



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

**Washington Health Care Facilities Authority
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Thursday, February 12, 2015 Meeting Minutes**

A special meeting was held at the office of the Washington Health Care Facilities Authority. Meeting notices were mailed to all members of the Authority, to all persons who requested such meeting notice, and to those members of the media presently on the mailing list for receiving meeting notices of the Washington Health Care Facilities Authority (the "Authority").

Members Present:

Brad Owen, Lieutenant Governor/Member
AnnaLisa Gellermann, Insurance Commissioner's Designee/Member
John Wiesman, Secretary of the Department of Health
Ron Sperling, Public Member, by conference speaker phone

Authority Staff Present:

Donna Murr, Executive Director
Shannon Govia, Assistant Executive Director
Ashlee Frye, Chief Financial and Compliance Officer
Danni Minker, Executive Assistant/Office Manager

Others Present:

Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
John Ryan, Authority Assistant Attorney General
Mark Melio, Authority Financial Advisor, Melio & Company, by conference speakerphone
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Robert Turner, Senior Vice President, Kaufman Hall Financial Advisor for Central Washington Hospital, by conference speakerphone
John Doyle, Chief Financial Officer, Central Washington Hospital

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

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

Review, discussion and possible action regarding the Minutes of January 8, 2015.

After discussion and upon motion by Ron Sperling, and seconded by AnnaLisa Gellermann, the minutes of the January 8, 2015 Authority meeting were unanimously accepted.

Review, discussion and possible action regarding the application for financial assistance submitted by Central Washington Health Services Association (CWH).

Mr. Govia summarized the application submitted by Central Washington Health Services Association dba Central Washington Hospital. CWH is located in Wenatchee, Washington and is seeking acceptance of an application in the amount of \$125,000,000 for the purposes of refunding and defeasing a portion of its outstanding Authority Series 2009 Bonds and paying costs of issuance. The bonds will be issued publicly and underwritten by Bank of America Merrill Lynch.

The Series 2009 Bonds were used to advance refund the then outstanding Series 2001 Bonds and to finance the construction of a 5 story patient facility which broke ground in 2009 and became occupied in 2011, and related renovations. CWH only intends to refund and defease the Series 2009 Bonds allocable to such construction and renovation project. Based on current estimates of taxable vs. tax-exempt interest the estimated public benefit is \$16.76 million over the life of the bonds. The bonds will be issued based on the rating of CWH which is currently Baa2 by Moody's and BBB by Fitch.

Based on the review of the application, Hillis Clark Martin & Peterson P.S., which is serving as the Authority's Bond Counsel for the transaction, has determined that the borrower and the project qualify for financing under the Authority statute, but such determinations are still subject to Bond Counsel's due diligence review. Mr. Govia urged the Authority's acceptance of the application.

Mr. Govia introduced Mr. John Doyle, Chief Financial Officer from CW H.

Mr. Doyle thanked the Authority for consideration of the application and explained that a great deal has changed for CWH since they last came to the Authority in 2009. Specifically, Mr. Doyle discussed the strengthening of the financial performance of CWH since that time as well as the affiliation with Confluence Health. Mr. Doyle explained that due to the favorable market conditions and improved financial performance CWH had determined that it is beneficial at this time to enter the market to capture not only interest rate savings but also possibly release a portion of the debt service reserve fund associated with the Series 2009 Bond issuance.

In response to Mr. Sperling's inquiry as to what CWH's reasoning is for currently entering the market and what the magnitude of the benefit would be, Robert Turner explained that the current net present value savings is approximately 6.25% of refunded par and that there will also be the opportunity to release a portion of their debt service reserve fund.

In response to Mr. Sperling's inquiry regarding the interest rate on the Series 2009 Bonds versus what is expected if the Series 2015 Bonds are to be issued, Mr. Turner explained that the Series 2009 Bonds were sold at the peak of the credit crisis and that the average coupon on those bonds was 6.9% while they currently anticipate the Series 2015 bonds to have an average coupon of approximately 5% with an all in true interest cost of 4.3%.

Ms. Murr reiterated that the opportunity to release a portion of the debt service reserve fund would also be of benefit to CWH. In response to Mr. Sperling's inquiry regarding how much of the fund would be released, Mr. Turner stated approximately \$7.4 million.

Mr. Doyle confirmed that the 5 story patient facility which was financed with the Series 2009 bonds had been completed and opened in response to Ms. Gellermann's question.

In response to Ms. Gellermann's inquiry regarding any specific plans to reinvest the portion of the debt service reserve fund to be released, Mr. Doyle explained that in order to retain some of the surgical specialists that currently serve the community through CWH a portion of the funds may need to be allocated to that facet of the business. The funds may also be used to expand CWH's primary care services.

Mr. Doyle also expounded on CWH's use of "tele-medicine" services in some of the rural areas it serves in response to Ms. Gellermann's inquiry regarding whether she had read an article regarding a substantial investment in tele-medicine.

In response to Mr. Wiesman's inquiry regarding whether Medicaid expansion has assisted in improving CWH's cash position, Mr. Doyle explained that they had experienced some favorable results from Medicaid expansion.

Ms. Murr explained that CWH was the first borrower rated less than "A" to issue bonds based on its own credit through the Authority, following the 2009 change to the Authority debt issuance policy. Mr. Gottlieb added that, in 2009, CWH was also the first Authority borrower since 1981 to issue bonds registered with the State under the state securities act.

After further discussion, without public comment and upon motion by Mr. Wiesman and seconded by Ms. Gellermann, the application for financial assistance submitted by CWH was unanimously accepted.

Executive Directors Report.

Ms. Murr reviewed the Executive Director's Report presented in the board materials including the status of Authority financings, financial statements, status report and debt service report

Other Business:

Mr. Ryan provided a brief overview of the public records request submitted to all state agencies by Tim Clemans and advised that the Attorney General's office was working on a response.

Adjournment:

There being no further business, the meeting was adjourned at 2:59 p.m.

John Wiesman, Secretary