



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

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

Washington Health Care Facilities Authority
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Thursday, October 13, 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
Lieutenant Governor Brad Owen, Member, 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.
Matt Swafford, Authority Financial Advisor, Melio & Company
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Bryan Victor, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone
Mayling Leong, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone
Rusty Fallis, Authority Assistant Attorney General
Timothy Reed, Vice President & Chief Financial Officer, Yakima Valley Memorial Hospital Association
Craig Goodrich, Chief Financial Officer, Virginia Mason Medical Center, by conference speakerphone
Sarah Tallon, Director of Finance, Virginia Mason Medical Center, by conference speakerphone

Tom Whitson, Piper Jaffray & Co., by conference speakerphone
Paul Kaschmitter, Chief Financial Officer, Community Health of Central Washington, by
conference speakerphone
Mark Raker, Principal, Peterson Sullivan LLP

Lieutenant Governor Owen called the meeting to order at 11:02 a.m. after noting a
quorum was present consisting of himself, John Wiesman and Ron Sperling. Mr.
Schumacher joined the meeting at 11:07 a.m.

Review, discussion and possible action regarding the Minutes of September 8, 2016.

After discussion and upon motion by Mr. Sperling and seconded by Lieutenant Governor
Owen, the minutes of the September 8, 2016 Authority meeting were unanimously
accepted by roll call vote.

**Review, discussion and possible action regarding the acceptance of an amendment
to the 2016 application for financial assistance submitted by Yakima Valley
Memorial Hospital Association.**

Yakima Valley Memorial Hospital Association (“YVMH”) submitted an application for
financial assistance in the amount of \$33,650,000 which was accepted by the Authority
on May 12, 2016. Due to current market conditions and the potential for all or a portion
of the bonds to be sold at a premium, YVMH was seeking to amend the original
application.

This amendment would increase the requested par amount to \$36,000,000; increase the
debt service reserve fund estimate to \$2,500,000 and increase the Contingency/Original
Issue Premium line item from \$150,000 to \$2,300,000. In addition to these changes
YVMH has also corrected the estimated public benefit for the loan which is now
\$5,121,600. The requested changes have been reviewed and agreed to by Piper Jaffray &
Co., serving as underwriter on the transaction.

Mr. Govia urged the Authority’s acceptance of the amended application.

Mr. Govia introduced Mr. Reed, Mr. Goodrich and Ms. Tallon at this point in the
meeting.

There being no further discussion, without public comment and upon motion by Mr.
Sperling, seconded by Mr. Wiesman, the amendment to the 2016 application for financial
assistance submitted by YVMH was unanimously accepted by roll call vote.

**Review, discussion and possible action regarding the adoption of Resolution No.
2016-09 approving the amended application for financial assistance and authorizing
the issuance and sale of bonds for Yakima Valley Memorial Hospital Association.**

Mr. Govia summarized Resolution No. 2016-09, which if adopted would approve the amended application for financial assistance and authorize the issuance and sale of bonds for YVMH in the amount of \$36,000,000. The proceeds will be used to fund the construction of a new emergency generator plant, reimbursement of prior capital expenditures, remodeling and renovations, fund a debt service reserve and pay the costs of issuance. This transaction is a public sale underwritten by Piper Jaffray & Co. The primary security is a master note obligation and funds to be held by the bond trustee. A Certificate of Need is not required per the Department of Health. The bonds will be issued based on the Investment Grade rating of YVMH. A permit for the sale of securities was issued on October 11, 2016 by the Washington State Department of Financial Institutions, Securities Division, authorizing the sale of securities in the State of Washington for a period of one year. A TEFRA Hearing was held on August 4, 2016 and no individuals testified for or against the project. The bonds are to be issued as fixed rate bonds and the loan term will be determined at pricing. The bond trustee is U.S. Bank National Association. It is anticipated by YVMH that it will save approximately \$5,121,600 in interest costs over traditional taxable interest rate financing.

Based on the determinations that are required by Authority WACs, the due diligence investigation conducted by Orrick, Herrington & Sutcliffe LLP serving as bond counsel as well as information in the amended application, Mr. Govia recommended the adoption of Resolution No. 2016-09 for the benefit of YVMH.

Mr. Victor summarized the documents presented for approval and indicated that they are all in good order.

Mr. Govia once again introduced Mr. Reed, Mr. Goodrich and Ms. Tallon.

In response to Mr. Sperling's inquiry regarding whether Virginia Mason Medical Center would still remain a separate party from this financing and whether the bonds would still be issued based solely on the credit rating of YVMH, Mr. Reed responded that it was still the case.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Mr. Schumacher, Resolution No. 2016-09 was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the acceptance of an amendment to the 2016 application for financial assistance submitted by Community Health of Central Washington.

Community Health of Central Washington ("CHCW") submitted an application for financial assistance in an amount not to exceed \$2,940,000 which was accepted by the Authority on August 12, 2016. Due to building costs continuing to rise, CHCW estimates that the project will cost an additional \$628,000 to complete. CHCW and the bond purchaser, Key Government Finance, Inc., have agreed to increase the issuance amount by \$500,000 (80% of the additional funds needed). This change would increase

the amount requested to a not to exceed amount of \$3,440,000. An amended application has been submitted by CHCW and a revised term sheet has been submitted by Key Government Finance, Inc. Mr. Govia urged acceptance of the amended application.

Mr. Govia introduced Mr. Paul Kaschmitter at this time in the meeting.

In response to Mr. Schumacher's inquiry regarding the reason for only increasing the application amount by 80% of the required funds, Mr. Kaschmitter stated this was the amount the bond purchaser agreed to.

There being no further discussion, without public comment and upon motion by Mr. Schumacher, seconded by Mr. Sperling the amendment to the 2016 application for financial assistance submitted by CHCW was unanimously accepted by roll call vote.

Review, discussion and possible action regarding the June 30, 2016 Audit of the Washington Health Care Facilities Authority.

Ms. Frye introduced Mr. Mark Raker who discussed the audit process and reported that the Audit and accompanying Management Letter indicated that Peterson Sullivan LLP did not identify any deficiencies in internal control that would be considered material weaknesses.

Mr. Raker provided and discussed a presentation about the audit process that included the communication they are requirement to make, the audit reporting requirements as well as some operating statistics about the Authority. Mr. Raker confirmed that the findings were favorable and there were no material weaknesses or deficiencies found.

Ms. Murr commended Ms. Frye on her work in keeping the Authority's books and records in good order and for the excellent job preparing for the audit.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Mr. Schumacher, the June 30, 2016 Audit of the Washington Health Care Facilities Authority 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, debt service report and FY16-17 Business Plan quarterly update.

Executive Session.

An Executive Session was requested at 11:47 a.m. by Mr. Sperling to review the performance of the Authority Executive Director.

The recorder and speakerphone were turned off during this discussion and Mr. Wiesman left the meeting as well.

Lieutenant Governor Owen called the meeting back to order at 11:58 a.m. after Executive Session ended.

After further discussion, without public comment and upon motion by Mr. Schumacher and seconded by Mr. Sperling, the Executive Director's Performance Evaluation for the period July 1, 2014 to June 30, 2016 was unanimously accepted by roll call vote.

Adjournment:

The meeting was adjourned at 11:59 a.m.

John Wiesman, Secretary