



**Washington Health Care Facilities Authority
Special Meeting
410 11th Avenue S.E., Suite 201
Olympia, Washington 98504
Friday, September 15, 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:

David Schumacher, Governor's Designee, Member/Chair
Toni Hood, Insurance Commissioner's Designee
Steve Jacobs, 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:

Matt Swafford, Authority Financial Advisor, Melio & Company, by conference speakerphone
Raul Ardelean, 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.
Brandon Pond, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.
Bryan Victor, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone
Scott Boyd, Chief Financial Officer, Planned Parenthood of the Great Northwest and the Hawaiian Islands
Andrew Tokar, Chief Financial Officer, Overlake Hospital Medical Center
Judy Swain, Treasurer, MultiCare Health System
Sharlene Morgan, Treasury Analyst, MultiCare Health System
Kendall Hansen, Vice President, Key Government Finance, by conference speakerphone
Robert Turner, Senior Vice President, Kaufman Hall, by conference speakerphone

Board Member:

Governor
Jay Inslee
Chair

Governor's Designee
David Schumacher

Lieutenant Governor
Cyrus Habib

Insurance Commissioner
Mike Kreidler

Insurance Commissioner's
Designee
Toni Hood

Secretary
Department of Health
John Wiesman

Public Member
Steven R. Jacob

Executive Director
Donna A. Murr

Mr. Schumacher called the meeting to order at 9:30 a.m. after noting a quorum was present consisting of himself, Ms. Toni Hood, and Mr. Steve Jacobs.

Review, discussion and possible action regarding the Minutes of August 10, 2017.

After discussion and upon motion by Mr. Jacobs and seconded by Ms. Hood, the minutes of the August 10, 2017 Authority meeting were unanimously accepted.

Review, discussion and possible action regarding the acceptance of an amended application for financial assistance submitted by Planned Parenthood of the Great Northwest and the Hawaiian Islands (Planned Parenthood).

Mr. Govia summarized the amended application submitted by Planned Parenthood of the Great Northwest and the Hawaiian Islands (“Planned Parenthood”).

Planned Parenthood submitted an application for financial assistance in an amount not to exceed \$4,800,000, which was accepted by the Authority on July 20, 2017. The proceeds of the loan will be used (a) to refinance a loan used for the purchase and renovation of a health center and administrative space in Tacoma, Washington; (b) to purchase a new security system to be installed in all of the Planned Parenthood health centers and administrative buildings; and (c) to upgrade and replace IT systems and fund other capital projects. Planned Parenthood has requested to amend their original application to reflect that the proceeds of the loan may also be used to pay costs of issuance. Both Planned Parenthood and the lender, Key Government Finance, Inc., have agreed upon the requested changes. Mr. Govia urged the acceptance of the amended application.

There being no further discussion, upon motion by Mr. Jacobs, seconded by Ms. Hood, the amended application for financial assistance submitted by Planned Parenthood was unanimously accepted.

Review, discussion and possible action regarding the adoption of Resolution No. 2017-09 approving the amended application for financial assistance and authorizing the issuance and sale of a bond for Planned Parenthood.

Mr. Govia summarized Resolution No. 2017-09, which, if adopted, would approve the amended application for financial assistance submitted by Planned Parenthood and authorize the issuance and sale by the Authority of its Revenue Bond, Series 2017 (Planned Parenthood of the Great Northwest and the Hawaiian Islands) in the principal amount of \$4,700,000, and the loan of the proceeds thereof to Planned Parenthood.

Planned Parenthood located in Seattle, Washington, provides a full range of family planning services for women and men. Proceeds of the loan will be used (a) to refinance a loan used for the purchase and renovation of a health center an administrative space in Tacoma, Washington; (b) to purchase a new security system to be installed in all of the Planned Parenthood health centers and administrative buildings; (c) to upgrade and replace IT systems; fund other capital projects; and (d) to pay costs of issuance. This financing will be a direct placement and the lender will be Key Government Finance, Inc. The primary security is a Deed of Trust. There are no Certificate of Need issues per the

Department of Health. Feasibility has been determined by the lender. A TEFRA hearing was held on September 11, 2017, at which thirteen individuals appeared and testified against the project. The transcript of the TEFRA hearing was distributed to the Authority members for review prior to this meeting. The interest rate is fixed at 3.24% with a 10-year initial term and 20-year maturity. The bond trustee will be Zions Bank, a division of ZB, National Association.

Planned Parenthood estimates a savings of approximately \$550,000 in interest costs over traditional taxable interest rate financing over the initial term of the loan with a net savings of \$1,100,000 over the 20-year amortization. The savings will be passed on to patients via a fee schedule for services with discounts based upon patient income as well as no cost supplies offered to qualifying patients.

Mr. Govia introduced Mr. Gottlieb of Hillis Clark Martin & Peterson P.S., serving as the Authority's 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 Mr. Govia urged the adoption of Resolution No. 2017-09 for the benefit of Planned Parenthood.

There being no further discussion, upon motion by Mr. Jacobs, seconded by Ms. Hood, Resolution No. 2017-09 was unanimously adopted.

Review, discussion and possible action regarding the acceptance of an application for financial assistance submitted by Overlake Hospital Medical Center (Overlake).

