



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
Special Board Meeting
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Thursday, May 11, 2017 Meeting Minutes**

Board Members

Governor
Jay Inslee
Chair

Governor's Designee
David Schumacher

Lieutenant Governor
Cyrus Habib

Insurance Commissioner
Mike Kreidler

Insurance Commissioner's
Designee
AnnaLisa Gellermann

Secretary
Department of Health
John Wiesman

Public Member
Steven R. Jacobs

Executive Director
Donna A. Murr

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:

John Wiesman, Secretary of Health/Member, by conference speakerphone
AnnaLisa Gellermann, Insurance Commissioner's Designee/Member/Chair, by conference speakerphone
Steven Jacobs, Public Member, by conference speakerphone
Lieutenant Governor Cyrus Habib, by conference speakerphone (joined meeting at 11:18 am)

Authority Staff Present:

Donna Murr, Executive Director
Ashlee Frye, Chief Financial and Compliance Officer
Danni Miller, Executive Assistant/Office Manager

Others Present:

Matt Swafford, Authority Financial Advisor, Melio & Company
Rusty Fallis, Authority Assistant Attorney General
Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
Bryan Victor, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone
Mayling Leong, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone
Libby Hollingshead, Deputy Chief of Staff, Office of Lieutenant Governor Cyrus Habib, by conference speakerphone
Diane Albrecht, Director of Capital Finance, Catholic Health Initiatives, by conference speakerphone
Craig Goodrich, Senior Vice President & Chief Financial Officer, Virginia Mason Medical Center, by conference speakerphone

Ms. Gellermann called the meeting to order at 11:02 a.m. after noting a quorum was present consisting of herself, Mr. John Wiesman, and Mr. Steve Jacobs.

Review, discussion and possible action regarding the Minutes of April 13, 2017.

Ms. Murr noted a minor correction on the minutes from April 13, 2017. Page 4, second paragraph the word *provided* was changed to *proceeded*. After discussion and upon motion by Mr. Jacobs and seconded by Mr. Wiesman, the minutes of the April 13, 2017, Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2017-04 authorizing amendments relating to the Series 2015A Bond Issue and Resolution No. 2017-05 authorizing amendments relating to the Series 2008A Bond Issue, each for Catholic Health Initiatives (CHI).

Ms. Murr introduced Ms. Diane Albrecht, Director of Capital Finance for CHI who is attending the board meeting by conference speakerphone.

Ms. Murr explained that there are two similar resolutions for CHI on today's agenda. Due to their similarity Mr. Gottlieb, Authority Bond Counsel, suggested they be presented and discussed at the same time, but the Authority Board will vote on each Resolution separately.

Mr. Gottlieb presented the summary of the recommended amendments. These two resolutions are substantively identical. CHI has requested that the Authority approve amendments to these two transactions, each of which were a directly placed bond by a bank. The point of both of these sets of amendments is to authorize changes to the bond documents that would add some additional levels to the applicable spread, which is part of the determination of the interest rate formula. In this case, both bonds have interest based on a one-month LIBOR rate plus this spread. The spread is different in each of the two transactions and is based on a grid, which is based on the credit ratings of CHI. When these transactions originated, CHI's credit rating was better than it is now. The point of these amendments is to add some additional line items to the grid with the applicable spread components to allow for the rating to drop. Without these changes, the CHI would be in default. CHI has requested this and the banks have agreed. The nature of these amendments is such that once they are made under the tax code they would be considered significant modifications resulting in a technical reissuance of the bonds.

In response to Mr. Jacobs inquiry regarding rate adjustments specifically, whether if the CHI credit rating goes up, the adjustment would also allow the spread to be reduced, Mr. Gottlieb replied that those provisions were already in the documents and is hopeful that CHI and the banks can use those in the near term.

In response to Mr. Jacobs inquiry regarding split ratings, specifically, whether if one of the rating agencies lowers its rating and the other two remain the same, that might cause the spread to change, Mr. Gottlieb responded that the lowest rating always determines which part the grid is being used.

There being no further discussion, upon motion by Mr. Jacobs, seconded by Mr. Wiesman, Resolution No. 2017-04 was unanimously adopted by roll call vote.

Upon separate motion by Mr. Jacobs, seconded by Mr. Wiesman, Resolution No. 2017-05 was also unanimously adopted by roll call vote.

Review, discussion and possible action regarding the acceptance of an application for financial assistance submitted by Virginia Mason Medical Center.

Ms. Murr summarized the application for financial assistance submitted by Virginia Mason Medical Center. Virginia Mason Medical Center, located in Seattle, Washington, is an integrated healthcare organization that includes a multi-specialty medical group practice of approximately 422 full-time physicians, 336-bed acute care teaching hospital, 35 bed skilled nursing facility and various primary and specialty care facilities. Virginia Mason is applying for a loan for \$350,000,000. Proceeds of the loan will be used to refund on a current basis all of the outstanding Series 1997B, 2007A, 2007B and 2007C Bonds and pay the costs of issuance. The refinancing portion is estimated at \$343,757,500 (which includes potential original issue premium) and \$6,242,500 in issuance costs. This financing will be a fixed rate public sale underwritten by Wells Fargo Securities, serving as senior managing underwriter. Bank of America Merrill Lynch and Piper Jaffray will serve as co-managers. The primary security will be determined. A Certificate of Need is not required per Virginia Mason. Feasibility will be based on the investment grade rating of Virginia Mason Medical Center. A TEFRA hearing will be scheduled. The interest rate and loan terms will be determined. The bond rating will be based on the credit rating of Virginia Mason Medical Center, which is currently Baa2 by Moody's and BBB by S&P. The bond trustee will be U.S. Bank National Association.

Virginia Mason Medical Center estimates a savings of between \$50 and \$60 million in interest expenses over the life of the loan by financing with tax-exempt bonds. They indicate the lowered cost of borrowing will lower their operating expenses, thereby reducing dependence on cash flow derived from revenue sources.

Based on its review of the application, bond counsel has determined that the borrower and the project are eligible for financing under the Authority's statute, but such determination is subject to bond counsels due diligence review. Ms. Murr urged the Authority's acceptance of this application.

Ms. Murr proceeded to introduce Mr. Goodrich, Senior Vice President & Chief Financial Officer for Virginia Mason Medical Center. Mr. Goodrich provided a brief overview of the services provided by Virginia Mason and the proposed financing plan of Virginia Mason.

There being no further discussion, no member of the public requesting the opportunity to comment, and upon motion by Mr. Wiesman, seconded by Mr. Jacobs, the application for financial assistance submitted by Virginia Mason Medical Center was unanimously accepted by roll call vote.

Executive Director's 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 11:24 am.

John Wiesman, Secretary