



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, July 16, 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.

Members Present:

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

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.
William Singer, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Mark Melio, Authority Financial Advisor, Melio & Company, by conference speakerphone
Matt Swafford, Authority Financial Advisor, Melio & Company, by conference speakerphone
John Ryan, Authority Assistant Attorney General
Alan Erola, Chief Financial Officer, Greater Lakes Mental Health Foundation
Terri Card, Chief Executive Officer, Greater Lakes Mental Health Foundation
Patrick Duff, Chief Financial Officer, Wellspring Family Services
Sue Painter, Vice President/Treasurer, Providence Health & Services
Alan Fulp, The Commerce Bank

Diane Albrecht, Director Capital Finance, Catholic Health Initiatives, by conference speakerphone
Annie Eide, Senior Analyst Bond Compliance, Catholic Health Initiatives, by conference speakerphone

Mr. Schumacher called the meeting to order at 2:34 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 15, 2015.

Upon motion by Mr. Sperling, seconded by Ms. Gellermann, the minutes of the June 15, 2015 Authority meeting were unanimously accepted.

Review, discussion and possible action regarding the adoption of Resolution No. 2015-07, approving the application for financial assistance and authorizing the issuance and sale of bonds for Greater Lakes Mental Health Foundation (GLMH)

Mr. Govia summarized the resolution and application submitted by Greater Lakes Mental Health Foundation in the amount of not to exceed \$3,700,000 with the finalized actual amount of the bonds being \$3,609,438.44. GLMH is a full-service community mental health center located in Lakewood, WA. Proceeds of this loan will be used to refinance the Authority's Revenue Bond, Series 2010 and to pay costs of issuance. This will be a Quick Loan, private placement with Heritage Bank as the lender. The primary bond holder security is a deed of trust. A Certificate of Need is not required and the feasibility of the financing has been determined by the purchaser. A TEFRA hearing was held on June 9, 2015. No individuals testified for or against the project. The interest rate, at the time of the application was estimated to be fixed at 2.66% for the initial term of 7 years with a 15 year maturity. The actual interest rate is fixed at 2.95% for the initial 7 year term with a 15 year maturity. The anticipated savings is approximately \$268,970 in interest costs over traditional taxable interest rate financing for the initial 7 year term.

Mr. Govia recommended adoption of Resolution No. 2015-07 and introduced bond counsel for this transaction Mr. Dan Gottlieb of Hillis Clark Martin & Peterson P.S. Mr. Govia introduced Mr. Alan Erola, Chief Financial Officer from Greater Lakes Mental Health Foundation and Ms. Terri Card, Chief Executive Officer from Greater Lakes Mental Health Foundation.

Mr. Gottlieb summarized the documents presented for approval and indicated that they are all in good order and that, should the Authority approve the financing, his firm is prepared to issue its approving opinion at closing.

Mr. Erola thanked the Authority and is excited about the savings possibilities with this bond. Mr. Erola stated that the additional savings will allow Greater Lakes Mental Health Foundation to provide additional and much needed services to the public.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Ms. Gellermann, Resolution No. 2015-07 was unanimously accepted.

Review, discussion and possible action regarding the adoption of Resolution No. 2015-08, approving the application for financial assistance and authorizing the issuance and sale of bonds for Catholic Health Initiatives (CHI)

Ms. Murr summarized the resolution and application submitted by Catholic Health Initiatives.

CHI is a multi-state hospital system that operates eight hospitals within Washington State through the Franciscan Health System. The purpose of the financing in the amount of \$51,400,000 is to refund all of the outstanding WHCFA Variable Rate Revenue Bonds, Series 2002B. The proceeds of the Series 2002B Bonds were used for capital construction, renovation and to purchase equipment for Franciscan Health System facilities. This loan will be a direct private placement with PNC Bank, National Association. There are no Certificate of Need issues per the Department of Health. The feasibility will be determined by the lender. A TEFRA hearing will not be required for this transaction. The interest rate on the loan is expected to be variable based on 70% of LIBOR plus a spread of 85 basis points with a loan term of 18 years. The trustee is Wells Fargo Bank and the estimated public benefit is approximately \$5.07 million over the life of the bonds by utilizing tax-exempt financing through the Authority as compared to financing on a non tax-exempt basis.

Ms. Murr recommended adoption of Resolution No. 2015-08 based on the determinations made as required under Authority Rules and introduced bond counsel for this transaction, Mr. Gottlieb. Ms. Murr also introduced Ms. Diane Albrecht and Annie Eide who participated by conference speakerphone.

Mr. Gottlieb summarized the documents presented for approval and indicated that they are all in good order and that, should the Authority approve the financing, his firm is prepared to issue its approving opinion at closing.

In response to Mr. Sperling's inquiry regarding the interest savings of this transaction, Ms. Albrecht's response was that there will be approximately \$5 million in interest savings with this transaction. In response to Mr. Sperling's inquiry regarding whether or not this is part of a larger financing plan for CHI, Ms. Albrecht's response was that CHI is also working on similar transactions in other states, but they will be sold and closed separately.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Ms. Gellermann, Resolution No. 2015-08 was unanimously adopted.

