



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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Department of Health
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Executive Director
Donna A. Murr

**Washington Health Care Facilities Authority
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Friday, August 12, 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:

Lieutenant Governor Brad Owen, Member, by conference speakerphone
AnnaLisa Gellermann, Insurance Commissioner's Designee/Member, by conference speakerphone
John Wiesman, Secretary of Health, Member, by conference speakerphone
Ron Sperling, Public Member, Acting Chair

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., by conference speakerphone
Mark Melio, Authority Financial Advisor, Melio & Company, by conference speakerphone
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Mayling Leong, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP
Rusty Fallis, Authority Assistant Attorney General
David Flentge, Chief Executive Officer, Community Health Care
Tonia Campbell, Chief Financial Officer, Community Health Care
Doug Dale, Chief Financial Officer and VP of Finance, Sea Mar Community Health Centers
Paul Kaschmitter, Chief Financial Officer, Community Health of Central Washington

As acting Chair, Mr. Sperling called the meeting to order at 9:08 a.m. after noting a quorum was present consisting of himself, Lieutenant Governor Owen, AnnaLisa Gellermann, and John Wiesman.

Review, discussion and possible action regarding the Minutes of June 9, 2016.

After discussion and upon motion by Lieutenant Governor Owen and seconded by Mr. Wiesman, the minutes of the June 9, 2016 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2016-07 approving the application for financial assistance and authorizing the issuance and sale of a bond for Community Health Care (CHC).

Mr. Govia summarized the application submitted by Community Health Care, a community health center located in Tacoma, Washington. Community Health Care has submitted an application and is seeking resolution approval 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 Care for prior capital expenditures, to refinance its portion of the Series 2003 Washington Association of Community and Migrant Health Centers Pool (WACMHC), 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 Care. There are no Certificate of Need issues per Community Health Care and the Department of Health. Feasibility has been determined by the lender. A TEFRA Hearing was held on June 2, 2016 and no individuals testified for or against the project. The interest rate was originally estimated at 2.33%, however that rate has improved and we were able to finalize the interest rate at 2.03% with a 5-year initial term. The loan will be amortized over a twenty-year period. 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. Regarding the refinancing portion of this loan, it would refinance the series 2003 WHCFA debt. The original loan amount was \$3,430,000 originating on January 23, 2003. The purpose of the original loan was refinancing, improvements to the downtown Tacoma Clinic, leasehold improvements for the Lakewood Clinic and to purchase the Spanaway Clinic. The outstanding balance of the loan is \$1,115,000 with a final maturity date of December 1, 2029. The interest rate on the 2003 loan was a variable weekly rate reset, as of June 2, 2016 it was determined that the average variable interest rate was .07% + \$200 LOC fee per month, plus the cost of the letter of credit. Community Health Care's original loan was part of the Authority's WACMHC Series 2003 Pool. The Series 2003 Pool had four health organizations participating, and Community Health Care is the last remaining participant. Based on the information in the application, information provided in the private placement letter and

the due diligence review provided by Bond Counsel, Mr. Govia recommended the adoption of Resolution No. 2016-07 for the benefit of Community Health Care.

Ms. Leong of Orrick Herrington & Sutcliffe LLP., serving as bond counsel for this transaction, summarized the documents presented for approval and indicated that they are all in good order.

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

In response to Mr. Sperling’s inquiry regarding the refinancing portion of the loan and why it is being refinanced now with the loan not being due until 2029, Mr. Flentge stated that US Bank advised to refinance because the older loan is of a nature that they no longer support. Ms. Murr stated that the original loan was a public offering that was part of a pooled action with US Bank. US Bank provided the original letter of credit and they no longer intend to renew this letter, thus providing a need for refinancing.

In response to Ms. Murr’s inquiry regarding the 5-year maturity of the loan and if there is an ability to reset the rate, Mr. Flentge stated that yes there is an option to reset the rate and extend the term in five years.

In response to Mr. Wiesman’s inquiry regard use of the 3rd floor space in the Hilltop Clinic for behavioral health, Mr. Flentge stated that the space will all be used as medical space. Mr. Flentge stated that behavioral health will be expanded in the future but not part of the medical space in the Hilltop Clinic.

There being no further discussion, without public comment and upon motion by Lieutenant Governor Owen, seconded by Mr. Wiesman, Resolution No. 2016-07 was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the application for financial assistance submitted by Community Health of Central Washington (CHCW).

