



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, November 14, 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:

Brad Owen, Lieutenant Governor/Member

David Schumacher, Governor's Designee/Member, by conference speakerphone

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

John Wiesman, Secretary of the Department of Health, by conference speakerphone

Authority Staff Present:

Donna Murr, Executive Director

Shannon Govia, Assistant Executive Director

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.

Jan Schorr, Authority Financial Advisor, Melio & Company, by conference speakerphone

Beth Chevalier, Authority Financial Advisor, Melio & Company, by conference speakerphone

Trish Nightingale, Authority Assistant Attorney General

Alex Town, CFO, Tri-State Memorial Hospital, by conference speakerphone

Megan Hurley, Peterson Sullivan PLLC

Mark Raker, Peterson Sullivan PLLC

Judith Andrews, Law Offices of Judith Andrews

Dawnita Ehl, U.S. Bank

Roy Davis, BNY Mellon

Lieutenant Governor Owen called the meeting to order at 2:33 p.m. after noting a quorum was present consisting of himself, AnnaLisa Gellermann, and David Schumacher.

Review, discussion and possible action regarding the Minutes of October 9, 2013.

After discussion and upon motion by Ms. Gellermann and seconded Lt. Governor Owen, the minutes of the October 9, 2013 Authority meeting were unanimously accepted by a roll call vote.

Review, discussion and possible action regarding the application for financial assistance submitted by Tri-State Memorial Hospital (TSMH).

Ms. Murr introduced Alex Town, the Chief Financial Officer of TSMH. Ms. Murr summarized the application submitted by TSMH. The application is for \$5,200,000. The purpose of the application is to refinance an Authority bond issued for the benefit of TSMH in 2005. The proceeds of that bond were originally used to construct a new imaging facility, purchase a new MRI machine, expand the emergency department, and refinance outstanding taxable debt. This proposed transaction is a straight refinancing to reduce interest expense. The bonds will be privately placed directly with Wells Fargo Bank as the lender. There are no CoN issues for the financing. The estimated fixed interest rate for a 10 year term is 3.42%. TSMH has determined that approximately \$800,000 will be saved in interest costs by this refinancing.

Mr. Town described the facility and details of the financing as described to Authority members in the meeting materials previously distributed.

Lt. Governor Owen asked how TSMH can be serving three states but receive financing from this Authority.

Mr. Gottlieb responded that the facility is located within Washington State and as long as it is a Washington based entity doing business in Washington it qualifies.

Mr. Wiesman joined the call.

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

Review, discussion and possible action regarding the June 30, 2013 Audit of the Washington Health Care Facilities Authority.

Ms. Murr introduced Mr. Raker and Ms. Hurley from Peterson d Sullivan, who then presented the Authority's June 30, 2013 Audit and Financial Statement to the Authority. Mr. Raker distributed a handout of the presentation to go along with the financial statements presented with the meeting materials. They explained the process for the audit and the financial policies of the Authority. The most significant financial policy the Authority has involves revenue recognition. No material misstatements or errors were found in the course of the audit. Mr. Raker confirmed

Peterson Sullivan's independence with respect to the Authority and there are no conflicts of interest.

Ms. Hurley spoke about the deliverables of the audit. She explained that Peterson Sullivan gave their unqualified opinion, which means that there were no material misstatements or errors found in the course of the audit.

There was no further discussion or comments made.

Ms. Murr commended Ms. Frye on her outstanding work keeping the Authority's finances in good order.

Review, discussion and possible action regarding the Bond Trustee/Dissemination Agent Audit Compliance Report.

Ms. Murr explained that, as a part of the Authority's business plan, the agency issued an RFP to hire an entity to perform an audit of the Authority's bond trustees. The reason for this is that most of the bond issues through the Authority are assigned to a bond trustee who will hold and invest bond proceeds and loan repayments pending their application as provided in the bond documents, and will hold and enforce collateral and bond covenants for the benefit of the relevant bondowners. It is important for the Authority to audit the trustees from time to time to verify that they are performing their necessary duties.

Pursuant to a competitive procurement, the Law Offices of Judith Andrews was selected to perform an audit of two Authority trustees: U.S. Bank and BNY Mellon Trust Company. Three proposals were received and reviewed by a committee of Authority staff and Authority members. Ms. Andrews herself performed the audit and submitted a draft audit to staff and the audited trustees for review. The final audit report was presented to the Authority in the meeting materials.

Ms. Murr introduced Ms. Andrews, who presented her audit report. Ms. Andrews reviewed the process for the audit. She summarized issues in the report that arose during the audit but noted that none of the issues resulted in material errors or problems with respect to the trustees. For U.S. Bank, nine bond issues were audited. Of those nine issues, there were five different borrowers. There were two problems that arose within the numerous documents that were reviewed, but they were not material errors. For BNY Mellon, two bond issues were audited, and the problems in the documentation for those issues were not material errors. Ms. Andrews summarized that given the volume and complexity of the bond issues audited none of the problems identified were material in nature.

Mr. Davis with BNY Mellon explained some of the transitions BNY went through over the past year.

There was no further discussion or comments made.

Executive Directors Report.

Ms. Murr reviewed the report materials distributed to the Authority. The Dashboard gave a snapshot of where the Authority was in terms of applications in process and financings that were completed. Three transactions are in process, one of which closed that morning and another being the application approved earlier in the meeting. Two additional transactions have been completed this year, both of them Quick Loans for community health centers. Estimated interest savings will be calculated in January 2014 for 2013. Staff is on track with the budget and expenses. A meeting has been scheduled with staff and business partners to review and update a business plan for the Authority which will be brought back to the Authority for approval.

Ms. Murr reported that NAHEFFA has two conferences scheduled for next year: A spring conference scheduled in March in New Orleans, Louisiana and a fall conference in Big Sky, Montana.

Adjournment:

There being no further business, the meeting was adjourned at 3:07 p.m.

John Wiesman, Secretary