



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, June 9, 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
John Wiesman, Secretary of Health/Member, by conference speakerphone
Ron Sperling, Public Member

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.
Rusty Fallis, Authority Assistant Attorney General
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Matt Swafford, Authority Financial Advisor, Melio & Company, by conference speakerphone
Diane Albrecht, Director Capital Finance, Catholic Health Initiatives, by conference speakerphone
Annie Eide, Manager Bond Compliance and Capital Finance, Catholic Health Initiatives, by conference speakerphone
Holly Houston, CHI Financial Advisor, Ponder & Company, by conference speakerphone
Terry Shirey, CHI Financial Advisor, Ponder & Company, by conference speakerphone
Jerry Simmons, Associate, Technology Solutions Group

Mr. Schumacher called the meeting to order at 11:01 am, confirming that a quorum was present consisting of himself, John Wiesman and Ron Sperling. Mr. Schumacher noted

Board Members

Governor
Jay Inslee
Chair

Governor's Designee
David Schumacher

Lieutenant Governor
Brad Owen

Insurance Commissioner
Mike Kreidler

Insurance Commissioner's
Designee
AnnaLisa Gellermann

Secretary
Department of Health
John Wiesman

Public Member
Ronald K. Sperling

Executive Director
Donna A. Murr

that due to time constraints and the availability of a quorum the agenda items for this meeting will be discussed in priority order versus the printed agenda.

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.

Ms. Murr stated, for the record, that Community Health Care requested that Resolution No. 2016-07 be pulled from this agenda until a later date.

Review, discussion and possible action regarding the application for financial assistance submitted by Catholic Health Initiatives (CHI).

Ms. Murr summarized the application submitted by Catholic Health Initiatives (CHI). CHI is a multi-state hospital and health care system. CHI is requesting a loan in the amount of \$372,320,000. Proceeds of the loan will refund the Series 2008D Bonds, fund new construction, renovation and new equipment; fund a debt service reserve account (if required) and pay costs of issuance. This will be a public sale underwritten by Morgan Stanley & Company LLC, J.P. Morgan Securities LLC and Bank of America Merrill Lynch. The loan is deemed feasible by virtue of CHI's bond rating of A3/A-/A+ by Moody's/S&P/Fitch respectively. Primary security will be a general obligation issued by CHI. A Certificate of Need (CoN) is required for two of the projects being financed; however, one of the projects will be removed from this financing because the CoN application was just submitted for additional beds at St. Anthony Hospital and they do not expect a decision until next year. The financing proceeds for the project being removed will be re-distributed to other projects that are included in the application.

CHI expects to save approximately \$36.9 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. A TEFRA Hearing will be scheduled. The Bond Trustee is Wells Fargo Bank, National Association. According to CHI, the capital expenditures at its Washington facilities are part of the routine maintenance and replacement of existing property and equipment necessary to continue to provide high quality healthcare services to patients in Washington.

Ms. Murr introduced Ms. Diane Albrecht, Director Capital Finance for CHI and Ms. Annie Eide, Manager Bond Compliance & Capital Finance for CHI. Ms. Eide summarized the new money projects that will result from financing the CHI loan application. Some of the new money projects include the relocation of acute care services from Harrison Medical Center's Bremerton campus to their Silverdale campus, a new Ambulatory Care Center at Highline Medical Center, a new Endoscopy center at St. Francis Hospital as well as other miscellaneous capital projects at locations in Washington State.

In response to Mr. Sperling's inquiry regarding the refinancing of the 2008D bonds and the indication that the savings is substantial for this refinancing, Ms. Houston with

Ponder & Company, Financial Advisor to CHI, responded that the current rate is at a 5% coupon and also a factor of the yield and the relationship to the coupon. The total savings will be approximately \$34 million according to the analysis that was generated in May. Ms. Houston stated that the savings may be even greater in the current market.

In response to Mr. Sperling's inquiry as to when CHI expects to come back for final approval, Ms. Albrecht responded that they are planning to come back to the Authority for resolution approval at the July 2016 board meeting. The current schedule has the bonds pricing during the first week of August 2016.

Based on the 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. Ms. Murr urged the Authority's acceptance of this application.

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

Review, discussion and possible action regarding Authority Fund Balances and Proposed Annual Charges for FY 2017.

The Authority's FY16-17 budget was adopted in May of 2015 with the understanding that Authority staff would review the FY16 fund balance to determine whether or not there should be an adjustment to annual charges for FY17. The fee structure for FY16-17 was approved at 2 basis points with a maximum per borrower cap of \$250,000 for borrowers with outstanding loans over \$1 billion and \$150,000 for loans under \$1 billion.

Ms. Frye reviewed and summarized current fund balances, projected fund balances, discussed the variances between estimates and the current budget. Ms. Frye stated that Authority reserves will continue to be maintained as follows:

- Funding ratio for the Insurance/Legal Contingency Reserve at .03% of the outstanding principal;
- Special Assistance Reserve at \$150,000; and
- Operational Reserve to 1 times budget.

Ms. Frye recommended the continuation of annual charges at 2 basis points with a maximum per borrower cap of \$250,000 for borrowers with outstanding loans over \$1 billion and \$150,000 for loans under \$1 billion.

Review, discussion and possible action regarding the Minutes of May 12, 2016.

After discussion and upon motion by Mr. Sperling and seconded by Mr. Wiesman, the minutes of the May 12, 2016 Authority meeting were unanimously accepted by roll call vote.

Mr. Wiesman leaves the meeting and the following reports were delivered to the remaining Authority members present; no action was taken:

Presentation of the Authority 2016 IT Security Audit.

Pursuant to Office of the Chief Information Officer (OCIO) Policy No. 141 Section 7, "Each agency will conduct an Information Technology Security Policy and Standards Compliance Audit at least once every three years". The required audit is to help ensure that agencies adhere to common standards and that agencies have an effective and secure environment for IT processing. The last Authority IT Security Audit was conducted in 2013.

Mr. Govia presented the 2016 IT Security Audit report. The scope of the audit was to examine the following areas:

- Business Vulnerability, Threat and Risk Analysis
- Personnel Security
- Physical & Environmental Security
- Data Security
- Network Security
- Access Security
- Application Security
- Operations Management
- E-commerce
- Security Monitoring & Logging

Mr. Govia reported that in the areas examined, the audit results indicated that the Authority complied with all the OCIO requirements outlined in Policy 141.10. Mr. Govia introduced Mr. Jerry Simmons, Independent Accountant, Technology Solutions Group who performed the audit and available to answer any questions the Board may have. Mr. Simmons stated there are 218 security components that were reviewed during this audit as well as 59 elements for on-site review. Mr. Simmons completed the review of both sections of the audit and reported there were no findings. Mr. Simmons did suggest that a risk assessment be completed regarding off-site data storage. Mr. Simmons stated that when he did have questions, Mr. Govia had the necessary answers available immediately. Mr. Simmons said Mr. Govia should be commended for a job well done.

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 11:40 a.m.

John Wiesman, Secretary