Mr. Govia summarized the application submitted by Community Health of Central Washington (CHCW). Community Health of Central Washington, headquartered in Yakima, Washington, provides medical, dental, behavioral health, pharmacy, and enabling services for underserved and underinsured patients served in six clinics in Kittitas and Yakima Counties. CHCW is applying for a loan in the amount of

\$2,940,000. The proceeds of the loan will be used to finance the purchase and renovation of a facility located in Yakima, Washington, to purchase equipment, provide reimbursement for prior capital expenditures and to pay costs of issuance. This will be a Quick Loan, private placement and the lender is Key Government Finance. The primary security will be a deed of trust and feasibility is to be determined by the lender. There are no Certificate of Need issues per Community Health of Central Washington and the Department of Health. A TEFRA Hearing will be scheduled. The interest rate is estimated at 3.06% - 3.34% with two options provided in the term sheet to allow for flexibility. It is anticipated by CHCW that it will save approximately \$272,318 in interest costs over traditional taxable interest rate financing over the term of the loan. The interest savings was calculated using the 3.06% interest rate. The loan has a 10-year initial term with a 10 or 20-year amortization. The depository bank is to be determined. 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. Govia introduced Mr. Paul Kaschmitter, Chief Financial Officer of Community Health of Central Washington. Mr. Kaschmitter provided a brief overview of their health center. Mr. Kaschmitter stated his appreciation for the ability to present this application to the Authority. CHCW is very excited to have the ability to expand their pediatric practice location, increase the number of pediatric providers and expand their behavioral health services as a result of this loan.

There being no further discussion, without public comment and upon motion by Lieutenant Governor Owen, seconded by Mr. Wiesman, the application for financial assistance submitted by Community Health of Central Washington was unanimously accepted by roll call vote.

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

Mr. Govia summarized the application for financial assistance submitted by Sea Mar Community Health Centers. Sea Mar Community Health Center is based in Seattle, Washington with locations throughout the state. Sea Mar operates primary medical and dental health facilities, senior housing and provides community social services. Sea Mar is applying for a loan in the amount of \$3,880,000. Proceeds of the loan will be used to reimburse Sea Mar for the acquisition of a facility in Mt. Vernon, WA to be used as a women's health clinic and for the acquisition of a facility in Lynwood, WA to be used initially for behavioral health and later for medical and dental services and to pay costs of issuance. This loan will be a private placement with two different lenders, Union Bank and Home Street Bank. The primary security will be a deed of trust on properties owned by Sea Mar and feasibility is to be determined by the lender. There are no Certificate of Need issues per Sea Mar and the Department of Health. A TEFRA Hearing will be scheduled. The interest rate for the Mt. Vernon portion of the loan is estimated at 2.30% and the interest rate for the Lynwood portion of the loan is estimated at 2.36%. The loan

term is a 10-year initial term with 25 to 30-year amortization. The depository bank is to be determined. It is anticipated that Sea Mar will save approximately \$512,160 in interest costs over traditional taxable interest rate financing. As a not-for-profit health care service entity, all excess earnings and cost savings are used to support the provision of charitable care and for expansion of services. 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. Govia introduced Mr. Doug Dale, Chief Financial Officer and Vice President of Finance for Sea Mar Community Health Centers. Mr. Dale provided an overview of their health center. Mr. Dale stated his continued appreciation of the support provided from the Authority. Sea Mar is proud to play a growing and significant role in providing health care to the residents of Washington State.

In response to Mr. Wiesman's inquiry regarding the Mt. Vernon facility financing and whether or not Sea Mar is the owner of that facility and if so is Sea Mar seeking reimbursement for capital expenditures, Mr. Dale explained the acquisition and Ms. Murr confirmed that Sea Mar is seeking reimbursement for capital expenditures at the time of closing. Ms. Murr stated that between now and the time of closing Sea Mar will own the Mt. Vernon property and it will then be a reimbursement. Ms. Murr also stated that it is very difficult to coordinate a real estate closing in conjunction with a bond closing.

In response to Mr. Sperling's inquiry regarding why there are two different lenders, Mr. Dale stated that Sea Mar was able to obtain more benefit and savings by using two separate lenders.

In response to Mr. Sperling's inquiry regarding information listed in one of the documents sent to the board for review, the list of donors printed in the annual report, Mr. Sperling asked how much of Sea Mar's \$200 million operating budget is actually supported by donations? Mr. Dale stated it is a relatively small amount maybe 1% of the operating budget.

There being no further discussion, without public comment and upon motion by Lieutenant Governor Owen, seconded by Ms. Gellermann, the application for financial assistance submitted by Sea Mar Community Health was unanimously accepted by roll call vote.

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.

Ms. Murr provided some additional details pertaining to the status report and upcoming transactions. In June 2015, the Authority accepted an application from Providence

Health & Services a portion of the application was new money and a larger portion to refund their 2006A bonds. Providence made a determination last year that the market wasn't favorable and they placed the refunding portion of the application on hold. Applications are valid for 2 years. Providence is now ready to move forward with the refunding of the 2006A bonds and we are working with them to come back to the Authority for resolution approval for 2 series of direct placement bonds at the September board meeting. The project has not changed. The only change is that originally the bonds were to be publicly offered bonds and now they will be two direct placement bonds with two different banks.

Adjournment:

There being no further business, the meeting was adjourned at 9:50 a.m.

John Wiesman, Secretary