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2013-10 approving the application for financial assistance and authorizing the issuance and sale of bonds for Catholic Health Initiatives (CHI).

Ms. Murr introduced Ms. Albrecht and Ms. MacDonald of CHI and Ms. Daugherty from Ponder and Co.

Ms. Murr summarized Resolution No. 2013-10, approving the application for financial assistance from CHI in a total original aggregate principal amount not to exceed \$479,375,000, and authorizing the issuance and sale of the Series 2013A Fixed Rate Bonds and the Series 2013B Variable Rate Bonds in a total aggregate principal amount not to exceed \$350,000,000 to finance all of the projects set forth in the application except the refunding of the Series 2008A Bonds. CHI is a multi-state Catholic health system with 8 hospitals within the state of Washington through their affiliate, the Franciscan Health System. The purpose of the financing is (a) the acquisition, construction, improvement, renovation, installation and equipping of health care facilities for CHI's Washington Affiliates, Franciscan Health System (FHS), Enumclaw Regional Hospital Association, doing business as St. Elizabeth Hospital, Harrison Medical Center and Highline Medical Center, and refinancing of existing Authority bonds issued for Harrison and Highline in connection with their affiliation with FHS and CHI. Ms. Murr reviewed the resolution summary provided to the Authority members which had a breakdown of the proposed financing. CHI will realize an estimated interest savings of \$15.3 million based on current estimates of taxable versus tax exempt fixed interest rates. Certificates of need were required for portions of the project and have been received.

Mr. Gottlieb has done the due diligence on this and described the transaction documents being approved by the resolution, if adopted.

Mr. Sperling asked why the Series 2008A bonds are not being refinanced.

Ms. Albrecht answered that the Series 2008A bonds issue will be renewed with Wells Fargo at a later date within but before the end of January 2014.

Mr. Sperling asked about Window VRDBs, their advantages, and why are they only being used for the Washington portion of this CHI transaction.

Ms. Albrecht explained that Window VRDBs are a financing product that doesn't require any liquidity backing because bond holders have the right to put the bonds back and the borrower has thirty days to remarket those bonds. If the borrower cannot remarket the bonds within thirty days then there is another six month period where the bonds will come in for tender but there will be time to decide what to do. They can be issued into another interest rate spread or refinance them into something else. That's an attractive piece of debt for a borrower to not have to have the

backing of the liquidity by a bank. CHI has issued Window VRDBs in other states and since this transaction involves Washington they want to use that vehicle in Washington as well.

Mr. Melio talked about the Window VRDB product and said it is a very effective way for AA rated institutions to shield themselves from puts so they don't have to maintain a strong immediate liquidity position and also don't have to rely on banks for liquidity. The product is performing well in the market so in summary he thinks it is valid and appropriate.

Mr. Sperling asked if it was a less costly vehicle.

Mr. Melio said yes there are savings using this product.

Mr. Wiesman asked about the orthopedic facility at Harrison's Silverdale campus and if it opened.

Ms. Albrecht said yes it did open.

Mr. Wiesman asked if the CoN issue had been resolved with the 50 beds at the facility.

Ms. Albrecht said that a Letter of Intent was sent to transfer the Certificate of Need from Harrison to FHS. The facility is open and operating and is allowed to do so up to its original 44 beds. The additional beds are not being used so they are able to operate in the old and new areas as long as they don't go over the 44 beds.

Mr. Gottlieb added that Harrison had informed him that the 50 new beds are not set up and will not be set up until the Certificate of Need that was originally issued to Harrison is transferred to Franciscan. The 44 beds that were mentioned are 44 beds that are already licensed and authorized for that facility.

After further discussion, without public comment and upon motion by Ms. Gellermann and seconded by Mr. Sperling, the application for financial assistance submitted by CHI was unanimously accepted by roll call vote.

Adjournment:

There being no further business, the meeting was adjourned at 9:20 a.m.

John Wiesman, Secretary