Ms. Murr summarized the application for financial assistance submitted by Overlake Hospital Medical Center. Overlake is a 349-licensed bed, non-profit regional medical center offering a full range of inpatient and outpatient services. Overlake has over 855 active physicians on its medical staff and operates nine primary care clinics, 20 specialty clinics and 4 urgent care centers through a wholly owned subsidiary, Overlake Medical Clinics, LLC. Overlake is applying for a loan for \$275,000,000. Proceeds of the loan will be used (a) to finance the construction and some equipment of the new east Tower, two new cardiovascular operating rooms, and renovation of the Cancer Center; (b) to advance refund the Authority's Revenue Bonds, Series 2010 (Overlake Hospital Medical Center); and (c) to finance the costs of issuance, capitalized interest during construction and potential bond premiums. The construction and equipment portion is estimated at \$165,000,000, the refunding portion \$101,000,000 and the costs of issuance and capitalized interest \$9,000,000. This financing will be a public sale underwritten by Wells Fargo Securities, a co-manager will be chosen very soon. The primary security will be determined. A Certificate of Need is not required per Overlake. Feasibility will be based on the investment grade rating of Overlake Hospital Medical Center. The interest rate and loan terms will be determined. The bond rating will be based on the credit rating of Overlake Hospital Medical Center, currently rated A2 by Moody's and A by S&P. The bond trustee will be U.S. Bank National Association.

Overlake Hospital Medical Center estimates a savings of \$10.4 million in interest costs by using tax-exempt bonds. The hospital determines rate increases annually as part of its budget process. The savings from issuing tax-exempt bonds reduces the interest expense and therefore results in lower rate increases being passed along to patients.

Based on its review of the application, Hillis Clark Martin & Peterson P.S., the Authority's bond counsel for the proposed transaction, has determined that the borrower and the project are eligible for financing under the Authority's statute, but such determination is subject to such bond counsel's further due diligence review. Ms. Murr urged the Authority's acceptance of this application.

Ms. Murr proceeded to introduce Mr. Tokar, Chief Financial Officer for Overlake Hospital Medical center. Mr. Tokar provided a brief overview of the services provided by Overlake and the proposed financing plan of Overlake Hospital Medical Center. Mr. Tokar stated that this financing is part of a five-year project to enhance the Overlake Hospital Medical Center campus and transitioning toward having all private beds on the campus. Mr. Jacobs commended Overlake for their proposed transition to all private beds, stating that this will help to improve patient safety.

In response to Mr. Jacobs' inquiry regarding the reason for advanced refunding of the Series 2010 Bonds vs waiting for the maturity date, Mr. Tokar responded by stating that the current economic situation is providing an opportunity for significant interest savings by advance refunding of these bonds. Mr. Gottlieb also pointed out that the advance refunding of the Series 2010 Bonds will eliminate a number of restrictive financing and collateral covenants.

There being no further discussion, upon motion by Mr. Jacobs, seconded by Ms. Hood, the application for financial assistance submitted by Overlake Hospital Medical Center was unanimously accepted.

Review, discussion and possible action regarding the acceptance of an application for financial assistance submitted by MultiCare Health System (MultiCare).

Ms. Murr summarized the application for financial assistance submitted by MultiCare Health System. MultiCare is an integrated healthcare delivery system providing inpatient, outpatient and other healthcare services primarily to the residents of Pierce and south King counties and, with respect to pediatric care, much of the southwest Washington region. MultiCare is applying for a loan for \$745,000,000. Proceeds of the loan will be used (a) to reimburse MultiCare for the acquisition of the Rockwood Health System located in Spokane, Washington; (b) to refund all or a portion of the Authority's Revenue Bonds, Series 2007 ABCD (MultiCare Health System); (c) to convert, refund or renew all or a portion of the Authority's Revenue Bonds, Series 2012B (MultiCare Health System); and (d) to finance the costs of issuance and potential bond premium. The reimbursement portion of the loan is estimated at \$314,000,000; the refunding portion \$365,000,000 and \$66,000,000 for costs of issuance and potential bond premium. A portion of this financing will be a public sale underwritten by J.P. Morgan Securities LLC and Wells Fargo Securities serving as co-senior managers and another portion of this financing will be Direct Placement. In addition, this financing will be both tax-exempt and a portion of the loan will also be taxable financing. The primary security will be determined. A Certificate of Need is not required per MultiCare Health System. Feasibility will be based on the investment grade rating of MultiCare. . The interest rate and loan terms will be determined. The bond rating will be based on the credit rating of MultiCare Health System, currently rated AA3 by Moody's, AA- by S&P and AA- by Fitch. The bond trustee will be U.S. Bank National Association.

It is anticipated by MultiCare that it will save approximately \$20.9 million in aggregate debt service by issuing the tax-exempt eligible components of the 2017 financing with tax-exempt debt, compared to issuing the 2017 financing as taxable debt. The lowered cost of borrowing from a tax-exempt financing will lower the operating expenses for MultiCare, thereby reducing its dependency on cash flow derived from revenue sources. Additionally, this proposed financing will reduce the cost of providing care and lessen the need for rate increases. A tax-exempt financing through the Authority is the most cost effective method when compared to other financing options and will create financing cost savings. The cost savings benefits will be passed to the communities' services by MultiCare through lowered rates and charges.

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

Ms. Murr proceeded to introduce Ms. Swain, Treasurer for MultiCare Health System. Ms. Swain provided a brief overview of the services provided by MultiCare and the proposed financing plan of MultiCare Health System. Ms. Swain discussed the acquisition of Rockwood Health System in Spokane, Washington, and the conversion of Rockwood Health System to a non-profit health system.

In response to Mr. Jacobs' inquiry regarding the whether or not the physicians of Rockwood Health System are independent or actually employees of the Health System, Ms. Swain stated that there are over 300 physicians that joined the MultiCare Health System but some still do remain independent.

There being no further discussion, upon motion by Mr. Jacobs, seconded by Ms. Hood, the application for financial assistance submitted by MultiCare Health System was unanimously accepted.

Executive Director's Report.

Ms. Murr reviewed the Executive Director's Report presented in the meeting 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 10:05 am.

John Wiesman, Secretary