



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*

#### Board Members

Governor  
Jay Inslee  
Chair

Governor's Designee  
David Schumacher

Lieutenant Governor  
Brad Owen

Insurance Commissioner  
Mike Kriedler

Insurance Commissioner's  
Designee  
AnnaLisa Gellermann

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, July 11, 2013 Minutes**

A special meeting was held at the office of the Washington Health Care Facilities Authority, pursuant to Authority Board 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  
AnnaLisa Gellermann, Insurance Commissioner's Designee/Member  
David Schumacher, Governor's Designee/Member, 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  
Lura Harrison, Executive Assistant and Office Manager

#### Others Present:

Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.  
Jan Schorr, Financial Advisor, Melio & Co., by conference speakerphone  
Beth Chevalier, Financial Advisor, Melio & Co., by conference speakerphone  
Trish Nightingale, Authority Assistant Attorney General  
Sarah Moum, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.  
Joel Bodansky, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.  
Victoria Byerly, Attorney, Parr Byerly PLLC  
MaryLou Griffith, Technology Solutions Group  
Diane Albrecht, Director of Capital Finance, CHI, by conference speakerphone

Lieutenant Governor Brad 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 June 13, 2013.**

After discussion and upon motion by Mr. Sperling and seconded by Ms. Gellermann, the minutes of the June 13, 2013 Authority meeting were unanimously approved.

**Review, discussion and possible action regarding Resolution No. 2013-07 authorizing amendments to the Series 2008A Bond Issue for Catholic Health Initiatives.**

Ms. Murr introduced Ms. Albrecht and reviewed the details of the amendments to the Series 2008A Bonds which were outlined in the memo distributed to the board members prior to the meeting. The resolution before the board would approve the amended and restated bond indenture. It would also approve an amendment to the tax agreement. It would be a benefit to CHI to approve this resolution in order to reduce their interest expense by approximately 30 basis points or \$30,000 a month and provide flexibility in the future.

Mr. Gottlieb explained in further detail the amendments the resolution would approve. The target date for these amendments to take place will be July 29<sup>th</sup>. He explained that because the interest rate will be reduced by more than 25 basis points, the federal tax code says that these modifications are substantial and have the effect of reissuing the bonds for tax purposes. This is why bond counsel is treating this as a reissuance. Bond counsel is prepared to issue their opinion for these changes to take place.

Mr. Sperling asked if this was a complex change to make.

Mr. Gottlieb said no, it is fairly common.

Mr. Schumacher called in to the meeting at 2:40 PM.

After further discussion, without public comment and upon motion by Mr. Sperling and seconded by Ms. Gellermann, Resolution No. 2013-07 was approved 3-0, with Mr. Schumacher abstaining.

**Presentation of Authority 2013 IT Security Audit.**

Mr. Govia introduced Ms. Griffith and provided a brief overview of the board materials. The last audit was conducted in 2010. Since then, the standards have become more stringent. The audit started on May 13, 2013 and ended June 16, 2013. No significant inconsistencies with OCIO standards were identified.

Ms. Griffith reported that she was impressed with the agency's IT controls and the documentation Mr. Govia provided. She spoke about her background and qualifications. She explained that the purpose of the audit was to ensure that agencies had sufficient controls in place to protect its IT data and assets due to increased threats. She also explained that based on the risk level associated with the functions of the agency that sufficient safeguards were in place to secure the WHCFA IT infrastructure. She was also impressed by Mr. Govia's responsiveness to her suggested changes.

Ms. Murr commended Mr. Govia for all his time and effort in ensuring the audit went well.

**Review, discussion and possible action regarding the Authority Budget for FY 2014 & FY 2015.**

Ms. Murr presented the proposed budget for FY 2014 and 2015 which is based on the Board's prior directive to maintain a fund balance of approximately \$3.5 million. At this time the Authority's fund balance is approximately \$3.7 million. Staff structures the budget and charges Authority borrowers a fee that will maintain the fund balance at that desired level. Current fees are 1.75 basis points based on the outstanding principle balance for each loan with a per borrower cap of \$100,000. .

The Authority's fund balance reserves are divided into four categories: Insurance/Legal Contingency Reserve, Special Assistance Reserve, Operational Reserve and a NAHEFFA Reserve which was depleted in 2013 and was eliminated with this proposed budget.

Non-salary expenditures are based on the actual expenditures from the prior fiscal year. In general, estimated expenditures for goods and services other than those that are based on an existing contract are increased by 5%. Projected revenues comprised of application charges, annual charges and investment income are based on prior activity. This budget is structured to reduce the Authority's fund balance to the desired level by June 30, 2014 while maintaining the current fee structure at 1.75 basis points but increasing the per borrowers cap from \$100,000 to \$200,000.

Mr. Sperling commented that for 2014 the budget is fairly conservative and the Authority can maintain the same fee structure for borrowers. In 2015, the fee structure may increase to 2 basis points due to the fact that health care systems are merging into larger organizations and the fee structure needs to change to accommodate those changes. That will be re-evaluated at the end of Fiscal Year 2014.

Ms. Murr commented that during the next board retreat she would like to revisit the reserve fund levels that were set by the Board several years ago. .

Authority staff recommended the following:

- Approve the FY 2014-15 Budget.
- Fund Balance categories:
  - Maintain the funding ratio for the Insurance/Legal Contingency Reserve at .03% of the outstanding principal;
  - Maintain the Special Assistance Account at \$150,000; and
  - Maintain Operational Reserve at 1.5 times expenditures.
- For FY14 charge borrowers 1.75 basis points with a maximum per borrower cap of \$200,000 for borrowers with outstanding loans over \$1 billion and \$100,000 for borrowers with outstanding loans under \$1 billion.
- For FY15 charge borrowers 2.00 basis points with a maximum per borrower cap of \$200,000 for borrowers with outstanding loans over \$1 billion and \$100,000 for borrowers with outstanding loans under \$1 billion.

- Review fund balance as of June 30, 2014 to determine whether adjustments to fee schedule are warranted.

After further discussion, without public comment and upon motion by Mr. Sperling, seconded by Ms. Gellermann, the recommendations as stated above were unanimously approved.

Ms. Murr thanked Mr. Sperling and Ms. Frye for all their hard work on the budget.

**Executive Director's report:**

Ms. Murr reviewed the current financials and monthly Dashboard which was distributed with the board materials. The number of applications in process is now four. Sixteen transactions have been completed for fiscal year ending 6/30/2013 - six for hospitals and ten for non-hospitals. Interest cost savings for 2012 is estimated at \$96 million. A board retreat will be scheduled sometime in August, if that works for the Board, to discuss the Authority's business plan for the next biennium.

Ms. Murr introduced new bond counsel members Mr. Bodansky and Ms. Moum who are with the law firm Hillis Clark Martin & Peterson P.S., into which Gottlieb Fisher PLLC recently merged its practice.

**Adjournment:**

There being no further business, the meeting was adjourned at 3:09 p.m.

---

John Wiesman, Secretary