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HEALTH CARE FACILITIES

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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, June 12, 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 (all by conference speakerphone):

Brad Owen, Lieutenant Governor/Member
David Schumacher, Governor's Designee/Member
AnnaLisa Gellermann, Insurance Commissioner's Designee/Member
Ron Sperling, Public Member

Authority Staff Present:

Donna Murr, Executive Director, by conference speakerphone
Shannon Govia, Assistant Executive Director
Ashlee Frye, Chief Financial and Compliance Officer

Others Present (all by conference speakerphone):

Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
Jan Schorr, Authority Financial Advisor, Melio & Company
Beth Chevalier, Financial Advisor, Melio & Co.
John Ryan, Authority Assistant Attorney General
Herbert Bone III, Corporate Treasurer, Fred Hutchinson Cancer Research Center

Lieutenant Governor Owen called the meeting to order at 9:35 a.m. after noting a quorum was present consisting of himself, David Schumacher, AnnaLisa Gellermann, and Ron Sperling.

Review, discussion and possible action regarding the Minutes of May 8, 2014.

After discussion and upon motion by Mr. Sperling and seconded by Ms. Gellermann, the minutes of the May 8, 2014 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding application for financial assistance submitted by Fred Hutchinson Cancer Research Center (FHCRC).

Mr. Govia summarized the application submitted by FHCRC in the amount of \$4.5 million. The purpose of the loan is to refinance the outstanding Series 2007 Bonds and pay costs of issuance. The proceeds of the Series 2007 Bonds were used to acquire the land and the building located at 820 Minor Ave. N. in Seattle, WA. The financing will be a Quick Loan private placement with US Bank National Association and there are no CoN issues for the financing. A TEFRA hearing will be scheduled prior to final Authority approval of the transaction. The interest on the bond will be variable rate based on LIBOR and the loan term has a 25 years maturity with a 7 year initial term.

Mr. Bone thanked the Authority for their assistance and expounded on the application and services provided at FHCRC.

Mr. Sperling asked Mr. Bone about the recent financials provided in the application.

Mr. Bone explained that, in the November-December 2013 timeframe they were fearful that the most recent fiscal cliff would damage their ability to get contributions and in fact contributions were about 40% off of budget. Due to the fact that they are 1/3 owner of the Seattle Cancer Care Alliance (SCCA), a one-time non cash adjustment by the SCCA impacted their financials. In March 2014 they show a \$14 million positive change in operations and an additional \$10 million increase in non-operating income as a result of the improvement in the stock market and depreciation and fair value of investments.

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

Review, discussion and possible action regarding Authority Fund Balances and Proposed Annual Charges for FY 2015.

Ms. Murr presented the Authority's Fund Balances and Proposed Annual Charges for Fiscal Year 2015. She noted that when the Budget had been adopted last year the Authority agreed to review its FY14 fund balance to determine whether to adjust annual charges for FY15. The Budget included the following fee structure:

FY14 - 1.75 basis points with a maximum per borrower cap of \$200,000 for loans over \$1 billion and \$100,000 for loans under \$1 billion.

FY15 - 2.00 basis points with a maximum per borrower cap of \$200,000 for loans over \$1 billion and \$100,000 for loans under \$1 billion.

Based on internal analysis and because the Authority's overall expenses were less than projected, the proposal is to keep the same fee structure for FY15 that was in place for FY14.

Ms. Murr's recommendation is to continue to charge annual fees of 1.75 basis points of the outstanding principal balance; 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.

Mr. Sperling added that he has reviewed the materials and recommends the adoption of the proposed FY15 Budget and fee structure.

Ms. Murr also added that the Authority reserves will continue to be maintained as follows:

- Insurance/Legal Contingency Reserve is set at .03% of the outstanding principal of loans as of June 30 of each year and is to cover the deductible on the D&O insurance policy and the general liability insurance policy, plus the cost of litigating any suit brought against the Authority prior to payment by the D&O provider;
- Special Assistance Reserve is composed of the interest earnings on Authority investments. These funds are used to assist non-hospital clients to pay for the costs of bond issuances. The Authority will pay half of bond counsel charges on certain small non-hospital bond issuances;
- Operational Reserve equal to 1.5 times agency expenditures and is intended to cover Authority costs in the event that business falls off for a period of time.

After discussion and upon motion by Mr. Sperling and seconded by Ms. Gellermann, the Authority's FY15 Budget and Proposed Annual Charges for Fiscal Year 2015 were unanimously adopted by roll call vote.

Executive Directors Report.

Ms. Murr reviewed the Executive Director's materials presented to the Authority 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 10:00 a.m.

John Wiesman, Secretary