



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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Donna A. Murr

**Washington Health Care Facilities Authority
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Thursday April 21, 2016 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 and Chair
Anna Lisa Gellermann, Insurance Commissioner's Designee/Member, by conference speakerphone
John Wiesman, Secretary of Health/Member, by conference speakerphone

Authority Staff Present:

Donna Murr, Executive Director
Shannon Govia, Assistant Executive Director
Ashlee Frye, Chief Financial and Compliance Officer
Danni Miller, 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.
Mayling Leong, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Roshan Parikh, System Treasury Director, PeaceHealth, by conference speakerphone
John Doyle, Chief Financial Officer, Confluence Health
David Flentge, Chief Executive Officer, Community Health Care
Tonia Campbell, Chief Financial Officer, Community Health Care
Dan Budihardjo, Legal Counsel, Community Health Care
Debbie Hamilton, Banc of America Public Capital Corp
Alex Ortega, Banc of America Public Capital Corp
Tom Zrust, U.S. Bank National Association

Noting that there was not yet a quorum present, Mr. Schumacher nonetheless called the meeting to order at 10:00 am.

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.

Mr. Wiesman joined the meeting by conference speakerphone at 10:13 am, and at that time Mr. Schumacher confirmed a quorum was present consisting of himself, AnnaLisa Gellermann and John Wiesman.

Review, discussion and possible action regarding the Minutes of March 14, 2016.

After discussion and upon motion by Mr. Wiesman and seconded by Ms. Gellermann, the minutes of the March 14, 2016 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2016-02 approving and authorizing the execution of amendments to the various Loan and Security Agreements for PeaceHealth.

Ms. Murr introduced Mr. Roshan Parikh, Treasury Director of PeaceHealth, and summarized the amendment requests submitted by PeaceHealth. The Authority previously issued its Series 2008A, 2009, 2013A, and 2014A Revenue Bonds for the benefit of PeaceHealth and loaned the proceeds to PeaceHealth pursuant to a loan and security agreement for each series of bonds (each, a "Loan Agreement"). Each Loan Agreement requires PeaceHealth to furnish or cause to be furnished annually to the Authority and U.S. Bank National Association, serving as Bond Trustee, a certificate from an accountant stating that it has reviewed such Loan Agreement, the related bond indenture and the master trust indenture, and the audited financial statements of PeaceHealth conform to all applicable requirements contained therein. PeaceHealth's accountant recently advised the Authority, the Bond Trustee and PeaceHealth that generally accepted auditing standards of the American Institute of Certified Public Accountants do not permit the delivery of such certificate and therefore PeaceHealth has requested that each Loan Agreement be amended to eliminate such requirement. For the Series 2008A, 2009 and 2014A Bonds, amendments are permitted without the consent of the owners of the bonds as long as the change is not materially adverse to the interests of the Bond Trustee and the owners of such bonds, as evidenced by an opinion of counsel delivered to the Bond Trustee. Such opinion has been delivered by Hillis Clark Martin & Peterson P.S. For the Series 2013A Bonds, the amendment requires the consent of the Original Purchaser of the bonds so long as they own all or a portion of the Series 2013A Bonds. The Original Purchaser is Union Bank, N.A., which has consented to the proposed amendment. The amendments are contained in supplements to each Loan Agreement, forms of which are attached to Resolution No.

2016-02. Ms. Murr recommended the adoption of Resolution No. 2016-02 approving and authorizing the execution of amendments to the Series 2008A, 2009 2013A and 2014A Loan Agreements.

After further discussion, without public comment and upon motion by Mr. Wiesman and seconded by Ms. Gellermann, **Resolution No. 2016-02** was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2016-03 approving the application for financial assistance and authorizing the incurrence by the Authority of its Revenue Lease Obligation for Confluence Health.

Mr. Govia summarized the application submitted by Confluence Health, a health system located in Wenatchee, Washington. Confluence Health is the parent organization of and operates Central Washington Health Services Association, dba Central Washington Hospital, and Wenatchee Valley Hospital. The application is for \$25,000,000. The project is to finance the acquisition and installation of an electronic health records system including reimbursement for prior capital expenditures and to pay costs of issuance.

This application was submitted as a quick loan but you will notice some differences with this particular application. The loan is being structured is an EZ Quip-Private Placement. This is not a "true" EZ Quip loan as the project did not need to be bid out by the Authority, but will be structured in a similar manner. A Quick Loan private placement typically has a Deed of Trust and Financing Agreement, but this loan will not as it is a lease and the primary security will be software and guarantees from Central Washington Hospital and Wenatchee Valley Hospital.

