



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, April 13, 2017 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:**

John Wiesman, Secretary of Health/Member/Chair  
AnnaLisa Gellermann, Insurance Commissioner's Designee/Member, by conference speakerphone  
Steven Jacobs, Public Member, by conference speakerphone

**Authority Staff Present:**

Donna Murr, Executive Director, by conference speakerphone  
Shannon Govia, Assistant Executive Director  
Ashlee Frye, Chief Financial and Compliance Officer  
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  
Mark Melio, Authority Financial Advisor, Melio & Company, by conference speakerphone  
Rusty Fallis, Authority Assistant Attorney General  
Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S., by conference speakerphone  
Brandon Pond, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S., by conference speakerphone  
Bryan Victor, Authority Bond Counsel, Orrick Herrington & Sutcliffe LLP, by conference speakerphone  
Michele Wilsie, Chief Financial Officer, Cascade Mental Health Care  
Dr. Richard Stride, Chief Executive Officer, Cascade Mental Health Care  
Mark Gordon, Vice President, Security State Bank  
Anita Monoian, Chief Executive Officer, Yakima Neighborhood Health Services  
Don Hinman, Board Chair, Yakima Neighborhood Health Services

**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

Greg Gratz, HomeStreet Bank

Mr. Wiesman called the meeting to order at 11:00 a.m. after noting a quorum was present consisting of himself, Ms. Gellermann, and Mr. Jacobs.

**Review, discussion and possible action regarding the Minutes of March 9, 2017.**

After discussion and upon motion by Mr. Jacobs and seconded by Ms. Gellermann, the minutes of the March 9, 2017 Authority meeting were unanimously accepted by roll call vote.

**Review, discussion and possible action regarding the acceptance of an application for financial assistance submitted by Cascade Mental Health Care (Cascade).**

Mr. Govia summarized the application for financial assistance submitted by Cascade located in Centralia, Washington. Cascade is a Washington not for profit organization that has been operating since 1968. They operate offices in Centralia, specializing in programs for children; Chehalis, specializing in adult programs; and Morton, providing services to both children and adults. Cascade is applying for a loan in the amount of \$5,500,000. Proceeds of the loan will be used to finance the construction and equipping of an Evaluation and Treatment Unit located in the Port of Centralia and to pay for costs of issuance. The construction portion of this loan will be approximately \$4,990,000, the equipment portion will be approximately \$400,000 and the estimated costs of issuance will be \$110,000. This financing will be a Quick Loan private placement and the lender is Security State Bank. The primary security for the loan will be a deed of trust. Feasibility will be determined by the lender. A TEFRA hearing will be scheduled. The interest rate will be fixed and is estimated at 4.50%. The loan will have a five year initial term with a ten year maturity and will be amortized over 25 years. The depository bank will be Security State Bank.

At this time, the Department of Health has not determined if a Certificate of Need is required for this project. In order to provide a determination on whether or not a Certificate of Need will be required for the project, the Department of Health would like to confirm how the facility to be financed will be licensed and how Cascade defines the home health services they referenced in their application. Ms. Wilsie stated that the facility will be licensed as a residential treatment facility and clarified that the home health services referenced in their application refers to case management services

It is anticipated by Cascade that it will save approximately \$755,659 in interest costs over traditional taxable interest rate financing over the term of the loan. The savings will allow them to provide more services at lower costs.

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 counsel's due diligence review. Mr. Govia urged the Authority's acceptance of this application.

Mr. Govia proceeded to introduce Ms. Wilsie, Dr. Stride, and Mr. Gordon.

Ms. Wilsie provided a brief summary of services provided by Cascade, which include outpatient services for mental health care in various lines of services including geriatric, adult, children and

family services as well as substance abuse, crisis services and some residential therapy known as a hospital diversion program for Lewis County.

In response to Mr. Jacobs' inquiry as to whether there was any flexibility regarding the loan commitment document and the statement that the loan must close by June 1, 2017. Mr. Gordon stated, Security State Bank is committed to the project and will adjust the closing date if it becomes necessary.

In response to Mr. Jacobs' inquiry regarding how the Behavioral Health Organization assistance funds referenced in the project budget are to be utilized and what would happen if Cascade were not to achieve 95% occupancy upon project completion. Ms. Wilsie responded that the BHO funds will be used for operating costs in the first year as the facility works toward achieving the 95% occupancy rate referenced in the application. Ms. Wilsie also stated that the BHO was committed to purchasing a portion of the beds in years two & three post opening if they did not reach their desired capacity.

