



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

Board Members

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Chair

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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

**Washington Health Care Facilities Authority
Special Board Meeting
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Thursday, June 8, 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
Lieutenant Governor Cyrus Habib, Member, by conference speakerphone
John Wiesman, Secretary of Health, Member, by conference speakerphone
Steven 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
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.
Thaddaeus Gregory, Summer Associate, Hillis Clark Martin & Peterson P.S.
Libby Hollingshead, Deputy Chief of Staff, Office of Lieutenant Governor Cyrus Habib, by conference speakerphone
Mike Romine, Chief Financial Officer, Columbia Valley Community Health
Michele Wilsie, Chief Financial Officer, Cascade Mental Health Care
Dr. Richard Stride, Chief Executive Officer, Cascade Mental Health Care
Barry Bendall, Banking Manager, Wells Fargo Bank, N.A.
Tom Zrust, Vice President Corporate Trust Services, U.S. Bank National Association
Mark Gordon, Vice President, Security State Bank

Mr. Schumacher called the meeting to order at 11:02 a.m. after noting a quorum was present consisting of himself, Lt. Governor Habib, Mr. John Wiesman, and Mr. Steve Jacobs.

Review, discussion and possible action regarding the Minutes of May 11, 2017.

After discussion and upon motion by Mr. Jacobs and seconded by Mr. Wiesman, the minutes of the May 11, 2017 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2017-06 approving the application for financial assistance and authorizing the issuance and sale of a bond for Columbia Valley Community Health (CVCH).

Mr. Govia summarized Resolution No. 2017-06, which if adopted would approve the application for financial assistance and authorize the issuance and sale of a bond for CVCH in an amount not-to-exceed \$9,911,965. Proceeds of the loan will be used to finance the construction of a new outpatient clinic in Chelan, Washington and refinance the WHCFA Series 2010 Bond. The clinic will be 17,000 square feet and provide medical, dental, WIC nutritional program, integrated behavioral health medicine and behavioral health and outreach.

This transaction will be a Quick Loan private placement with Wells Fargo Bank, N.A. serving as lender. Primary security is a deed of trust. There are no Certificate of Need issues per the Department of Health. Feasibility is to be determined by the lender. A TEFRA hearing was held on April 12, 2017, at which no individuals testified for or against the project. The interest rate will be fixed and is estimated at 2.67% with a 10 year initial term and a 15 year amortization. Wells Fargo Bank, N.A. is listed as depository bank in the resolution summary but there has been a change in depository agents since the summary was circulated. U.S. Bank National Association will serve as the depository agent for this transaction. It is anticipated by CVCH that it will save approximately \$1,000,000 in interest costs over traditional taxable interest rate financing 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 Authority's bond counsel as well as information in the application, Mr. Govia urged the adoption of Resolution No. 2017-06 for the benefit of CVCH. Mr. Gottlieb summarized the documents presented for approval and indicated that they are all in good order.

In response to Mr. Jacob's inquiry regarding the possibility of additional savings due to the final interest rate being lower than originally anticipated, Mr. Romine confirmed there will be additional savings and that those savings will also be used to support the provision of charitable care and for the expansion of services.

Mr. Govia introduced Mr. Mike Romine, Chief Financial Officer of CVCH. Mr. Romine stated that the project is already underway and anticipated completion to be in the later part of September, 2017. Mr. Romine expressed his gratitude to all parties that assisted with this transaction.

In response to Mr. Wiesman's inquiry regarding the impact on service to the community with the new facility, Mr. Romine stated that there is a current clinic in place and all staff will move to the new

facility. In addition, the new facility will provide the ability to add one physician and one dentist to assist in serving additional patients in the community.

There being no further discussion, no member of the public requesting the opportunity to comment, and upon motion by Mr. Jacobs, seconded by Mr. Wiesman, Resolution No. 2017-06 was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2017-07 approving the application for financial assistance and authorizing the issuance and sale of a bond for Cascade Mental Health Care (CMHC).

Mr. Govia summarized Resolution No. 2017-07, which if adopted would approve the application for financial assistance and authorize the issuance and sale of a bond for CMHC 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 facility located in the Port of Centralia and to pay for costs of issuance.

This transaction will be a Quick Loan private placement with Security State Bank serving as lender. Primary Security is a deed of trust. There are no Certificate of Need issues per the Department of Health. Feasibility is to be determined by the lender. A TEFRA hearing was held on May 24, 2017, at which no individuals testified for or against the project. The interest rate will be fixed at 4.50% for the initial 5 year term with a 10 year maturity and a 25 year amortization. Security State Bank will also serve as the depository agent. It is anticipated by CMHC that it will save approximately \$755,659 in interest costs over traditional taxable interest rate financing 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 Authority's bond counsel as well as information in the application, Mr. Govia urged the adoption of Resolution No. 2017-07 for the benefit of CMHC. Mr. Gottlieb summarized the documents presented for approval and indicated that they are all in good order.

