



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, February 13, 2014 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
John Wiesman, Secretary of the Department of Health
Ron Sperling, Public Member, 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.
Bryan Victor, Authority Bond Counsel, Orrick Herrington Sutcliffe, LLP
Jan Schorr, Authority Financial Advisor, Melio & Company
Beth Chevalier, Authority Financial Advisor, Melio & Co., by conference speakerphone
Trish Nightingale, Authority Assistant Attorney General
Mary Grinnell, Consultant, Planned Parenthood of the Great Northwest
Scott Olander, VP and CFO, Yakima Valley Memorial Hospital
Roshan Parikh, System Treasury Director, PeaceHealth, by conference speakerphone
Victoria Byerly, Attorney, Parr Byerly PLLC
Roy Davis, BNY Mellon

Mr. Wiesman called the meeting to order at 2:30 p.m. after noting a quorum was present consisting of himself, AnnaLisa Gellermann, Ron Sperling, and David Schumacher.

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

After discussion and upon motion by Ms. Gellermann and seconded by Mr. Sperling, the minutes of the December 12, 2013 Authority meeting were unanimously accepted.

Review, discussion and possible action regarding the adoption of Resolution No. 2014-01 authorizing the issuance and sale of bonds for PeaceHealth.

Ms. Murr introduced Mr. Parikh who was present via conference telephone.

Mr. Govia presented Resolution No. 2014-01 which authorizes this issuance of bonds for PeaceHealth. The resolution is for an amount not to exceed \$55 million, although the final amount to be issued will be decided on the sale date. Mr. Govia reviewed the resolution summary that was distributed to the board prior to the meeting. This issuance will be a fixed rate public offering with senior managers Goldman Sachs and Co., along with co managers Bank of America Merrill Lynch and Wells Fargo. No CoN is required. The bonds will be issued based on the credit rating of PeaceHealth which is currently AA- with Standard & Poor's and Fitch.

Mr. Govia explained that this transaction was a part of an application for a number of transactions that was accepted in 2012 and subsequently approved by the Authority. That application was for the amount of \$244,855,000. That explains why the TEFRA hearing was held on September 12, 2012. At that hearing no individuals testified for or against the transaction. Bond counsel determined that no new TEFRA hearing is required.

Ms. Murr clarified that this is the second portion of a larger bond issue, of which the first part was authorized, issued and sold in early 2013.

Mr. Govia further reported that the bond trustee on this transaction is U.S. Bank National Association. The public benefit was calculated at \$3.4 million. The purpose of the bonds is to refinance the Authority's 1999 Southwest Washington Medical Center bonds. The reason for that is on June 1st, 2011 PeaceHealth became the sole owner of the Southwest Washington Medical Center.

Authority staff recommends adoption of the resolution.

Mr. Gottlieb explained that if the resolution was adopted, it would authorize bonds for that portion of the application that was for refinancing the 1999 Southwest Washington Medical Center bonds. This refunding is related to the acquisition and reorganization of the Southwest Washington Medical Center by PeaceHealth. The resolution would approve the bond documents which are in front of the Authority and were distributed prior to the meeting. Mr. Gottlieb summarized the documents presented for approval and indicated that they are all in good order and his firm is prepared to issue its approving opinion at closing should the Authority approve the financing.

In response to Mr. Sperling's inquiry about the sources and uses of funds for this transaction, Mr. Gottlieb explained that the bond proceeds will only be used to repay the outstanding principal of the 1999 bond issue and to pay issuance costs that don't exceed 2% of the proceeds.

In response to Mr. Sperling's inquiry about loan terms, Mr. Gottlieb explained that the parties are working to determine what the appropriate maturity would be relative to the remaining lives of the assets. The federal tax law dictates that the weighted average of the bonds that are tax exempt cannot exceed 120% of the remaining expected life of the assets being refinanced. The parties are working to make sure they have the correct information to insure compliance with that requirement. It is likely that the bond issue will be relatively short. The last set of numbers sent around had a weighted average maturity of slightly over eight years and he is guessing it will come in just under that.

In response to Mr. Sperling's inquiry regarding why it has taken so long to get to this point from the initial date of application, Mr. Parikh explained that the application was filed just before PeaceHealth initiated potential affiliation discussions with Catholic Health Initiatives. One of the key considerations in that transaction was what the new form of the new company would be if they came together. There wasn't an agreement on the final form of the entity at the beginning, so they delayed this transaction to wait and see how those negotiations went. As it turned out, negotiations were abandoned in April, 2013 in part due to a lack of consensus on what the new company's form of access to capital would be. Normally PeaceHealth issues bonds directly after an audit has been issued for that year, so they intended to issue in the fall of 2013. Due to other circumstances unrelated to affiliation, they required more time before they could move forward. They have determined that it is currently in the best interest to proceed with the financing and desire to proceed accordingly.

Mr. Wiesman disclosed that he had served on the PeaceHealth Southwest Washington Medical Center's board of directors before he accepted the position of Secretary of the Department of Health and, although there is not a conflict of interest at this time, he wanted to ask if anyone objected to his vote. No one objected.

After further discussion, without public comment and upon motion by Ms. Gellermann and seconded by Mr. Sperling, Resolution No. 2014-01 was unanimously accepted.