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

**Review, discussion and possible action regarding the acceptance of an application for financial assistance submitted by Yakima Neighborhood Health Services (YNHS).**

Mr. Govia summarized the application for financial assistance submitted by YNHS located in Yakima, Washington. YNHS provides primary medical, dental, pharmacy, behavioral health, maternity support services and other enabling services from multiple locations throughout Yakima County. YNHS is applying for a loan in the amount of \$4,635,285. Proceeds of the loan will be used to (1) refinance the outstanding WHCFA Series 2008 Bond; (2) refinance two taxable loans used for the acquisition costs of the Donald Hinman Administrative Building & YNHS Depot/Case Management Outreach Center; (3) finance the acquisition costs of Neighborhood Health Services Granger Building; and (4) to pay costs of issuance. Acquisition costs will be approximately \$95,000. Refinancing costs will be approximately \$4,447,579 and costs of issuance will be approximately \$92,706. This will be Quick Loan private placement and the lender is HomeStreet Bank. The primary security for the loan is a deed of trust. There are no Certificate of Need issues per YNHS. Feasibility will be determined by the lender. A TEFRA hearing will be scheduled. The interest rate will be fixed and is estimated at 3.10%. The loan will have a seven year initial term and will be amortized over 25 years. The depository bank is to be determined.

It is anticipated by YNHS that it will save approximately \$324,094 in interest costs over traditional taxable interest rate financing over the term of the loan. The managing staff and Board of Directors of YNHS will monitor financial activities including savings from this tax exempt financing, monthly to ensure that the savings are utilized consistent with the mission of YNHS and that patients directly benefit.

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

Mr. Govia provided to introduce Ms. Monoian, Mr. Hinman and Mr. Gratz.

Ms. Monoian summarized YNHS as a Community Health Center that has served the Yakima community for the past 42 years. Ms. Monoian is very proud that Mr. Hinman is one of the "founding fathers" of YNHS and has been serving as a community volunteer for each of the 42 years. YNHS began as a primary care/family practice facility and as time passed, they have expanded and now are able to provide dental, pharmacy, behavioral health and optical services. YNHS serves roughly 22 to 23 thousand clients with over 100,000 encounters per year. They have a very robust health care for the homeless project that provides housing and medical services. YNHS currently operates nine sites in Yakima and the neighboring communities.

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

**Review, discussion and possible action regarding an amendment to Board Adopted Policy No. 96-2 - True Private Placement Loan Terms.**

In 1996, the Authority adopted Policy No. 96-2 "True Private Placement" Loan Terms in order to accommodate the creation of its Quick Loan private placement program. This program provided a mechanism for borrowers, who did not have a published credit rating, to borrow money in the tax-exempt market, through direct loans from bank lenders.

This policy provides guidance on who may purchase bonds through the Quick Loan program as well as other non-Quick Loan private placements and the requirements for such purchase. It also requires purchasers to execute the Authority's form of "Private Placement Letter", which certifies the purchaser has made its own credit analysis of the borrower and agrees to indemnify and hold the Authority harmless for the credit investigation and analysis that led to the decision to purchase the bond. The Private Placement Letter is to be executed by the original purchaser of the bond and requires any subsequent purchaser of the bond to execute a similar letter, sometimes referred to as a "traveling investment letter".

At the time this policy was established, the traveling letter requirement was common in the municipal marketplace and the Authority and its advisors felt it was necessary to ensure compliance by subsequent purchasers. Bond counsel now has advised, and the Authority's Assistant Attorney General concurs, that removing this traveling requirement reduces the Authority's liability and has recommended eliminating this requirement from the policy. In addition, the Authority's financial advisor as well as several entities who purchase direct placements have advised there can be a 25 to 100 basis point premium charged because of this requirement.

Based on the advice of counsel and other factors described Ms. Murr recommended the Authority approve, by motion, the recommended changes to Policy No. 96-2 "True Private Placement" Loan Terms.

There being no further discussion, no member of the public requesting the opportunity to comment, and upon motion by Ms. Gellermann, seconded by Mr. Jacobs, the amendment to Policy No. 96-2 "True Private Placement" Loan Terms was unanimously approved 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 11:37 am.

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John Wiesman, Secretary