Mr. Govia introduced Ms. Michele Wilsie, Chief Financial Officer and Dr. Richard Stride, Chief Executive Officer of CMHC. Dr. Stride thanked the Authority for considering this transaction. Dr. Stride stated that this is a much needed facility in Lewis County and will allow patients to remain in Lewis County for their treatment.

In response to Lt. Governor Habib's inquiry regarding the type of facility being constructed and whether it was for in-patient or out-patient services, Dr. Stride stated this new facility will be a 16 bed in-patient unit with an additional six bed crisis stabilization unit.

In response to Mr. Jacob's inquiry regarding the additional funding provided by the Behavioral Health Organization (BHO), Ms. Wilsie stated the funds are designed to cover payroll for the first two years of operation and the BHO has also agreed to buy the beds should they not be filled.

There being no further discussion, no member of the public requesting the opportunity to comment, and upon motion by Mr. Jacobs, seconded by Mr. Wiesman, Resolution No. 2017-07 was unanimously adopted by roll call vote.

Review, discussion and possible action regarding the Authority Budget for FY 18-19.

Ms. Frye presented the proposed budget for FY18-19. The estimated June 30, 2017 total fund balance is \$3.18 million. The current fund balance reserves are divided into three categories:

- Insurance/Legal Contingency Reserve is set at .03% of the outstanding principal of loans as of June 30 of each year and is to cover the deductible on the D&O insurance policy and the general liability insurance policy, plus the cost of litigating any suit brought against the Authority prior to payment by the D&O provider;
- Special Assistance Reserve is composed of the interest earnings on Authority investments. These funds are used to assist non-hospital customers pay for the costs of bond issuances. The Authority will pay half of bond counsel charges up to \$15,000 on non-hospital bond issuances of \$10 million and less;
- Operational Reserve equal to 1 times agency expenditures and is intended to cover Authority costs in the event that business falls off for a period of time; and

Based upon projected revenues and expenditures, there will be an estimated \$3.14 million total fund balance (equity) as of June 30, 2018. However, the amounts in each reserve fund will change as the Insurance/Legal Reserve will reduce to about \$1.68 million, Special Assistance Reserve will remain at \$150,000, and the Operational Reserve will increase to \$1.39 million.

Revenues are projected at \$1,346,862 and \$1,364,270 for FY18-19 respectively. Expenses are projected at \$1,393,307 and \$1,384,061 for FY18-FY19 respectively, leaving a deficit balance each fiscal year of (\$46,445) and (\$19,791) for FY18- FY19 respectively. This will slightly reduce the projected fund balance (equity) to \$3.12 million at June 30, 2019. It is important to keep the overall fund balance (equity) at between \$3million and \$3.5 million.

Annual fees have been adjusted over the years to try to achieve a better balance of revenues and expenditures and maintain agency fund balances (equity) at approximately \$3.5 million. The current fees are set at 2basis points with a maximum per borrower cap of \$250,000 for loans over \$1 billion and \$150,000 for loans under \$1 billion. The recommendation is to adjust to the rate and the cap to keep the fund balance at a reasonable level based on the projected transactions and expenses for the next two years as follows:

- For FY18 and FY19 charge borrowers 2.5 basis points with a maximum per borrower cap of \$300,000 for borrowers with outstanding loans over \$1 billion and \$200,000 for borrowers with outstanding loans under \$1 billion.
- Review fund balance as of June 30, 2018 to determine whether adjustments to fee schedule are warranted.

In response to Lt. Governor Habib's inquiry regarding whether or not increasing fees will impact the ability to provide desirable financing options for borrowers. Ms. Murr responded that the current and

proposed fees charged by the Authority are one of the lowest across the country and we feel our proposed fees are a fair and are a great value for the services that are provided.

In response to Mr. Wiesman's inquiry regarding some specific budget items: the IT audit, phone system costs and if the merit pay increases are a new item. Ms. Frye responded that the IT audit occurs every 3 years, so the next audit will be in FY18. The Authority needs to update the current phone system and merit pay has always been included in the budget.

There being no further discussion, no member of the public requesting the opportunity to comment, and upon motion by Mr. Jacobs, seconded by Mr. Wiesman, the Authority Budget for FY18-19 was unanimously approved by roll call vote.

Review, discussion and possible action regarding the selection of the Authority Financial Advisor.

Ms. Murr stated the Authority's contract with its financial advisor, Melio & Company, is set to expire on June 30, 2017.

The Authority followed DES's Personal Services Competitive Procurement guidelines contained in RCW 39.26 as well as the Authority's procurement delegation granted by DES by posting a Request for Proposal (RFP) to its Washington Electronic Business Solution for Government Customers website and mailed the RFP to the top healthcare financial advisors in the nation. Proposals were received from three firms and independently reviewed by the selection committee comprised of Steve Jacobs, Dan Gottlieb and herself. Based on the review, the committee recommended to retain Melio & Company for an initial contract period of three years.

After further discussion, without public comment and upon motion by Mr. Jacobs, seconded by Mr. Wiesman, the selection of Melio & Company as the Authority's financial advisor 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 11:45 am.

John Wiesman, Secretary