The lender is Banc of America Public Capital Corp. The Primary Bondholder Security is equipment/software and guarantees from Central Washington Hospital and Wenatchee Valley Hospital. No Certificate of Need is required, as determined by the Department of Health. Feasibility has been determined by the lender. A TEFRA hearing was held on April 11, 2016, at which no individuals testified for or against the project. The interest rate for this private placement as outlined in the term sheet was an indicative fixed rate estimated at 1.52% with a 7 year term. At this time the interest rate has been confirmed at 1.65% with a 7 year term. The depository bank is U.S. Bank National Association. The estimated public benefit is approximately \$813,593, based on the 1.52% interest rate, over the life of the proposed transaction by financing at tax-exempt rates compared to taxable rates.

Based on the information in the application, Mr. Govia recommended adoption of Resolution No. 2016-03 for the benefit Confluence Health.

Mr. Gottlieb of Hillis Clark Martin & Peterson P.S., serving as bond counsel for this transaction, summarized the documents presented for approval and indicated that they

were all in good order and that his firm was prepared to issue its approving opinion at closing.

Mr. Govia introduced Mr. Doyle, Chief Financial Officer of Confluence Health. Mr. Doyle thanked the Authority and stated his appreciation for all the hard work.

In response to Mr. Wiesman's inquiry about the cost of the original Cerner System, Mr. Doyle stated that the Cerner System was fully depreciated in 2015 on a 7 year amortization. Mr. Doyle stated that he does not know the exact cost of the system but was able to provide an estimated cost of \$20 million.

After further discussion, without public comment and upon motion by Mr. Wiesman and seconded by Ms. Gellermann, **Resolution 2016-03** was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the application for financial assistance submitted by Community Health Care.

Mr. Govia introduced Mr. David Flentge, Chief Executive Officer, Ms. Tonia Campbell, Chief Financial Officer and Mr. Dan Budihardjo, Legal Counsel for Community Health Care.

Mr. Govia summarized the application submitted by Community Health Care, a community health center located in Tacoma, Washington. Community Health Care has not previously borrowed directly from the Authority but was a participant in the Authority's Series 2003 pooled financing sponsored by the Washington Association of Community and Migrant Health Centers. The Series 2003 pool had 4 health organizations participating, and Community Health Care is the last remaining participant.

Community Health Care is submitting an application in the amount of \$3,310,000. Proceeds of the loan will be used to finance improvements of the Hilltop Regional Health Center in Tacoma, to reimburse Community Health Center for prior capital expenditures, to refinance its portion of the Series 2003 pool, and to pay costs of issuance. This will be a Quick Loan, private placement and the lender will be U.S. Bank National Association. The primary security will be a deed of trust against real property owned by Community Health Center. There are no Certificate of Need issues per Community Health Care and the Department of Health. Feasibility is to be determined by the lender. A TEFRA Hearing is to be scheduled. The interest rate is currently estimated at 2.33% with a 5 year maturity. The Depository Bank will also be U.S. Bank National Association. It is anticipated by Community Health Care that it will save approximately \$498,000 in interest costs over traditional taxable interest rate financing over the term of the loan. Bond counsel for this transaction is Orrick, Herrington and Sutcliffe LLP. Mr. Govia stated that Bond Counsel has completed a significant amount of due diligence review prior to the submission of the application due to a significant portion of the financing going toward tenant improvements. Based on review of this application, Bond

Counsel has determined that the borrower and the project qualify for financing under the Authority statute. Mr. Govia urged the Authority's acceptance of the application.

Mr. David Flentge, Chief Executive Officer of Community Health Care, provided a brief overview of their health center. Community Health Care is a "federally qualified health center" that provides health care services to low income patients. Community Health Care provides services exclusively in Pierce County. In 2015 Community Health Care served over 41,000 clients 90% of which were low income clients. The funding provided by this financing will give Community Health Care the ability to serve more patients and provide an opportunity to expand their physician residency program that is also located in their Hilltop Clinic in Tacoma, Washington.

After further discussion, without public comment and upon motion by Mr. Wiesman and seconded by Ms. Gellermann, the application for financial assistance submitted by Community Health Care was unanimously accepted by roll call vote.

Adjournment:

There being no further business, the meeting was adjourned at 10:36 a.m.

John Wiesman, Secretary