Review, discussion and possible action regarding the adoption of Resolution No. 2015-09 and Resolution No. 2015-10, approving the application for financial assistance and authorizing the issuance and sale of bonds for Providence Health & Services (PH&S)

Ms. Murr summarized the application submitted by PH&S and introduced Ms. Painter.

PH&S is a multi-state hospital system that operates in various locations throughout Washington State. The purpose of the application in the amount of \$356,015,000 is to finance or reimburse PH&S and certain of its Washington Affiliates for new construction and acquisition; advance refunding a portion of the Series 2006A Bonds and all of the Series 2006C & 2006D Bonds; and payment of issuance costs. This will be a public sale underwritten by Bank of America Merrill Lynch serving as Senior Managing Underwriter. Primary security is a Master Note Obligation and Bond Trustee held funds. The feasibility of these bonds will be based on the Investment Grade rating of PH&S. They are currently rated Aa3/AA-/AA (Moody's/S&P/Fitch). The interest rate will be fixed and the loan term will be 30 years for the Series 2015A Bonds (new money) and 22 years for the Series 2015B Bonds (refunding). The Bond Trustee will be U.S. Bank National Association. A TEFRA hearing was held on July 6, 2015. No individuals testified for or against the project. Based on current estimates of taxable vs. tax exempt interest rates, the estimated interest cost reduction is approximately \$49 million over the life of the bonds. Most of the new money proceeds from the Series 2015A Bonds will be used at Kadlec Regional Medical Center (Kadlec). Kadlec filed a Certificate of Need application for 114 beds in 2009 and was awarded 55 beds in November 2010. Based on the planning areas high growth rate and projected demand, Kadlec appealed the decision requesting the balance of 59 beds. The case is currently pending in Benton County Superior Court. If additional beds are not awarded, Kadlec will move existing licensed beds from Orchard Pavilion (which does not require a CoN) to the expanded River Pavilion in November 2016 to stay within its licensed bed authority.

Ms. Murr recommended adoption of Resolution No. 2015-09 and Resolution No. 2015-10 based on the determinations made as required under Authority Rules and introduced bond counsel for this transaction, Mr. Gottlieb who summarized the documents presented for approval and indicated that they are all in good order and that, should the Authority approve the financing, his firm is prepared to issue its approving opinion at closing.

In response to Mr. Sperling's inquiry about the timing of the bond sale, Ms. Painter stated PH&S does not have a specific date for pricing but they are watching the market very closely to make sure they obtain the desired savings. The hope of PH&S is to go to market the first part of August 2015.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Ms. Gellermann, Resolution No. 2015-09 was unanimously adopted.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Ms. Gellermann, Resolution No. 2015-10 was unanimously adopted.

Review, discussion and possible action regarding the application for financial assistance submitted by Wellspring Family Services (WFS).

Mr. Govia summarized the application submitted by Wellspring Family Services and introduced Mr. Patrick Duff, Chief Financial Officer of Wellspring Family Services. Wellspring Family Services is a new borrower to the Authority as is the lender, The Commerce Bank.

Wellspring Family Services is a counseling center located in Seattle, Washington. They provide behavioral health and psychiatry services. The facility houses 25 specialists in behavioral health, infant and early childhood mental health and an employee assistance program. In addition, the facility houses the administrative services which support five satellite sites with 40 licensed clinicians providing the same services as the Seattle location. They are seeking financing in the amount of \$5,439,250. The proceeds of the loan will be used to refinance a New Market Tax Credit loan which was used to finance the acquisition of the Rainier Ave South location and to pay costs of issuance. This will be a Quick Loan, private placement. The lender will be The Commerce Bank with the primary security being a deed of trust. There are no Certificate of Need issues per Wellspring Family Services. Feasibility is to be determined by the lender. A TEFRA hearing will be scheduled once the application has been accepted by the Authority. The financing will be a fixed interest rate estimated at 2.875% for the initial 7 year term with a 10 year maturity. It is estimated that Wellspring Family Services will save approximately \$764,000 in interest costs over traditional taxable interest rate financing over the 10 year maturity.

Based on review of the application, bond counsel has determined that the borrower and the project qualify for financing under the Authority's statute, but such determination is subject to bond counsel's due diligence review. Mr. Govia urged the Authority's acceptance of this application.

Mr. Duff briefly described the services offered by Wellspring Family Services. The main mission of WFS is to help provide and create a stable family environment by preventing homelessness and providing counseling and therapeutic services as needed. Mr. Duff thanked the Authority for their support and looks forward to completing this transaction.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Ms. Gellermann, the application for financial assistance submitted by Wellspring Family Services 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.

Adjournment:

There being no further business, the meeting was adjourned at 3:19 p.m.

John Wiesman, Secretary