



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
Senate Rules Room – Office of Lieutenant Governor Cyrus Habib
220 Legislative Building, 416 Sid Snyder Ave. SW
Olympia, WA 98504
Thursday, March 9, 2017 Meeting Minutes**

A special meeting of the Washington Health Care Facilities Authority was held in the Senate Rules Room of the Office of Lieutenant Governor Cyrus Habib. 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 Cyrus Habib, Member, by conference speakerphone
AnnaLisa Gellermann, Insurance Commissioner's Designee/Member/Chair, by conference speakerphone
Steven Jacobs, Public Member, by conference speakerphone

Authority Staff Present:

Donna Murr, Executive Director
Shannon Govia, Assistant Executive Director, by conference speakerphone
Ashlee Frye, Chief Financial and Compliance Officer, by conference speakerphone
Danni Miller, Executive Assistant/Office Manager

Others Present:

Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
Matt Swafford, Authority Financial Advisor, Melio & Company, by conference speakerphone
Rusty Fallis, Authority Assistant Attorney General, by conference speakerphone
Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson, by conference speakerphone
Libby Hollingshead, Director of Operations and Legislative Liaison, Office of the Lieutenant Governor, by conference speakerphone
Robert Turner, Senior Vice President, Kaufman Hall & Associates LLC, by conference speakerphone
Warren Hewitt, Vice President & Chief Administrative Officer, Seattle Children's Hospital, by conference speakerphone
Donna Reinhart, Director of Treasury Services, Seattle Children's Hospital, by conference speakerphone

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

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

Review, discussion and possible action regarding the Minutes of February 23, 2017.

After discussion and upon motion by Mr. Jacobs and seconded by Lieutenant Governor Habib, the minutes of the February 23, 2017 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2017-03 approving the application for financial assistance and authorizing the issuance and sale of bonds for Seattle Children's Hospital (Children's).

Ms. Murr summarized Resolution No. 2017-03, which, if adopted, would approve the application for financial assistance submitted by Children's in an aggregate amount not to exceed \$339,357,000; authorize the issuance by the Authority of its Revenue Bonds, Series 2017A (Seattle Children's Hospital) in an aggregate principal amount not to exceed \$125,000,000 and loan the proceeds to Children's to provide a portion of such financial assistance; and authorize the execution and delivery of amendments to documents relating to the Refunding Revenue Bonds, Series 2012C (Seattle Children's Hospital) and the Refunding Revenue Bonds, SERIES 2012D (Seattle Children's Hospital) resulting in the deemed reissuance of such Series 2012C Bonds and Series 2012D Bonds under federal tax law.

Children's is a not-for-profit regional pediatric medical center and research institute located in Seattle, WA. Children's provides a comprehensive range of inpatient and outpatient diagnostic and therapeutic services and are the only academic hospital devoted to the medical, surgical and developmental needs of children in the four-state area of Washington, Alaska, Montana and Idaho.

There are three components to the request for financial assistance, not including funding issuance costs:

1. Funding \$125 million of capital expenditures comprised of new money financing proceeds including potential original issue premium. Capital projects include:
 - Constructing and equipping a new tower on the main campus.
 - Renovating and upgrading existing facilities on the main campus.
 - Constructing a new pediatric outpatient facility in Everett, WA.
 - Acquiring and renovating an outpatient and administrative facility near the main campus.
2. Refunding \$84.5 million to refund the Series 2010A Bonds including potential original issue premium (*).
3. Restructuring \$116 million:
 - \$62 million to refund Series 2012C Direct Placement Bonds
 - \$54 million to refund Series 2012D Direct Placement Bonds

(* Based on current market conditions, Children's has requested the Authority postpone the issuance and sale of the refunding plan for the Series 2010A Bonds at this time.

This will be a fixed rate public sale underwritten by J.P. Morgan Securities LLC, serving as senior managing underwriter and Wells Fargo Securities, serving as co-managing underwriter. The primary bondholder security is a master note obligation. According to the Department of Health, Children's has a pending application for a Certificate of Need (CoN) for 40 new beds, which has not been acted upon, however, in the event the CoN is denied or approved for a lesser number of beds, Children's would nonetheless proceed with the project by staying within its existing CoN approved bed capacity and moving existing beds into the new facilities. The feasibility and bond rating is based on the investment grade rating of Children's, currently Aa2 by Moody's & AA by Fitch. A TEFRA hearing was held on March 6, 2017, at which no individuals testified for or against the project. The interest rate and loan terms are to be determined at pricing. The successor bond trustee will be U.S. Bank National Association.

The present value benefit of tax-exempt financing is approximately, \$937,000 in the current market, adjusting the taxable equivalent for a comparable 10-year par call. Children's proposes that savings realized will be used in a manner that will minimize the costs of construction, reduce financing costs and facilitate the use of modern, well-equipped and reasonably priced health care facilities, all with the objective of lowering costs to the public of the use of such facilities and contributing to improving the quality of pediatric health care.

Ms. Murr introduced Mr. Gottlieb of Hillis Clark Martin & Peterson P.S., serving as bond counsel for this transaction. Mr. Gottlieb summarized the documents presented for approval and indicated that they are all in good order. Based on the determinations that are required by Authority WACs, the due diligence investigation conducted by Hillis Clark Martin & Peterson P.S. as well as information in the application, Ms. Murr urged the adoption of Resolution No. 2017-03 for the benefit of Children's.

Ms. Murr introduced Mr. Hewitt and Ms. Reinhart from Children's as well as Mr. Turner from Kaufman Hall & Associates, LLC, financial advisor to Children's.

Lieutenant Governor Habib's inquired about the location of the new research facility project in downtown Seattle and whether it is the Seattle Children's Research Institute and whether it is under the Children's umbrella. Mr. Hewitt affirmed that the Seattle Children's Research Institute is a division of Children's and the new research facility is part of the new construction project, but the proceeds from these bonds will not be funding this project. The research facility will be located on 9th Avenue and Terry in Seattle on property owned Children's.

In response to Mr. Jacob's inquiry regarding the delaying of refunding and reissuance specifically, what are you waiting for in the market to actually refund? Mr. Hewitt responded that Children's is waiting for the interest rates to be favorable for the refunding; at the current time it is a negative savings situation and would not benefit Children's to pursue the refunding.

In response to Mr. Jacobs' inquiry regarding the current market status and based on the way the market is trending is there a possibility that the refunding will not happen? Mr. Turner stated that in

order for the refund to happen the interest rates need to be reduced a significant amount. They are hopeful the market will trend in Children's favor.

In response to Mr. Jacobs' inquiry, regarding clarification on the CoN requirement and moving existing licensed beds if the Department of Health does not approve the new Certificate of Need, Mr. Hewitt stated the plan is to move only existing licensed beds unless the new CoN is approved by the Department of Health.

Mr. Hewitt thanked the Authority for the opportunity to apply for this financing.

There being no further discussion, no member of the public requesting the opportunity to comment, and upon motion by Mr. Jacobs, seconded by Lieutenant Governor Habib, Resolution No. 2017-03 for the benefit of Children's was unanimously adopted by roll call vote.

Adjournment:

There being no further business, the meeting was adjourned at 11:25 am.

John Wiesman, Secretary