Review, discussion and possible action regarding the adoption of Resolution No. 2014-02 approving the application for financial assistance and authorizing the issuance and sale of bonds for Planned Parenthood of the Great Northwest (PPGNW).

Mr. Govia presented Resolution No. 2014-02, which authorizes this issuance of bonds for PPGNW in an amount not to exceed \$3,430,000. PPGNW operates a family planning clinic by the name of Bellevue Health Center, located in Bellevue, Washington. The resolution is for an amount not to exceed \$3,430,000 for the purpose of reimbursement of the purchase of a building, renovations, equipment and to pay costs of issuance. This is a Quick Loan private placement with Key Government Finance Inc. The primary security is the deed of trust. There are no CoN issues. The feasibility has been determined by the lender which is Key Government Finance, Inc. A TEFRA hearing was held on January 17, 2014 at which no individuals testified for or against

the project. The resolution summary states the interest rate is 3.64 %. The interest rate was locked in at 3.61% for an initial interest period of ten years. The depository bank is The Bank of New York Mellon Trust Company, N.A. The public benefit is estimated at \$613,365 for the initial ten year period. Authority staff recommends adoption of this resolution. Mr. Govia introduced bond counsel and Mary Grinnell from PPGNW.

Mr. Gottlieb explained that the resolution before the Authority would authorize the sale and issuance of a QuickLoan bond for PPGNW. It approves the bond documents which are typical in forms for this type of transaction. Mr. Gottlieb summarized the documents presented for approval and indicated that they are all in good order and his firm is prepared to issue its approving opinion should the Authority approve the financing.

Ms. Grinnell thanked the Authority for this opportunity to replace their Bellevue site. The building will allow PPGNW to expand their services and develop a health site that will allow them to increase their service are. They are appreciative of this opportunity.

After further discussion, without public comment and upon motion by Ms. Gellermann and seconded by Mr. Sperling, Resolution No. 2014-02 was unanimously accepted.

Review, discussion and possible action regarding the adoption of Resolution No. 2014-03 approving the application for financial assistance and authorizing the issuance and sale of bonds for Yakima Valley Memorial Hospital (YVMH).

Mr. Govia presented Resolution No. 2014-03 which authorizes the issuance of bonds for YVMH in an amount not to exceed \$7,050,000 for equipment. This will be a Quick Loan private placement with Key Government Finance Inc. The primary security is the equipment to be financed. The feasibility has been determined by the lender. A TEFRA hearing was held on February 6, 2014 at which no individuals testified for or against the project. The interest rate was locked in at 2.34%. The loan term is for 7 years and the depository bank is The Bank of New York Mellon Trust Company, N.A. The estimated public benefit is \$1,100,000 based on current taxable versus tax exempt rates. Mr. Govia reviewed the break-out of equipment to be financed on page three of the resolution summary. Bond counsel Orrick Herrington & Sutcliffe was present and prepared to give its opinion and Authority staff recommend adoption of this resolution. Mr. Olander from YVMH was also present to answer any questions.

Mr. Victor noted that the application that was accepted previously had a portion of the proceeds going towards renovations, and when due diligence was performed during the course of the financing it was discovered that YVMH has a master trust indenture in place, and in order to provide future flexibility it was agreed by the parties to proceed with an equipment only financing. So what is being presented today is slightly different than what was in the original application, but because the two purposes were both indicated in the original application and dollar amounts were only being shifted from renovations to equipment purchases, the application wasn't amended.

Resolution No. 2014-03 is a standard QuickLoan financing resolution and Mr. Victor summarized the documents presented for approval with the resolution and indicated that they are

all in good order and his firm is prepared to issue its tax opinion should the Authority approve the financing. Mr. Victor did indicate that the difference between this transaction and a typical QuickLoan that there was no deed of trust. The loan is secured solely by the equipment being financed which is how it fits as a permitted lien under their master trust indenture..

Mr. Olander thanked the Authority and Key Bank for helping with this transaction.

In response to Ms. Gellermann's inquiry about interest savings being passed along to purchasers of health care in the form of reduced rates and how that can be seen two to three years from now, Mr. Olander explained that it can be seen in the cost of capital and its effect of lowering all overhead expenses. He further explained that the passed on savings won't directly be seen in the fee schedule but looking at the overall fee schedule it is on the lower end of what many Washington State hospitals charge. He said that the community YVMH serves is a large Medicare and Medicaid population and having access to capital at a lower cost allows them to continue to meet the needs of that population.

After further discussion, without public comment and upon motion by Mr. Sperling and seconded by Mr. Schumacher, Resolution No. 2014-03 was unanimously accepted.

Executive Directors Report.

Ms. Murr congratulated Mr. Victor for achieving the status of partner at the firm of Orrick Herrington & Sutcliffe. She also mentioned that she and Mr. Gottlieb went to Yakima to meet with Rick Linneweh who was YVMH's CEO since before the Authority's inception and presented him with a framed bond from the Authority's 1980 bond issue, which was the second bond issue completed by the Authority and the first bond issue completed for new money. YVMH also helped in the creation of the Authority at its inception. Russ Meyers is now the CEO of YVMH.

Ms. Murr reviewed the Executive Director's report materials presented to the board in regards to Authority operations, bond financings and Authority budget, balance sheet and income statement, and debt service report.

Adjournment:

There being no further business, the meeting was adjourned at 3:04 p.m.

John Wiesman, Secretary