



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
Tuesday, November 15, 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, Chair
AnnaLisa Gellermann, Insurance Commissioner's Designee/Member, by conference speakerphone
Ron Sperling, Public 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.
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Mayling Leong, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone
Rusty Fallis, Authority Assistant Attorney General
Paul Kaschmitter, Chief Financial Officer, Community Health of Central Washington
Herb Bone, Corporate Treasurer, Fred Hutchinson Cancer Research Center
Robert Turner, Kaufmann Hall, by conference speakerphone

Lieutenant Governor Owen called the meeting to order at 10:31 a.m. after noting a quorum was present consisting of himself, AnnaLisa Gellermann and Ron Sperling.

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

Review, discussion and possible action regarding the Minutes of October 13, 2016.

After discussion and upon motion by Mr. Sperling and seconded by Ms. Gellermann, the minutes of the October 13, 2016 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2016-10 approving the application for financial assistance and authorizing the issuance and sale of a bond for Community Health of Central Washington (CHCW).

Mr. Govia summarized Resolution No. 2016-10, which if adopted would approve the application for financial assistance and authorize the issuance and sale of a bond for CHCW in the amount of \$3,440,000. The proceeds will be used to finance the purchase and renovation of a facility in Yakima, purchase equipment, provide reimbursement for prior capital expenditures and pay costs of issuance. This transaction is a Quick Loan – private placement and the lender is Key Government Finance, Inc. The primary security is a deed of trust. A Certificate of Need is not required per the Department of Health. Feasibility has been determined by the lender. A TEFRA Hearing was held on November 3, 2016 and no individuals testified for or against the project. The bond will be issued at a fixed rate of 3.34% with a 10-year initial term and 20-year maturity. The depository bank is Zions Bank. It is anticipated by CHCW that it will save approximately \$272,318 based on current estimated taxable vs. tax-exempt rates over the term of the loan.

Based on the determinations that are required by Authority WACs, the due diligence investigation conducted by Hillis, Clark, Martin & Peterson P.S. serving as bond counsel as well as information in the application and private placement letter Mr. Govia recommended the adoption of Resolution No. 2016-10 for the benefit of CHCW.

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

Mr. Govia introduced Mr. Kaschmitter, Chief Financial Officer of CHCW. Mr. Kaschmitter thanked the Authority for their continued support.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Ms. Gellermann, Resolution No. 2016-10 was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2016-11 approving the application for financial assistance and authorizing the issuance and sale of a bond for Sea Mar Community Health Centers 2016A (Sea Mar).

Mr. Govia summarized Resolution No. 2016-11, which if adopted would approve the application for financial assistance and authorize the issuance and sale of a bond for Sea

Mar in the amount of \$880,000. The 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 to pay costs of issuance. This transaction is a Quick Loan – private placement and the lender is HomeStreet Bank. The primary security is a deed of trust. A Certificate of Need is not required per the Department of Health. Feasibility has been determined by the lender. A TEFRA Hearing was held on November 3, 2016 and no individuals testified for or against the project. The bond is to be issued at a fixed rate of 2.30% with a 10-year initial term and 25-year maturity. The depository agent is U.S. Bank National Association. It is anticipated by Sea Mar that it will save approximately \$116,160 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 application and private placement letter, Mr. Govia recommended the adoption of Resolution No. 2016-11 for the benefit of Sea Mar.

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

In response to Mr. Sperling's inquiry regarding HomeStreet Bank being a new lender to the Authority. Ms. Murr responded stating that the banker at HomeStreet Bank, Mr. Greg Gratz, was previously an employee of U.S. Bank and worked with Dan Gottlieb and the previous Director to create the Authority Quick Loan program, but with regard to HomeStreet Bank Ms. Murr stated that this may be their first transaction with the Authority. Mr. Gottlieb stated that HomeStreet Bank has worked with Sea Mar on other transactions through the State Housing Finance Commission.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Ms. Gellermann, Resolution No. 2016-11 was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the acceptance of an amendment to the 2016B application for financial assistance submitted by Sea Mar Community Health Centers;

Ms. Murr stated, for the record, that Sea Mar Community Health Centers requested that the amendment to the 2016B application for financial assistance be pulled from this agenda until a later date.

Review, discussion and possible action regarding the acceptance of an application for financial assistance submitted by Fred Hutchinson Cancer Research Center (Fred Hutch).

Ms. Murr summarized the application submitted by Fred Hutch, a biomedical research facility located in Seattle, Washington. Fred Hutch is applying for a loan in the amount of up to \$213,900,000. The proceeds of the loan will be used for renovation, remodeling, modernization, refinancing and financing the costs of issuing the bonds. The refinancing plan includes the refinancing of all outstanding bonds for the Series 2010, Series 2012A and 2012B. In addition, Fred Hutch is also considering refinancing all outstanding bonds for the Series 2014 and 2015B. They are also considering refinancing all or a portion of Series 2009A. This will be a public sale and the underwriters have not been selected at this time. There are no Certificate of Need issues per Fred Hutch and the Department of Health. Feasibility will be based on the investment grade rating of Fred Hutch which is currently A3 by Moody's and A by S&P. A TEFRA Hearing will be scheduled. The bond trustee will be U.S. Bank National Association and the estimated public benefit will be calculated once an underwriter has been selected and the structure has been 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. Ms. Murr urged the Authority's acceptance of this application.

Ms. Murr introduced Mr. Bone, Corporate Treasurer, Fred Hutch. Mr. Bone provided an overview of the financing plan which will provide the ability for Fred Hutch to restructure their debt to take advantage of the current favorable interest rates and also potentially restructure some debt covenants to allow Fred Hutch to have greater flexibility. The new money piece includes a plan to expand and build on the therapeutic products program at Fred Hutch. Fred Hutch hopes to take advantage of the lowest cost of capital available and continue to build outstanding facilities for researchers.

In response to Mr. Sperling's inquiry regarding the determining factors for the refinancing, Mr. Bone stated that refinancing of Series 2010, Series 2012A and 2012B are subject to the master trust indenture; they are collateralized property within the Fred Hutch campus and have been financed with bank debt with the hope of taking advantage of the current environment to structure the debt as favorably as possible for Fred Hutch. The Series 2014 and 2015B are Quick Loans and are not subject to the master trust indenture. They do not have the same restrictive covenants as the other debt to be refinanced. They are located in the expansionary property and are adjacent to the revenue generating portions of the campus and are properties that Fred Hutch wants to control and keep under their umbrella. If it is advantageous at the time of financing the other loans, they will consider refinancing those series as well.

In response to Mr. Sperling inquiry as to what conditions will be necessary in order to move forward, Mr. Bone stated that Fred Hutch will perform a net present value analysis and look at the covenants to ensure consolidating all loans under their master trust indenture, will not cause problems with existing covenants.

In response to Mr. Sperling's inquiry regarding what the interest rate differential may be for the Series 2010 and 2012 Bonds if the move forward with the refinancing, Mr. Bone stated a portion of those bonds have an interest rate swap so an analysis will have to be done to determine if the refinancing will be beneficial to Fred Hutch. 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 Fred Hutch 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.

Adjournment:

The meeting was adjourned at 10:58 a.m.

John Wiesman, Secretary